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Cities in Transition

Globalization, Political Change and Urban Development

edited by

Rita Schneider-Sliwa

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Globalization, Political Change and Urban Development

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IDEOLOGY COLLAPSED

SYNOPSIS

THEORETICAL FRAMEWORK

1 Global and local forces in cities undergoing political change

Rita Schneider-Sliwa
Department of Geosciences, University of Basle

Much has been written about metropolitan development and global trends (Amin & Thrift 1994; Castells 1996; Dicken 1998; Sassen 1996, 1999; Keil & Ronneberger 1994; Marcuse & van Kempen 2000; Brand *et al.* 2000; Hirsch 2000; Storper 1997). Many of these authors feel that globalisation will eventually even out the structural and institutional differences between the cities. Globalisation is thus seen as a spectrum of different processes: for the economist, globalisation refers to the worldwide interrelations of national economies; the political observer focuses on the loss of national economic independence and privatisation of institutions; and scientists in the socio-cultural field consider the developments leading to worldwide standardisation of consumer patterns, life-styles and changes in society (Rieger & Leibfried 2001). Often, it is not globalisation *per se* that is of interest, but the effects thereof – i.e. the new classes of winners and losers created by the globalisation of the economy and international competition (Keohane & Nye 2000). Literature on the topic deals with the positive and negative consequences. One of the long-term advantages frequently cited is *the potential offered by increased international competition for restructuring and re-orientation towards competitive economic branches*. Thus, in several cities and regions, a concentration of global management and control functions may be observed, particularly in the banking and financial sector, among transnationally operating companies, as well as regional, international and supranational institutions (Sassen 1996; Castells 1996). As local bases of continental or transcontinental powers of decision-making, control and co-ordination, these cities acquire greater significance as engines of development if they can offer nodal qualities in three systems that generate added value. These systems are: the generation of innovations; the control of capital flow; and market information. In this respect, any one of these service clusters is able to increase the functional importance of a whole region for the national or international market (Castells 1996; Schamp 2001, p. 169). *Globalisation also has the potential to increase local mobility and prosperity potential.* The homogenisation of educational systems, the improvement of high-speed networks, the increasing incorporation of urban centres into the global economy and the intensification of global markets and social relations are examples that would fall into this category. A positive side-effect of globalisation is thus the increased

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significance given to the qualitative aspects over purely quantitative aspects of growth. To be more precise:

- Growing individual freedom due to improved freedom of movement of workers, goods and capital;
- Increasing democratisation and legal security due to the encouragement of mobility; increasing prosperity particularly in those areas where mobility refers to work migration;
- Improving quality of human capital as a result of greater expectations placed in qualifications;
- Improvements in the environmental sector due to the better detection and easier combating of environmental damage in a globally networked world.

Negative consequences of globalisation may be found in the development of certain tertiary activities that lead to a *homogenisation of certain consumer patterns and lifestyles, i.e. the adoption of a global culture* (Sassen 1996; Barnet & Cavanagh 1996). In politics, some forms of urban governance and corporate urban policies are associated with the loss of cultural diversification, social orientation and democratic structures (Brand *et al.* 2000; Hasenclever, Mayer & Rittberger 1997; Jessop 2000; Ossenbrügge 2001). *Fragmentation and increasing differentiation, as well as recent regional and social exclusion at urban, regional and continental levels can also be considered as negative aspects of globalisation* (Appadurai 1990, 1996; Featherstone 1993, 1995; Cox 1997; Scholz 2000). Due to the focus on capital intensive production or services for upper income groups, residual worlds that are no longer of value in a global economy due to unattractive buying power or production potential have often arisen alongside the nodes of economic competition and newly established "global places". The increasing exclusion of such places has been further intensified by political measures, such as liberalisation of the market, the separation between societal policies and the economy, and the downgrading of the welfare state at all levels of the federal system.

Aim of this book

A large proportion of literature on this topic assumes that the above-mentioned development paths belong as it were to the natural pattern of life, and that globalisation will evolve in a similar way and with predominantly negative consequences for all cities affected. *This book does not see globalisation as a process that either forces uniformity upon individual regions or cities and their political institutions, or imprints the newly created macro-cultural structural patterns onto local forms*. Precisely because of local differences and developments, complex urban systems as such are not likely to experience identical trends and development patterns. There are too many factors which influence urban development (Fig. 1), and the context of these factors within each city is very different. Globalisation has not been able to override the agents, planners and motivators within politics, the economy and society that stand behind these forces. Neither can it replace economic activity, the state, politics in general, nor human activity. Thus in the era of globalisation, metropolitan development remains hypothetical: urban development can, but need not conform to the apparent laws of nature of global trends (Rieger & Leibfried 2001:75,76f.; Keohande & Nye 2000; Kapstein 2000).

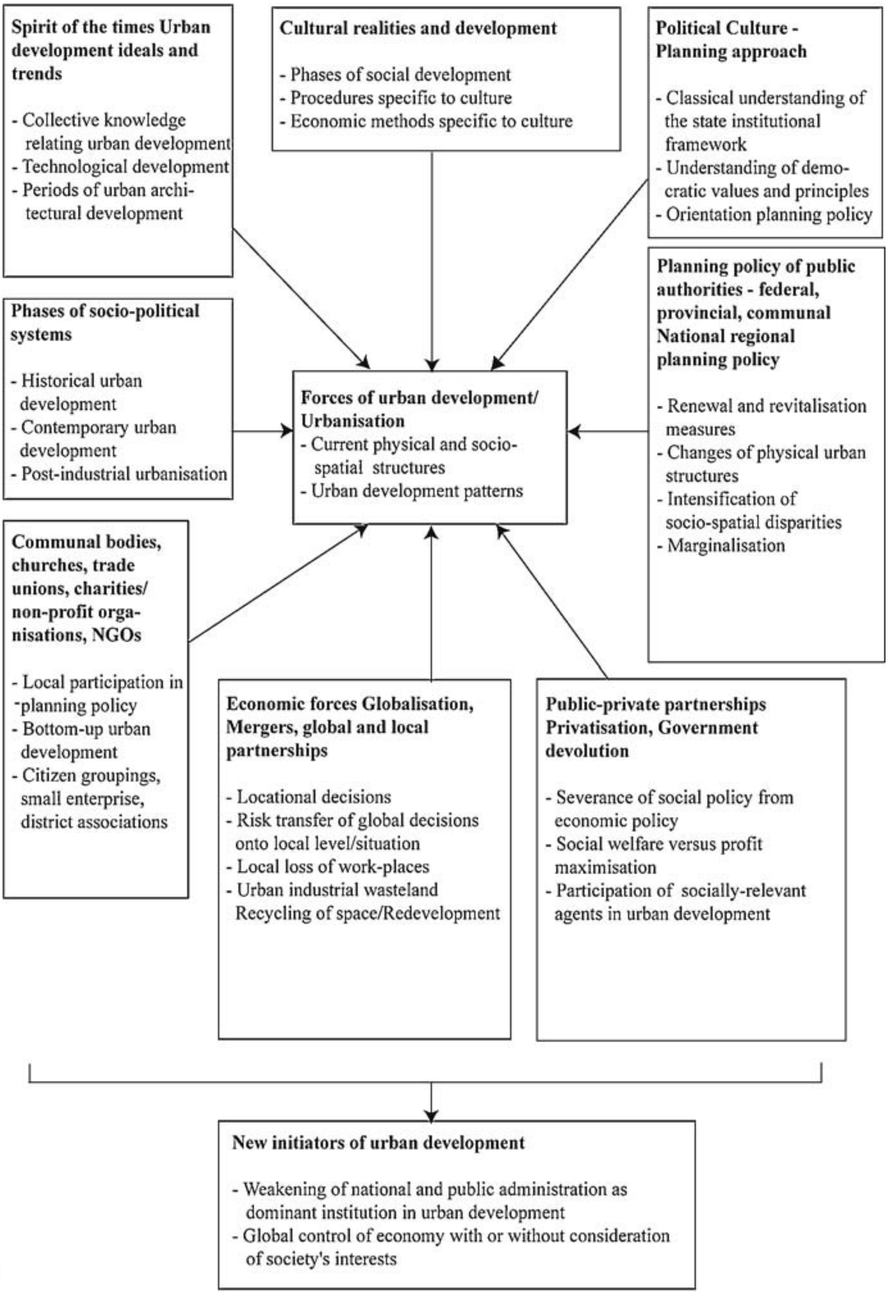

Fig. 1: Forces of urban development (Concept: Rita Schneider-Sliwa)

This is where this book fits in. It focuses on the interplay between local and global forces whose influence is strongly affected by the very different spatial and temporal local constellations and development factors which give globalisation its local flavour. The extent to which globalisation and the resulting worldwide new positioning of urban centres is manifested locally and how apparent their positive and negative consequences are, often depends on the input of regional and local characteristics or developments. In addition, it may depend on how "local identity" and "territorial characteristics" are construed in the sense of a total constellation of specific, unique and never-to-be repeated circumstances with regard to social, economic, urban and structural and infrastructural set-ups (Conti 1997, p. 97). *Our main argument is thus that developments appearing in cities are not subject to almost unconditional global forces. Rather, we are able to show that universal forces are decisive eventualities in the process of urban restructuring, often influencing its course and speed, yet that developments and particularities within a city strongly influence the course of events*.

This topic is exemplified by means of eleven case studies of metropolises that have recently undergone restructuring due to political developments or as a result of the collapse of an existing system. Although these cities represent different political and socio-cultural contexts, they have in common either a recent revolutionary or otherwise dramatic political change of their social responsibilities, or their nodal function has or could soon dramatically change.

As a result of this very change of the political system, these metropolises have been placed in the unique situation that they can activate their endogenic potential more than usual. During the transitional phase between two political or economic systems, the new beginnings affecting politics, the economy and the planning of global and hinterland functions can unleash special energies, thus strongly influencing existential, functional and development conditions. Cities undergoing a transitional period or experiencing a phase of radical change have the opportunity to emphasise their local peculiarities, cultural elements or characteristics as an important element of an interesting locality factor. They are able to reflect on their original identities and to re-awaken these with various measures. The departure from ideologies allows for a new beginning, a re-evaluation, the search for an identity and the break with presumed inevitabilities. The collapse of a system after deterred development by a socio-political system opens up new possibilities for an innovative urban development not dependent on taking over global patterns of structure. This therefore allows the combination of local strengths with the best of global developments. This type of urban development can plan new urban forms, structural patterns and mechanisms of adaptation that do not necessarily follow the so-called global paths of urban development, particularly their negative characteristics. *Where global trends are still able to establish themselves locally, these may be seen as policy choice and not as unavoidable global development.*

In the following urban examples, particular attention is given to urban development and processes that could serve to integrate a city in the world economic system and that point towards a possible win situation in the era of globalisation: tertiarisation and tertiary restructuring, internationalisation, the formation of metropolitan clusters of strategic corporate activity, as well as management and control capacities for the co-ordination and control of global economic activity.

Factors and processes which hinder or delay cities from taking on nodal functions in a transnational-oriented economy are also dealt with.

The different forces affecting these cities are observed in all their complexities: on the one hand these are forces originating from globalisation processes, on the other hand there are those which are firmly rooted in the geographical peculiarities of each city. This reflection permits an emphasis on the interaction between political, regional and urban-specific conditions with the otherwise over-dominant economic processes. In the eleven case studies, subdivided into five classes, the challenges and potentials linked to global processes are dealt with very differently.

Berlin and **Jerusalem** are examples where contrasting forms of hegemony have been reasserted with different results for development potential. Both cities are important capitals that suffered under decades of political and military division and were only recently re-united. Berlin was divided physically and psychologically into two diametrically opposed political ideologies. One part of the city (West Berlin) was a political enclave within the domain of the other state (GDR) and until recent times a permanent trouble spot in the Cold War between the two super powers, the USA and Soviet Russia (USSR). Since re-unification, Berlin as capital and official urban symbol of a united Germany finds itself not only faced with the problems of globalisation, but with the difficult task of uniting the social fabric of two different social cultures. On the other hand, Jerusalem with its multicultural tradition was divided after the formation of a modern national state in the twentieth century and its integration therein. Armed conflict caused Jerusalem to be put under Israeli administration, however the city has remained at the centre of the opposing claims by the Jewish state and the Palestinian people. Jerusalem's main role in the region is to overcome the social and political differences between the Jews and the Arabs. Their physical reunification under the political administration of one state and the opportunity to benefit economically from the situation, give these two case studies conceptual similarity.

A new balance of power and its significance for urban development are exemplified by **Hong Kong** and **Sarajevo**. These cities differ from the previous two case studies in that they are caught up in political centralisation and decentralisation. Hong Kong, from the economic point of view a global city and until recently a political enclave, is trying to continue functioning in the same manner as before. To its advantage is the fact that it has been granted special privileges within the centrally run State of China for a further fifty years. Sarajevo is an example of a city recovering from a recent war that was triggered off by a state falling apart. Although Sarajevo is a relatively small nodal point in the European urban network, it has to rebuild its regional foundations under the difficult conditions of global structural change and within the atmosphere of political change in the region.

The collapse of ideologies, such as that of communism in Eastern Europe, may certainly be brought into context with global forces, but the history and cultural fabric of a region and its larger cities ensures that the consequences are unique. Although **Moscow** and **St. Petersburg** find it difficult to adapt economically and socially to an international market economy, they have even greater problems trying to deal with democracy. Their foremost aim is to face this challenge in a world characterised by globalisation. For **Johannesburg** as well, an era and an ideology have come to an end. However, Johannesburg remains an urban land-mark of Apartheid capitalism of a political system by which it is no longer governed. This major economic centre is in the difficult situation of upholding its economic position among the metropolises of the world's economy under a new political leadership.

The expansion of economic hinterlands and political horizons due to European integration efforts and the collapse of the socialist system are illustrated by the case studies of **Vienna** and **Brussels**. These cities find themselves in regions that are neither in a state of destruction nor at a disadvantage. On the contrary, they are in a situation to be able to profit from new, externally-induced relations. **Vienna** stands at the portal to a South Eastern Europe that is once again open to free trade and investments after decades of a controlled economy. Consequently, the region is in a position to rebuild or possibly improve on its former economic pre-eminence. Due to a political fortuity, **Brussels** profits from its seat as the site of the EU Commission and thus already exerts unusual political control over a still expanding European Union. Considering the size and location of Brussels, it may be expected that its influence will continue to grow.

In the last category, the cities and regions dealt with are examples of those that for political reasons have largely been disadvantaged in their economic and political development. In the case of **Hanoi** and **Ho Chi Minh City**, the long years of the Vietnam War, carried out for ideological and strategic reasons, left them in a difficult situation and with only few immediate development possibilities. The situation is changing slowly, but the war left the cities with numerous burdens and limitations within the world economic system that will take a long time to overcome.

It is obvious that the five politically-oriented categories do not mutually exclude one another, and that several of the cities selected would be able to fit into more than one of the categories defined for the purpose of the book. Further, it is important to note that all of the cities, irrelevant of their political situation, have entered the process of globalisation at very different stages along a development spectrum. The case studies are taken from industrial and developing countries and could easily represent a continuum of development processes and their inherent future potential. Brussels, Berlin and Vienna are cities representing industrial nations. These are cities with relatively favourable conditions within the framework of the EU urban network, permitting them to expand their positions as regards high-ranking functions, for the greatest possible economic benefit and the highest possible social compatibility. Hong Kong, Moscow and Jerusalem represent transitional countries, i.e. *newly industrialised countries* and other countries with transient forms hardly mentioned in the literature, which find themselves between different systems or cultures. These are cities in which capitalism and collectivism or different cultures are in a process of finding new common forms. Thus, they are in many respects in a state of local or regional conflict. Hanoi, Ho Chi Minh City, Sarajevo and Johannesburg belong either to those cities with substantial development deficits, or to those in developing countries on the brink of "take-off". These are not only faced with the negative influence of upheaval, but they have to cope with religious, ethnical, military and/or cultural problems which – as for Jerusalem – are difficult to overcome, and stand in the way of metropolitisation in the sense of a tertiarisation of global functions and economic stability.

The political categories of three different development contexts and appropriate background information serve to show how central forces, which are part of a process of change, work together, how local and regional conditions have been able to influence the perceived unstoppable process of globalisation and how this leads to considerable qualitative and quantitative differences in the urban development processes of the globalisation era.

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2 Berlin: Coping with the past – looking ahead

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2.1 Introduction

No other large city in Europe has faced the same setbacks in urban and economic growth as Berlin during the last century. After being made capital of Germany in 1871, the path to economic and cultural dominance seemed certain and even the difficulties during World War I appeared to have little effect on the image Berlin had gained by the 1920s as a European metropolis. The reign of the National Socialists (1933–45) soon thereafter put an end to the importance and to further development of Berlin: war, destruction and the division of the city were the bitter results. After the war, Berlin was not able to regain the status it once had – the wall dividing not only the city, but also two world power blocks. The wounds caused by the division of more than half a century are slow to heal even (after) fifteen years following reunification. This chapter aims to illustrate the difficulties of a new beginning.

2.2 Political-economic developments, review and starting point

2.2.1 Berlin as capital of Germany 1871–1945

Despite a good deal of scepticism, the capital of Prussia was declared capital of the German *Reich* in 1871 (Kiaulehn 1981), initiating a period of rapid industrial growth for Berlin. Inventors and entrepreneurs founded businesses in electrical engineering, light metal, mechanical, chemical, pharmaceutical, garment, printing and other industries. This agglomeration of industries in the 1920s accounted for approximately one sixth of the total production in Germany (Kramp 1996, p. 90).

Rapid growth was favoured by the relative centrality of Berlin within Germany (Fig. 2.1), marked by its nodal function within the waterway network, and later by a dense railway network leading to the city. As early as 1923, the accessibility of Berlin was further enhanced with the introduction of air transport.

With industrial growth, both the trading and services sector expanded. Berlin grew to be the most important financial centre of Germany. Trade fairs and

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exhibitions were initiated and successfully run. The sciences boasted prestigious institutions, such as the university, technical college and the Kaiser Wilhelm Society. The reputation and diversity of Berlin's arts and culture scene, as well as the standard of its press, were the talk of society far afield.

It soon became clear that with the concentration of both cultural and industrial activity, Berlin "had to a great extent settled into the role given to it as capital of the Reich" (Herzfeld 1952, pp. 164f.). With time, the city began to attract migrants, particularly from the East German provinces. Within several years, the number of residents increased dramatically from 419,000 in 1850 to 1.9 million in 1900 to over 4 million in the 1920s. Contributing to the growing resident numbers was the incorporation of numerous adjoining towns and villages into the Berlin municipal area in 1920. By that stage, no other city in Germany and – few worldwide – matched Berlin in population size.

"Not much is left of the position Berlin had" (Süß 1995, p. 12). As a result of the war, the city was divided into two parts, the structural and aesthetic development of which followed very different philosophies from thereon.

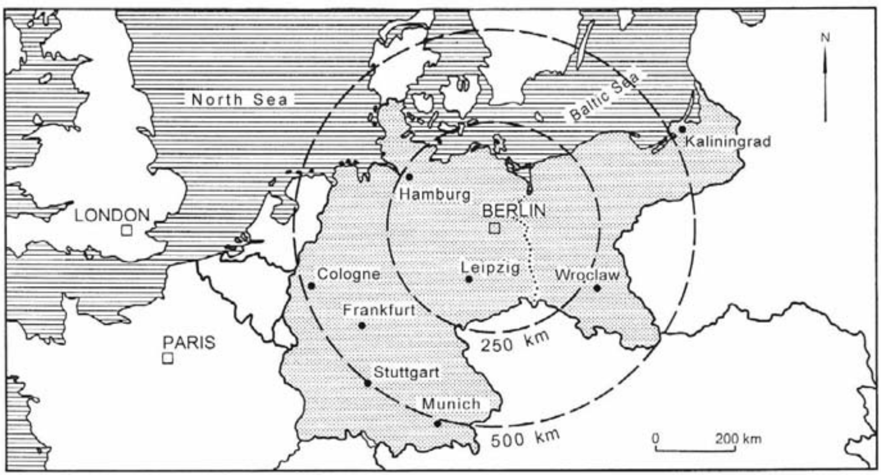


Fig. 2.1 Berlin's location within Germany pre-World War I and today (Source: Stier *et al*. 1990, pp. 147 ff.)
From being relatively central, Berlin found itself in a peripheral position on the eastern border of Germany after the wars. As a result of the country's territorial losses, the Polish border is now only about 60 km away, near Frankfurt/Oder.

After the unexpected re-unification, these two sectors had to be brought together and harmonised, a task generally considered as most difficult and tedious.

2.2.2
Changes in the geopolitical location

Berlin's period of centrality within Germany proved to be limited (Fig. 2.1). The secession of German regions to Poland after World War I, and particularly after World War II, reduced the distance between Berlin and the eastern German border greatly. Today, the Polish border near Frankfurt/Oder is only about 60 km away.

With changes in its relative location, Berlin was degraded to a regional centre in East Germany, intensified by the fact that the most important West and South German metropolitan and industrial centres were more that 500 km away. From being at the "centre" of Germany, Berlin now found itself at its periphery.

In the context of Europe (Fig. 2.2), Berlin might still have a central geographic position, but as a result of political-economic developments during the last few decades, the city finds itself on the border of the European Union and at the interface between East and West (Kunzmann 1995, p. 127). Consequently, Berlin is in an ideal position to be considered "A gateway to Eastern Europe", bridging the path to East European markets (Kathmeyer, Lange & Quast 1992, p. 123). This situation could be reinforced in the event of a future eastward expansion of the European Union; however Berlin is not without competition; other cities, such as Vienna are bound to follow similar ambitions (see Chapter 9).

2.2.3
Political insecurity and transfer of central functions

Many of Berlin's numerous central functions were lost in the aftermath of the War. East Berlin became the capital of the German Democratic Republic (GDR) and was promoted as its economic and cultural centre. Its substance and aura, however, were simply too weak to enhance the status of Berlin after reunification. West Berlin was during the same period more or less an island and only managed to survive with substantial financial support from the Federal Government. The conflict area of Berlin was of international concern, the political insecurity not exactly beneficial for economic development, particularly as the transit routes to Berlin ran through the GDR, the western foreland of the super-power Soviet Union. Consequently, large concerns, banks and other enterprises relocated their headquarters to other areas in the Federal Republic of Germany. Of the numerous government offices once stationed in Berlin, only a few subordinate services could remain in West Berlin. West German cities took over the functions once held by Berlin; Bonn, for example as the new seat of government, Frankfurt/Main as the financial centre and international air traffic hub.

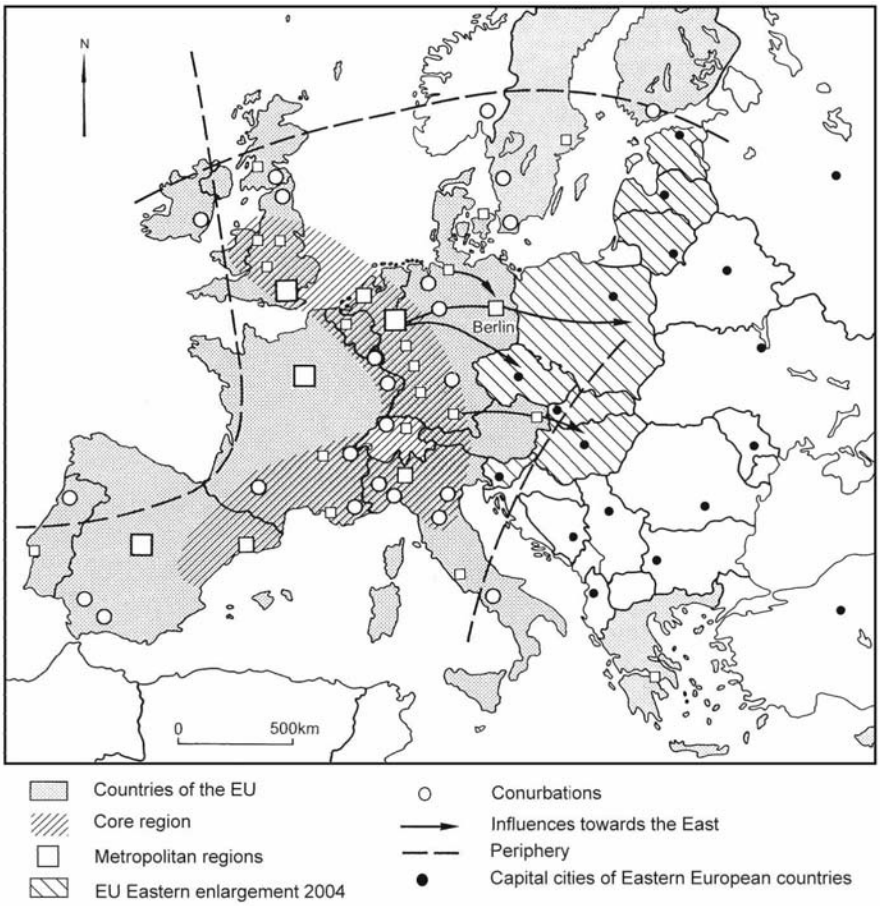


Fig. 2.2 Berlin's location in the European Union (Source: Schätzl (ed.) 1993, p. 28, adapted). Situated on the eastern boundary of the EU, Berlin has taken on the role of mediator to Eastern Europe in anticipation of future EU expansion. For Eastern Europe, Berlin is next to Vienna the closest West-European city and thus also a major target for contacts and migration.

Other cities, such as Hamburg, Munich, Stuttgart, Cologne and Dusseldorf took up leading positions in the German economy in the fields of modern industries, commerce, media and advertising, trade fairs and film production. A divided Berlin was simply not strong enough to compete. At reunification it had still the highest population, but functionally it was no longer of higher importance.

A decision passed by the *Bundestag* (German Parliament) in June 1991 had far-reaching consequences for the future of Berlin; it was given back its status as capital and seat of government. The Federal Government was scheduled to move by 2000.

2.3
Population explosion or stagnation

2.3.1
Population growth since reunification

At the turning point of German history in 1990, the population of Berlin was estimated to be about 3.4 million residents, 63% living in West Berlin, 37% in East Berlin. The first population projections made at that time were too optimistic. On the medium-term Berlin's population numbers were expected to grow to over 5 million. In reality, after a short period of increase, population figures have steadily decreased since 1993 (Table 2.1). One important reason for the decline is the negative natural population trend. Whereas this tendency had been registered in West Berlin for several years, in East Berlin it only set in after 1991. A dramatic drop in the birth rate was the cause, figures falling from 14.8‰ (1987) to 12.1‰ (1990) and 5.8‰ (1993) before increasing again slightly to 7.1‰ (1997) (*Statistisches Jahrbuch Berlin* 1998). Changes in family planning decisions seem to be the main reason for the reduced number of births, probably as a result of increasing job uncertainties and the loss of state support in the form of bonuses or residential subsidisation on the one hand, and new opportunities for spending money, such as travelling, on the other. The number of women aspiring to professional careers also increased. Berlin's relatively high death rates, due to the high number of elderly people in West Berlin, add to the negative natural population trend of –1.8‰ in 1997 (West –2.1 ‰, East –1.2 ‰). Until 1993, natural population decline was kept in balance through migration influx. However, sub-urbanisation processes steadily increased in subsequent years, leading to negative growth by 1996. Based on figures recorded for 1997 and 1998, it seems certain that the negative trend will continue (Table 2.2). The number of moves to the Federal State of Brandenburg has increased, the majority moving into the suburbs surrounding Berlin (see below).

Table 2.1 Population development in Berlin (West and East Berlin) 1970–1999 (Source: *Statistisches Landesamt Berlin*, 2001)

Year	*Berlin (Total)*	*Berlin – West*	*Berlin – East*
1970	3,208,720	2,122,346	1,086,374
1980	3,048,759	1,896,230	1,152,529
1990	3,433,695	2,157,969	1,275,726
1991	3,446,031	2,164,904	1,281,127
1992	3,465,748	2,171,767	1,293,981
1993	3,475,392	2,176,474	1,298,918
1994	3,472,009	2,170,998	1,301,011
1995	3,471,418	2,170,311	1,301,107
1996	3,458,763	2,162,098	1,296,665
1997	3,425,759	2,139,728	1,286,031
1998	3,398,822	2,124,880	1,273,942
1999	3,386,667	2,117,376	1,269,291

Table 2.2 Population dynamics in Berlin 1993–1999 (Source: *Statistisches Landesamt Berlin*, 2001)

Year	*Natural increase and decrease*		*Net migration*	*Total increase/decrease*
1993	- 12,549	- 3.6 ‰	+ 22,193	+ 9,644
1994	- 12,235	- 3.5 ‰	+ 8,852	- 3,383
1995	- 10,597	- 3.1 ‰	+ 10,006	- 591
1996	- 8,194	- 2.4 ‰	- 4,461	- 12,655
1997	- 6,078	- 1.8 ‰	- 26,926	- 33,004
1998	- 5,612	- 1.6 ‰	- 21,325	- 26,937
1999	- 5,140	- 1.5 ‰	- 7,015	- 12,115

The question as to whether the population decline in Berlin will continue depends on various factors. Will the tendency to lower birth rates, especially in East Berlin, continue? Will the move of the Federal Government bring new migration from West Germany? How much migration from Berlin to neighbouring Brandenburg is to be expected? From approximately 4,000 persons recorded in 1992/93, this migration increased steadily. As long as residential development in the suburban area continues and average income in East Berlin improves, the trend is likely to remain. Population forecasts expect an increase of 210,000 persons between 1995 and 2010, the average annual increase being about 14,000 persons (*Senatsverwaltung für Stadtentwicklung, Umweltschutz und Technologie* 1997, p. 6). However, it is very likely that these figures are underestimated (for more on demographic suburbanisation, see Bauer 1997).

2.3.2
Medium-term forecasts

Taking developments since 1990 into consideration, recent population forecasts by the Government of Berlin (January 1997) are noticeably more cautious than the euphoric forecasts made soon after reunification. From 1995 to 2010, population numbers are expected to increase from 3.46 million people to 3.62 million, by about 150,000 over 15 years. Immigration influx from abroad will be the main contribution towards a balanced situation; the number of non-German residents is estimated to increase from 433,000 in 1997 (12.6%) to 630,000 in 2010 (17.4%). Migration from the old and new federal states is only of secondary importance, expected to be minimally positive.

The German Institute of Economic Research (DIW) in Berlin published even less optimistic results only nine months later, in October 1997 (DIW *Wochenberichte* 41/97). According to them, the urban population is expected to decrease by 70,000 persons or 2% between 1995 and 2015, former West Berlin being affected most. Causes mentioned are negative natural population change and migration from the city into the suburban area. Migration influx, especially from foreign countries, will only be able to compensate for two thirds of the outflow. In contrast, regions of Brandenburg strongly interlocked with Berlin will experience an increase from ca. 800,000 (1995) to over 1 million residents (2015).

Both forecasts agree on a stagnation of population numbers in Berlin in the medium term, the Government tending towards minimal growth, the DIW towards minimal loss. Both however are very different from the optimistic forecasts made just after reunification. What seems certain is that the suburban belt surrounding Berlin will become increasingly urbanised, ultimately leading to the establishment of a metropolitan area which extends over the administrative delineation of the city – a process that has been apparent in other West German cities for some time (Table 2.4).

2.4 Structural change in the economy: Industrial and services sectors

Berlin's economy used to be dominated by manufacturing industries, such as electrical engineering, machinery and garment production. Until 1939 close to half of all industrial employees were engaged in these three branches, and Berlin's electrical engineering industry accounted for about 50% of German production, leading the export sector by a long way (Leupolt 1993, p. 594; Zimm 1959). The war economy and the destruction, as well as the dismantling of plant during the post-war era brought Berlin's economy to its knees. As a result of the subsequent division, a once booming economic entity was faced with dysfunctional transport systems and the loss of local markets. Economically and politically, both sections of Berlin followed very different paths. Thus, after 45 years, the reunified city was given an inheritance of two very problematical structural situations.

2.4.1 Starting position and structural deficits of industrial sectors in West and East Berlin

The redevelopment of West Berlin's economy in the years following 1945 was accompanied by political instability. Berlin's location within the German Democratic Republic and thus within the Soviet sphere, as well as the insecurity of its connections through roads, railways and waterways controlled by the GDR, did not help the situation. The long transport distances to locations in other federal states and the lack of workers aggravated the situation further. At first, workers were recruited from West Germany and later from abroad, in particular from Turkey.

Many enterprises from all sectors transferred their administrative offices and part of their production to South and West Germany, thus much needed capital injection was relocated elsewhere. Berlin's banking sector, after representing more than a quarter of the headquarters and about two thirds of the balance sheet total of all German banks in 1939, dwindled to a mere local importance (Hofmeister 1990, p. 36; Brenke & Geppert 1992, p. 50). These factors hindered West Berlin in rebuilding its traditional industry to pre-war levels.

Although high tax deductions and other federal privileges attracted new capital and turnover-intensive branches, these companies are considered to be of low value-adding potential. Food and tobacco industries, such as coffee and tea-processing, sweets and cigarette manufacture, made up 47% of the total turnover (1987), displacing the traditional branches of electrical and mechanical engineering, and chemical industries. Being predominantly under external control, the new production plants were simply extended workbenches with little need especially for skilled labour. Research and development was rarely supported, and production-oriented services could hardly develop.

Due to these changes in the manufacturing industry, the number of employees in the services sector grew to nearly 70% by the time of reunification (Brenke & Geppert 1992, p. 57; Table 2.3). In particular, the rapid expansion of state authorities, government administration on all levels, as well as universities and other educational and social facilities, meant that these advanced to become the largest group of employers in West Berlin. On the whole, West Berlin was experiencing a deformation of its economic structures, its economy lagging far behind other urban centres in West Germany with modern and innovative industrial activity.

East Berlin, capital of the German Democratic Republic and the most important national industrial centre, was able to build on its pre-war foundations, many of the inner-city industrial sites being kept. The electrical engineering, electronics and electrical tools branches contributed 31% of gross production in 1989, followed far behind by light metal industries, automotive and machinery industries (Leupolt 1993, p. 596, Table 3; Zimm 1990, pp. 257 ff.).

After expropriation, former private-owned companies had become state-owned enterprises and collective combines bound by strict socialistic planned economy programmes. Particularly after the erection of the wall in 1961, integration of industries into the economic union of socialist countries (COMECON) was intensified, thereby isolating them from the world market. As a consequence, their products lost on international competitiveness. Enterprises struggled with out-of-date plants and machinery and were severely overstaffed. It was also the sheer dimension and unmanageability of the industrial conglomerates which affected the economy negatively, with small and intermediate companies having an innovative impulse hardly existing (Zimm 1991, p. 104; Leupolt 1993, p. 596).

At reunification, both sectors of Berlin suffered from structural deficits and economic deformation, the reasons thereof however being very different. Manfred Sinz describes the situation with the following words: “Based strictly on fundamental structural data, Berlin fits into the category of an old industrial region struggling to cope with structural change” (Sinz 1995, p. 229); and further: “In the context of Europe, and in fact worldwide, although Berlin is surviving on the basis of its pre-war image, it is also suffering as a result thereof” (Sinz 1995, p. 228).

Table 2.3 Number of persons employed in Berlin by major economic sector, 1989–1997 (Annual average in 1,000). Differences in the totals are caused by rounding off numbers. (Source: *Industrie und Handelskammer zu Berlin, Berichte* 1995/96, p. 232 and 1998/99, p. 186; *Statistisches Landesamt Berlin,* 2001)

BERLIN

Economic Sector	*1989*	*1993*	*1997*	*2000*	*Changes 1989/97 in %*	*Changes 1997/2000 in %*
Agriculture and Forestry	13	10	10	7,7	-23	-23
Secondary Sector	552	413	325	287	-41	-12
Energy	26	23	19	17,6	-27	- 7
Manufacturing	400	245	175	162,6	-56	- 7
Construction	126	145	130	107	+ 3	- 18
Trade, retail, transport and communication	355	319	257	345,2	-28	+34
Services	314	407	443	421	+41	- 5
State, households, non-profit organisations	559	431	405		-28	
Total	1,792	1,581	1,440	1,537	-20	+ 6

EAST BERLIN

Economic Sector	*1989*	*1993*	*1997*	*Changes 1989/97 in %*
Agriculture and Forestry	7	3	2	-71
Secondary Sector	267	131	108	-60
Energy	13	10	4	-69
Manufacturing	197	61	44	-78
Construction	57	60	60	+ 5
Trade, retail, transport and communication	175	103	78	-55
Services	109	126	145	+33
State, households, non-profit organisations	299	157	121	-59
Total	857	520	454	-47

WEST BERLIN

Economic Sectors	*1989*	*1993*	*1997*	*Changes 1989/97 in %*
Agriculture and Forestry	5	8	8	+60
Secondary Sector	285	282	217	-24
Energy	13	13	15	+15
Manufacturing	203	184	131	-35
Construction	69	85	71	+ 3
Trade, retail, transport and communication	179	216	179	0
Services	205	281	299	+46
State, households, non-profit organisations	260	274	284	+ 9
Total	935	1,061	985	+ 5

2.4.2 Modernisation trends in Industry

The integration of the two economies and structural change in Berlin are occurring in the general atmosphere of de-industrialisation in industrial countries. Simultaneously, enterprises in the high-technology sector are flourishing, giving impetus to research and development and the demand for highly skilled personnel. As industry increasingly takes on a more tertiary sector character, business services such as financing, insurance, consulting, communication and marketing have won in importance. If Berlin is to catch up and keep up with other European economic centres, it will have to press on "fast-forward" during its phase of transformation. The trend to globalisation is putting further pressure on Berlin to act quickly. Although the period of restructuring (since 1990) has not been long enough for any conclusive statements to be made, several trends may be established.

The most striking change was experienced by manufacturing enterprises in East Berlin, many of which had to close or were partially shut down. Enterprise sizes were redefined, state-owned firms privatised. Both the very difficult issue of proprietary status and acute residual pollution problems stood in the way of a new beginning. Added to this, East Germany's traditional markets for industrial goods in the East European partner countries of COMECON (which was dissolved in 1991) could no longer absorb its production. Finding new markets proved to be difficult and required radical changes. Additionally, decisions over production locations were based on a new set of criteria, environmental concerns playing an important role. Thus, although some enterprises were able to adapt to the new situation and could reactivate their production, many firms were closed or relocated.

The consequences of industrial restructuring in East Berlin are reflected in the reduced employment figures in manufacturing during the period between 1989 and 1997 (78%) (Table 2.3). Restructural processes also affected employment figures in West Berlin, even though the recorded 35% is not quite as dramatic as figures in East Berlin. The loss of subsidies affected the attractiveness of West Berlin, several German and international companies thus relocating or closing branches. It is probable that the run of shut downs is not over yet; however, East Berlin should not be affected to the same degree as in the past.

Reduced industrial activities must be compensated for by improvements in quality, in order to be able to compete with other industrial centres. Research and development has always been undertaken mainly in collaboration with scientific institutions (Heuer 1995, p. 475); however, the share of Berlin's enterprises has been relatively low. Even today, no more than a quarter of all enterprises invest in this segment (DIW survey results, quoted in *Der Spiegel* 1997/14, p. 48). Research is mainly carried out in the following areas: information, communication, transport, environmental and medical technologies, biotechnology, electrical engineering and laser technologies (*Industrie- u. Handelskammer, Berlin, Bericht* 1995/96, p. 71 and 1996/97, p. 14). Centres of innovation, such as Adlershof, Buch and Oberschöneweide are being set up or expanding, with research and consulting institutions integrated into the complexes. An important impulse could be given by major companies, such as Siemens, announcing a "concentration and resettlement of new technology activities in their Berlin works" (*IHK Bericht* 1995/96, p. 66).

However, increasing demand for highly qualified staff is likely to lead to a polarisation of the employment market.

2.4.3 Services as the most important industry

A decreasing manufacturing sector coincides with an expanding services sector, which contributes 37% to the gross value added and 30% to employment in Berlin. The range of activities of this sector (hotels, restaurants, media and communication, software, banks, insurance, consulting, advertising, real estate, research and public health, and others) is quite heterogeneous. Included are the 229 mostly medium-sized publishing companies, which have placed Berlin once again second to Munich (310) and ahead of Hamburg (139) in this field (*IHK-Bericht* 1996/97, p. 76).

Various attractive locations in the inner city are being offered to new enterprises in the services sector. These include the nodes of Berlin's urban rail system as well as areas within its inner ring (Alexanderplatz and Friedrichstraße, the City West at Breitscheidplatz and Zoological Garden and in particular the area around Potsdamer Platz) (Photos 2.1–2.6). Having been completely destroyed during WWII, this central area remained undeveloped during partition, due to its proximity to the wall. From 1994 onwards, it won fame as "the largest construction site in Europe". Major investors, such as Daimler-Benz (*debis*) and Sony, and other national and international concerns, acquired the property and started their projects. As developers they will use only part of the new buildings for their own purposes. Of the 1.1 mill. sq. m gross floor space, 50% is reserved for offices, 20% for retail trade, 20% for 2000–2500 residential apartments, 10% for cultural activities, restaurants and other services. Initial calculations indicate that 10% of all newly-built office space in Berlin will be erected on this major site (Ellger 1996, p. 95).

Gross floor space in Berlin amounts to about 17 mill. sq. m (estimates end of 1998). At 5 sq. m per person, this figure is below the average of other German cities, such as Frankfurt/Main, Dusseldorf or Hamburg. Although about 9% of total office space is still vacant, an estimated further 1.5 mill. sq. m office space will become available by 2005. Construction projects clearly favour the aforementioned inner city locations (Fig. 2.3); older buildings at the periphery of Berlin City thus do not appear to have much chance of being let. As office space increases, the number of office personnel is also expected to rise. With 570,000 persons, Berlin already has the highest number of office personnel in Germany (*IHK, Bericht* 1998/99, p. 11f.; Heuer 1995).

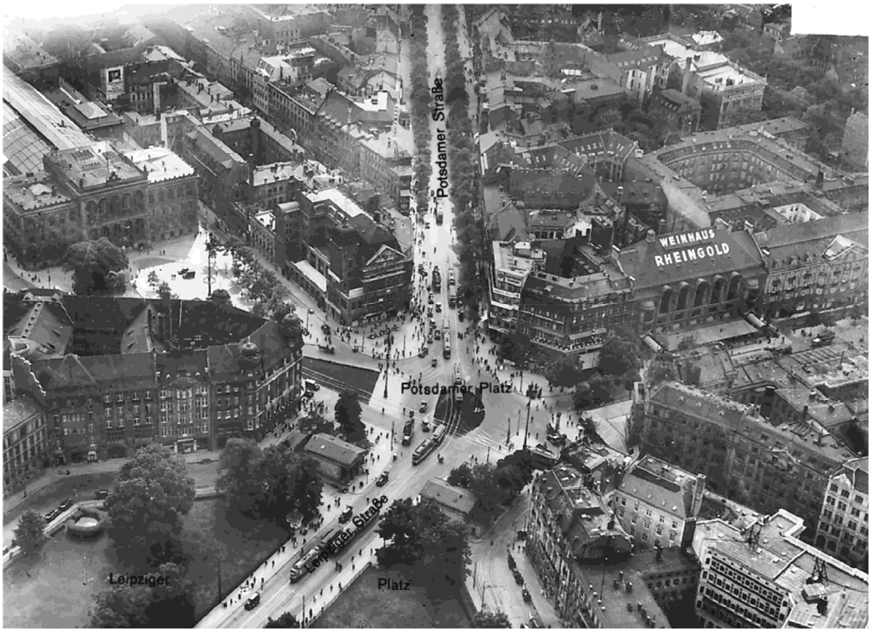


Photo 2.1 Potsdamer and Leipziger Platz, 1926/27

Photo 2.2 Potsdamer and Leipziger Platz, 1967

Continuation Photo 2.1 Potsdamer Platz was the busiest junction in Berlin in the 1920s, fed by 5 roads. At the top of the picture, the radial road to the garrison city of Potsdam; bottom left Leipziger Platz in the shape of an octagon. A department store, hotels, shops and apartments, as well as the Potsdamer station (upper left) dominated the area. (Source: *Landesbildstelle Berlin,* Photographic Archive).

Continuation Photo 2.2 The total destruction after World War II and the erection of the wall (1961) left a stretch of wasteland in the vicinity of the two squares, undeveloped on the East Berlin side because of its function as a "death cordon". The octagon-shape of Leipziger Platz is clearly visible. (Source: *Landesbildstelle Berlin,* Photographic Archive).

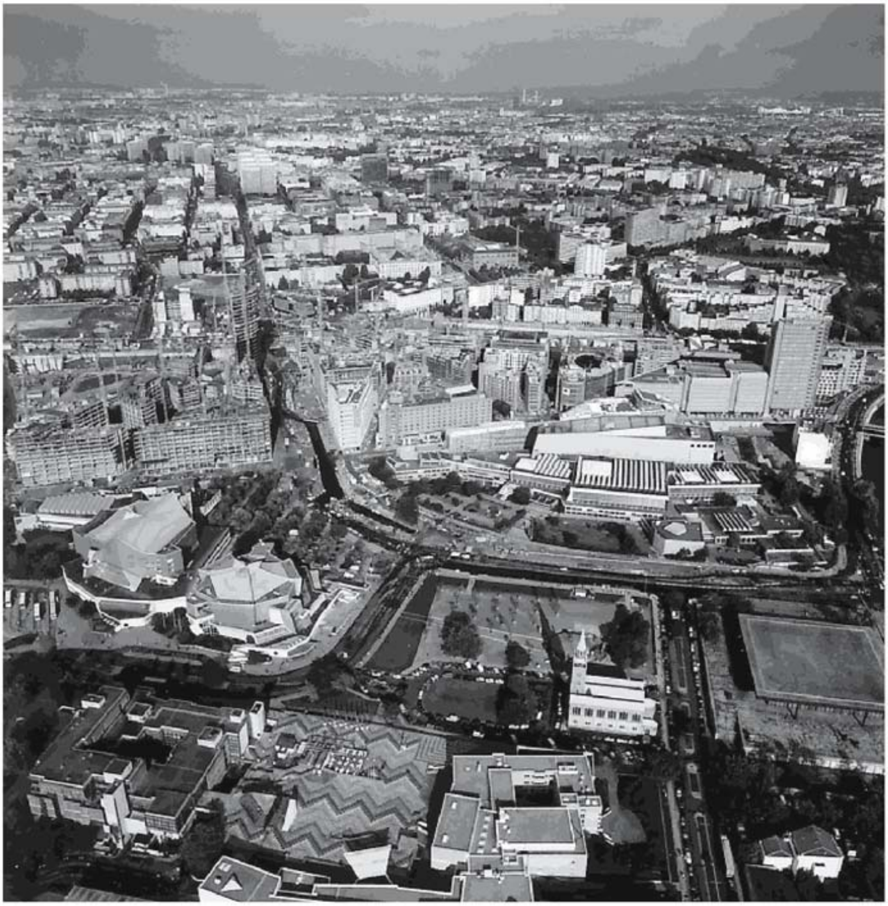


Photo 2.3 Construction activity at Potsdamer and Leipziger Platz, 1998
On West Berlin's side (lower half of the picture), a cultural complex has been built since the 60s, including the New National Gallery (flat-roofed building right of St. Matthew's Church), the Philharmonic and Chamber Music Concert Halls (left), museums and the State Library directly in front of the former wall. In the middle of the picture, the area of the former squares is intersected by the Potsdamer/Leipziger Straße. To the right, behind the State Library, is the completed *debis* (Daimler-Benz AG) development. (Source: *Landesbildstelle Berlin,* Photographic Archive).

Photo 2.4 The completed *debis* (Daimler-Benz AG) project, with offices, apartments, retail and cultural facilities. In the foreground is the new entrance to the station (Source: Lenz, April 2000)

Photo 2.5 Office towers flanking both sides of Potsdamer Straße. The office block designed by Hans Kollhoff is to the left, the multiple-use Sony Centre complex on the right. The latter is due for completion in 2000 (Source: Lenz, April 2000).

Photo 2.6 The Reichstag is seat of the German Parliament since 1999 (Source: Landesbildstelle Berlin, Photographic Archive).

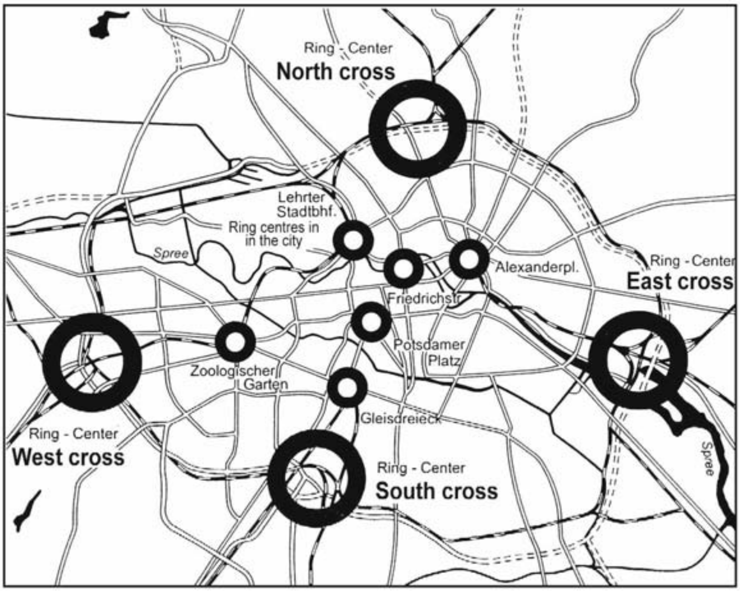


Fig. 2.3 Ring concept, main focuses of new developments (Source: Senatsverwaltung für Stadtentwicklung 1997; Hofmeister 1995:375)

Continuation Photo 2.6 The building erected by Paul Wallot between 1884 and 1894 was badly damaged during the Second World War. Rebuilt between 1957–71, the interior had to be totally revamped after 1995 in order to accommodate the German Parliament (Architect: Sir Norman Foster).

Continuation Fig. 2.3 The nodes of the urban rail system, accessible from the inner as well as the outer city, are attractive business sites. In addition to the inner-city locations, these areas have been marked for further office development.

The move of the federal seat of government accompanied by the transfer of representative offices, organisations, embassies, etc., has given much needed impetus to the revitalisation of Berlin. The main government precinct lies in the so-called *Spreebogen* (bend of the river Spree, housing the former *Reichstag* as Seat of Parliament and the offices of the State President and the Federal Chancellor, as well as various administrative offices. Further ministerial offices are to be found along the Wilhelmstraße, a centre of government since imperial times, and at various places in the inner city (Fig. 2.4).

Additional impetus to the service sector is to be expected from the tourism industry. Although the flow of visitors appeared to stagnate after 1992 (around 3 million visitors per year), the last couple of years have seen a rapid increase in numbers (3.5 million visitors in 2000). The number of beds occupied increased to 8.3 million (1998, 7.6 million in 2000). Despite the considerable competition between numerous hotels, many of which were only recently established, further hotel buildings are planned.

As Berlin wins on attractiveness, tourism could grow to become a leading segment of the economy. Economic developments since re-unification indicate that Berlin is primarily moving towards becoming a major service centre. Business spokesmen stress the necessity of an equally strong manufacturing sector to attract and keep related service segments. "In a global economy, Berlin will only be able to compete on the strength of its close collaboration between manufacturing, the services and information sectors" (*IHK, Bericht* 1997/98, p. 74).

2.4.4 Deficits

Berlin's contribution to the gross national product is well below national trends. Although Berlin accounts for 4% of the GNP and thus is positioned above average amongst the Federal States, in terms of movement in comparison to previous years, the city lags behind all the others. Reasons given for the stagnation are the lack of risk-friendly entrepreneurs, the lack of innovation and insufficient export of industrial commodities.

Of further concern is the high unemployment. Retrenchment in East Berlin in particular led to spiralling unemployment numbers, over 273,000 persons in 1998, or 17.9% of Berlin's workforce, which is well above the Federal average. Both the stagnating GDP and high unemployment rate clearly indicate that Berlin is in the midst of structural change, a process which is bound to continue for several years.

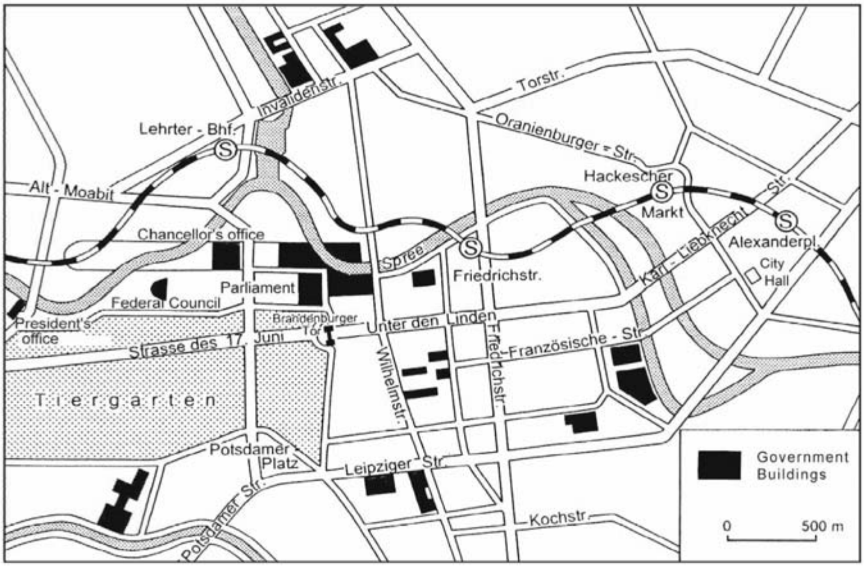


Fig. 2.4 Federal government offices in Berlin, as at October 1998 (Source: *Senatsverwaltung für Bauen, Wohnen und Verkehr, Abt. Städtebau* 1995)
The main federal government precinct is located in the so-called *Spreebogen* (bend of the river Spree) in close proximity to the old *Reichstag*, now in use for parliamentary sessions. Ministerial and service offices are dispersed throughout the inner city.

The presence of large national and international corporations and banks is generally also a sign of the dominant economic function of a metropolis. As mentioned before (Chapter 2.4.1), many headquarters once stationed in Berlin were in the past relocated to West German cities. The distribution of the 500 most important enterprises of Germany (in terms of turnover) makes it clear – currently, Berlin only hosts 12 of these, North Rhine-Westphalia 166, Bavaria 71, Hamburg 46, etc. The situation is similar in the banking sector. Of the 50 largest German banks, 4 have their headquarters in Berlin (*Die Welt*, 03.07.1998). The spatial distribution of foreign companies' regional headquarters is equally telling (Brenke & Geppert 1992, p. 71). The low presence of important firms and banks in Berlin indicates the difficulties facing the city in making up for past losses. Whether its new status as capital of Germany will help, remains to be seen.

2.5 The potential as a new transport hub

Whilst still capital of Germany and located ideally, Berlin did not find it difficult to attract traffic and establish itself as a transport interchange centre. All was lost with the division of Germany and the resultant establishment of two totally separate transport networks. Transborder connections were drastically reduced and Berlin developed into two centres. In addition, all roads, railway lines or waterways leading to the exclave of West Berlin were under GDR administration and control.

The only exception was air traffic from West Berlin, the Allieds being responsible for securing an air-bridge and keeping up services with their airlines (Lenz 1987a; Rutz 1991; Tietze 1996).

2.5.1
State of transport installations and consolidation after reunification

"The once pulsating traffic hub of Europe has been reduced to a local railway centre" (Glißmeyer 1992, p. 256). This quotation aptly describes the situation of the railway network in Berlin before and after reunification. Tracks and bridges had been neglected, the technology and fittings of the trains were antiquated. In order to integrate Berlin into the high-speed railway network of West Germany, a great deal of redevelopment work has to be done. The first InterCityExpress rail-route was the Berlin–Hannover stretch opened in September 1998 (264 km). A new dimension to rail traffic to Berlin could be the installation of the Transrapid magnetic express train, however a connection to Hamburg, planned for 2005, was rejected for financial reasons.

Current plans include an inner-city reorganisation of the long-distance connections. A north–south line will supplement the current long-established west-east line. A new station is under construction at the central junction of the main lines, in close proximity to the government precinct, on the site of the destroyed Lehrter Station, to be opened in 2003. As part of the so-called "mushroom concept", the southern line involves a costly 3 km tunnelling under the Tiergarten Park.

Berlin's motorway network was already well-established before the war, several arterial roads feeding into an almost complete motorway ring road. During the GDR era, a number of links were completed with substantial West German financial support, and the motorway to Hamburg and Rostock was built. Despite this, further sections had to be repaired and extended after reunification to cope with heavily increasing traffic. The same applies to the road network in East Berlin and in the suburban area.

Waterways play an important part in Berlin's economy and also need to be upgraded or extended. This applies particularly to the western route via Magdeburg/Hannover. However, this project is still under discussion and hardly likely to materialise.

In the domestic context, the city's border location and the polycentric urban system in Germany will make it very difficult for Berlin to emerge once again as a major transport interchange centre, as for example Paris is for France. It seems more likely that Berlin will take on the comparable status of Hamburg or Munich as a high-level regional traffic centre (Glißmeyer 1992:256).

2.5.2
The position of Berlin in air traffic

Air traffic is an important aspect for positioning Berlin as a European transport hub. With the partitioning of the city, Berlin ended up with three fully-functional airports: Tempelhof and Tegel (opened in 1923 and 1974, respectively) in West Berlin, and the GDR's main airport; Schönefeld, built in the 50s, situated on the urban fringe of East Berlin. Before reunification, Tegel was a "terminal airport in the West European air traffic system with dominant feeder role within ... the Federal Republic of Germany", particularly as regards Frankfurt/Main, Munich and Dusseldorf. Schönefeld on the other hand was able to overcome "its inherent dead-end status". Offering more than 50 direct flights to foreign destinations, particularly in Eastern Europe and the Soviet Union, Schönefeld became an "air traffic hub, even if of minor status" (Mayr 1985, p.387).

Berlin's air traffic status did not change much after reunification. Despite a co-ordination between the airports and particularly charter flights targeting new destinations, Berlin has kept its feeder function. Most flights lead to hubs in West Germany, in particular Munich, Dusseldorf, Cologne/Bonn and Frankfurt; further destinations include London, Zurich and Paris. Among the rare direct flights to intercontinental destinations, the last regular flight to the USA (New York) ceased in March 1998. Similarly, flights to Canada, Tokyo, Singapore and others ceased. Competition for inland flights is expected to increase as airports in the vicinity expand their services, e.g., the airport in Leipzig-Halle.

Despite this, Berlin remains an attractive air traffic market with strong development potential. The number of airline passengers increased from 8 million in 1991 to 13.6 million in 2000 (in 1997: 75% in Tegel, 17% in Schönefeld and 8% in Tempelhof). Berlin thus ranks, particularly with regard to air cargo, far behind the leading German airport Frankfurt/Main, and also behind Dusseldorf and Munich. The latter has been able to establish its new airport as a major German air traffic hub, with good chances of consolidating its position further (*Die Welt* of 01.02.1997). Vienna and Copenhagen are also planning airport extensions in order to cover the East and South-East European markets.

The medium-term chances for Berlin to emerge as an air traffic hub are minimal, in particular as transit passengers only account for 2% of total passengers (50% in Frankfurt/Main). As late as summer 1996, a decision was made to upgrade Schönefeld Airport to a major airport: "Berlin Brandenburg International". Although the airport is due for completion in 2007, many problems remain unresolved, for example: traffic connections to the inner city; necessary resettlements; and environmental pollution concerns on the fringe of the city.

The upgrading of Berlin's status in European air traffic depends in the end very much on developments in East European states. With increasing business connections and the inclusion of some East European states in the EU, Berlin will be able to build on its mediator position and thus improve its chances of becoming a major European transport interchange hub (Stanley 1997, p. 49). However, transport demands in the East European states are still limited, as is reflected by the airport density and flight frequency there, as well as the railway and motorway network. In many places, the motorway stops at the German border, continuing as a simple road. The "Great West–East Highway", connecting Paris, Berlin, Warsaw and Moscow remains but a vision.

2.6
The difficult legacy of urban housing policies

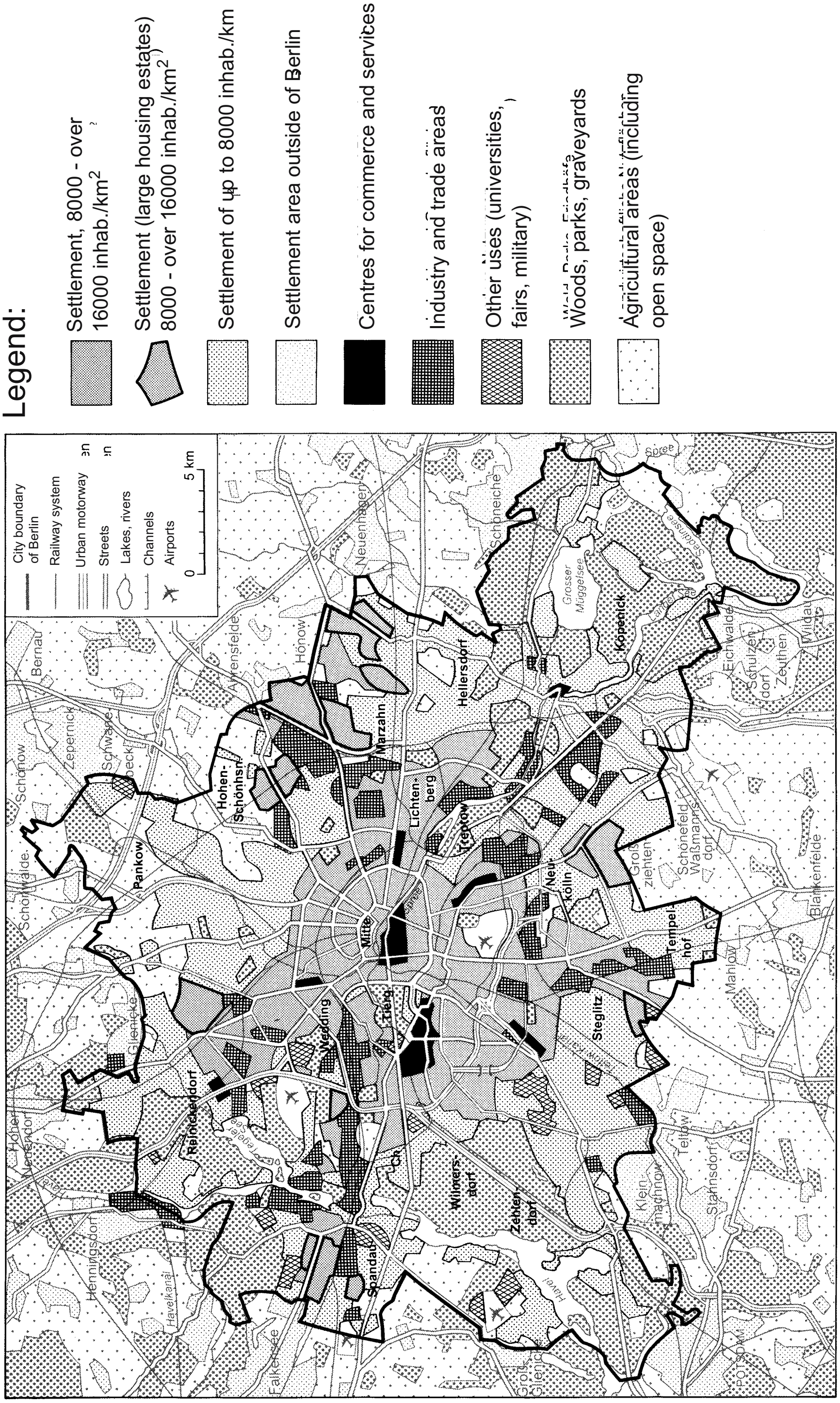
The urban housing situation in particular reflects the different social and political policies during partition. Whereas housing in West Berlin was influenced by a social market economy, the same sector in East Berlin was guided and controlled by a central planning committee. At reunification, Berlin was faced with the difficult task of integrating the two policies without putting the residents of East Berlin at a disadvantage (Schulz 1993 & 1997; Düsterwald *et al*. 1994).

2.6.1
The urban housing sector in East Berlin and urban restructuring

East Berlin's urban image is full of contrasts: representative buildings and pompous squares and street intersections in the city centre; districts with streets and old buildings in a state of disrepair; and compact concrete slab settlements on the urban periphery. This simultaneous existence of urban blight and new development has been described by Peter Schöller (1986, pp. 25ff.) as "urban restructuring".

Urban restructuring has occurred on a grand scale since 1972, as a result of a party and government decree to "solve the social problem of urban housing by 1990" (Schulz 1997, p. 69). An unprecedented housing boom began in formerly rural areas along the east of the city (Fig. 2.5), concentrating in particular on the new districts of Marzahn (56,000 residential apartments), Hellersdorf (42,000) and Hohenschönhausen (39,000) as well as Lichtenberg (51,000). By 1990, about 485,000 people or 38% of the East Berlin population were living in these areas (Düsterwald *et al*. 1994, p. 9). The dominating building technique, based on concrete slabs, left little room for creative architecture. With buildings and apartments standardised, these settlements leave a monotonous impression. The bad building quality has also been criticised. Of interest is the balanced social structure of the families, as apartments were centrally allocated following a defined set of criteria.

Fig. 2.5 The structure of Berlin's urban area (Source: Diercke Weltatlas 1996, p. 32, adapted). The urban area (889 sq. km), substantially enlarged in 1920 by incorporation of towns and villages, shows a succession in form and function from the inner city to the outer. Exceptions are the big urban housing complexes erected in particular on the eastern urban fringe. With the partitioning of the city, two city centres emerged (see next page).


Legend:
Settlement, 8000 - over 16000 inhab./km²
Settlement (large housing estates) 8000 - over 16000 inhab./km²
Settlement of up to 8000 inhab./km
Settlement area outside of Berlin
Centres for commerce and services
Industry and trade areas
Other uses (universities, fairs, military)
Woods, parks, graveyards
Agricultural areas (including open space)
City boundary of Berlin
Railway system
Urban motorway
Streets
Lakes, rivers
Channels
Airports
0 5 km
Pankow
Reinickendorf
Wedding
Mitte
Tiergarten
Spandau
Wilmersdorf
Zehlendorf
Steglitz
Tempelhof
Neukölln
Treptow
Lichtenberg
Marzahn
Hohenschönhausen
Hellersdorf
Köpenick
Grosser Müggelsee
Havel
Spree
Bernau
Schönow
Zepernick
Ahrensfelde
Hönow
Neuenhagen
Schöneiche
Eichwalde
Zeuthen
Wildau
Schönefeld
Blankenfelde
Mahlow
Teltow
Kleinmachnow
Stahnsdorf
Potsdam
Falkensee
Hennigsdorf
Glienicke
Großziethen
Havelkanal

Large subsidised urban housing complexes are also to be found in West Berlin, where the redevelopment of old districts in the inner city in the 60s led to a higher demand for new buildings. The best known of these urban housing schemes is the *Märkische Viertel*: by 1974, 16,800 apartments were available in this largest housing project, housing 45,600 residents (*Senatsverwaltung für Bau- und Wohnungswesen Berlin* 1995, p. 127). Projects like these in West Berlin are no comparison however to schemes in the other half of the city. By the mid-70s, West Berlin had rediscovered the attractiveness of its inner city, the impetus coming from urban revitalisation projects instigated particularly in connection with an international construction exhibition held in the city.

In East Berlin, housing finances were allocated almost exclusively for the newly built complexes, thus causing a downward spiralling of conditions in the large inner city residential areas. The typical tenement buildings of these areas had been erected in the period before the First World War and were therefore in great need of renovation. As the rents were not enough to cover more than 5 to 15% of management and maintenance costs, the State would have had to invest large amounts into renovating these properties (Schulz 1998, p. 69).

Almost 60% of the housing units in East Berlin were state owned, so-called "People's Property", 17% co-operatively owned and 23% privately (Schulz 1997, pp. 67, 69), the latter category being probably located more on the urban periphery. Many state-owned and co-operatively owned properties had most likely been expropriated by the state.

2.6.2 Difficulties of urban redevelopment after reunification

Urban redevelopment in East Berlin has left a deep scar on the urban structures of the city. In both the neglected areas of the inner city and in the newly developed areas, manifold problems in construction are intensified by social problems, calling for a "cautious and socially acceptable urban revitalisation" (Düsterwald *et al.* 1994, p. 159).

Before revitalisation could begin, complex ownership rights to buildings and houses expropriated during the national socialist and the GDR eras have to be clarified. By August 1995, 270,000 applications for return of original ownership had been handed in (Reimann 1995, p. 28; Schulz 1997, p. 74). Most of the successful applicants immediately resell their properties, thus contributing to the emergence of a new ownership class.

Berlin is in the middle of a comprehensive phase of renewal. As streets, bridges and conduits are also affected, private investors have had to step in where federal and state budgets could not cover the costs. With a gentrification process the rents are expected to rise significantly, and higher income households moving into attractively located downtown neighbourhoods will displace the original tenants. Increasing social segregation would be the result.

The relatively new concrete slab settlements of the GDR era are also in need of renovation. Technical problems, fittings, green areas and infrastructure need to be dealt with. Close to half of the projected tasks could be executed already. The completion of the so-called concrete slab settlement renewal is scheduled for 2004. Improving the quality of life in these areas and thus enhancing their attractiveness is crucial in order to curb the exodus from these areas. It will, however, be difficult to stop young families and families with a higher income from leaving their high-rise apartment blocks for the, at present, still relatively cheap suburban areas of Berlin. Of all the districts in Berlin, Hellersdorf, Marzahn and Hohenschönhausen have suffered most from depopulation (according to a survey by the Berlin Empirica Institute, *Die Welt* of 02.09.1998). Social segregation in these areas could grow to be a problem if the percentage of low income households continues to increase. The tasks facing urban housing planners particularly in East Berlin are immense. It will take many years before the two former sectors of Berlin have attained the same level of residential attractiveness.

2.7 Suburbanisation – A new experience

2.7.1 Limited suburbanisation before reunification

Before WWII, Berlin did not maintain strong links with the surrounding countryside, other than it being a source of fresh produce, part being sold directly in the markets. Commuters who lived in the close vicinity used the train to travel in to work or to study. In return, the urban population would take short trips into the picturesque countryside to relax. The city also depended on its hinterland for the disposal of its rubbish and sewage water. After WWII, West Berlin's access to the countryside was limited, and was completely prohibited once the wall was erected in 1961. From then on, West Berlin depended on other federal states for its supply of goods; and residents had to travel over 200 km to find rural recreational areas (Lenz 1987a; Saupe 1993). In East Berlin, the situation after the war was not much different to that before the war. In the environs of East Berlin, numerous weekend-houses were erected, often on the property of dispossessed West Berlin citizens.

Under these conditions, Berlin did not expand into the surrounding rural areas. Processes of suburbanisation were contained within the city borders, the delineation generously defined in the Great Berlin Act of 1920. Berlin disposed of enough space to allow for loose development, allotments, minimal agricultural activity and local recreational areas. As the demand for residential space grew, large housing settlement projects were planned on the urban periphery. The borders between these areas of dense population and open agricultural area gave Berlin a typical sharp edge (*Stadtkante*) (Birkholz 1993, p. 564; Häußermann 1995, p. 2). Berlin has remained a very compact city, 80% of the residents in the Greater Berlin Area living within the urban boundaries. Hamburg and Munich in comparison only house 60% of the residents of their catchment area. The strong contrast between urban (3,900 persons per sq. km) and suburban density (below 200 persons per sq. km) is not to be found in any other German city (Table 2.4).

Table 2.4 Greater Berlin Area (Sources: *Landesumweltamt Brandenburg*: Berlin-Brandenburg regional '96, Potsdam 1996, pp. 70 f.; *Statistisches Landesamt Berlin, Statistisches Jahrbuch* 1999, p. 31; http://www.brandenburg.de/Ids/daten/bevoelk/bevgem/bev.htm, 1997; *Information Statistisches Landesamt Berlin* 2001)

Area	*Number of municipalities*	*Area*		*Population 1997*		*Population density*
		Sq. km	*%*	*Mill.*	*%*	*Residents per sq. km*
Berlin City	1	891	16.6	3.426	80.0	3,845
Suburban Area	251	4,480	83.4	0.856	20.0	191
Total	252	5,371	100.0	4.282	100.0	797

2.7.2 The pioneering role of retail trade in suburbanisation

Soon after reunification, Berlin had begun a characteristic process of "extended suburbanisation" which has been observed in other West German and West European cities over many decades. The prerequisites for expansion into the Federal State of Brandenburg are highly favourable: the potential of suitable development areas is high as most of the land is owned by agricultural production co-operatives and settlement density is low and concentrated in a few small localities. The good traffic infrastructure is a further force encouraging fringe expansion; worth particular mention is the motorway ring, the dense road network, and the urban railway, which connects the inner city to the suburbs. A further reason for the rapid development of Berlin's suburban belt was the relative ease with which West German investors were able to procure land and building rights (Heuer 1995, p. 476). Whereas land values in the city increased rapidly, initial investors were able to buy property in the suburban belt of Berlin for very low prices.

Supermarkets were the first establishments to open up in the suburban area, their sites often being chosen just across from the Berlin City border (Fig. 2.6). From the beginning it was clear that the number of shopping opportunities could not cater for the high pent-up demand for consumer goods in East Berlin's population. As their purchasing power was at first considered relatively good and with their mobility improving through higher car ownership rates, temporary food supermarkets were opened rapidly. The provisional tent installations were soon replaced with permanent and comfortable structures. Well-known stores and supermarket chains opened up branches or speciality stores in the shopping centres built mainly along the trunk roads leading to Berlin or at ring-road exits. Easy access and sufficient parking opportunities greatly enhanced the attractiveness of the shopping centres.

With the upswing of large consumer centres, fears were expressed that the traditional retail trade on the outskirts of Berlin and in the smaller suburban centres would suffer. Market research has shown that Berlin has the highest purchasing power potential of all German cities: three quarters thereof is spent within the city (*Standortatlas der GfK Marktforschungs AG*, Nürnberg 1996; quoted in *Die Welt* of 07.09.1996). With the exodus of high income residents to the suburbs, long-term changes are to be expected in the spatial distribution of purchasing power. In order

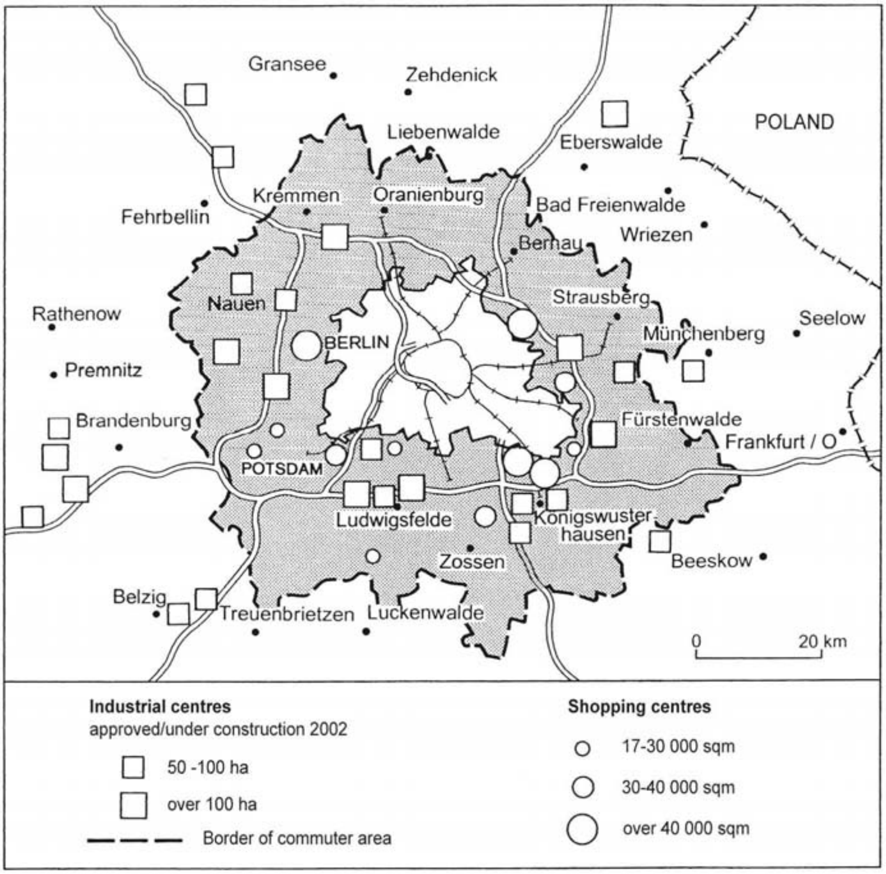


Fig. 2.6 Shopping centres and industrial parks on the urban-rural fringe of Brandenburg-Berlin (Sources: *Landesumweltamt Brandenburg*: Berlin-Brandenburg 1996 regional, pp. 65 & 67; Aengevelt-Research 1997/98, p. 60)
Since reunification, suburbanisation of Berlin has set in and is rapidly expanding. Shopping centres took advantage of the lack of public supply lines; establishments from different branches moved to industrial parks. The outer city motorway ring offers favourable traffic connections.

to retain purchasing power within the city, new shopping markets and recreation centres are being opened, especially in the outer city areas.

The "Hellersdorf City Centre" project, in progress since 1994, situated at the centre of a concrete slab settlement built in the 80s on the east city fringe, is one example of a well-balanced district development project.[1] The aforeseen open square and City Hall, close to an underground railway station, symbolise the functional navel of the district. Due for completion in 2000, 1,000 residential

[1] I am indebted to the *Mega- Entwicklungs- und Gewerbeansiedlungs AG* for information and documentation.

apartments as well as a wide range of shopping opportunities, from department and speciality stores to weekly markets and individual retail shops, will be offered.

Further, district administrative services, medical and social services have been provided, as well as recreational facilities such as public parks, sports centres, cinema centres, discotheques, etc. A technical college and a senior school are intended to animate the district centre. Attention has been paid to offering a good mix of services and thus creating an atmosphere which not only is accepted by the residents but will help to create that special district "feeling". However, as a shopping centre was built not far from the district, it remains to be seen in which direction future development will go.

Urban retail trade floor space generally increased from 2.6 mill. sq. m in 1991 to 3.2 mill. sq. m in 1997, which works out at 0.95 sq. m per person in Berlin. Although the demand for retail floor space, even in East Berlin, will soon be met, urban planning foresees further construction until 2000. Fears have been expressed that the city may suffer from oversupply (*IHK, Bericht* 1997/98, p. 89 and 1998/99, pp. 13f.). In addition, shopping centres and specialist markets have been built in the suburbs, and despite official criticism, several factory outlet centres are at present under construction or planned. Taking size and density of all centres offering consumer goods in the city and suburbs into consideration, it seems possible that many smaller specialised shops will be forced to close, which could have an unfavourable effect on the urban character of Berlin.

2.7.3 Industrial parks in the suburbs

Thirty industrial parks are at present being built in Berlin's suburban belt, complementing the traditional industrial sites (Fig. 2.6). Businesses are partly or fully moving there from Berlin or elsewhere. Pull factors are the availability of large tracts of land which can be selectively developed, the favourable accessibility and the close proximity of a large metropolitan market. Most of the parks consist of a mix of manufacturing, trade, distribution and service enterprises, the majority being small to medium-sized businesses. Not all parks have had the same success in attracting businesses. The divergence between parks which have attained full capacity and others which merely have a board marking their existence is high.

With the exodus of businesses from Berlin and the current phase of development in the suburbs, commuter patterns have changed and been intensified. Whereas during the GDR period, commuters moved predominantly from the suburbs to East Berlin (Zimm 1991, p. 107), the situation after reunification is such that not only have commuter numbers dramatically increased, but the flow direction is more balanced. In 1996, more than 87,500 workers commuted from the suburbs to Berlin, 60% thereof to West Berlin, and 43,270 residents of Berlin left the city to work in the suburbs (Schulz 1998, p. 11).

"Brandenburg Park", situated close to the southern Berlin ring-road, about 10 km away from the city boundary, is a good example of a successful industrial project (Fig. 2.7). During the summer of 1991, the Canadian Horseham Corporation acquired 220 ha land for an industrial park, which they opened in 1994. By the end of 1998, "Brandenburg Park" listed 43 investors and 17 tenants; alongside 55 establishments in production with a total of 1,600 employees. The opening up of further industrial land is proceeding apace. Structures are mixed with production lines in differing branches, transport and logistics, furniture & fittings, wholesale trade, educational centres and administrative offices. Ford Europe, Coca Cola, and others are represented with distribution, services and administration departments. Following the model of American and Canadian industrial parks, the buildings are sparsely distributed over the entire park. Green spaces, trees and water features complement the terrain, which is constantly maintained.[3]

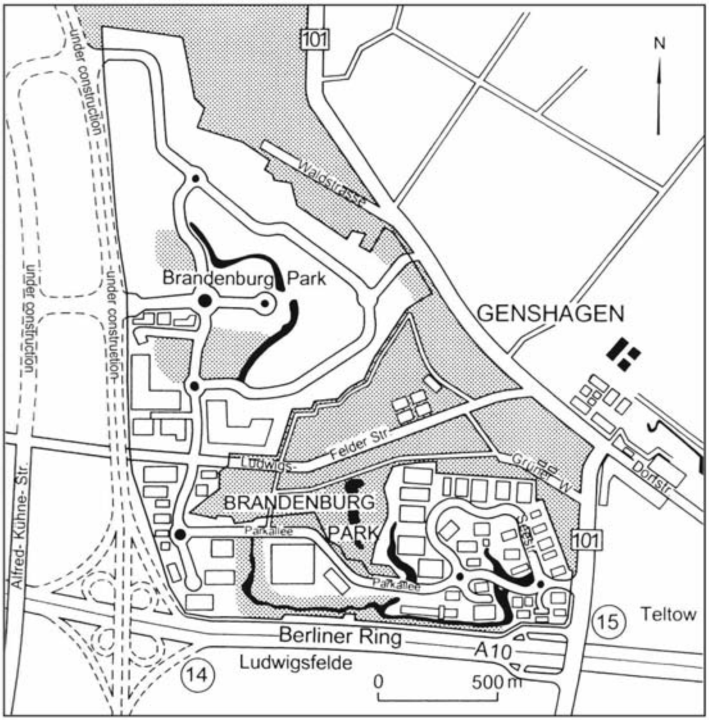


Fig. 2.7 Brandenburg Park: an industrial park south of Berlin, mid-1998 (Source: Documents of TrizecHahn Europe, Berlin).
This industrial park was erected on 220 ha land acquired by a Canadian company in 1991. As enterprises from different branches take up production, the industrial park continues to be expanded. Its accessibility is very favourable. Park-like green spaces and aquatic landscaping increase its aesthetic value.

[3] I would like to thank TrizecHahn Europe, the present administrators of Brandenburg Park, for sending me documents and showing me around the grounds.

2.7.4
Urban housing and local recreation areas

In addition to trade and industry, housing developments began to boom in the suburban belt, thereby strengthening the interconnections between the city and the suburbs. Whereas at first the construction of new buildings was limited to the suburbs of West Berlin, the main focus has soon switched to East Berlin and in particular its suburbs (Fig. 2.8).

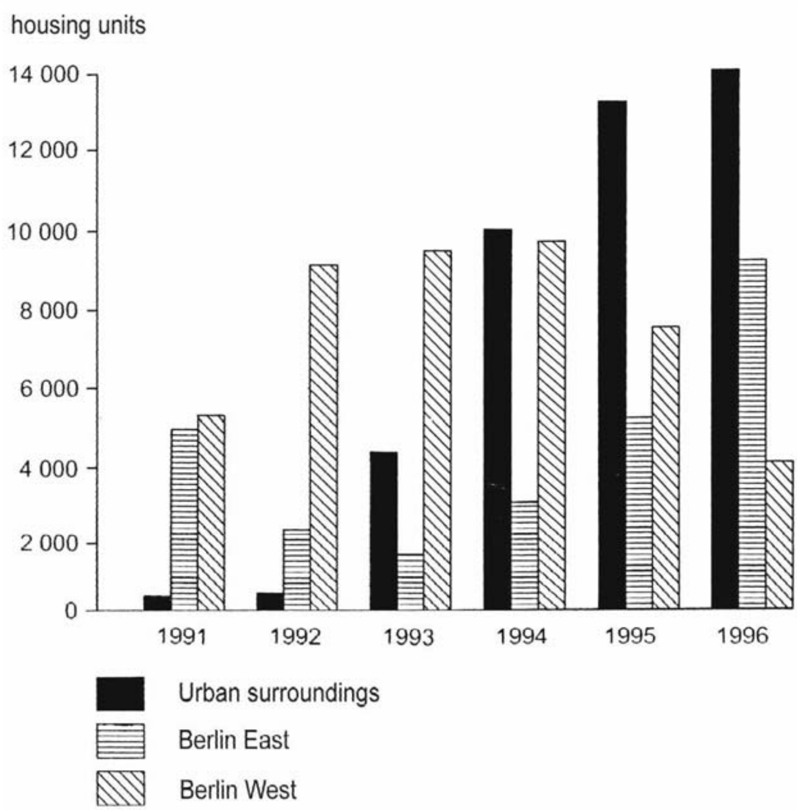


Fig. 2.8 New housing developments in the Berlin region 1991–1998 (Sources: Statististical Yearbooks, Berlin and Brandenburg).
New development sites are to be found increasingly in the suburbs; the construction activity in both parts of the city varies from year to year.

Several of the new housing projects have been built in close proximity of villages and small towns near Berlin. To be singled out are the more than 200 estates that have been built, offering detached and terrace houses as well as apartments in so-called "city villas" or multiple family houses, usually surrounded by attractive landscaping and a natural environment. Medium-term plans are based on the assumption of high demand in housing in and around Berlin. The current suburbanisation process is expected to increase (see above). In particular, families with a higher income are moving from the large concrete slab settlements in Berlin to more attractive sites in the suburbs.

With the fall of the Wall, the suburbs could once again serve the whole of Berlin as an attractive local recreational area. Initially the necessary infrastructure needed to be repaired and modernised is, in particular roads, hiking trails and bicycle tracks, overnight accommodation and restaurants, as well as special attractions at lakes and other sites. Of interest, is the number of golf courses, the necessary land being secured by investors soon after reunification. Today, more than 10 golf clubs with extensive courses and exclusive clubhouses are to be found in the region.

The reorganisation of recreational activities in the suburban belt is still underway. Differences between the two former sectors remain. Whereas residents of East Berlin still prefer to relax in holiday cabins, residents of West Berlin are attracted, amongst other activities, by caravanning opportunities, water sports and golf. With development diversification and ever-new claims for land, recreational areas will be under constant pressure from other forms of land use (Saupe 1993, p. 611).

2.7.5
Planning proposals for the environs of Berlin

In order to hinder dispersed development and to retain open space for recreational use, strict control by regional planning is necessary. From an early stage, an axial planning model was chosen, development projects being envisaged in particular along the already built-up areas bordering the radial tracks of the regional express train and suburban railway networks and stretching 20 to 25 km into the suburban area. Intensification of the development density in these areas is foreseen, and the spaces in between the development zones are to be kept as free from any development as possible. However, as is to be seen by the exceptions already made in southern Berlin, it will not be easy to keep to these development limitations (Heuer & Stoll 1992, p. 241).

A regional consequence of the rapid economic growth in the suburban belt is the increasing disparity to be found in the Federal State of Brandenburg. The belt of prosperity surrounding Berlin is in strong contrast to the general economic situation in the neighbouring state at large. That is why, in particular since 1993, many residents of the outer part are relocating closer to Berlin (*Landesumweltamt Brandenburg* 1996, p. 47; Bauer 1997, pp. 156ff.). To counteract this trend and in order to obtain long-term stability, the model of “decentral concentration” has been developed (Fig. 2.9) (Strohschein 1991 & 1993; Stürmer 1993; Birkholz 1993). Essentially, selected towns 40 to 60 km away from Berlin in the so-called third ring, for example Frankfurt/Oder, Brandenburg and Eberswalde, will be given preferential treatment for their development.

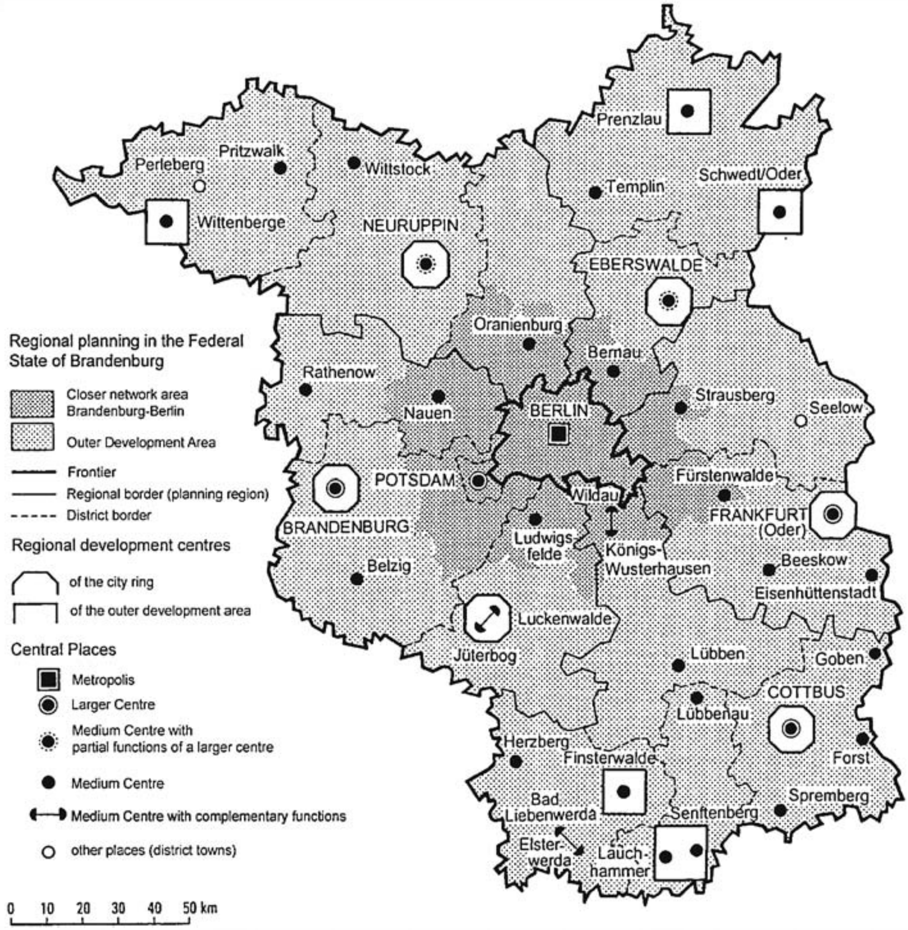


Fig. 2.9 Regional planning in Brandenburg: Proposal for decentralised concentration (Source: *Landesentwicklungsplan Brandenburg* 1995).
As the immediate environs of Berlin continue to attract new residents and economic activity, Brandenburg is faced with growing problems of disparity. In order to strengthen the outer regions, selected cities in the "third ring" surrounding Berlin will be given preferential support. It is hoped that in the long-term, these cities and their suburban area will develop into attractive centres themselves.

On the one hand, this proposal aims to ease the pressure on the suburban area of Berlin and to reduce the city's "pull-effect". On the other hand, by propagating a polycentric structure, the infrastructure of the peripheral regions of the Federal State will be strengthened, thus hopefully attracting economic investment (Birkholz 1993, p. 572; Reichel 1995).

At present it is not easy to believe in the success of the mission; the “fat-rolls” around Berlin appear hard to avoid. The development frenzy in the suburban area will last several years and will not be easy to guide. Thus, E. v. Einem (1993, p. 98) described the above planning proposal as “a premature decision without a basis for survival”. Only when spill-over effects are registered, does it make sense to promote this proposal further. However, it would also be irresponsible to wait until the suburban area is bursting out of its seams. The Berlin-Brandenburg planning commission should be able to at least slow down rezoning in the suburban area and thus contribute towards conserving the necessary open space (Sinz 1995, p. 230). A combined planning proposal should be able to set down regulations for the suitable development of this sensitive area, and at the same time implement measures to soften the potential for conflict with the peripheral areas of the Federal State of Brandenburg.

2.8 Conclusion

With German reunification, Berlin faced a difficult period of social, economic and political reintegration. In East Berlin, socialism and planned economy collapsed; West Berlin lost substantial Federal subsidies. Consequently, the metropolis was faced with massive retrenchments, economic stagnation, high debts and an all-embracing tightening of budgets.

On the other hand, it appears as if Berlin is mastering its role as federal capital of Germany and is emerging as a major service centre. This process has been supported by the arrival of federal representative offices and administrative departments, and of institutions and organisations which require their proximity, such as the media, political party headquarters, business federations and trade unions, delegations from the German Federal States and foreign embassies. Berlin’s city centre in particular was turned into a major construction site, with public buildings, office blocks and company headquarters, banks, hotels and apartment blocks being built, the majority of the projects utilising the open spaces which had marked the division of Berlin. Streets and squares, which were either in a state of disrepair, particularly in East Berlin, or could not be developed due to their proximity to the Berlin Wall, were given new life. Examples are Friedrichstraße, a former upmarket shopping and entertainment street, and Potsdamer Platz, a piece of urban wasteland in the middle of Berlin, which has been totally re-developed.

Whereas the physical reorganisation of the city is visible and well on its way, the socio-cultural assimilation and integration of the population is proving to be far more difficult. The clearly visible rift between the two population groups during the partition of Germany has not yet been overcome. Apart from work connections, “personal social networks and the spatial scope of activities is still limited to the respective urban parts” (Schulz 1998, pp. 13f.). The British researchers, P. White and D. Gutting (1998) note too that “the differences between East and West remain considerable, and legacies of the history of division will remain in many statistical indicators for decades if not generations to come...” (White & Gutting 1998, p. 224).

Although political hegemony has been restored to Berlin, and government and federal power have returned after years of "temporary existence" in Bonn, the metropolis has not been able to recapture the eminence and the innovative creativity it oozed at its zenith during the 1920s. During the years of partition, federalism was given a chance to establish itself in West Germany and the federal states acquired greater political power and autonomy than before. The same applies to economic and cultural activities. Some regional centres were able to attain national relevance, or even dominance, in certain fields. Berlin will have to find a place for itself within the federal network. The prospect of it once again achieving overall primacy within Germany seems unlikely.

Within the framework of the European Union and in particular of the EU's intention to expand eastwards, Berlin has a good chance of establishing itself as a mediator, particularly on a political level. The economic influence of this city within Europe depends largely on its attractiveness for innovative enterprises in the commercial and services sectors, which have large research and development budgets and are able to project impulses. Only if a step is taken in this direction will Berlin, as European metropolis in Central Europe, be able to hold its own with the West European metropolitan centres, such as London and Paris.

Berlin's extremely difficult past has hindered its continued growth and is the major reason for its loss of rank and power. Only since reunification and restoration of its function as the capital of Germany have new impulses been given to the development of the metropolis. It is up to Berlin now to make use of its new opportunities.

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3 The political geography of an eternal city: Ethno-territorial fragmentation in a "united" Jerusalem

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3.1 Introduction

In September 1999, the world's foremost entertainment attraction, Disney World in Florida, faced a political crisis: an Arab boycott over their decision to open a multi-media exhibition depicting the history of Jerusalem, in which the city was mentioned as being the capital of the State of Israel. As a result of intense political pressure on the part of the Arab world, the exhibition underwent minor changes, in which the importance of the place for the three global monotheistic religions – Christianity, Islam and Judaism – was highlighted, but without any mention of the city being the modern capital of the State of Israel.

The city of Jerusalem lies at the heart of the Arab–Israel conflict. It is the one issue which, when all else has been resolved, will remain on the political agenda. Israel views the city as its capital, encompassing the entirety of the metropolitan area and including those parts of East Jerusalem and the Old City (containing the holy sites of all three religions) which were captured in the Six Day War of 1967 (Fig. 3.1). The Palestinians see Jerusalem as constituting the capital of their future State, and refuse to recognize Israeli sovereignty over the city. Nowhere is the political rhetoric more intense. Even at the height of peace negotiations between Israeli and Palestinian negotiators, the respective leaders of both sides make public statements to the effect that Jerusalem remains non-negotiable, that there cannot be any concessions or compromise over their respective claims to this city.

The importance of Jerusalem is reflected in the central role it plays in the public discourse within Israel, particularly as an issue to be resolved as part of the Israel–Palestine process of conflict resolution. Left off the agenda in the early days of the Oslo I and Oslo II Agreements in 1993 and 1995, the issue of Jerusalem has become increasingly prominent during the latter part of the 1990s, especially as the peace talks have resumed under the new political administration headed by former Prime Minister Ehud Barak.

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 43–66.

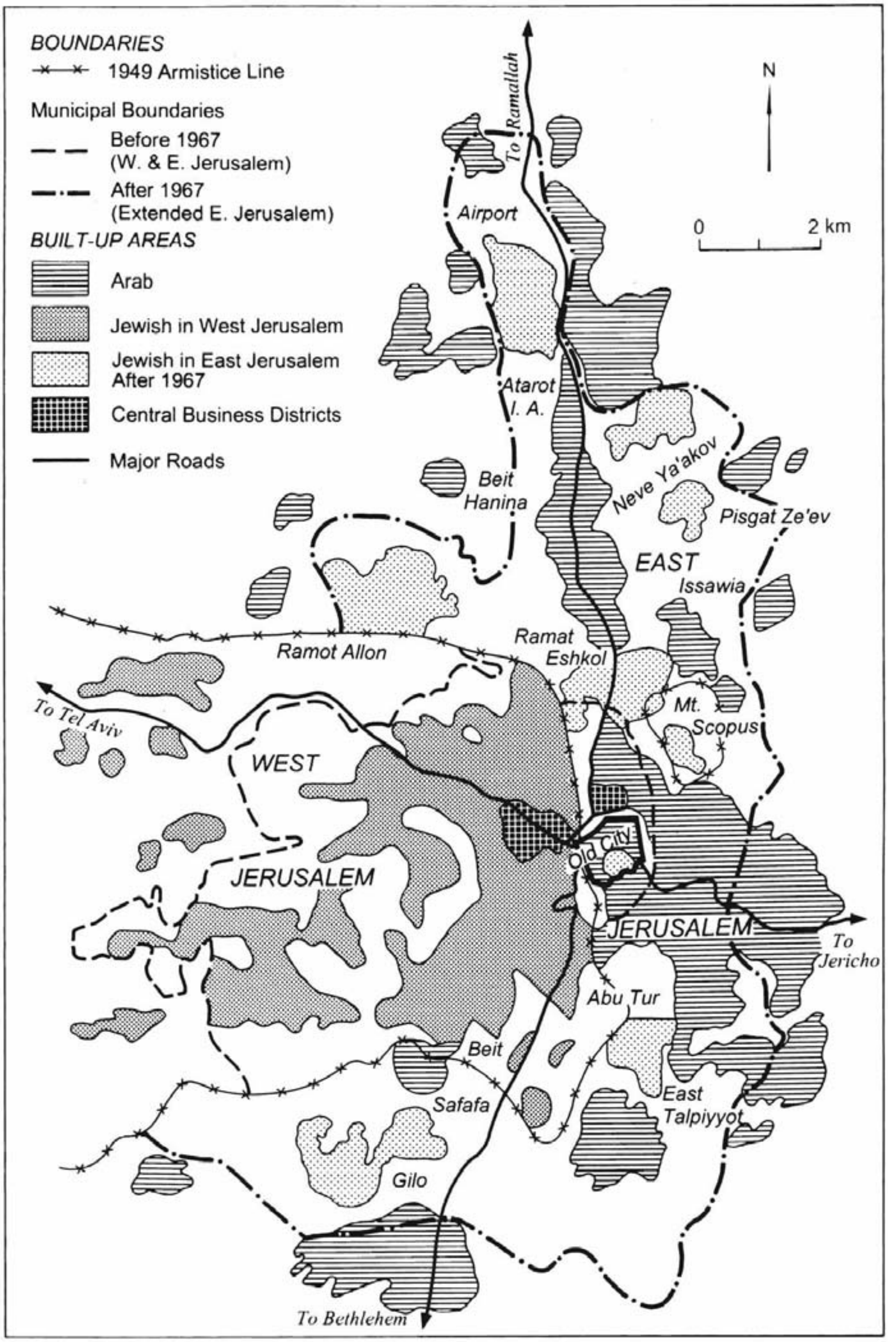

Fig. 3.1 The municipal boundaries of present-day Jerusalem

The position of Jerusalem's former Mayor – for over thirty years a position occupied by Teddy Kollek, who more recently has been replaced by right wing politician Ehud Olmert – is seen as a position of national importance, while the government itself has appointed a Cabinet Minister (Haim Ramon) to act as liaison for all Jerusalem related issues, especially as they affect the ongoing peace negotiations.

This chapter discusses the changing political geography of Jerusalem, while taking into account the way in which the strong sense of symbolism and historical and religious attachment, felt by both Jews and Moslems to the city, is translated into concrete actions on the ground. Political aspirations aimed at expanding and strengthening long-term control over the city are expressed through the practices of the national and local governments. These include the redrawing of the municipal boundaries, the construction of national buildings, the settlement (colonization) of new neighborhoods, and policies aimed at changing the ethnic balance of the respective populations so as to create a demographic majority for the ruling authorities. At the heart of these activities, all of which have taken place since 1967, is the rhetoric of a "single and united" city, consisting of East and West Jerusalem alongside the Old City, with Israel Jewish residents living alongside their Palestinian Moslem neighbors. An examination of these practices over time will show that while the city may be physically united, the ethno-territorial composition of the city remains as divided, if not more divided, than at any point during the past thirty years. In addition, it will show that the politics of symbolism and history which reflect the exclusive and separate national aspirations and attachments of each group to the city and its ancient sites, remain far stronger than all of the attempts to change the municipal structure and functioning of the metropolitan area.

In discussing the changing spatial and political–geographical patterns of this city, the chapter draws on the simultaneous notions of globalization and localization (or glocalization). On the one hand, the pre-eminence of the city and its symbolic importance for the world's three monotheistic religions means that this specific place has a global influence which few, if any, other cities in the world share. The symbolic dimension of the city as constituting not just a specific location in the Middle East, but a metaphysical, abstract place representing the "City of Eternity" and the "City of Peace", contrasts with the tangible and concrete local policies which are carried out at the most local of levels – from the metropolitan to the urban neighborhood – and which are expressed through the agencies of town planning and land use zoning. It is the attempt to draw together these two contrasting perspectives of the city which serves as the focus for this chapter.

The essay updates some of the processes which were first discussed by American political geographer, Saul Cohen, in his study of geopolitical change in Jerusalem, published over twenty years ago (Cohen 1977). Conceptually, the study of Jerusalem draws upon previous work by this author (Newman 1997, 1999) which focuses on the abstract and symbolic dimension of territorial conflict. This parallels the approach taken by Friedland & Hecht (1996) who describe Jerusalem as a place which will, at one and the same time, witness the "footsteps of the Messiah", as well as constituting a defensible border for a modern state. Drawing upon the detailed descriptions of urban, neighborhood and demographic change and growth in the city during the past fifty years (Kimhi 1992a, 1992b; Shweid 1992;

Dumper 1997), the chapter demonstrates how the daily impact of a national–ethnic conflict is best experienced at the local level of urban planning and zoning. This is a theme which has been discussed elsewhere within the Israel–Palestine context, such as in the Adjami neighborhood of Tel Aviv (Portugali 1991), and the metropolitan area of Nazareth (Falah 1992). This, in turn, is part of a wider theme which examines the use of bureaucratic agencies, such as planning regulations and land zoning laws, as a means of controlling and compartmentalizing land in order to achieve the political objectives of the State. Contextually, this has been highlighted in the case of Arab-Jewish relations in the Galilee region by Yiftachel (1992), and in the West Bank by Coon (1992), both of whom detail the use of zoning legislation to expand Jewish-Israeli settlements on the one hand, while limiting the expansion of Arab-Palestinian villages and towns on the other.

3.2
The spatial and functional patterns of division and unification

Prior to the establishment of the State of Israel in 1948, Jerusalem had not played a major role in the direct conflict between Arabs and Jews over territorial control. For the Zionist leadership of the time, Jerusalem retained its strong historic and symbolic significance, but it was not the center of political or economic activity. This role was reserved for Tel Aviv, located in the coastal plain, established in 1909 as the first “Hebrew” city of the Zionist nationalist movement and which became the center of activity during the pre-State years. But the religious and historic significance of Jerusalem could not be dismissed and it figured prominently in the political rhetoric of both sides. The earliest partition proposals, put forward by the British Peel (1936) and Woodhead (1937) Commissions saw Jerusalem as remaining under British control and linked to the coastal port of Jaffa by means of a territorial corridor, while the rest of Palestine would be divided into separate Jewish and Arab States (Klieman 1980; Galnoor 1991). The Jewish Agency (the representative leadership of the pre-State Jewish community in Palestine) had formulated a plan for the partition of Jerusalem as early as 1937 based on the prospect of open boundaries and free movement between the two parts of the city, but this had been rejected by the sceptical Woodhead Commission (Katz 1993). Even after the Second World War, when a new round of partition proposals was proposed, the future status of Jerusalem was still seen as constituting a separate, international entity, rather than being under the direct control of either Arabs or Jews.

The United Nations Partition Resolution recommended that Jerusalem be a *corpus separatum* under international administration (Fig. 3.2). Had all sides agreed to the Partition Resolution and implemented the proposal, approved by the United Nations in November 1947, then Jerusalem would have become a separate municipal exclave. During the Israeli War of Independence, access to Jerusalem from the Coastal Plain was cut off by the Jordanian army, resulting in the Jewish areas of Jerusalem lying under siege. One of the main objectives of the Israeli army was to ensure that a territorial corridor linking the city to the rest of the country would be created, and strengthened through the subsequent establishment of Jewish settlements throughout the corridor region. By the end of the War in

1949, Jerusalem was divided into two sections, with the western part controlled by Israel, while the eastern neighborhoods and the whole of the Old City were controlled by Jordan.

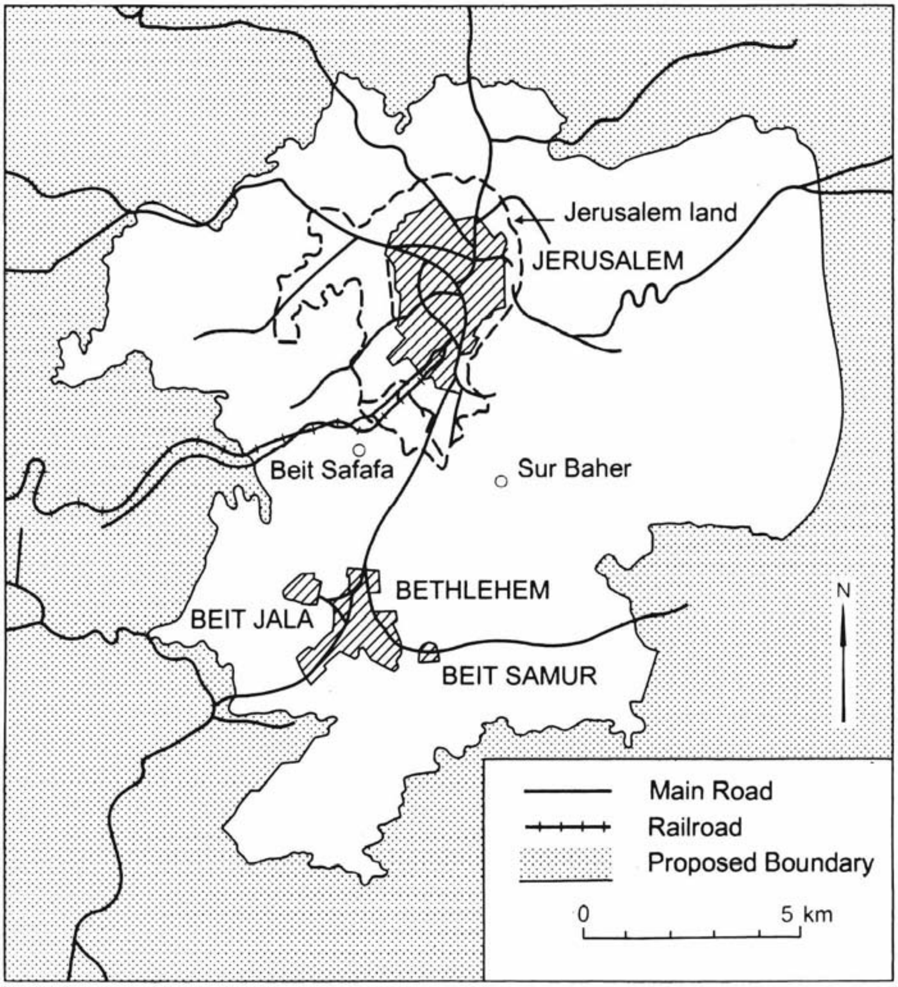

Fig. 3.2 The United Nations proposal for "*Corpus Separatum*"

3.2.1 Divided Jerusalem pre-1967

The physical division of Jerusalem in 1948 was accompanied by the construction of a wall between the two sections. During the nineteen years of physical division, neither Israeli nor Palestinian citizens were allowed to move from one side of the city to the other and the physical infrastructure; roads, electricity, water, sewage, and so on were completely separate. The division of the city resulted in significant dislocation for some population groups. Since the Old City was captured by the Jordanian Legion, Jews were no longer able to reside within the ancient walls. The Jewish Quarter of the Old City was evacuated of its inhabitants, with a transfer of the residents to the western part of the city. With a few exceptions, West Jerusalem was emptied of its Arab inhabitants as part of the wider outflow of Palestinian refugees. While no Jews resided in the eastern section, a small number of Arabs remained within the western section of the city. In only one neighborhood, Abu Tor, was there a significant mixing of Arab and Jewish populations, with the formerly Arab neighborhood experiencing an influx of Jewish inhabitants (Romann & Weingrod 1991). The most significant change took place in the village of Beit Safafa, in the southern part of the city. The new boundary cut the village into two, one part becoming integrated into the West Bank, the other remaining under Israeli control within the municipal limits of West Jerusalem. The railway line, all of which remained on the Israeli side of the boundary, became the line of separation within the village (Fig. 3.3).

The physical division of the city had a profound impact on town planning and urban development. The area on both sides of the sealed boundary remained largely undeveloped in an urban frontier zone, despite the fact that much of the boundary ran through the heart of the city (Fig. 3.3). The planning and development which took place at the time related only to one half of the city. City planners in West (Jewish) Jerusalem prepared a blueprint for development in the early 1960s which envisaged the city growing in the one available direction – westwards – during the ensuing two decades. Major government institutions such as the Parliament, the Israel Museum, and government offices were constructed in the west of the city. The Hadassah Hospital, one of Israel's major medical treatment and research centers, was built on the western outskirts of the city, in a location which was as yet beyond the residential pale of the city but which was expected to be an integral part of the city within the next two decades (Fig. 3.3).

The constrained development also affected the Palestinian sector. Prior to the 1967 War, Palestinian villages and neighborhoods in the Jordanian half of the city were prevented from expanding towards the boundary by a well-defined "no-man's-land", which had been planted with land mines. Following the removal of the boundary in 1967, the Israeli government and city planners issued very few building permits for sites on the western sides of these villages. Cohen (1993) documents this process for the village of Sur Baher at the southern tip of Jerusalem, and Beit Iksa and Beit Surik at the north-western edge of the city (Cohen 1993, pp. 135–165).

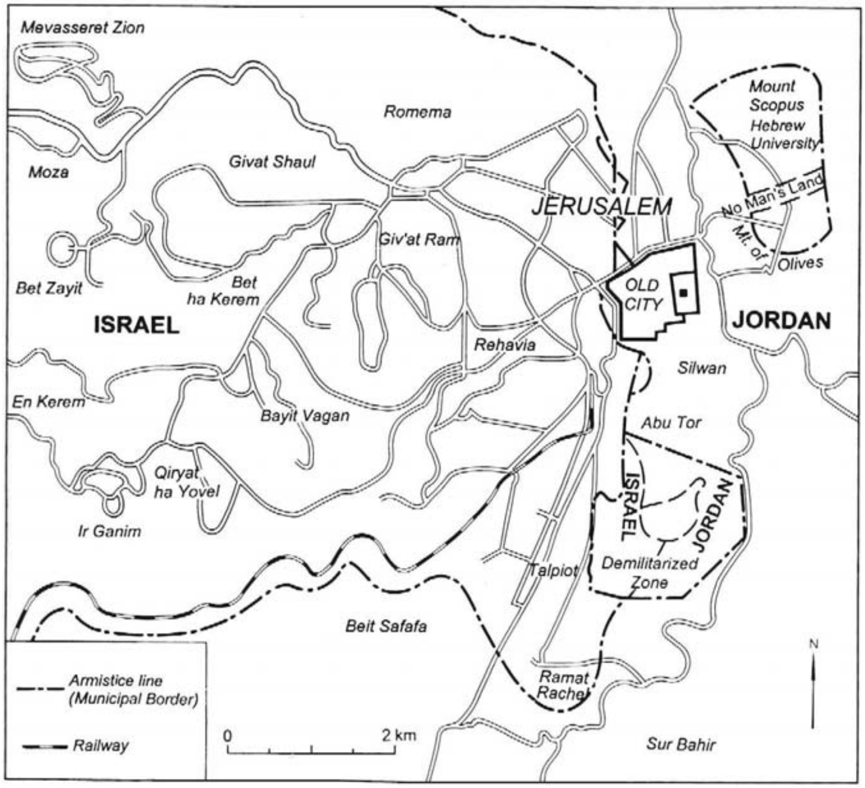

Fig. 3.3 Jerusalem divided: 1948–1967

Cohen further notes how government-sponsored programs of afforestation, both prior to and in the post-1967 period, were used to make political statements along and across the boundary. Prior to 1967, orchards were planted near the border in the western part of the city on the direct instructions of Prime Minister Ben Gurion, who saw the trees as a symbol and a message across the fence (Cohen 1993, p. 137).

A geographic quirk affecting Jerusalem was the existence of an Israeli enclave on Mount Scopus in the north of the city (Fig. 3.3). This area had been the location of the Hebrew University and the first Hadassah Hospital prior to 1948. The area remained under Israeli control following the division of the city, but was surrounded entirely by the eastern section of the city. For a period of nineteen years, a limited number of Israeli personnel were allowed to travel in convoys to Mount Scopus in order to maintain a presence. The institutions were relocated to the western part of the city. Following the removal of the boundary in 1967, the Israeli government rebuilt both the University and the Hospital on Mount Scopus, thus duplicating the existing institutions within the western part of the city. For this reason, Jerusalem today boasts two Hadassah Hospitals and two separate campuses of the Hebrew University, on Mount Scopus and in West Jerusalem, respectively.

The wider regional development of Jerusalem during the nineteen-year period of physical division was influenced by contrasting forces. The city, which until 1948 had been at the geographic (although not necessarily economic or political) center of Palestine, now found itself located at the geographic periphery of two separate political entities. Internal infrastructural networks were reoriented from the boundary in each direction. Both parts of the city had to compete with alternative metropolitan centers – West Jerusalem with the growing economic and social core of Tel Aviv, East Jerusalem with Amman. Thus, despite the development of West Jerusalem as Israel's capital and the construction of government and other public institutions, the city's population declined between 1948 and 1967 from 10 to 7.5 percent of the national (Israeli) population (Cohen 1977, pp. 65–71).

3.2.2
Municipal Jerusalem – post-1967: "Unifying" a divided city

From an Israeli perspective, Jerusalem was "united" in 1967, never to be divided again. The physical wall separating West and East Jerusalem and cutting West (Jewish) Jerusalem off from the Old City and the holy sites was demolished. Some infrastructural elements were unilaterally incorporated into a single municipal system, encompassing the whole city, while others continued to function as separate entities. The bus and taxi services remained separate, as did the two electricity grids, although the latter were eventually unified in the early 1990s, an act which was opposed by the East Jerusalem Electricity Authority and was interpreted as constituting a political provocation aimed at strengthening Israeli control over the municipal infrastructure.

The "opening" of the border between the two halves of the city in the aftermath of the Six Day War changed the development and planning scenarios. The municipal boundaries were expanded to encompass approximately 110 000 dunams (111 sq. km) within the jurisdiction area, of which 40 000 dunams (40 sq. km) were in West Jerusalem and 70 000 dunams (71 sq. km) in East Jerusalem and the surrounding area (Fig. 3.1). As Lustick (1993, pp. 379–382) notes, the boundaries were drawn in such a way as to include the lands of West Bank villages but largely exclude their Palestinian populations. Shortly after the 1967 War, the Israeli government passed a law annexing East Jerusalem to Israel and, by definition, extending civilian law to the whole municipal area. Palestinian residents of East Jerusalem were given the option of becoming Israeli citizens and were issued with Israeli identity documents (Yishai 1985; Lustick 1997). For obvious political reasons, the majority of the Palestinian residents of East Jerusalem opted not to become Israeli citizens, although they do have the right to vote in municipal elections by virtue of their residency. Notwithstanding, the right of residence for Palestinians in Jerusalem has become a contentious issue during the thirty plus years of Israeli rule, with many bona fide residents of the eastern part of the city being refused residence permits for political considerations, the objectives of which have been to ensure a Jewish majority throughout the metropolitan area.

All Israeli governments since 1967 have invested substantial resources in the founding of Jewish residential neighborhoods in the eastern section of the city.

The first of these neighborhoods were Ramat Eshkol and French Hill in the vicinity of what had been the boundary. During the 1970s, large-scale construction took place in three major locations – Ramot in the north-west of the city, Giloh to the south, constituting a wedge between Jerusalem and Bethlehem, and East Talpiot to the east of the city (Fig. 3.4). As in settlement policies elsewhere along the "green line", these neighborhoods were planned to breach the spatial continuity of Arab-Palestinian settlements surrounding Jerusalem to the north, east and south. By the early 1990s over 120 000 Israelis lived in these newly-founded residential zones. In September 1993, a new neighborhood to the south of Jerusalem was approved, linking the existing Jewish neighborhoods of Talpiot (West Jerusalem) and East Talpiot (East Jerusalem) which had been separated by the former boundary. While the neighborhoods themselves remain highly segregated, they are located in such a way as to make the physical redivision of Jerusalem between a Jewish west and a Palestinian east virtually impossible, unless the wholesale evacuation of these new areas was to take place.

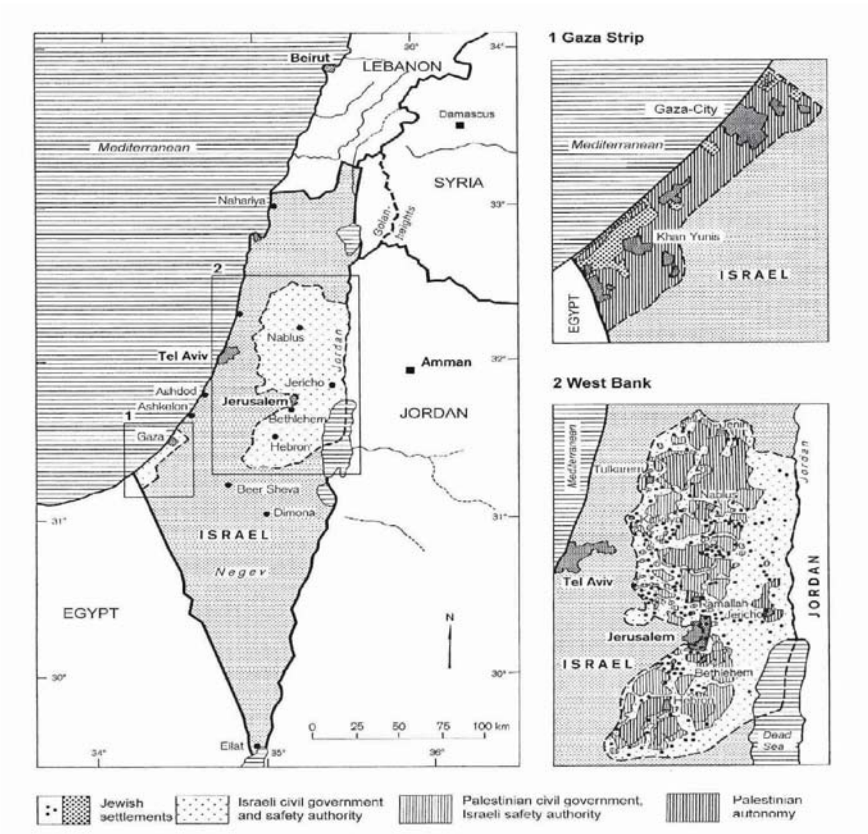

Fig. 3.4 Post-1967 construction of new Jewish neighborhoods in Jerusalem

The construction of roads has also been used as a means of integrating the city as a single municipal unit on the one hand, while maintaining segregation between the Jewish and Arab populations on the other. The routes connecting the city to Tel Aviv have been extended in such a way that they now encompass the whole of the city and continue around the north of the city and eastwards to Jericho, thus creating a transportation link between Israel and the West Bank, as far as to the border with Jordan. Within the city, a major transportation artery linking the south and north of the city runs along part of the old division line, effectively causing a major physical break between Jewish West Jerusalem and Palestinian East Jerusalem (Fig. 3.4).

In the post-1967 period, trees were planted on both sides of the old boundary, especially where they help to widen the area of access to Jerusalem from the coastal plain (Cohen 1993, p. 151). Planting trees is an important symbolic element in the desire to control territory for both Arabs and Jews. This policy has been used in a number of micro-areas along the “green line” boundary as a means of erasing the former line. In the 1980s, following a number of legal disputes, the Jewish National Fund limited themselves to planting projects which reached the “green line” but did not go beyond. But the notion of a border which acted as a barrier to development or planting did not apply to Jerusalem, which Israeli politicians and planners alike saw as a physically united city never to be redivided.

Much of the previous “frontier” zone underwent development, most notably the area immediately adjacent to the walls of the Old City. The Mandelbaum gate, the one point of crossing mostly used by United Nations troops prior to 1967, was removed, and much of the interface in this particular area is now the route of a major transportation artery linking the north and south of the city, and separating ultra-religious Jewish residents of West Jerusalem from Palestinian residents of East Jerusalem. The no-man’s land zone alongside the walls of the Old City has, over the past thirty years, been transformed into a major area of integration, in contrast to the previous zone of separation. This area has become the focus for parks, tended open spaces and the more recent construction of luxury dwelling units. It is a center for tourist activity, as people approach the impressive walls of the Old City normally through the Jaffa Gate, while the natural valley has been transformed into an open-air venue for concerts and other events. Politically, the objective of this development has been to emphasize the geographic linkage between the old and the new cities, and to create an infrastructure which cannot be redivided at a future date.

3.3
The socio-spatial dimensions of contemporary Jerusalem

The city of Jerusalem functions at one and the same time, at a number of spatial levels and within a diversity of social spheres. In this main section of the chapter, we identify five such functional dimensions, each of which has implications for the present-day urban and physical development of the city. These dimensions take into account not only the Israel–Palestine conflict characteristics, but also the internal religious-secular tensions within the Jewish western part of the city, all of which have implications for the way in which urban development is planned and implemented by the city planners. While Jerusalem is thought of in terms of its ethnic composition and the fierce emotions and symbolism by which each national group demands control over the city, it is often forgotten that the city contains over half a million residents within its post-1967 municipal boundaries and that it faces planning and zoning problems which are common to all expanding metropolitan areas. The ethnic diversity and segregation within the city, not only between Jews and Arabs, but also – and increasingly so – between secular and orthodox Jews, make the problems of metropolitan planning more difficult than would be the case in many other metropolitan areas. But the basic issues remain the same: traffic congestion has to be relieved, municipal services have to be supplied and land has to be made available for new residential neighborhoods and public buildings. The five dimensions which will be discussed are:

1. Jerusalem as the center of monotheism – the Old City
2. Jerusalem as metropolis
3. Jerusalem as capital city
4. Jerusalem as a bi-national city – Israelis and Palestinians
5. Jerusalem as sacred space – religious and secular Jews.

3.3.1 The Old City

The only part of Jerusalem which is recognized by all as constituting part of the city is the original Old City, enclosed within the ancient walls, and containing the holy sites to the world's three monotheistic religions. The Old City, arguably the most famous single place on the globe encompasses no more than 0.88 sq. km. During the past fifty years, much of the Old City has remained unchanged, while in some parts, especially the renewed Jewish Quarter, there has been a massive redevelopment. The contest for space in this small and crowded Middle Eastern city takes on extreme nationalist dimensions, such that the most "sacred" spaces are the most hotly contested. This is reflected in the redevelopment and expansion of the Jewish Quarter, its post-1967 re-population by Israeli-Jewish residents, and the more recent expansion of Jewish residence into the neighboring Moslem Quarter of the City, particularly in those locations which, it is claimed, formerly belonged to Jewish institutions (pre-1948) or have been secretly purchased by philanthropic supporters of the ultra-nationalist settlers.

Immediately after the Six Day War of 1967, the Jewish Quarter of the Old City was evacuated of its inhabitants, who had moved into this area during the previous nineteen years. During the past three decades, this area has undergone a major rehabilitation program and has now become the home for thousands of Jewish residents, the majority of whom are religious and desire to live close to the Western Wall, the remaining remnant of the ancient Jewish Temple. This neighborhood has also become the focus for many religious and nationalist institutions. The plaza in front of the Western Wall has become a rallying point for both religious and national gatherings, such as for Remembrance Day Ceremonies and various religious festivals. The annual highlight in summer is a commemoration of the destruction of the Jewish Temples which were once located on this site.

Control over the religious sites is highly contested. The administration of all Moslem religious buildings, including the El Aqsa Mosque, was handed over to the Waqf, while the churches are administered – and often fought over – by the representatives of the many Christian denominations. Both Jewish and Moslem authorities are continually attempting to expand their control over the Old City, not least through the addition of prayer buildings (synagogues or mosques) and through the identification of new historical and/or archaeological sites which are then opened to the public. The right to excavate under the Old City in general, and the Temple Mount in particular, is perhaps the most hotly contested issue, not least because archaeological findings are used as means of expressing the respective historical links between Jews and Moslems back to ancient times and, as such, somehow justifying contemporary claims to political control. This culminated in 1996, following the decision of the Israeli government and the Jerusalem municipality to open a new section of an ancient tunnel which had been excavated and which, according to Moslem authorities, infringed upon the Moslem holy sites. This resulted in fierce demonstrations and fatalities. It also brought about the opening of a new Moslem prayer site in an adjacent site. In this way, both parties in the conflict expanded their *de facto* control over tens of meters of this highly contested real estate.

While the Old City is the geographical focus of the conflict, it is not the main hindrance to reaching a political agreement over Jerusalem. Even today, the religious sites are administered by the religious, rather than political, authorities. It has been suggested that under a future political arrangement, no national flags or symbols would be shown in the Old City, regardless of who retains formal control or sovereignty. The extent to which the demographic composition of the Old City could significantly change is limited, given its already crowded conditions. Even the right wing settler organizations are limited in the extent to which they will be able to purchase, or squat in buildings located outside the Jewish Quarter – although every time this happens, it results in major demonstrations and violence. It is in the Old City, more than anywhere else in the Israel–Arab conflict, where the dissonance between the notions of a "holy" and "eternal" city on the one hand, and the ethno-territorial and national conflicts between Arabs and Jews, has its sharpest contrast.

3.3.2
Jerusalem as metropolis

The metropolitan area of Jerusalem is a functional, rather than municipally defined, area. Over the past fifty years, it has expanded in all directions. Despite the fact that the city lacks adequate economic opportunities for its growing population, the city has become the economic and administrative core of an ever growing region. Both Israelis and Palestinians commute into the city on a daily basis from the surrounding areas and there is major traffic congestion leading into the city during the normal commuting hours. Given the mountainous nature of the terrain and the often winding, steep roads, the traffic congestion is exacerbated during peak hours.

Prior to 1967, Jewish Jerusalem expanded to the west, and Palestinian Jerusalem to the east. Each was constrained by the physical boundary dividing the city in the middle. To the west of the city, it was also part of a natural process of economic growth by which the two main population centers of the country – Tel Aviv and Jerusalem – grew towards each other, the former representing the country's economic core and the latter the administrative core. Following 1967, successive Israeli governments constructed new Jewish residential neighborhoods beyond the "green line" in the east of the city. These were intended to strengthen Israeli control over the political future of the city as well as to drive territorial wedges between the continued expansion of the Palestinian sections of the city to the north (stretching to Ramallah), east and south (stretching to Bethlehem) which would have resulted in a continuous belt of Palestinian built-up areas.

Moreover, in an attempt to strengthen future claims to the city, the surrounding areas, beyond the municipal boundaries, were earmarked for settlement expansion. The Gush Etzion region to the south of the city and the township of Ma'aleh Adumim to the east were created as satellite communities (Fig. 3.5), from which most of the population continue to travel into Jerusalem for employment, services and entertainment. This policy has been criticized by many of the Jerusalem municipal officials as being self-destructive. They argued that the construction of satellite communities, at distances of 15–30 kilometers from the city, but outside the municipal boundaries, only served to draw population out of the city itself (Efrat 1993; Newman 1996b). The opportunities of cheaper land and smaller more intimate communities, proved to be a major attraction for city residents who were confined to relatively small apartments in densely populated neighborhoods. In the fight for demographic hegemony between Jews and Arabs, the government was promoting a policy which drew many of the Jewish residents outside the city altogether. It was no surprise therefore that in the lead up to the Israeli–Palestinian peace talks Israeli officials proposed to expand the municipal boundaries of the city even further to the east and to annex the town of Ma'aleh Adumim to the city proper, a proposal which – at the time of writing – has not been implemented, not the least because it would mean the expansion of municipal Jerusalem into extensive areas of the West Bank at a time when political negotiations are taking place between Israel and the Palestinians. From an Israeli perspective however, such a move would add over 20 000 Jewish inhabitants to the city's population, as well as expand the territorial base for future expansion.

Despite the politically motivated construction activity in the east and north of the city, economic forces dictated that the real expansion of the city continued to take place to the west, within the pre-1967 boundaries, and along the route linking Jerusalem to Tel Aviv. Smaller communities to the west, formerly part of a separate rural municipality, became urbanized, while the new townships of Mevasseret and Telstone (an orthodox Jewish residential community) grew into large suburbs within the metropolitan area. The influence of the Jerusalem metropolitan region overlapped the expanding influence of the Tel Aviv metropolitan region in the center of the country, so that the route linking the two cities became a new economic transportation artery (Shahar 1992; Efrat 1993).

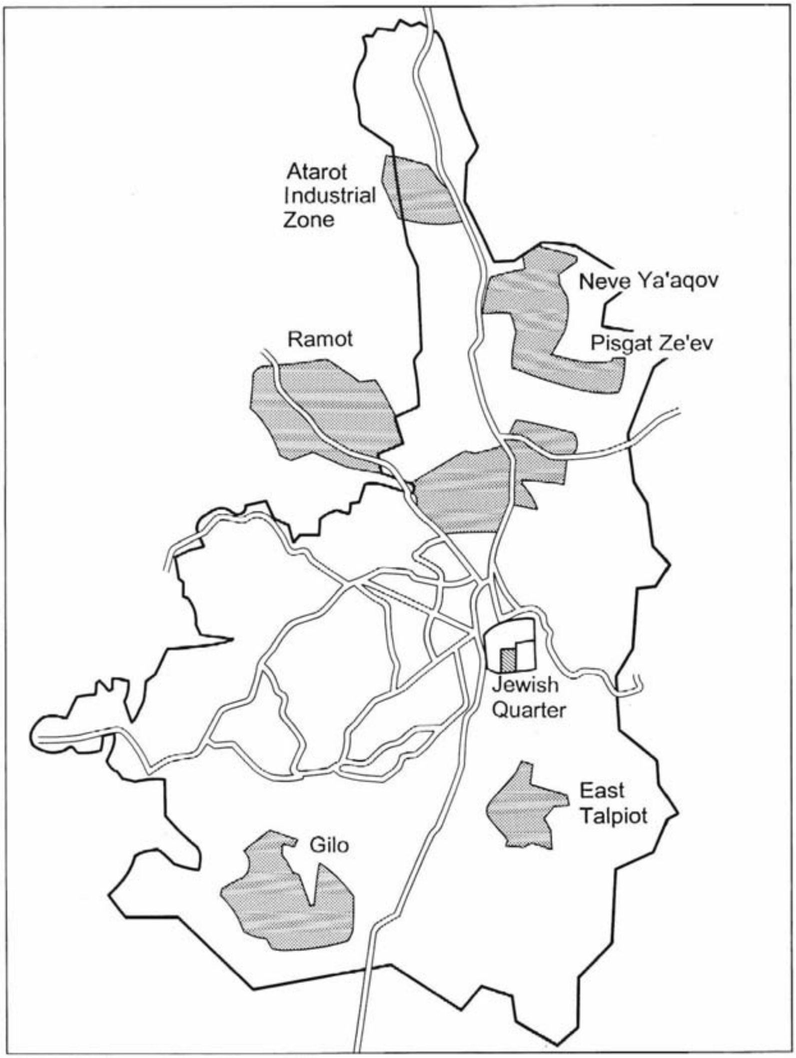

Fig. 3.5 Settlement expansion in the Greater Jerusalem Region

As the road links improved, the travel time between the two cities was cut to less than an hour, while Israel's major international airport is located along this highway, enabling easy and quick access from both cities. During the past decade, land for new township and suburban developments has been released along, or in close proximity to, this route. These sites have become some of the prime residential locations in the country because of their easy access to both major cities – the economic and business core in Tel Aviv and the administrative and political core in Jerusalem. Thus, as is so often the case throughout the world, economic forces have proved to have a much stronger influence on urban and regional development than any form of government intervention in the planning process, the latter favoring the expansion of Jerusalem eastwards with the establishment of new neighborhoods which were constructed as a means of expanding political control over the reunited city.

The functional problems which resulted from this metropolitan expansion led to the setting up of statutory commissions designed to look into the future linkage of Jerusalem with its metropolitan hinterland. One commission discussed the separate municipal status of the Mevasseret community, while a second commission examined the status of the communities affiliated to the rural municipality, Mateh Yehuda, to the west of the city. In the former case, the Commission recommended the annexation of Mevasseret to the city, thus expanding the municipal area and increasing the Jewish population of the city. The second Commission recommended changes in the municipal structure of the rural authority but did not recommend the equally logical annexation of the two major ex-urban communities to the city (Rural Planning Workshop 1992). The reason for this was the fact that one of these two communities was populated by orthodox Jews, the other by Arab citizens of Israel. Unofficially, any move to expand the municipal limits of the city was intended (in addition to normal functional considerations), to change the internal demographic balance within the city in such a way as to ensure continued political hegemony for the Israeli-Jewish non-orthodox elements. The inclusion of these two communities within the demographic mosaic of Jerusalem would have been self-defeating for the municipal and national policy makers who desire to bolster the Jewish-Zionist majority within the city. Thus municipal considerations were strongly influenced by wider political and demographic considerations. In the end, the residents of Mevaseret opposed the loss of local political autonomy which would have been the case if they were swallowed up by the city. They appealed to the High Court against the decision of the Commission. The Court, in turn, ruled in their favor. With a few minor changes, the municipal boundaries of Jerusalem remained similar to those which had been in effect prior to the setting up of the two Commissions, though this no longer reflected the functional realities of the expanding metropolitan area.

3.3.3 Jerusalem as capital city

Capital cities possess functional characteristics which are different to most other cities (Taylor, Lengelle & Andrew 1993). The concentration of political and administrative functions within these cities offers economic spin-offs for the city's population, affording it advantages which do not accrue to other cities. The choice of location of a capital city is complex and may be due to a variety of historical, efficiency, locational and bargaining factors. More often than not, capital cities are chosen because of their symbolic and historic significance within the national consciousness, despite the fact that such locations do not always make economic or functional sense.

Jerusalem is the capital city of the State of Israel. Despite its relative unimportance in the social and economic development of the pre-State Zionist enterprise, its religious, historic and symbolic centrality to the Jewish experience made it the only candidate for capital city status. Immediately following the establishment of the State in 1948, founding Prime Minister David Ben Gurion declared Jerusalem as the capital city (Emmett 1996). The fact that the city was subsequently bitterly fought over, that it was cut off from the rest of the country for a period of time, and that residents of the Jewish Quarter of the Old City had to be evacuated as the Old City was taken over by the Jordanian Legion, only served to strengthen the new government's desire to stake its claim to Jerusalem, not only as the contemporary capital of the State of Israel, but as the spatial, geographic and temporal center of the worldwide Jewish community.

Initially, the government held its parliamentary meetings in Tel Aviv, but soon moved to an existing building in Jerusalem. In the early 1960s, the Knesset building, housing the Israeli Parliament, was constructed in West Jerusalem. The same area also contains one of the two campuses of the Hebrew University, the Israel Museum, most of the government offices, the Supreme Court, and the Bank of Israel headquarters, all of which have been constructed during the past forty years. Prior to 1967, this area had been designated in the planning blueprints for the city as "the" main and only locus for government activities, although following 1967 government offices were also established in East Jerusalem, including the Housing Ministry and the Ministry of Justice. The residence of the State President and a host of national academic and religious institutions are also dispersed throughout the city.

Despite the choice of Jerusalem as capital city, Tel Aviv continues to take on the role of social and economic center of the country. The military headquarters and the Defense Ministry are located in Tel Aviv, while many government ministries have sub-offices in the city open on particular days during the week. This underlines the fact that the choice of Jerusalem was based on the historic and symbolic importance of the city, rather than on its economic or functional advantages. Jerusalem is largely a city of administration and education, especially for the growing religious and ultra-orthodox population groups. As such, the city remains one of the poorer cities within Israel, with above average levels of unemployment and welfare dependency – in much the same way as many areas within Washington D.C. do not derive any direct benefits from the location of the major federal institutions within the city. Jerusalem's municipal leaders have largely been unsuccessful in attracting significant economic and industrial investment to the city, while a growing proportion of the educated middle class have been leaving the city for Tel Aviv, particularly in the light of what they see as the religious "takeover" of Jerusalem and an increasing atmosphere of intolerance. In an attempt to improve the economic situation of the city's population, Jerusalem's leaders play up the role of the city as capital and, as such, deserving increased central government intervention and public subsidies.

Prior to 1967, many of the foreign embassies and legations were located in Jerusalem, but most of these left for Tel Aviv following the outcome of the Six Day War and Israeli annexation of the eastern part of the city. Israel refuses to recognize this reality and insists that all formal contacts take place in Jerusalem. As such diplomats are often faced with journeys to Jerusalem whenever they have to meet with officials of the Foreign Ministry, even when, as is often the case, it would have been more convenient to meet in Tel Aviv. Newly arrived diplomats have to travel to Jerusalem to present their credentials to the State President before returning to their embassies and homes in the Tel Aviv region. One of Israel's main demands from the international community if, and when, a full peace agreement is finalized with the Palestinians, will be for the formal recognition of Jerusalem as the country's capital city and the return of all foreign embassies to the city.

The Palestinians also view Jerusalem as constituting the eventual capital city of a Palestinian State, a stance which is firmly rejected by all Israeli governments, be they hard line or more moderate in their overall approach to the Israel–Palestine conflict and peace process. Palestinian political activity was not allowed to take place within East Jerusalem, although in practice Palestinian officials began to undertake diplomatic and other administrative activities within the city. The Orient House was transformed into an unofficial meeting place of Palestinian leaders with foreign dignitaries and diplomats. Many of the foreign delegations have two separate consular offices in Jerusalem, the office in the West of the City dealing with the Israeli-Jewish concerns, the office in the eastern part of the city dealing with Palestinian concerns. They often arrange separate events on their national holidays and Independence Days, which Israelis and Palestinians respectively attend.

3.3.4 Israelis and Palestinians: Ethno-territorial fragmentation in the "unified" city

Despite the spatial rhetoric, Jerusalem remains a city which is functionally and ethnically divided. While many of the infrastructural networks were unified over time and the temporary frontier zone was developed into residential areas and parks, the city remained divided in many other important respects. Romann & Weingrod (1991) have described the continued nature of residential segregation between East and West Jerusalem. They have shown how Jews and Palestinians continue to "live together separately" in two distinct political and cultural entities with well-defined ethnic boundaries, despite the formal "unification" of the city during the post-1967 period. Even within the mixed Abu Tor neighborhood, the ethnic boundaries continue to be "firm and unbending". The *de facto* separation is probably best illustrated in Romann's (1989) study of Jerusalem schoolchildren, born and educated in a post-1967 single city. Both Jewish and Palestinian teenagers displayed a remarkable lack of knowledge concerning the basic geography and sites of the "other" half of the city, despite the fact that they were free to roam in any part of the city they chose. In particular, the mutual geographies of fear expressed by both groups were indicative of the strong sense of division and separation which continues to pervade city life, despite the absence of any formal or physical boundary.

This is not really that surprising given the extreme political tensions and animosities which exist between the respective Israeli and Palestinian populations of the city. Cities elsewhere in the world which have experienced major national conflict have shown similar tendencies of extreme patterns of residential segregation – with contemporary examples being characterized best in Belfast (Protestants and Catholics) (Boal 1978; Boal, Murray & Poole 1976) and Nicosia (Cypriot Greeks and Turks). Contextually, research into other "mixed" Arab-Jewish cities within Israel has also shown that even in those cities which became part of Israel immediately after the establishment of the State, and within which small concentrations of Arab populations remained and were infiltrated by newly arrived Jewish immigrants, there has been a long-term tendency for residential segregation to become stronger rather than weaker. Jewish populations have moved out of these older, less developed, parts of the cities as they have become upwardly mobile, both socially and economically, while the Arab residents have remained within their original neighborhoods (Kipnis & Schnell 1978; Gonen 1995; Falah 1996). As such, residential segregation between Arabs and Jews within the urban environment remains a major physical characteristic of the national tensions and conflict, not only amongst Israeli and Palestinians (as in Jerusalem) but even amongst populations who have been Israeli citizens since the establishment of the State in 1948.

Symptomatically, separate bus and taxi routes continue to serve East and West Jerusalem, respectively. Romann & Weingrod show how the nature of interaction which does exist is a function of the extent to which one side is economically dependent on the other. Sources of employment for Palestinian residents of East Jerusalem are to be found in the building sites and industrial zones of West and Jewish Jerusalem while, until the Intifada at least, cheaper prices and a Middle Eastern "ambience" were to be found in the east of the city and the narrow alleys of the Arab sections of the Old City. Prior to the onset of the Intifada in 1987, Israelis from West Jerusalem and elsewhere would crowd the shops and bazaars of the eastern sections of the city and the Old City, particularly on the Sabbath (Saturday) when, by law, all shops within the Jewish sector are closed. But the renewed geography of fear has meant that during the past decade this flow of shoppers and sightseers has ceased, causing significant economic damage to the eastern part of the city.

Most government offices and administrative centers remained concentrated in West Jerusalem, to which residents of East Jerusalem often have to come to obtain necessary documentation. While residents of Jewish West Jerusalem could continue to live their lives without any need to travel beyond the "invisible line of division", Palestinian residents of East Jerusalem often had no alternative but to travel to the west of the city. As a result, many more Palestinians understand and speak Hebrew – the language of the dominant power – than Israelis understand Arabic. This is not just true of Jerusalem but of the relationship between Israel and the West Bank and Gaza as a whole.

Thus Jerusalem remains ethnically fragmented despite the physical unification. Arabs and Jews continue to live in totally segregated neighborhoods, while the new Israeli suburbs constructed in the east of the city as a means of cementing the political sovereignty of the State, are inhabited by Jewish residents only. Following acts of violence and terrorism, a renewed geography of fear set in, and Arab and Jewish residents of the city now refrain from even making the few visits "on the other side" that they made in the past. Jewish residents of the city are afraid of being attacked in Palestinian areas, while Palestinian residents have become the subject of increased security checks and random interrogations on the streets of West Jerusalem. A city united is, in reality, a city divided.

3.3.5 Jerusalem as sacred space: Religious and secular tensions

While this chapter has focused on the relationship between national conflicts and its impact on town planning, the urban development of Jerusalem is also affected by other cultural influences, not least the growing tensions between religious (orthodox) and secular Jews. Jerusalem is the main residential attraction for religious Jews, who view the city as constituting the geographic heart of their religious experience. The religious component of Jerusalem's Jewish population has increased significantly during the past three decades, resulting from extremely high levels of natural growth amongst a population who do not believe in family planning or contraception, and from a positive migration balance, as religious Jews desire to live in Jerusalem and secular Jews have been opting to leave the city for Tel Aviv and the metropolitan center of the country.

The main concentration of the religious–orthodox population is in the older quarters to the north of the CBD, spreading into the northern and western suburbs of the city (Shilhav 1984, 1993). This brings special planning and development problems of its own, not least the desire for educational and religious institutions instead of other cultural and social buildings. Of major significance to city planners is the demand by the religious neighborhoods that the roads and transportation arteries be closed on weekends (the Sabbath) and other holy festivals, causing major disruption to those who wish to travel from one part of the city to the other. The ultra-religious population groups oppose all forms of external intrusion into what they perceive as a "holy" city and often arrange violent demonstrations against what they see as the "Hellenist" influences of the secular State. During the 1980s, they managed to postpone the construction of a major sports stadium in the city – eventually constructed in the south of the city far away from the religious neighborhoods – and they insist that all new residential neighborhoods should be responsible for their own cultural and religious demands.

As their proportion of the population grows, so too does their influence in municipal politics. Right wing mayor Ehud Olmert has taken the religious parties into the city coalition as a means of gaining support for his policies relating to the Israel–Palestine dimension of municipal politics. But this requires concessions to the religious parties over a whole range of issues relating to the cultural life of the city, policies which have resulted in a growing out-migration of non-religious Jews from the city as they are increasingly fearful of religious coercion. For most Israelis, it is the religious–secular dimension of living in Jerusalem which affects them more than the Israel–Palestine conflict. Religious and secular Jews pass through each others neighborhoods much more than either of them pass through Palestinian neighborhoods. However, as the religious population grows, and the demand for housing increases, so too does the level of residential segregation between the two groups. Neighborhoods are becoming increasingly religious or secular, while a subtle system of managerial policies are put into operation as a means of ensuring that apartment blocks become as culturally homogeneous as possible.

Although the main purpose of this paper is to focus on the urban development dimensions of the Israel–Palestine conflict, it would be impossible to understand what is happening in the city without this brief mention of the religious–secular issues, and a look at how the two different struggles for control are aligned through the operation of municipal politics. However, a detailed study of this problem requires a separate analysis.

3.4 Jerusalem and the Israel–Palestine peace process

The future of Jerusalem under a peace agreement is the most acute problem to be solved. For its part, Israel refuses to acknowledge the re-division of the city or any political solution which would necessitate the giving up of sovereignty over any part of the city. For the Palestinians, Jerusalem is their most important administrative and political center which is to serve as a capital city to any future sovereign political entity. The Palestinians refuse to acknowledge any alternative to Jerusalem as the major spatial focus for administration. During the first stages of the Oslo peace negotiations, the issue of Jerusalem, along with the topics of Palestinian refugee return and the Israeli settlements, were excluded from the agenda. Even during the later stages of the negotiations, when issues such as settlements and refugees began to be part of the agenda, Jerusalem remained – at least as far as the Israeli side were concerned – a non-negotiable issue, although informal proposals, by both Israelis and Palestinians, have been formulated aimed at reaching an agreement even over this seemingly unsolvable problem.

The role of Jerusalem in the peace process must be understood within the wider context of the political geography of Israel–Palestinian conflict resolution, as it has been discussed at length elsewhere (Falah & Newman 1995, 1996; Newman & Falah 1995; Newman 1996a, 1998). However, while the negotiations focus on the tangible territorial dimensions of conflict resolution, most notably the ultimate territorial configuration of borders, the location of settlements, the resettlement of refugees within a Palestinian sovereign entity/state, and so on, the status of Jerusalem – more than any other – touches upon the deeply rooted symbolic and emotional dimensions of territorial attachment. As such it is by far the most difficult of all the issues to be addressed in the conflict resolution process (Hermann & Newman 2000), even more so than the issue of refugee repatriation. It has often been argued that the discussion about Jerusalem's status should be left for the stage when all other issues have been resolved, in which case it will be easier to deal with – if only because the level of mutual mistrust between the two sides may have partially dissipated in the wake of successful agreements in other areas of conflict. Notwithstanding, for many Israelis the very notion of anything less than full and absolute sovereignty over that spatial entity defined as Jerusalem, remains inconceivable at the time of writing. This has been emphasized by Prime Minister Ehud Barak, a prime minister who has pushed the conflict resolution process in a positive direction, who has categorically stated his opposition to anything less than full Israeli sovereignty over the whole of the city.

The Jerusalem Institute for Israel Studies compiled a list of 63 proposals and positions concerning the status of Jerusalem, from the Sykes–Picot Agreement in 1916 through to a joint Israeli–Palestinian proposal in 1994 (Hirsch, Housen-Couriel & Lapidoth 1995; Lapidot & Hirsch 1994). The substance of these proposals range from internationalization of the whole city, internationalization of the

Old city and the holy places alone, and the decentralization of functional governance to a Palestinian East Jerusalem and a Jewish West Jerusalem while retaining an overall unified metropolitan structure. The changing proposals reflect, amongst other factors, the changing nature of political power during the time period these proposals were put forward – ranging from the pre-State Mandate period, through the division of the city, the period of Israeli control and hegemony, through to the current period of conflict resolution. Thus, not only do the changing spatial realities and expansion of the city affect the proposals at any given time, but also the location and focus of political power.

In his study of the major infrastructural systems in the city – water, sewage and electricity – Dumper (1993, 1997) argues that it is not an impossible task to once again separate the two parts of the city. However, while neither side is prepared to accept the concept of the city being physically redivided again, it would be possible to create some form of functional separation between the two population groups. This would necessitate the decentralization of city government to the neighborhood level, with only few powers remaining for a city-wide government, mostly relating to the joint maintenance of physical and infrastructural networks (Kollek 1988). Neither side accepts the notion of international administration which would wrest the control away from the local population.

Following the onset of the Oslo Peace process in 1993, the media widely reported the unofficial Beilin-Abu Maazen Plan which was drawn up by senior Israeli and Palestinian negotiators. Half of this plan dealt with Jerusalem. The proposal was to establish a Palestinian capital in Abu Dis, a suburb which is outside the municipal boundaries of Jerusalem as defined by the Israeli authorities (Fig. 3.1). This would satisfy both sides in that Israel would not consider Abu Dis as constituting part of the formal jurisdictional area of Jerusalem, while as far as the Palestinians are concerned this suburb is clearly part of the functional and contiguous area of the city. As such it is important to take account of the fact that the municipal boundaries of the city are nothing more than the social and political constructions of the period in which they were demarcated (immediately after the Six Day War) and that the definition of just what actually constitutes Jerusalem is open to alternative interpretations. Some neighborhoods are now part of the contiguous functional extent of the city but lie outside the municipal boundaries, while other areas lie within the municipal boundaries but remain undeveloped. The spatial extent of the city could be redefined, just as metropolitan areas throughout the world are redefined every few decades, to take account of the functional and spatial changes which have taken place. Thus a Palestinian definition of what constitutes Jerusalem can differ from an Israeli definition, while both will differ from the core definition of the city as constituting no more than the Old City within the ancient walls. The Beilin-Abu Maazen plan also proposed that the Temple Mount constitute an extraterritorial area, while there would also be joint municipal management over the day-to-day running of the city.

During the 1996 election campaign in Israel, Benjamin Netanyahu played a strong Jerusalem card, accusing the Labor government of Shimon Peres of being prepared to re-divide Jerusalem and allowing East Jerusalem to become the capital of the Palestinian state. Given the narrowest of majorities by which Netanyahu beat Peres, and the general feeling that the Labor party had not done enough to rebuff these claims, many political analysts believed that the Jerusalem card was a significant factor accounting for the change in government, despite the assassination of Prime Minister Yitzchak Rabin just some months earlier. Following the 1996 elections, the issue of Jerusalem exploded as a result of the policy decision taken by the Netanyahu government in February 1997 to authorize the construction of a new Jewish settlement at Har Homa, in the south-east of the city. This was viewed by the Palestinians as a blatant contravention of the previous agreements signed by the Israeli government and the Palestinian Authority which forbade the founding of any new Israeli settlements. From the Israeli government perspective, construction within the municipal boundaries of Jerusalem, even beyond the green line, was not considered as “settlement activity” but rather as the bona fide construction of a Jewish neighborhood in the city claimed as part of the sovereign territory of the State.

3.5 Conclusion

This chapter has demonstrated the way in which the spatial configurations of urban development and town planning are closely linked to the national and cultural characteristics of a single city – Jerusalem. It is not a unique case, the development of other cities throughout the world has been strongly influenced by the localized elements of national and ethnic conflict, although it is perhaps the most famous and, seemingly, the most difficult to resolve. If the Israelis desired to avoid placing the issue of Jerusalem on the public agenda of the negotiating table, they were defeated by the actions of their own former Prime Minister, Benjamin Netanyahu. During his administration (1996–1999), the government undertook unilateral action in Jerusalem, notably the building of new neighborhoods in East Jerusalem and the attempted closing of Orient House to all Palestinian diplomatic activity. This only served to create an international outcry and increased public awareness of the need to find a solution to the issue of Jerusalem, if the conflict is ever to be resolved. As such, it is the spatial realities on the ground which will have to be taken into account, rather than the past territorial and municipal configurations, however much they be used to prove this point or the other. Municipal boundaries are not holy – they can be changed just as they have been in the past, so that one side’s definition of Jerusalem does not necessarily have to match the other side’s definition. The de-politicization of the Old City and the Holy sites could also serve to create a solution even in this, the very heart of the symbolic and emotional attachment to the city and its history. As such, Jerusalem is not an unsolvable problem, although it requires an emphasis on the tangible, rather than the emotional and symbolic, characteristics of the city, if such a solution is to be reached.

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4 Hong Kong: China's global city

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With the political transfer of Hong Kong back to the People's Republic of China, a metropolis undergoing political, cultural and economic change has been lifted into the limelight of international interest. The change in sovereignty, the rise to global city status, the structural shift from industrial to tertiary activity, as well as the economic and cultural redirection towards the Chinese motherland are transformation processes on different levels, though not isolated from each other. In short they reflect the transition from a colonial enclave to China's global city. Mainland China, itself in the process of change, is able to benefit from the experience Hong Kong has made as a global player in a market economy; and the metropolis is able to use its importance for China to ensure a great degree of autonomy.

Although the processes mentioned above have a regional and global dimension, associated spatial changes are apparent down to the local level. The following chapter will initially look at the processes of transformation in three different areas (historical-political, cultural and economic) before concentrating on the present and future functions of Hong Kong as China's global city. Based on the dichotomy of the global and the local levels, the concrete challenges faced by urban planning in Hong Kong in connection with transformational processes will be examined and the implications for further spatial development discussed. It will be made clear that functional change at the global level is intricately interwoven with spatial change at the local level.

4.1 Multiple facets of change

4.1.1 Historical-political change

The Pearl River Delta Region is ideally located for maritime trade between Europe and China (see Fig. 4.4). From early on, the region was thus the focus of political and economic interests: Guangzhou (Canton) developed into a major port of transhipment for Chinese foreign trade; Macau was established in the 16th century as Portugal's first trading and mission station; Hong Kong Island was ceded to Great Britain in 1841. In order to secure the settlement and ensure expansion

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 67–94.

possibilities, Great Britain also took possession of the Kowloon peninsula in 1860, the New Territories and Outlying Islands in 1898 and began to reclaim land from the sea. Whereas China was forced to cede Hong Kong and Kowloon fully, the New Territories were put under British rule on the basis of a 99 year lease. In view of the forthcoming expiry of this treaty, Great Britain and the People's Republic of China (PRC) signed a *Joint Declaration* on 19.12.1984. As a result, the sovereignty of the whole Territory was returned to the PRC on 1.7.1997, but not without first ensuring the Territory's extensive autonomy and maintenance of its standard of living and economic structures for a further 50 years. Details were defined in 1990 in the *Basic Law of the Special Administrative Region (SAR)* of Hong Kong (*Consultative Committee for the Basic Law* 1990):

- The *SAR* is governed and administered by citizens of Hong Kong.
- It has its own legal system with an independent judiciary, which includes a newly established Court of Final Appeal.
- Only foreign affairs and defence matters are in the hands of the Beijing administration.
- Citizens of Hong Kong have their own passports, the boundaries continue to be patrolled and quotas for immigrants from the mainland remain unaltered.
- The *SAR* is represented in several international organisations under the title "Hong Kong, China", independently of the PRC.
- The market economy system as well as the freely convertible currency of the Hong Kong Dollar (HKD), which is pegged to the US Dollar, are to be maintained.
- Beijing has no access to the monetary reserves of the SAR and enjoys no fiscal rights.

Despite partially difficult talks between British and Chinese representatives in the period before the handover (Li 1997, pp. 199ff), the actual transfer in 1997 went smoothly. Other than the Chief Executive and the Secretary of Justice, no other head of government department was immediately replaced. Public administration continued to function on the whole as before. Only the parliament set up under the protest of China just before the handover of the territory was replaced by a newly selected parliament. Fears of press censorship and demonstration restrictions proved to be unfounded. A noticeable improvement in the attitude of the residents towards the political handover had been felt already in earlier years.

The Chinese leadership has a vested interest in gaining the confidence of the population of Hong Kong as only in a situation of stability will the city be able to fulfil both the functions expected of it as a global city and principal financial centre of the PRC, as well as being a model for the transformation of society in China. With the slogan "One country, two systems" the Chinese government hopes to successfully integrate Hong Kong into China, a slow process under which the PRC will change more than Hong Kong. A further consideration is that a successful integration can serve to speed up the reunification with Taiwan.

In the year of the handover, Hong Kong's gross domestic product was estimated at 175,000 HKD per capita (22,500 USD), the fiscal reserves were about 138 billion HKD (17.7 billion USD) and the currency reserves 82 billion USD. The territory extended over 1092 km^2 (including reclaimed land) and boasted a population of 6.5 million in 1997 with an annual growth rate of 3% (Census and Statistics Department 1999).

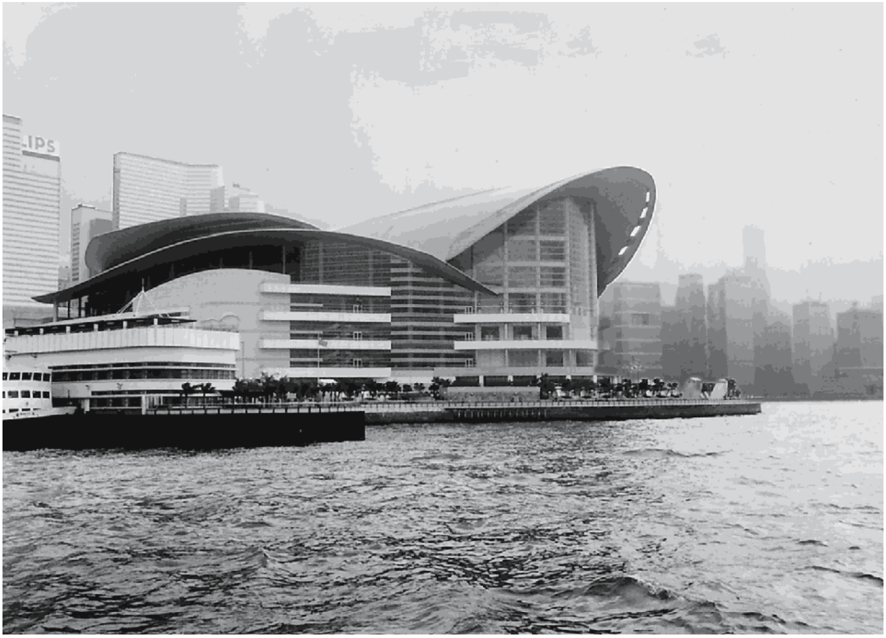


Fig. 4.1 The new *Convention and Exhibition Centre* (Photo: Breitung, March 1998).
The two flags representing the People's Republic of China and the Hong Kong SAR can be seen in front of the building in which the official ceremony marking the transfer of sovereignty took place on 1.7.1997. In the background to the right is the CBD with the representative buildings of the Bank of China, the Chinese State Holding CITIC and the headquarters of the Hong Kong Military Division (still named the "Prince of Wales Building").

4.1.2 Cultural change

Irrespective of the legal arrangement and the smooth transition on 1 July 1997, life in Hong Kong has not been left untouched. Society in Hong Kong has always been a mirror of competing forces: British-colonial, international-Western, traditional Chinese and contemporary mainland Chinese influences. The cultural dimension not only of society and politics, but also of urban planning has always been very blatant (Li 1997, pp. 188ff). Consequently, the increasing influence of the PRC and the end of colonialism have changed the interaction norms and attitudes of the residents in Hong Kong (cf. Fig. 4.2). From the outside, Hong Kong appears much the same as before, on the inside it is slowly becoming more Chinese. The interest in the Chinese language, for example, has noticeably increased, as well as the number of trips to the mainland. Influential circles in Hong Kong have begun to demand a more patriotic element in education, demands which reflect mainland political attitudes (Tang 1997, pp. 189f) and which appeal to a new and growing Chinese consciousness in parts of the population.

It has been pointed out that this nationalistic trend is counterproductive to Hong Kong's position as a global city (Tang 1997; Skeldon 1997), a role widely accepted within Hong Kong circles as being fundamentally important for the city. In this context, the language issue is critical. Cantonese is the commonly spoken language in Hong Kong. Putonghua, in its spoken form, has a status similar to a foreign language, although it is becoming more popular due to cross-boundary contacts. English has never been quite as popular as for example in Singapore, even though schools officially taught until 1997 in the language of the colonial power. In reality, however, disregard of this regulation by both students and teachers was tolerated for many years. Thus when Hong Kong officially changed to mother-tongue (Cantonese) teaching, they were *de facto* legalising the existing situation. In most schools, English is nowadays taught as a foreign language. Schools which have chosen to continue teaching in English have had to prove a suitable level of language competence of both pupils and teachers. In general, both parents and politicians would like to see the current standard of English competence kept in Hong Kong, in spite of the new policies.

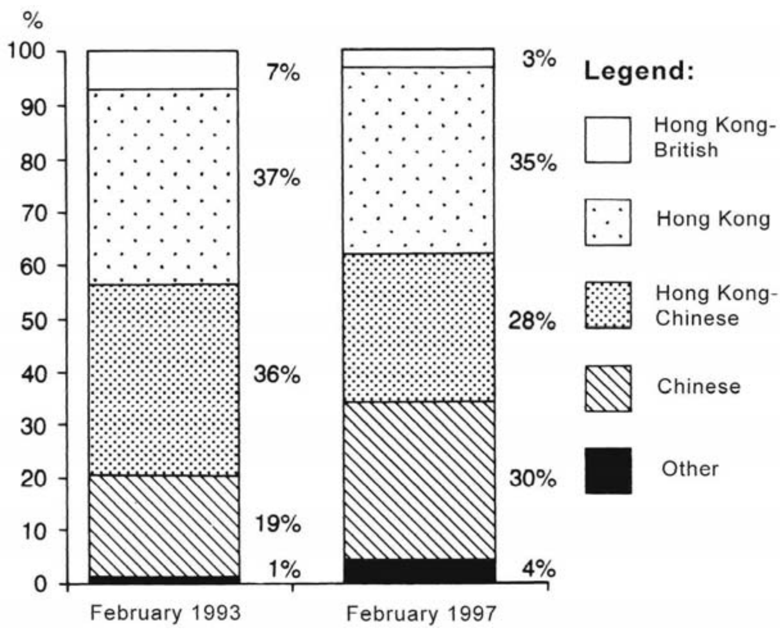


Fig. 4.2 Changing identity of Hong Kong's citizens (Data DeGolyer 1997, p. 15; orig. W. Breitung).
According to a study by the Baptist University of Hong Kong, the number of persons who considered themselves to be Chinese already increased dramatically during the period leading up to the official transfer of sovereignty, a process that has continued since. These changing loyalties are slowly reshaping the cultural face of Hong Kong.

4.1.3 Economic change

At first a trade city, Hong Kong went through a phase of industrialisation after the Chinese Revolution with the arrival of entrepreneurs and labourers from, in particular, Shanghai. The range of products from the export-oriented industry, which at first focused on textiles and clothing, as well as plastic goods, was consciously expanded to include the manufacturing of higher value-added products (watches, entertainment electronics). The economic reforms in the mainland and in particular the establishment of Special Economic Zones (SEZ) in Shenzhen and Zhuhai initiated a new stage of economic change in Hong Kong. Entrepreneurs from Hong Kong began to invest in neighbouring Guangdong, benefiting from the far lower land and labour costs. Plant relocation to the mainland has caused work force numbers in the industrial sector to decrease from a peak of 900,000 to 257,000 in 1998 (Census and Statistics Department 1999). The contribution of this sector to Hong Kong's GDP has dropped even more drastically (see Fig. 4.3).

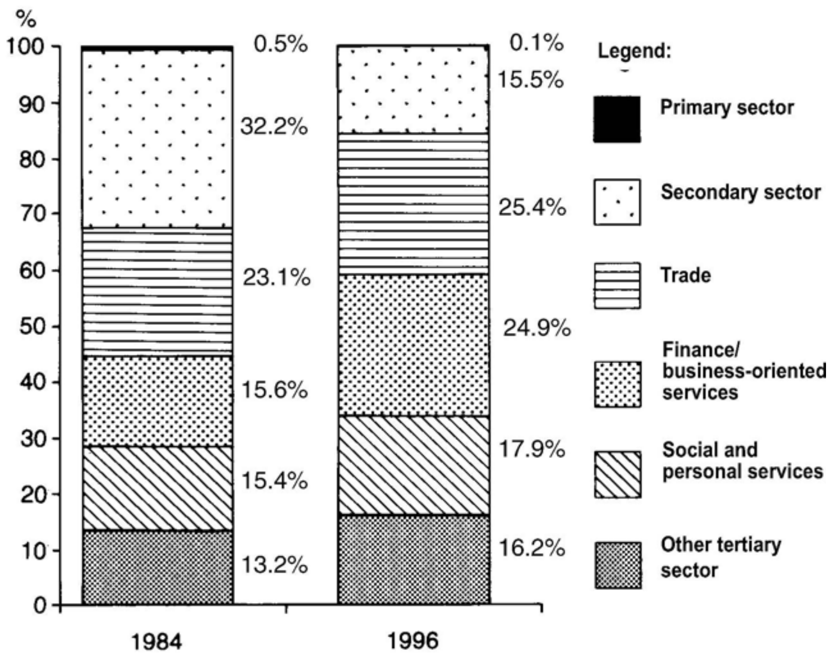


Fig. 4.3 Distribution of the GDP according to economic sectors in 1984 and 1996 (Source: Census and Statistics Department 1995, 1998; orig. W. Breitung).

At face value, Hong Kong made the transition from a Newly Industrialised Economy to a Newly De-industrialised Economy (Skeldon 1997, p. 256, Breitung 1999). However, the situation is very different when Hong Kong is seen in the context of its surrounding region. In the Chinese hinterland of the metropolis a good deal more industries have taken up production than have been closed down in Hong Kong itself.

On the other hand, Hong Kong-based companies have created about 5 million industrial workplaces in Southern China (Enright, Scott & Dodwell 1997, p. 19), and the number of office jobs is likewise increasing. Hong Kong is a major investor in retail trade and real estate not only in Southern China but in the whole of the PRC. The Province of Guangdong may only house 5.5% of the total Chinese population, but it contributes over 10% towards the GDP and 24% towards exports (Schüller 1995). For this reason, the population in this province has attained one of the highest standards of living in the country, with the close vicinity to Hong Kong playing a decisive role. In 1994, 68% of all foreign and joint-venture companies in Guangdong were to be found in the Pearl River Delta Region (Taubmann 1996, p. 690).

On the other hand the PRC is just as active in Hong Kong. With clear investment goals at first in economic branches related to the China trade, and from there in banking, transport, real estate and infrastructure, China has secured itself a major position in Hong Kong's economy. The number of Chinese companies rose within 10 years from 200 (1983) to 15,000 (1993), the total investment increased about tenfold between 1985 and 1993 (Huang 1994, p. 4). These companies are either under the control of the government in Beijing, the People's Liberation Army, provincial or local governments. A few private investors from the mainland, often with some sort of family connection to the Beijing leadership, have also spread their spheres of influence into Hong Kong. The extent of direct Chinese investment in Hong Kong was officially declared to be 12.4 billion USD, as at the end of 1995. However, much activity from the mainland is indirect. On the other hand several mainland companies have invested in Hong Kong only in order to profit from benefits for foreign companies back home (Sung 1998, pp. 100ff).

4.2 Hong Kong's functions as a global city

Hong Kong nowadays draws upon its international aura. As a global city it exerts command and control functions for Greater China, in much the same way as the two other global cities in Asia: Tokyo for Japan and Singapore for South East Asia. Besides the contacts within its catchment area, relationships within the global network of world cities are of utmost importance for Hong Kong. This can be seen, for example, in the development of flight and telecommunication connections. Hong Kong upholds strong links to Tokyo, Singapore, New York, London, Sydney, Vancouver, and at the regional level with Bangkok, Manila, Taipei, Shanghai and Beijing (Fig. 4.4).

Within the competitive nature of the global city network, Hong Kong is increasingly under pressure to distinguish itself and to expand on its comparative strengths. Due to the political transfer and heightened international competition, the locational attractiveness of Hong Kong has during the past few years found a great deal of attention. Several studies have concentrated on defining the city's strengths and on evaluating the possibilities to support these by economic policies (Berger & Lester 1997; Enright, Scott & Dodwell 1997). The following is a summary of the most important supraregional functions of the city and a brief assessment of their development prospects.

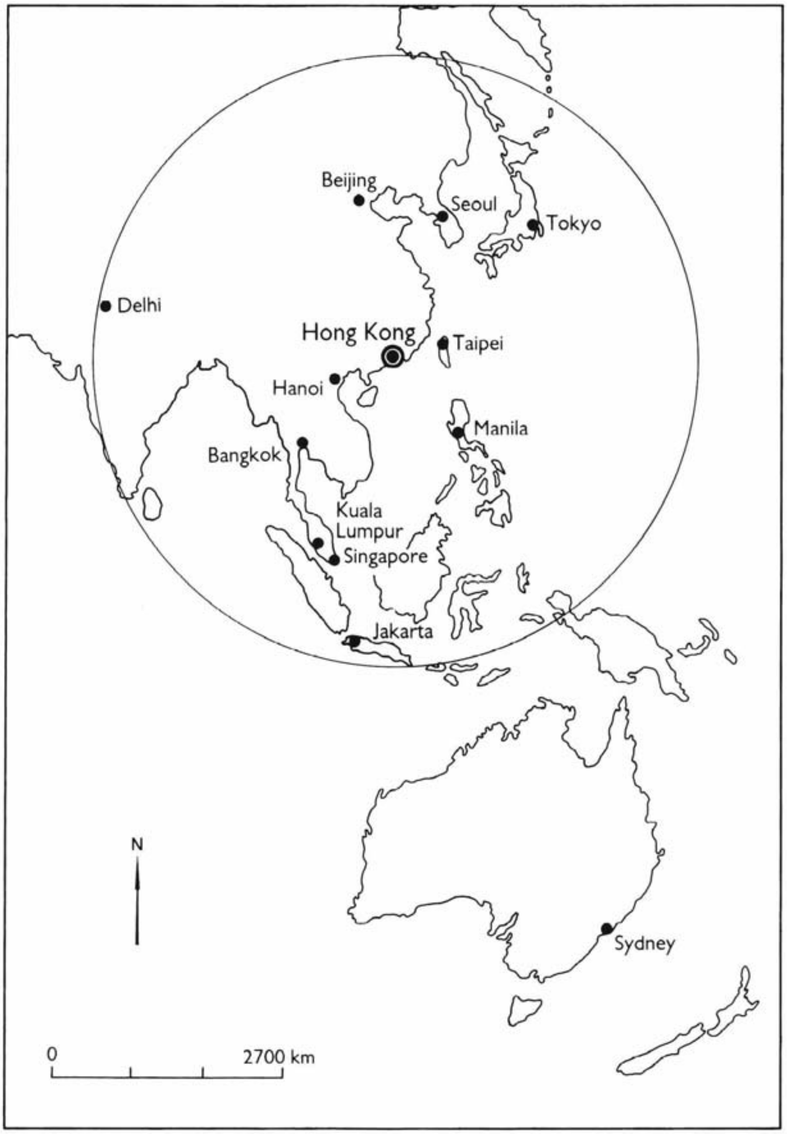


Fig. 4.4 *Half the world's population lies within 5 hours flying time.*
This slogan from an advertisement of Hong Kong's airline *Cathay Pacific* draws attention to the advantage of its location. The ten most frequented flight destinations are Taipei, Bangkok, Tokyo, Singapore, Manila, Shanghai, Osaka, Seoul, Beijing and New York (Breitung 2001).

4.2.1 Transport hub

Hong Kong has the world's biggest container port. As traffic to and from China represents about 65% of its turnover (Wong 1996), it faces strong competition from mainland ports, such as Shenzhen, Shantou, Xiamen and Shanghai. Whereas Hong Kong is entirely geared for container traffic and is very efficient in its handling, competing ports in the PRC are attractive because of their lower cost structure. Shanghai also benefits from its strategic position for traffic from America, Japan and Korea and to the hinterland via the Yangtze River. However, China's increasing foreign trade is also likely to spin-off increased container traffic through Hong Kong. The Hong Kong Port Development Board (Wong 1998) has estimated an average annual growth rate of 4.5% for its container traffic during the two decades between 1996 and 2016 (between 1986–1996 average growth rate was 11%).

After the Kai Tak airport in Hong Kong had attained full capacity with an annual load of 29.6 million passengers and 1.56 million tons of cargo (in 1996, according to Howlett 1997, p. 254) (cf. Table 4.1), the inauguration of the new airport, Chek Lap Kok, in July 1998 eased the situation, increasing the annual capacity level of Hong Kong to 35 million passengers and 3 million tons of cargo.

Table 4.1 Transport volume of major airports in 1998 (Source: IATA 1999, p. 14)

Position	Passengers (in mill.)		Cargo (in mill. t)	
1.	Atlanta	73	Los Angeles	1.86
2.	Chicago (O'Hare)	72	Miami	1.79
3.	London (Heathrow)	60	Hong Kong[a]	1.66
4.	Los Angeles	59	Tokyo (Narita)	1.64
5.	Dallas-Fort Worth	57	New York (JFK)	1.60
6.	Tokyo (Haneda)	51	Frankfurt (Rhein-Main)	1.47
7.	Frankfurt (Rhein-Main)	42	Chicago (O'Hare)	1.44
8.	San Francisco	39	Seoul (Kimpo)	1.43
9.	Paris (Charles de Gaulle)	38	Singapore (Changi)	1.31
10.	Denver (Stapleton)	37	London (Heathrow)	1.30
...				
24.	Hong Kong[a]	27		

[a]Until 5.7.1998 Kai Tak, as from 6.7.1998 Chek Lap Kok.

Table 4.2 Major airports in Asia either in planning or under construction (Source: Bailey 1996)

	Planned opening	Targeted passenger capacity	Comments by the author
Hong Kong	1998	35 mill	opened in July 1998
Kuala Lumpur	1998	25 mill.	opened late 1998
Seoul	1998	40 mill.	opened in March 2001
Shanghai	1999	60 mill.	opened in Autumn 1999
Guangzhou	2000	45 mill.	postponed to a later date
Bangkok	2000	25 mill.	postponed to a later date

Hong Kong is not alone with its new airport project. The recent economic recession has however led to dwindling passenger numbers and delayed airport schemes.

With its new airport, Hong Kong is prepared to face four challenges.

- Competition in international transit traffic intensified due to the extensions to major airports, such as Singapore, Kuala Lumpur and Seoul with increased passenger and cargo capacities (Tab. 4.2).
- China will be authorising more direct international connections to Chinese destinations other than Beijing. At the least, Shanghai and Guangzhou are to be developed into fully fledged international airports.
- It is to be expected that at some stage direct air-links between Taiwan and the People's Republic of China will be established. For Hong Kong, this would have severe consequences as the Taipei–Hong Kong stretch is at present the most flown route worldwide.
- Recent airport construction in Shenzhen, Zhuhai and Macau with an overall annual volume of 20 mill. passengers, has led to heightened competition within the Pearl River Delta Region (Bailey 1996). Many residents of Hong Kong are already making use of cheaper flights from Shenzhen.

4.2.2
Business and financial centre

The contribution of the financial sector (including insurance, business consulting and real estate) to the GDP increased between 1984 and 1998 from 15.6% to 26.5% (Census and Statistics Department 1995, 1999; cf. Fig. 4.3). Boasting 537 financial institutions from over 40 countries, including 85 of the top 100 international bank corporations (as of late 1995), Hong Kong is one of the most important financial centres in the world. The Stock Exchange is the second most important in Asia, and one of the largest in the world. In addition, 782 regional headquarters for East Asia and 1,286 regional offices of foreign firms are located in the city (Tang 1997, pp. 183f). Due to the years of dealing with different customs, judicial systems and languages, Hong Kong offers a favourable platform for establishing business contacts between Western and Chinese business partners. Hong Kong's sphere of influence in services, such as consulting in technical, management, legal and financial matters, insurance, real estate, construction, advertising and telecommunications extends well into the newly industrialised economies of South East Asia and in particular into China.

Hong Kong has advanced to become the financial centre of the PRC: China invests most of its foreign trade proceeds in Hong Kong, takes up most of its credits there and since 1993 has brought numerous enterprises to the stock exchange. In this field, only Shanghai is of any serious competition for Hong Kong. During the Deng era, Southern China in particular experienced special economic promotion, such as the demarcation of special economic zones and the signing of the Hong Kong Treaty. At present the Shanghai faction close to President Jiang Zemin and Prime Minister Zhu Rongji are pushing development in the Yangtze Delta Region. Pudong in particular has experienced unprecedented economic activity with a gigantic programme to create a new business and financial centre in Shanghai. Just how fast Shanghai will be able to catch up with Hong Kong depends on the pace of transformation of the overall system in the People's Republic. As long as for example the Chinese currency is not freely convertible, Shanghai will lag behind Hong Kong as a financial centre, and the latter will continue to benefit from the Republic's increasing economic upswing and its further integration into the global economy.

Business services rather than financial services are more likely to relocate to Shenzhen or Shanghai if these cities do catch up with Hong Kong regarding marketing, management and language competence and if their infrastructure improves. These business services could take the place of manufacturing plants that are displaced further inland due to increasing wage levels and land values.

4.2.3 Centre of technology

In the knowledge that service industries are easily relocated, Hong Kong's current concentration on this sector does not appear to be a solid base for future development. The manufacturing sector in Hong Kong is once again being given greater attention, in particular speciality branches, such as the film industry, Chinese medicine and technology-intensive industries. Hong Kong's activities in research and technology are not as advanced as for example in Singapore, South Korea and Taiwan, all of which followed an active industrial programme. In 1993 the number of patents registered per million people was 3.3 for Hong Kong, 60 for South Korea and 600 for Taiwan (Davies 1995, p. 8). With the aim of establishing Hong Kong as an international high-tech centre, the government has given the go-ahead for several industrial projects, such as the Science Park and Cyberport, and explicitly encourages high-tech firms (Breitung the 1999). This pro-active industrial promotion policy is seen as a break with the non-interventionist policy of former years and therefore has been the target of (much) criticism within Hong Kong (Davies 1995). Still, hope is placed in foreign investment to stimulate the rapid establishment of new technology-oriented industries. These expectations may not be without foundation, considering that, for example, the majority of successful enterprises in America's "Silicon Valley" are of Asian background (Saxenian 1999) and may want to move to Hong Kong, or at least to open a branch there. In the long-term, however, university standards in Hong Kong will have to improve if students and upcoming scientists are to be drawn to the region. To this day the majority of students look rather to universities in English-speaking countries to further their education. Of equal significance in the promotion of a technology-friendly site is the aspect of regional networking. As a high-tech site, Hong Kong will only have a chance if it is able to make use of the know-how, cheaper production facilities and the market potential beyond its borders. Hong Kong and Shenzhen must not allow themselves to compete on the international market. They should rather combine resources to make the most of their site advantages.

4.2.4 Centre of tourism

International tourism has become one of the major industries in Hong Kong. Sales to visitors to the city make up 12% of private expenditure for consumer goods (Davies 1996, p. 89). The contribution of the close to 10 million visitors annually (cf. Table 4.3) to the city's foreign currency revenue is almost 10 billion USD, of which half is generated by their purchases. With the opening of the People's Republic, the number of Chinese visitors to Hong Kong has increased from 19% in 1993 to 27% in 1998 (Census and Statistics Department 1999). Whereas it is quite certain that the number of mainland tourists will continue to increase, the situation is not as clear in the case of the other tourist groups. With the anticipated introduction of direct flights between Taiwan and mainland China, the number of transit passengers to and from Hong Kong is expected to decrease. A similar situation is to be expected when China opens up its market to other direct international flights. More than ever before, Hong Kong will have to rely on its attractiveness as a tourist location if visitor numbers are to increase. This explains why efforts have intensified to establish tourist attractions in Hong Kong, such as a Disneyland in Lantau, planned for 2005 (Government of the Hong Kong SAR 1999b). It is also important to keep both the international atmosphere of the metropolis and the faith of the international community in the current system as well as to further promote Hong Kong as a trade and congress centre.

Table 4.3 Visitors to Hong Kong in 1995 (Source: Census and Statistics Department 1996)

Country of origin	Visitor numbers	Percentage	Expenditure per capita
People's Rep. of China	2,243,245	22.0%	6,128 HKD
Taiwan	1,761,111	17.3%	8,586 HKD
Japan	1,691,283	16.6%	8,343 HKD
SE-Asia	1,264,361	12.4%	7,229 HKD
Europe	1,136,569	11.1%	6,134 HKD
USA/Canada	923,567	9.1%	6,376 HKD
Total	10,199,994	100.0%	7,151 HKD

Until summer 1997, visitor numbers increased steadily. Then, however, numbers dropped heavily, partly due to the economic depression in Southeast Asia, Korea and Japan. In 1997, visitor numbers dropped by 11.1% and in 1998 by a further 8% before recovering in the following year.

4.3
Challenges facing urban planning

The spatial effects of both the changing economic structure and the closer relationship to mainland China raise issues that require urban planning solutions. For example, a balance has to be found between the demands of a global city for development space and the needs of its residents. On the one hand, Hong Kong is dependent on the aforementioned functions of centrality to ensure sufficient workplaces and prosperity; on the other hand, they create conflicting land use demands which are a problem in a city like Hong Kong which has limited expansion possibilities.

4.3.1
Housing the fast growing population

Population development in Hong Kong in the years before and after the handover is characterised by a reduction of the at times strong emigration, the return of former emigrants and an increase of immigration, particularly from mainland China. In 1994, the government published a survey indicating that more than 12% of those who emigrated during the preceding decade in part because of political uncertainties, had already returned to Hong Kong. The number of immigrants from mainland China was first limited to 75 persons per day in October 1980 because of a surge in immigration applications. However, these figures were regularly exceeded and the official limit was finally set at 150 persons per day in 1995 (Skeldon 1997, pp. 266, 269). Due to the high levels of immigration applications, the quota may eventually have to be raised again. Nowadays, an increasing number of applicants are relatives (wives or children) of Hong Kong citizens, who are given priority over other applicants. Since the handover, many of the over 320,000 children that could claim the right of abode in the SAR because of citizenship by one of the parents, have applied to be accepted (Lee & Lam 1998). The issue of transboundary families and associated migration has since then been highly debated in Hong Kong.

Although annual natural population growth dropped from about $7^{0}/_{00}$ in the years 1989 to 1994 to only $2.7^{0}/_{00}$ in 1999, the positive migration balance led to an increasing overall population growth: from annually 1% in 1989 to over 2% in 1994 and 2.5% in 1999. The total population increased by over 20% within 10 years (1989–1999), from 5.69 million to 6.84 million. At the same time the trend to smaller households meant that the number of households increased by as much as 34%. Considering that individual expectations with regard to space have also risen, then the annual demand for residential floor space has *de facto* risen by between 4–5% (own calculations, after Census and Statistics Department 1995, 2000a).

Fig. 4.5 The new town of Tin Shui Wai in the North West New Territories (Photo: Breitung).
Tin Shui Wai is one of the most recent new towns in Hong Kong. Although construction only began in 1992, by 1996 more than 96,129 residents were recorded (Census and Statistics Department 1997). With the planned extension of the project, up to 250,000 residents will be able to live in this new town.

Whereas building and population density are expected to decrease due to urban renewal programmes in the high density areas of Hong Kong Island and in particular Kowloon, potentials for development are to be found in the New Territories. Since the start of the new town programme in the 1970s, the government is determined to fully use this potential. After strong refugee waves following the cultural revolution in China and with regard to the social unrest of 1967 the government at that time considered living conditions in Kowloon to be unacceptable and called for the establishment of eight so-called “new towns” in the still rural environs of the New Territories. Parallel thereto they started to remove the squatter camps, such as mountainside squatters, boat squatters and roof squatters within the city (Leung 1986, pp. 252ff). The large new residential areas are better described as satellite cities rather than new towns, because of their closeness to the inner city and their dependency on it. With a current population of 2.6 million they were the major trigger for population decentralisation. In 1996, only 14.6% of the population lived in the New Territories; by 1986, the figure had more than doubled to 34.7%; and by 1996, more than tripled to 46.8% (Chiu & So 1986, p. 233, Census and Statistics Department 1997). Plans have been made to extend these new towns in order to cope with the population growth forecast for Hong Kong by 2011: 8.1 million persons (Government of the Hong Kong SAR 1998, p. 7). By then, the majority of the population will be living in the New Territories.

4.3.2
Space for an economy in transition

Due to the dominating status of the tertiary sector, a growing number of workplaces are concentrated on the CBD and the southern tip of Kowloon (Tsim Sha Tsui). In addition, there are several other tertiary centres, for example in Causeway Bay (retail trade, gastronomy), at the universities (Kowloon Tong, Pok Fu Lam, Shatin, Clearwater Bay) and in the new town centres. The international functionality of the metropolis has its heart in the Central District and in the Wan Chai district, areas which as a result are experiencing the displacement of residential space and small trade. In order to further expand the CBD, extensive land reclamation has been planned.

Traditionally, industrial activity was found in small pockets all over the city. Industrial districts, characterised by high-rise industrial buildings, developed for example in Kwun Tong, Cheung Sha Wan and Aberdeen. Since 1977, three extensive industrial estates have been laid out in the New Territories, i.e. in the new towns of Tai Po, Yuen Long and Tseung Kwan O (Yeh 1992, pp. 100ff). A fourth estate is planned in Tuen Mun.

The structural change currently apparent in Hong Kong's economy is also reflected in changing space requirements. Whereas the demand for office space has remained high, in some of the older industrial areas, industrial buildings have high vacancy rates. With respect to the official policy to promote Hong Kong as an industrial location, the government is generally hesitant to convert unused industrial space into office space or residential areas. The strategy at the moment is to encourage the construction of I/O (industrial/office) buildings which may be used for either activity. Experience has shown however, that these buildings are generally only used for offices (Breitung 1999, pp. 245f).

In a similar way, the establishment of new industrial parks follows the changing demand structure. Industrial estates are being complemented by business parks, business estates and science parks. For example, in a science park opening in 2001 close to the Chinese University near Tai Po, around 6,000 jobs with focus on research and development are being created on 22 ha (Kan 1998). On Hong Kong Island, near the University of Hong Kong, a telecommunications and media park "Cyberport" will be opening its doors in 2002, creating 12,000 jobs (Government of the Hong Kong SAR 1999a, § 57ff).

4.3.3
Cross-boundary links to the Chinese hinterland

With increasing business and personal contacts between Hong Kong and its Chinese hinterland, transport flow between the two areas has intensified. As a result, the existing checkpoints in Lo Wu (railways, predominantly passenger transport) and in Lok Ma Chau, Man Kam To and Sha Tau Kok (road, predominantly goods traffic), as well as the port facilities in Hong Kong will soon reach their maximum capacity (Tab. 4.4, Fig. 4.8).

Table 4.4 Boundary crossings of passengers by land or ferry between Hong Kong and mainland China 1993–1999 (Source: own calculations based on figures published in Census and Statistics Department 1996, pp. 79-80; Census and Statistics Department 2000b, pp. 94–95)

Year	Road traffic			Railway traffic	Ferry
	Lok Ma Chau	*Man Kam To*	*Sha Tau Kok*	*Lo Wu/ Hung Hom*	*Central/ TST*
1993	1,230,258	940,017	761,489	40,343,376	6,479,068
1995	2,509,140	1,004,528	919,479	45,419,690	6,835,941
1997	5,043,603	928,970	1,097,129	57,847,672	6,743,588
1999	9,181,205	948,058	1,175,787	78,967,395	6,059,699

As privately owned cars not registered in Guangdong are not permitted to cross the boundary, passenger traffic (besides bus and ferry connections) is restricted to the border crossing at Lo Wu, which is often congested with an annual flow of 37 million passengers (1994) (cf. Tab. 4.4). The West Rail project is expected to help alleviate the problem (cf. Fig. 4.8). The new rail line will serve Shenzhen via Lok Ma Chau and via a bridge over Deep Bay, stretching from Tin Shui Wai to Shekou (rail and road combination). Both connections would also be of great importance for cargo transports between the container port and Shenzhen.

The most spectacular project is a proposal to erect a road bridge over the mouth of the entire Pearl River Delta, thereby connecting Tuen Mun with Zhuhai near Macau over partially man-made islands (cf. Fig. 4.6). The project is being pushed in particular by Zhuhai, which hopes to bring new impulses into economic activity in the western region of the Pearl River Delta. Hong Kong, being in particular anxious about heightened traffic congestion, has from the beginning been less enthusiastic about the project (Planning Department 1996b; Gilley 1996). Both the heavy duty transport and the storage of empty containers in the North West New Territories are developing into major problems due to steadily increasing container traffic between the port of Hong Kong and mainland China. Even new roads and longer opening hours at border crossings will not fully alleviate the situation.

For this reason, the gradual relocation of maritime transport to neighbouring mainland ports could also benefit Hong Kong (Wang 1997). However, plans have been made to increase the capacity of Hong Kong's port threefold; further terminals are being planned in order to cope with the increasing number of ships. Between 1981 and 1991, the number of ships entering the harbour increased by 125%, the number of containers by 304%. However, the decision to build a Disney Park in north-east Lantau has made a total revision of the port development plans necessary and could lead to the setting of new emphases. It seems likely that the container terminal facilities originally foreseen for north-east Lantau will be established near Tuen Mun. At present, a river trade terminal is being constructed there for the first time in Hong Kong to deal with the increasing traffic over the Pearl River due to intensified economic interaction with the Guangdong province (cf. Fig. 4.8).

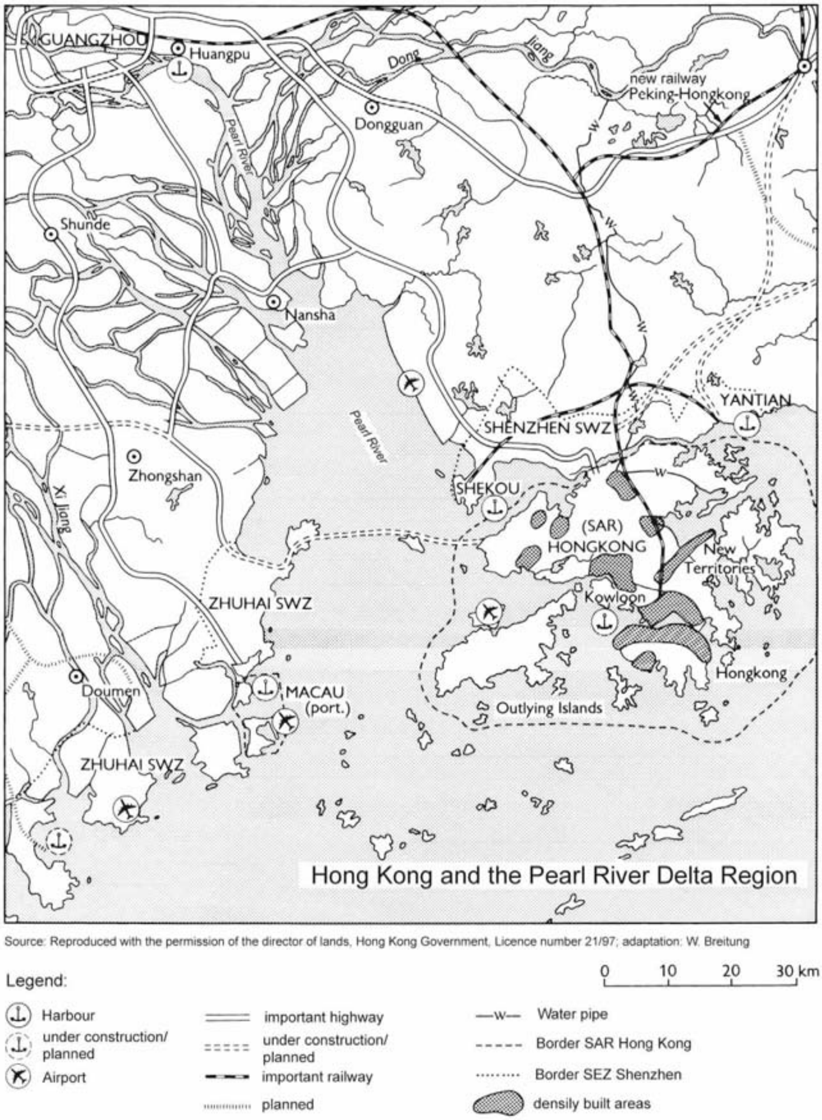


Fig. 4.6 Hong Kong and the Pearl River Delta Region 2002.
The map shows the boundaries of the current Special Administrative Regions (SAR) of Hong Kong and Macau, as well as the adjoining Special Economic Zones (SEZ) of Shenzhen and Zhuhai. The latter zones have less political autonomy and are part of the Guangdong Province. In spite of respective differences, a transboundary metropolitan region has emerged. Particular attention is therefore being paid to the installation of cross-boundary traffic infrastructure, such as the projected bridges to Shekou and Zhuhai.

4.3.4 An efficient infrastructure to satisfy global and local functions

The rapid growth of Hong Kong and the demands of a global city are being met with unusual investment programmes for infrastructure. Before the handover of Hong Kong, the Airport Core Programme cost about 160 billion HKD (more than 20 billion USD), including the following sub-projects (New Airport Projects Coordination Office 1995, 1996, Breitung & Schneider-Sliwa 1997, pp. 447f):

- the new airport on the levelled and expanded Island of Chek Lap Kok
- immediately adjoining thereto, on Lantau, the development of a New Town with an initial target population of 20,000 and by 2011 of 200,000 persons (not limited to airport staff)
- connecting airport and New Town to the city centre by express train service and a road with three bridges, including one of the longest suspension bridges in the world (cf. Fig. 4.8)
- 3.4 sq. km of reclaimed land in West Kowloon set aside as residential space (target population of 91,000), office space and for transport needs (Fig. 4.7)
- construction of two further tunnels between Kowloon and Hong Kong, one for the underground (MTR) and one for motor traffic
- land reclamation in the CBD for a station, ferry pier, commercial and office use.

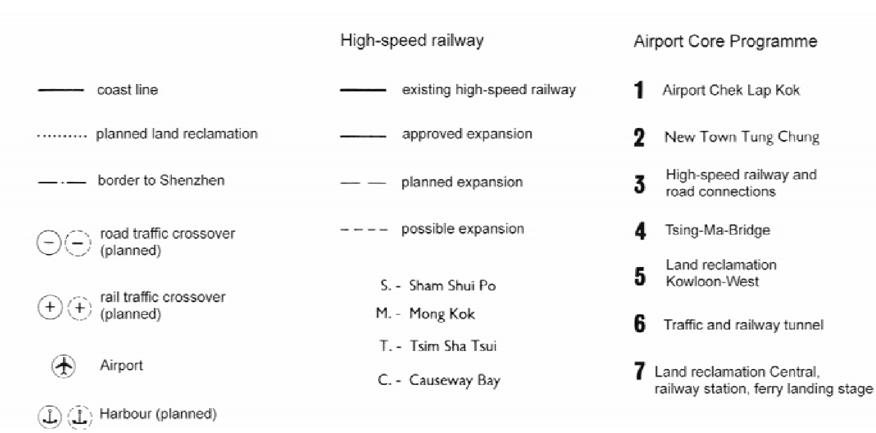
With the opening of the new international airport Chek Lap Kok in summer 1998, the Airport Core Programme was almost completed. Besides the positive side-effects on the housing market and local traffic infrastructure, the main aim of the programme was to strengthen Hong Kong's position in the area of international competition. In a phase of considerable loss of faith after 1989, a clear signal was given regarding the economic and political future of the city.

The telecommunication infrastructure is, next to air traffic infrastructure, a very important factor for locational choice in global cities. With regard to telecommunications, Hong Kong holds an excellent position: a 100% digital network, a glass fibre cable density of 6 km/sq. km, the highest mobile phone density and second highest fax density worldwide. Telecommunication services are easier to get and are cheaper than in competing cities (Enright, Scott & Dodwell 1997, p. 90).

As a result of co-operation with Guangdong, and a fall in demand due to the de-industrialisation, the supply of both electricity and water is no longer a problem. In fact, Hong Kong now has an overcapacity. As late as the 1970s, water supply services were very unsatisfactory. Long-term arrangements made then with Guangdong led to the installation of a 60 km pipeline which supplies Hong Kong with 70% of its water requirements from the Dongjiang (Matthews 1996, p. 251). The amount is increasing steadily, from 720 mill. m^3 (1996) to a projected 1,100 mill. m^3 in 2010. Today, only the unsatisfactory water quality and the inflexibility of the agreements are causes for concern.

Too little attention is still paid to waste disposal. The (first) integral waste water concept for Hong Kong and Kowloon passed in 1989 envisaged a two-thirds reduction of pollutants in the daily waste water load of 200 million tons by mechanical and chemical treatment. Due to financial and technical difficulties, this has not yet been put into action.

Fig. 4.7 Reclaimed land in West Kowloon, as seen from the south (Photo: Breitung, March 1998). With Hong Kong's skyline in the foreground, the low-rise character of the densely built-up area of Kowloon is easily identified at the back, to the right. The height restriction originates from the period when the district served as an airport landing corridor. At the centre of the picture, tunnel entrances and the railway station construction site mark the area of the then still undeveloped new land. Transport links to the airport are seen in the photo at the back, to the left.



Key to Fig. 4.8

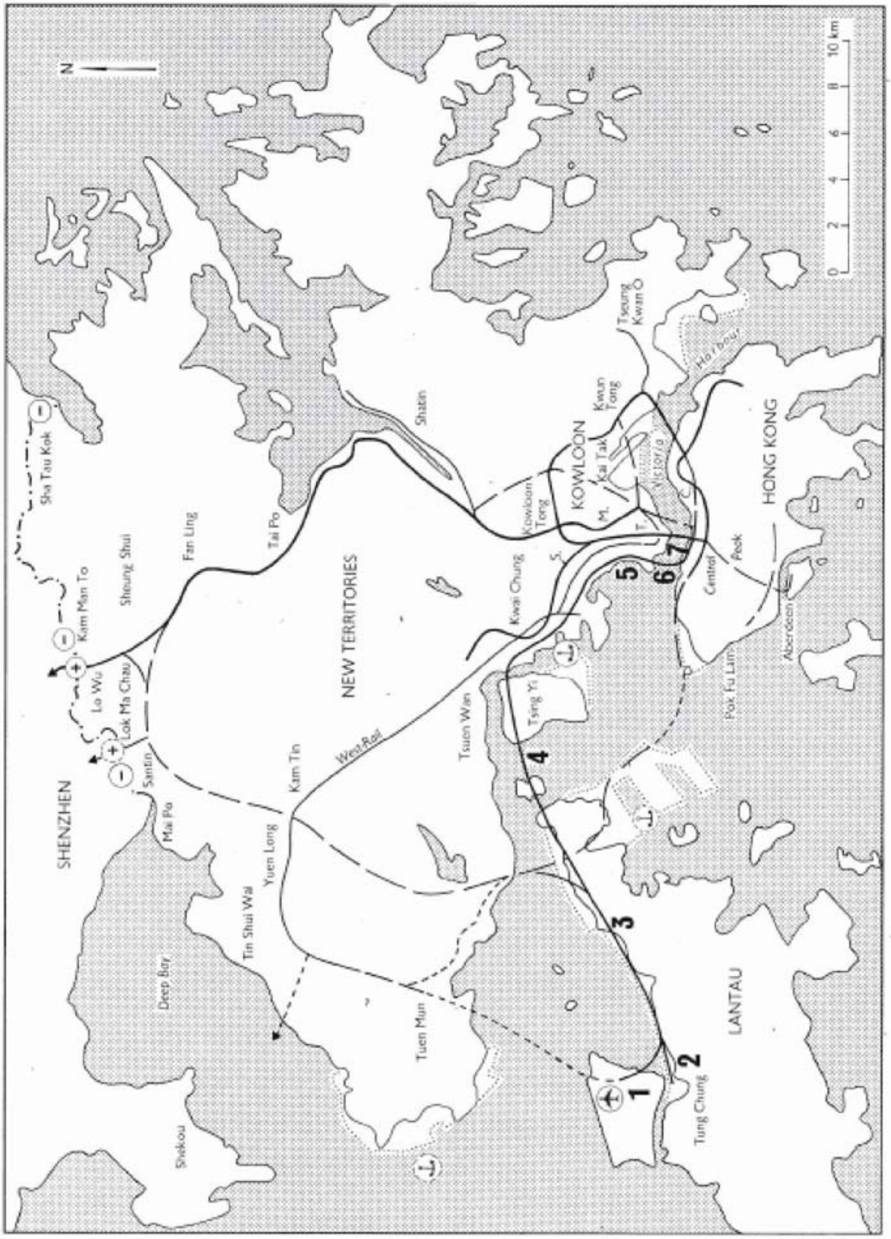


Fig. 4.8 The express rail concept for Hong Kong (Government of the Hong Kong SAR 1998, p. 109; New Airport Projects Co-ordination Office 1996).

The next stages of the network's expansion are connections to the New Town of Tseung Kwan O and the introduction of a new West Rail service from West Kowloon to Yuen Long. The latter project will open up new potential areas and in particular, will supplement cross-boundary traffic with Shenzhen with a second rail link (Key overleaf)

For the rubbish dump operators who are already at their limits, this concept, if implemented, would mean an additional daily load of 2,000 tons of sludge from the central municipal sewage plant (Colclough 1996; Environmental Protection Department 1995). Solutions suggested have been the disposal of waste to the mainland, the promotion of recycling industries, waste reduction, in particular with regard to building rubble which accounts for about 60% of total solid waste and the utilisation of the rubble for land reclamation purposes.

4.3.5 Environment and nature conservation re-evaluated

Not only did the policies of the former colonial government with regard to waste water and rubbish reduction fail to achieve their goals, the air pollution situation is also becoming more urgent. As the air circulation in the inner city is hindered by the closeness of the buildings, the SO_2 and CO_2 levels at street level in Mongkok or Causeway Bay are several times above the official limits, not least due to the number of diesel-driven cars. Further, nitric oxide, dust and aerosol pollution are also increasing at an alarming rate (Environmental Protection Department 1995). The protection of the natural resources has become not only a question of standard of living and general state of health but it also affects visitor numbers and the attractiveness of Hong Kong as an international business centre. Global cities nowadays benefit from a clean image (Singapore), whereas unresolved environmental problems can grow into a major negative locational factor (examples from the region: Shanghai and Bangkok).

With the setting aside of about 40% of its land area and of its surrounding sea as country parks and nature conservation sites, Hong Kong during the colonial period took on the role of a natural refugium for endangered species of corals, birds and amphibians, unlike in neighbouring Guangdong. In 1995, the wetlands of Mai Po were graded worthy of protection by the International Convention for the Protection of Wetlands (Ramsar-Convention), and Hong Kong's "wonderful biodiversity" is mentioned in the Rio-Convention (Holland 1997). This is mainly due to the previous unclear status of the New Territories which for many years hindered development. However, the situation is very different today and the environment in the New Territories suffers from increasing destruction due to pollution and development. The extensive land reclamation projects are also endangering flora and fauna.

4.4 Spatial development and the process of change

Figuratively speaking, Hong Kong in the past turned its back on China and focused on its coastal regions. Population and functions were concentrated in the small area surrounding Victoria Harbour. The New Territories were considered part of the hinterland and were thus only taken into consideration where necessary (cf. Fig. 4.10). The originally politically-induced development policies have theoretically lost their foundation with the return of Hong Kong to the PRC, however the remarkable persistence of past attitudes may be seen in the current concentration on land reclamation in Victoria Harbour and with the tentative steps towards co-operation with Guangdong. The following three perspectives will be used to illustrate the transitional situation in which urban development in Hong Kong finds itself: expansion of the global city by means of land reclamation; shift of the settlement focus; and regional integration.

4.4.1
Expansion of the global city by means of land reclamation

As early as 1887, land reclamation was introduced into Hong Kong to remedy the shortage of construction land. Since WWII, of land have been reclaimed 36 sq. km. In terms of the acquisition and opening-up of land, this proved to be the easiest method for satisfying construction site demand and because of the high land values, for the government budget also the most lucrative method. Current urban plans (Metroplan, Port and Airport Development Strategy, Territorial Development Strategy Review) are increasingly dependent on land reclamation (Fig. 4.7). Not taking into account the two largest projects focusing on airport expansion and port development, the most recent projects have reclaimed over 10 sq. km of land in the last few years (Hong Kong Government 1995, p. 84). However, land reclamation projects aimed at the expansion of the CBD and traffic space, although considered essential by the Government, are not without protest. If these projects were to be carried through, the distance between Hong Kong and Kowloon would be reduced to 860 m, which is half of the original distance and about 300 m less than today (Hong Kong Government 1995; Society for Protection of the Harbour 1996). The Victoria Harbour would as a result take on the appearance of a river and the famous skyline of Hong Kong would no longer be quite as attractive (cf. Fig. 4.9). Further, land reclamation causes environmental pollution at the excavation and deposit sites, as well as at submarine landfills where toxic sediments found during excavation are deposited.

The more general issue behind this political debate is the price that the residents are prepared to pay for the improvement (in this case the CBD expansion) of the city's global functions. Similar heated debates could inflame when future port expansions are proposed. However, this particular land reclamation project in the inner city affects irreversibly its aura and thus the identity of the city in such a way that unusually strong opposition was to be found in both Parliament and in the public. This, together with the economic crisis led to revised estimates of demand, and consequently, the project was modified and reduced in scope.

Alternate proposals for land reclamation envisage in part a greater utilisation of available land in the New Territories (Society for Protection of the Harbour 1996). However, this would firstly not be unproblematic due to ecological reasons and secondly, it presumes that central functions can be simply transferred from one place to another. As functions of centrality are strongly dependent on economies of agglomeration, the CBD will either have to create the space it needs by displacing residential space and mixed-use space to its periphery or a second major services centre will need to be created, most likely on the Kowloon side.

A suitable site for a second centre would be Tseun Wan as it lies in easy reach of the new airport, has good access to the CBD, to Shenzhen and the container port and in relation to the whole urban agglomeration, is more central than the CBD. As yet, Tseun Wan is not considered to be centrally situated, which is why planning authorities are looking to West Kowloon (Fig. 4.8) as a potential candidate for supplementing the CBD. The advantages of this site are similar to those for Tseun Wan, decisive is its closer proximity to the traditional centre on Hong Kong Island.

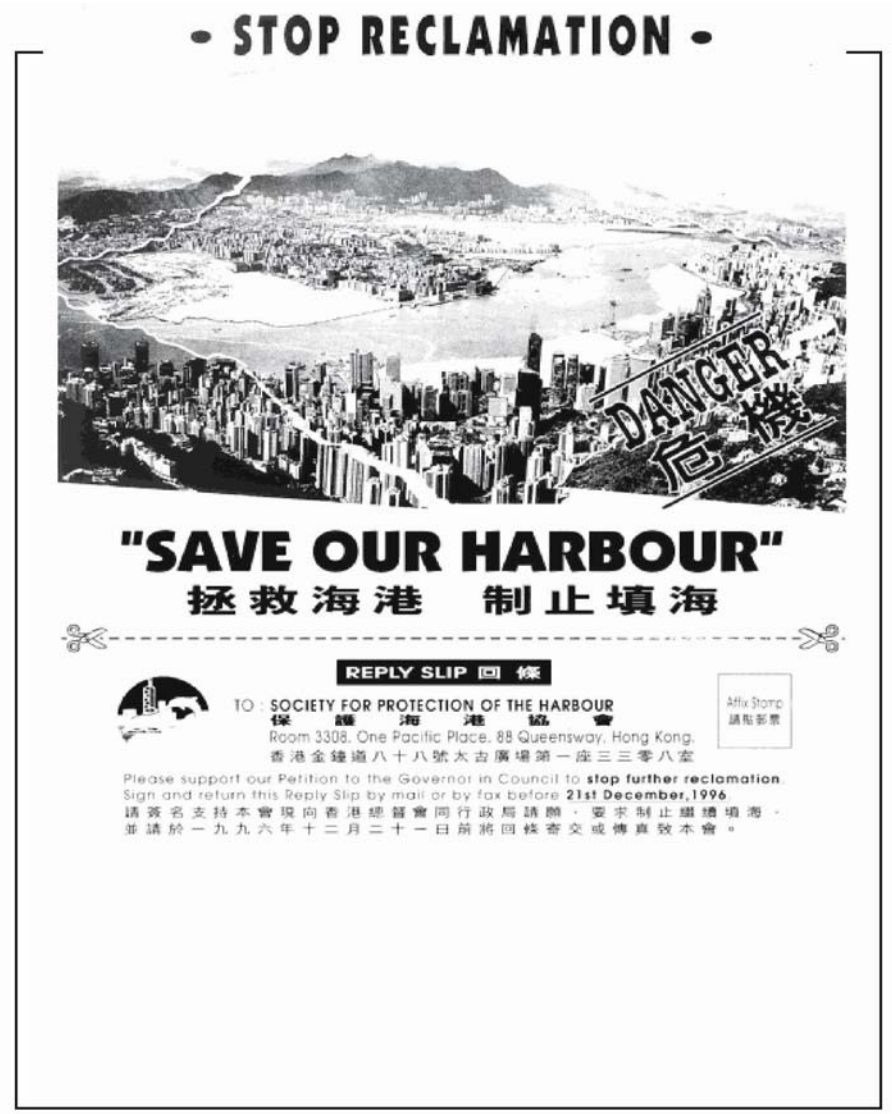


Fig. 4.9 Announcement of a signature campaign by the Society for Protection of the Harbour (1996).

Although citizens of Hong Kong do not have a tradition of public initiatives, 148,041 people did take part in this campaign. In 1997, Parliament passed a decree permitting land reclamation measures only where no alternative measures are available. Although this decree is very much open to interpretation, the amount of land to be reclaimed in existing projects was reduced significantly.

4.4.2 Shift of the settlement focus

The current *Territorial Development Strategy Review* (Planning Department 1996a; Government of the Hong Kong SAR 1998) defines two main directions of urban development. First, the considerable functional upgrading of the west of the territory, which has led to the relocation of the airport and port since the release of the *Port and Airport Development Strategy* in 1989. Even before that, the inner city port facilities had been relocated westward to Kwai Chung, and currently, new terminals have been planned even further west (North Lantau, Tuen Mun). Similarly, with the relocation of the airport, important functions were transferred from Kowloon and Kwun Tong to the western part of the Territory. Growth centres have appeared along the airport rail axis which boasts good subway and highway connections. Consequently, new traffic routes to the mainland and most New Town developments will be to the west of the existing ones.

The second tendency is the northwards shift of settlement activity. Settlement in the region began mid-19th century on Hong Kong Island and over the next hundred years, new settlements were established further and further to the north. By the 1950s and 1960s, it had extended to New Kowloon and from the 1970s onwards New Towns were established in the New Territories, at first in their southern parts (Tsuen Wan, Shatin), and then in the northern parts (Fanling, Yuen Long). Even today, population density is decreasing in Kowloon, whereas the more peripheral areas of the New Territories are experiencing urban growth and expansion, for example Tin Shui Wai (cf. fig. 45)(Li 1992; Census and Statistics Department 1997). What has changed is the attitude towards boundary proximity which in the past was considered a negative locational factor. Today such sites are increasingly popular. Until now the only important traffic direction from the New Territories led to Hong Kong. However, the frequency of commercial and private trips to Shenzhen is increasing continuously, either for visiting family members or because of a private property. For those who cross the boundary regularly, boundary zone property is attractive not only for reasons of low prices.

As a result of both trends, the north-west of the territory has the highest development rate of the Special Administrative Region. The biggest potential for housing activity is in the North West New Territories (Tin Shui Wai, Yuen Long, Kam Tin, San Tin) and new sub-centres are foreseen in areas to the north-west of the current CBD (i.e. in Kowloon West, Tsuen Wan). This trend is expected to intensify once the West Rail has taken up services, particularly as a transboundary line.

4.4.3 Perspectives of regional integration

In view of the current shift in settlement patterns, it is possible to imagine that commuter settlements will eventually cross the boundary to Shenzhen. Arguments put forward with regard to distance to the inner city lose their strength when comparisons are made to agglomerations with a similar or greater commuter radius (Fig. 4.10). What does appear to be a more obvious obstacle to settlement expansion is Hong Kong's status as a *SAR*, the joint declaration securing far-reaching autonomy, its own political and economic system and controlled boundaries.

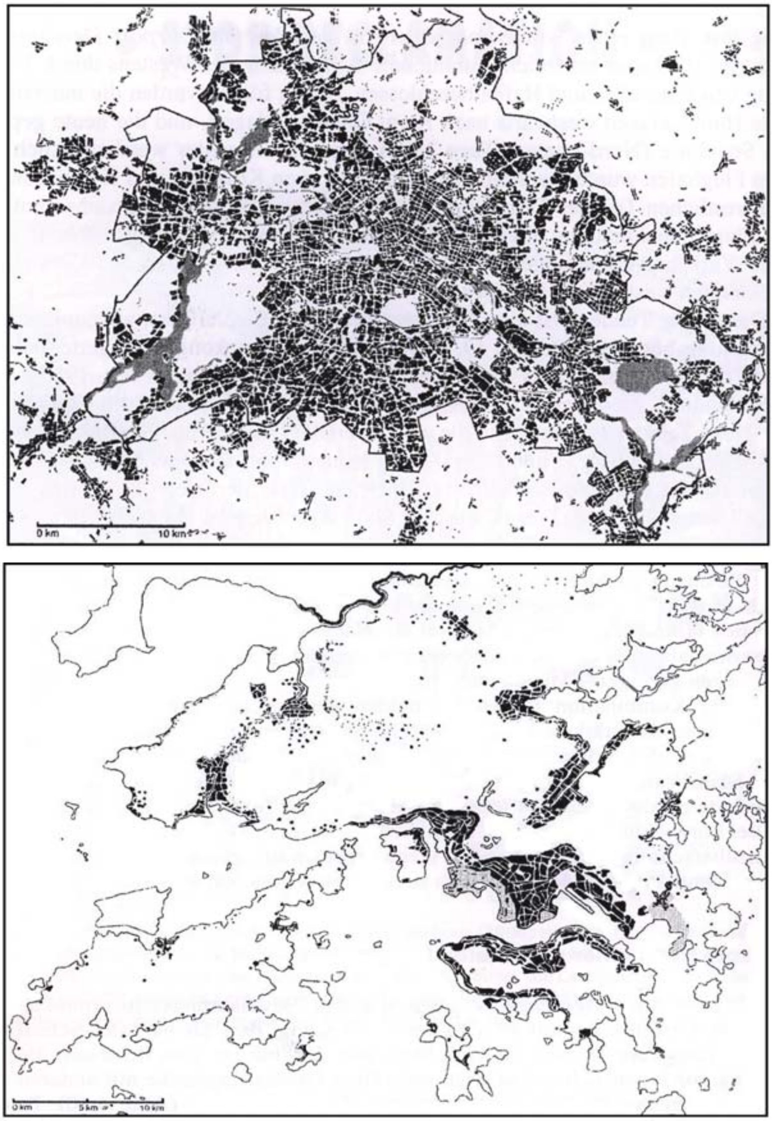


Fig. 4.10 Built-up areas of Hong Kong and Berlin (Source: Martin & Hoffmann 1997, p. 1993, adapted).
By comparing building developments in these two agglomerations of similar size (Hong Kong with a population of about 6.7 million, Berlin with about 3.5 million persons), it is possible to assess the spatial development potential of Hong Kong. Legal, topographical and psychological factors, and others, may hinder the expansion, but distance alone is not a major negative factor.

However, the status of the territory does not necessarily mean that cross-boundary development will not take place, several sectors having already led the way, in particular the economy. The boundary was not a hindrance to the establishment of industrial activities in Guangdong but actually accelerated it. An increasing functional interrelationship may also be seen in the growing number of cross-boundary day commuters. The number of children who live in Shenzhen and go to school in Hong Kong is increasing (Szeto 1997), golfers use speed boats to get them to golf courses in Zhuhai and Shenzhen, Shenzhen's airport is increasingly being used by residents of Hong Kong, and residents in the northern New Territories do their shopping across the boundary (Democratic Alliance for Betterment of Hong Kong 1998).

At the level of official regional planning, co-operation is still at an early stage. High-profile commissions only meet occasionally and are of a more consultative nature. Unofficial transboundary contact between municipal departments is slowly forming. However, the area is a long way from embracing truly regional planning co-operation. Technical and legal differences, and in particular, the mostly sceptical attitude on the Hong Kong side make this very difficult.

Thus, for example, the extension of Shenzhen's ports (Shekou, Yantian) is taken as a competitive act, rather than being seen as a relief. Co-operation with neighbouring ports will hardly be sought as long as Hong Kong continues to work on the extension of its own port facilities. Another example is the uninterested manner in which urban planning has dealt with ideas circulating for Hong Kong enterprises to build and manage New Towns for Hong Kong citizens in Shenzhen. Concepts have not been developed to deal with the linking of these satellite cities to Hong Kong nor with problems of lengthy boundary controls. Good examples are available, such as the smart cards for commuters to Singapore from Johore Bahru in Malaysia (Yeh 1995, p. 291). As the processes of integration begin to leave their mark, the "mental boundaries" will slowly disintegrate, and the authorities will be open for solutions which deal with the Pearl River Region as one agglomeration.

4.5 Local consequences of global change

The processes of change mentioned in the introduction, i.e. developing global city functions, integration with the PRC and changes in the economic structure, can only be understood in their global context. Thus, the growing concentration in Hong Kong of supraregional command and control functions corresponds to the global trend towards centrality in global cities (Sassen 1994). These cities are creating their own worldwide network, with a level of interaction often greater than with geographically neighbouring cities. Because of Hong Kong's special position as former British colony, a good foundation was laid in respect of international contacts. With the integration into the PRC, Hong Kong has gained even more importance on the global stage. Its role as a global city has led to changes and to conflicts at the local level – such as in connection with land use and in the cultural field. Several of these changes and conflicts have been discussed in this chapter.

The economic and cultural re-orientation toward China may be seen in the light of de-colonisation and the reduced importance of Europe as compared to the

Pacific Rim and thus China. China's attitude of cultural superiority when dealing with the West meant that it did not accept the role given to it in world politics of the 20th century, which explains its nationalistic paroles in connection with the Hong Kong issue. Long-standing economic growth has helped the emancipation of East Asia and will in the long term also challenge culturally eurocentric views (such as on language issues). Of central importance in this process are the changes to be seen in the political system of China and the emergence from isolation by the most populated country in the world. As China becomes more integrated into world trade and the international mobility of its population increases, the global influence of the country will become stronger. The most striking consequence of the opening of China at present is the end of colonialism in Hong Kong and Macau and the economic and functional integration of these two regions into the PRC. It has been demonstrated that the processes of integration in the Pearl River Delta Region are present at many levels and are the cause for substantial spatial changes in Hong Kong (population distribution, industrial property, traffic infrastructure).

Amongst the cities of the developed world, the general trend is towards a dominance of tertiary economic activity. In Hong Kong, this process took place in an extreme form and unusually quickly because of high wage disparities between the city and the neighbouring province of Guangdong. For the city, this meant changes in land use and in the labour market, as well as rapid economic growth combined with increasing productivity over the last two decades. The economic growth and the role of the city as mediator and catalyst for a growing catchment area are putting a strain on spatial resources as both the supraregional functionality of the city and increasing housing demands call for more development areas. The growing population, the port and airport extensions and the expansion of the CBD should all be mentioned in this context. At times, the demands of a tertiary-oriented global city are in conflict with the needs of the resident population, as is clearly illustrated in the land reclamation project for the CBD. However, it should be mentioned that the citizens of Hong Kong are taking the upheaval caused by exogenic forces very calmly and with a surprising spirit of flexibility.

Living in a place strongly influenced by forces from outside has meant that the government, the economy and population have acquired an understanding for the need to mobilise endogenic forces if they are to meet the exogenic challenges and to ensure the future of their location. They, for example, mobilised endogenic forces to solve problems caused by immigration (e.g., the squatter camps), to create an atmosphere of faith in a period of uncertainty (e.g., infrastructural expansion) and to improve the positioning of the city in an increasingly competitive world market. As a result, the city is in the process of once more radically changing its character. From colonial *entrepôt* to newly industrialised economy to quasi-exterritorial financial centre, Hong Kong is now well on its way to becoming China's global city.

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5 Sarajevo: Isolation in a country falling apart

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5.1
"Urbicide" in the decade of the Balkan wars

The Balkan war (1992–1999) caused the most extensive and serious urban devastation in Europe since the Second World War. The cities of Sarajevo, Vukovar, Tuzla, Mostar and Dubrovnik were either devastated or critically damaged during the National Yugoslav Conflict (1992–95). Months of armed hostilities and street fighting were the cause of such destruction.

In 1999, the North Atlantic Treaty Organisation (NATO) launched an aerial attack on Yugoslavia, destroying not only the military, but also the civil infrastructure of Belgrade, Novi Sad, Subotica, Pančevo, Novi Pazar and Kruševac. The NATO Air Force intervened 25,000 times, causing an environmental, economic and socio-cultural catastrophe in former Yugoslavia.

The extensive devastation of Bosnia-Herzegovina's capital city, Sarajevo, was of moral–symbolic significance, requiring international crisis management that stretched beyond national borders.

5.2
Regional conflict and international engagement

Several years have lapsed since the Dayton Peace Agreement was signed in 1995. The actual implementation of the Agreement has been delayed. The Peace Implementation Council (PIC) is responsible for the regulation of the implementation of the civil sections of the Dayton Agreement. The Office of the High Representative (OHR) forms the Executive, and the Steering Board (SB) defines the guidelines. Members of G-8 and a representative of the Islamic Conference make up the Steering Board (SB). The contact group (USA, R, GB, F, D) forms the "hard core" of the SB. The PIC organises an annual conference in which all subscribing member countries, thus also Switzerland participate.

The International Stabilisation Force (SFOR), as well as the activities of the Office of the High Representative (OHR), the Organisation for Security and Cooperation in Europe (OSCE) and the International Police Task Force (IPTF) are crucial for the continued existence of the Federation of Bosnia and Herzegovina (FBiH). Because of the prevailing threat of armed hostility in the event of a with-

R. Schneider-Sliwa (ed.), Cities in Transition:
Globalization, Political Change and Urban Development, 95–123.

drawal of SFOR, although the UN Mandate given in 1998 was not limited, the member states of NATO have agreed to the formation of a Deterrence Force (DFOR) in co-operation with all SFOR partners. This successor force will be 20,000–25,000-man strong. For the meantime, the strong military presence of SFOR remains – with 32,000 soldiers from 36 countries. Since 1998, the International Police Task Force (IPTF) has been stationed in Sarajevo and throughout the Federation of Bosnia and Herzegovina (FBiH), and is primarily concerned with the security of refugee returnees. Its further activities include the prosecution of suspected war criminals and the training of local law enforcement officers.

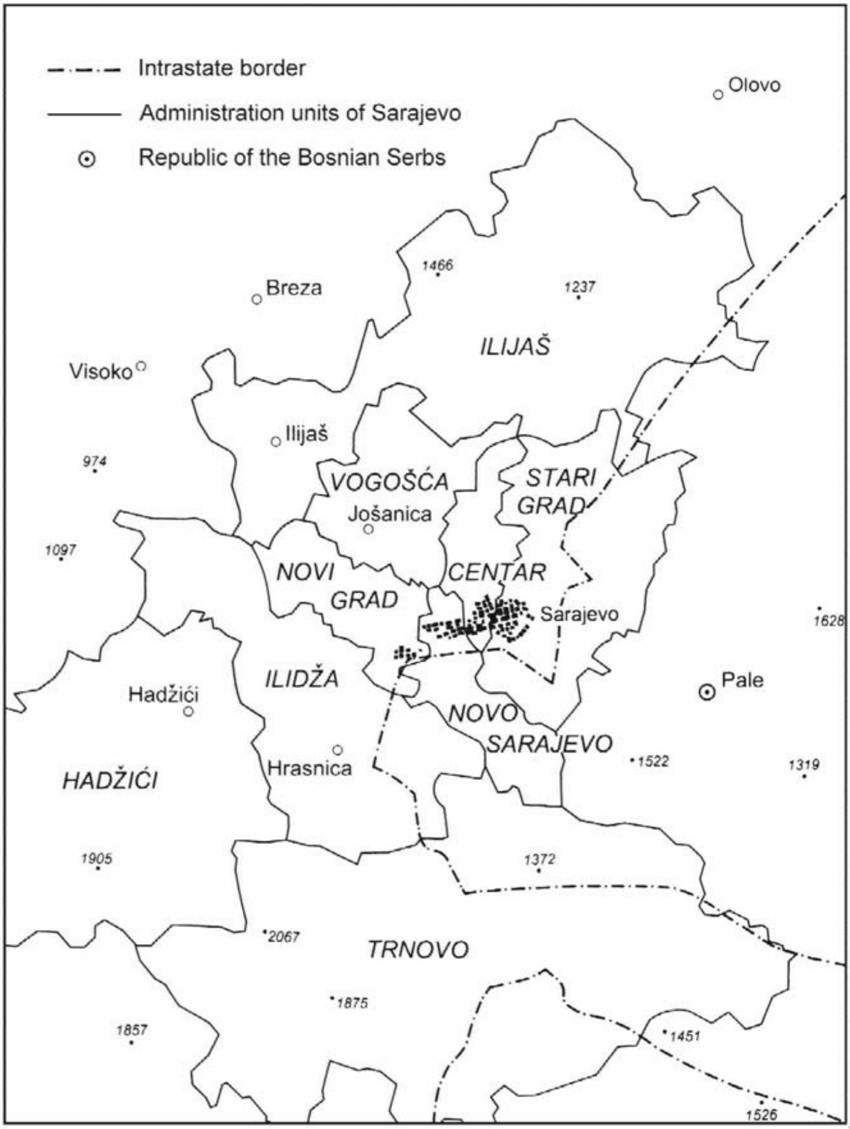
The OHR has placed pressure on the Bosnian-Croat and Bosnian-Serb (Serb Republic/Republika Srpska) entities to resolve day-to-day problems, with encouraging results: these include the implementation of customs laws, anti-corruption campaigns, introduction of a common currency, standardised passports and standardised car registration numbers. Not only is the political situation in the Serb Republic difficult, but also throughout Bosnia. Real collaboration between decisive political exponents of Bosnia, Bosnian Serbia and Bosnian Croatia remains almost impossible. The elections in September 1998 did not alter the situation. It took the FBiH, i.e. the Bosnian-Croat half of the country (cf. Map 5.1) three months to appoint a new government. As a result, two different administrative authorities co-exist: a Bosniac and a Croat administration. The same amount of time lapsed before the national government was formed. The General Elections of 1998 confirmed an increased importance on political manifestos. The nationalistic Bosniac Coalition maintained control of the new parliament, while the small opposition parties slightly increased their seats in the regional parliament and at the community level. The political structure is, however, very fragile. The resolution of the Kosovo problem and the definite status of the Brčko Corridor is most likely dependent on the future positioning of Serb and Croat partners. The danger of a Bosnian-Serb secession with ensuing collapse of the fragile Bosniac-Croat entity cannot be ruled out completely.

Autonomous regulatory measures of the traditional states are being suppressed by the implementation of a USA-dominated protectorate system in the Balkans. This protectorate system has been influenced by the free market and a geopolitical motivation. If the FBiH were to be disintegrated, the national capital city of Sarajevo would forfeit her centrality.

Map 5.1 Ethnical distribution in Bosnia and Herzegovina after the Peace Treaty in Dayton 1995 (Source: Haywood 1998, Ill. 6.11, adapted)

5.3 Urban agglomeration: Region of Sarajevo

Region Number 9, Sarajevo, includes the following nine administrative units, so-called municipalities (*opština*): Centar Sarajevo, Stari grad, Novi grad, Novo Sarajevo, Ilidža, Vogošča, Hadžići, Trnovo and Ilijaš. (Map 5.2). About 374,296 (1998) people live within the agglomeration.



Map 5.2 Municipalities of Sarajevo 1999 (Source: Grebo 1998, p. 23)

Before the civil war, 527,049 inhabitants (1991) lived in the region. The Bosnia-Herzegovina capital is the economic, cultural and administrative centre of the FBiH.

Out of all the municipalities, Stari grad, Centar, Novi grad and Novo Sarajevo are of key importance. Most of the urban population, the most important industrial locations and services companies, the university and colleges, as well as the government with its administrative apparatus are to be found in these municipalities. The range of leisure and cultural facilities is also greatest here.

5.3.1 Historic construction phases and the succession of urban culture

In 1448, Vrhbosna, a small Slavic-Christian fort was conquered by Osmanian troops and renamed Sarajevo. Since the 15th century, Sarajevo has maintained her key position within Bosnia. Today, Sarajevo is the capital of the Federation of Bosnia and Herzegovina (FBiH), which was founded in 1992.

The core of the Osmanian Old City (15th–19th Century) is situated in *opština* Stari grad. By 1868, before the Austrian-Hungarian Protectorate Period, Osmanian Sarajevo had been divided into 106 districts (*mahala*). The oldest *mahala* was built in 1462, during the reign of the town founder, Isa-beg Isaković. The most important Osmanian sacred building is the *Begova džamija*, also known as the *Gazi Husrev-beg* mosque (1530). In 1536, the Islamic School of Religion, *Gazi Husrev-begova medresa*, was erected. Fifteen years later, in 1551, the covered market, *Brusa Bezist* was built. The old market (*baščaršija*) was the true financial centre of Osmanian Sarajevo. Until 1565, seven bridges joined the two halves of the city divided by the Miljacka river (Fig. 5.1). The sixteenth century is referred to as the “golden age” of Sarajevo. Wealthy traders, trade associations and the *vakuf,* religious islamic foundations, contributed towards a total renovation of the existing city. Between the two World Wars and especially during the reconstruction phase of the 1960s and 70s under Tito, a large section of the Osmanian Old City was destroyed by extensive urban renewal and development.

Urban renewal prior to the XIVth Winter Olympics was characterised by diverse efforts to reconstruct the Old City Centre (Map 5.3).

Many Osmanian buildings, including mosques, were critically damaged during the Bosnian War 1992–1995. The Austrian-Hungarian city centre built during the Protectorate and Annexation Period 1878–1914 is situated in the *opština* Centar. In 1883, Sarajevo was divided into seven municipalities by the new Austrian Protectorate government (Caršija, Koševo, Bjelave, Kovaèi, Grad, Hrvatin, Bistrik-Cobanija) and the new council set about modernising the city.

Map 5.3 Socialist Federal Republic of Yugoslavia, 1945–1992 (Source: Haywood 1998, p. 6.11)

The new Building Regulations of 1883 laid the foundations for further development. In 1903, urban canalisation and public lights were installed. Royal architects developed the widely-used eclectic "Bosnian-Oriental" architectural style. Representative buildings, such as theatres, post offices, courts, museums, catholic and orthodox cathedrals, schools, hotels, bank and insurance buildings, as well as the city palace, large apartment blocks and barracks were constructed accordingly (Fig 5.2). At the turn of the century, in addition to this style, several buildings were designed in the spirit of the Succession. Numerous well-known architects built in Sarajevo, for example Karl Paržík, Jan Kotera, Karl Langer, Rudolf Tönnies, Karl Kneschaurek and Dionizije Sunko. After the Annexation in 1908, construction activity in the national capital was intensified and "Modern" architecture was widely accepted.

Fig. 5.1 Damaged bridge over the Miljacka river, Obala Kulina Bana, Sarajevo (Photo: R. Schmid)

Fig. 5.2 Destroyed shack of the "Marshall Tito" barracks in Sarajevo, with minefields in the foreground (Photo: R. Schmid)

The Bank building “Slavija” by the Czech architect Jan Kotera, a pupil of the then world famous Viennese architect Otto Wagner, was revolutionary. The large apartment complexes of Novi grad and Novo Sarajevo and their industrial and services zones are products of “pure socialist” urban planning in the 1970s and 80s.

An important innovative impulse was given to the city with the construction activity for the XIVth Winter Olympics in 1984. Leisure and sports facilities and the Olympic Village were built; the expansion of necessary infrastructure partially followed environmental guidelines.

5.3.2 Stari grad

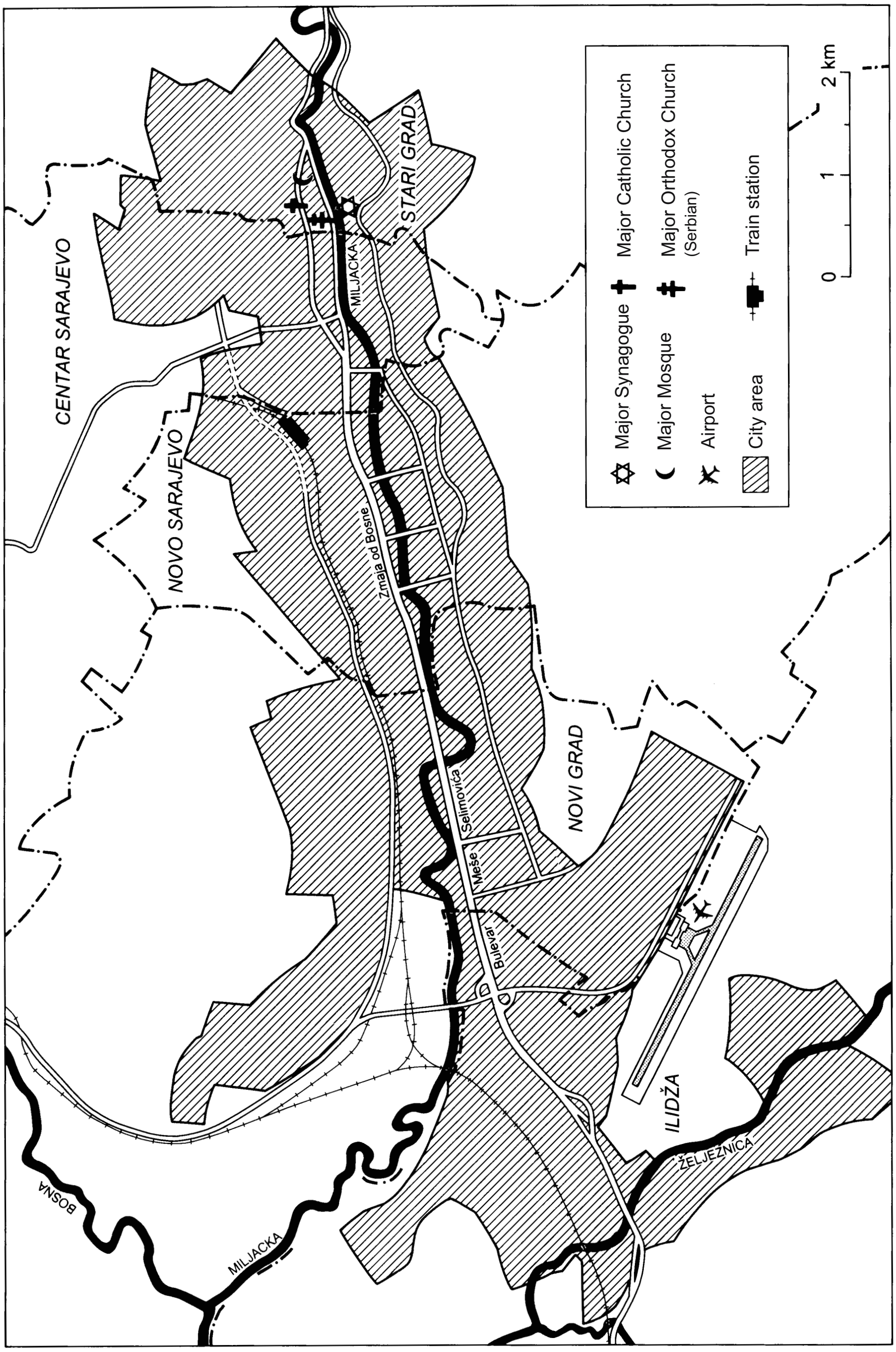
Since 1996, the municipality of Stari grad has been one of the “target areas” of the United Nations High Commissioner for Refugees (UNHCR) (Berichte über Flüchtlingsrückkehr/Reports on refugee repatriation, DEZA Bern 1998). The Old City of Sarajevo is at the heart of Stari grad and contributes towards the dual character of the municipality at the historical, urban and social–spatial level. The historic centre boasting monuments from the Osmanic Period of Sarajevo covers about a quarter of the total municipal area. 54 mosques are also found within the boundaries of the old districts of *opština* Stari grad.

The Miljacka River flows through the city from east to west, dividing it into a Northern and Southern section. The *opština* is divided into 26 districts. Before the war of 1992, the municipality of Stari grad covered 124 km^2. According to the terms of the Dayton Agreement, the larger area of the original municipality was assigned to the Serb Republic. Today, *opština* Stari grad is incorporated into the FBiH and has been reduced to about 48 km^2 (Map 5.4).

The predominant part of the municipality is hilly to mountainous, in sections as high up as 1200 metres above sea level. It has a rural structure and low population density, with mainly detached houses in numerous small, scattered settlements.

The national capital was practically devastated during the military conflicts of 1992 to 1995. The spatial closeness of the municipality to the area under siege made it a target of intense shootings, with the main conflict area running from west to east, more or less along the road from Barice to Donje Biosko. The conflict area from north to south corresponds more or less with the current border, known as the Inter-Entity Boundary Line (IEBL). In the south, the Front ran between the village of Jarčedoli and the settlement of Berkuše.

During the Bosnian War 1992–1995, more than 10,000 people, including nearly 2,000 children and youths, were killed in the city of Sarajevo (Fig. 5.3 and 5.4). The total material damage was estimated at 24 billion DM (12 billion Euro) in 1996 (City Council of Sarajevo, personal interview with Jusuf Pušiva, engineer, March 1999). Expulsion and mass genocide of Moslem Bosniacs, Bosnian Serbs and Bosnian Croats were a feature of the war. War criminals were active in all parties to the war. The question of war guilt will not be discussed at this point.



Map 5.4 The municipality of Sarajevo (Source: own illustration)

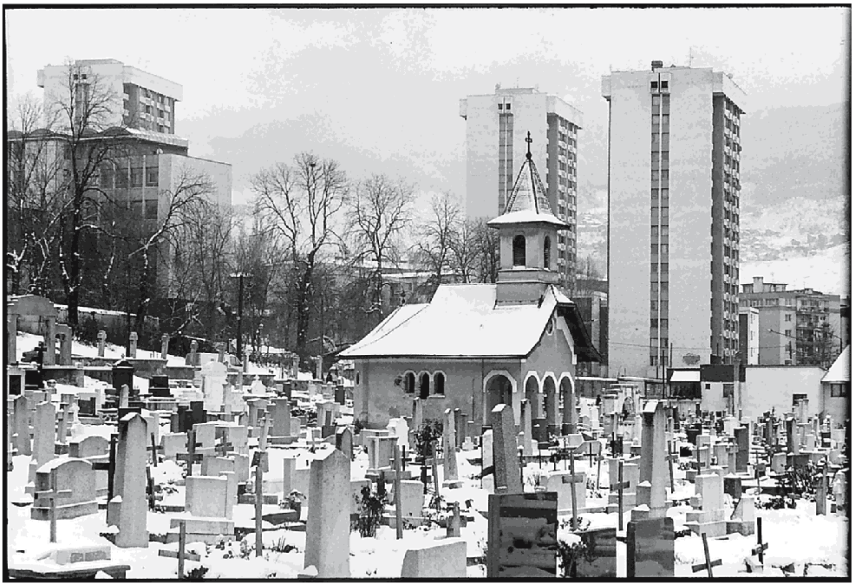


Fig. 5.3 Catholic cemetery in Koševo, Sarajevo (Photo: R. Schmid)

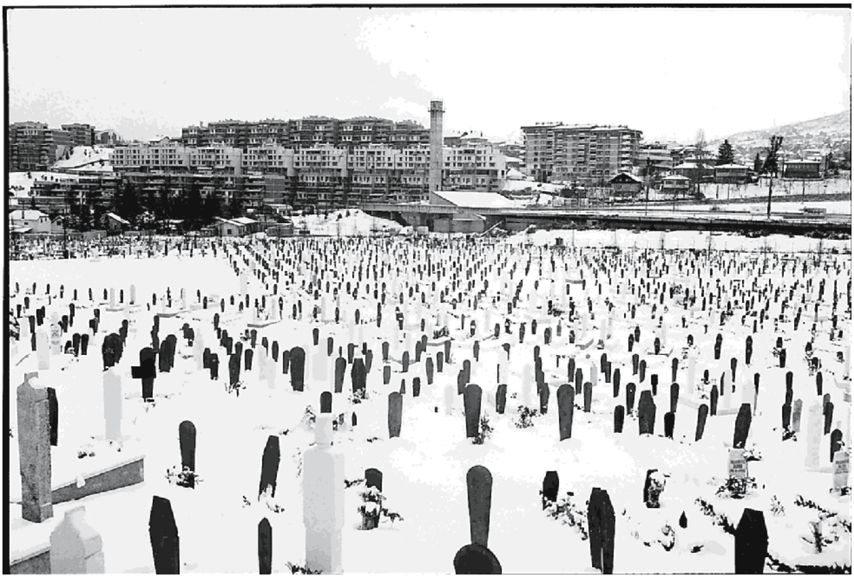


Fig. 5.4 Muslim cemetery in Koševo, Sarajevo, with Koševsko Brdo, a residential area that survived the war, in the background (Photo: R. Schmid)

Table 5.1 Population structure Stari grad 1999 (Source: UNHCR 1999)

Population	*Bosniacs (%)*	*B. Serb (%)*	*B. Croat (%)*	*Other (%)*
1991	77.8	10.2	2.6	9.4
1999	87.3	3.3	7.6	1.8

Bosniacs mainly live in *opština* Stari grad today and account for 87.3% of the inhabitants. Since the Communal Elections in September 1997, the Bosniac Coalition KCD, lead by the SDA (*Stranka demokratske akcije*) has governed. As the SDA had been in power since 1996, the new elections hardly changed the political situation.

The war led to a new constellation of the old districts in favour of the Bosniacs. The percentage of Bosnian Croats in Stari grad increased from 3.6% (1992) to 7.6% (1999). Forced resettlement and expulsion from the Serb Republic or from homes in other war-torn municipalities in Sarajevo are responsible for this increase (Table 5.1).

5.3.3 Centar Sarajevo

The *opština* Centar Sarajevo is likewise a "target area" of the UNHCR. At the time of signing the Dayton Peace Agreement in December 1995, 800,000 refugees were internally displaced in their own country and a further 1.2 million inhabitants of Bosnia and Herzegovina had found sanctuary in other countries. The majority of refugees still reside in Germany (21.3%, 1998), Switzerland (8.73%) and Croatia, Yugoslavia and Macedonia (totalling 57.3%, 1998). In 1996 and 1997, 23,700 houses were reconstructed and nearly 100,000 returning refugees could be housed due to the efforts of the UNHCR Reconstruction Programme (*Berichte über Flüchtlingsrückkehr*/Reports on refugee repatriation, DEZA Bern 1998). The UNHCR Headquarters, the Office of the Special Envoy and the Office of the Chief of the Mission are located in the municipality of Centar Sarajevo.

The southern sector of the *opština* incorporates about 80% of the urban area of Sarajevo, a situation which influences the character of this part of the municipality. The financial and administrative centre of the national capital is found in Centar. The Miljacka river forms the longitudinal axis of the municipality. The area belonging to the FBiH covers 33 sq. km and is divided into 26 districts.

According to the Dayton Agreement, a very small, completely uninhabited area of the Centar Sarajevo less than one sq. km, now belongs to the Serb Republic. During the siege of Sarajevo, the municipality of Centar was totally controlled by Bosnian armed forces.

Table 5.2 Housing situation in Centar Sarajevo 1999 (Source: UNHCR 1999)

	Housing stock 1991	*Number of damaged and destroyed houses*
Private living units %	10,780 100	4,006 37.2
State-owned living units %	17,222 100	7,813 45.3
Centar %	28,002 100	11,819 42.3

Table 5.3 Population structure of Centar 1999 (Source: UNHCR 1999)

Population	*Bosniacs (%)*	*B. Serb (%)*	*B. Croat (%)*	*Other (%)*
1991	50.3	21.0	6.8	21.9
1999	81.3	6.9	69	2.9

During the war, the front-line in Centar generally followed Gornji Hotoni-Donji Mrkovici Street, while in the south the current IEBL marks the original front. More than one third of all private and nearly half of all state-owned living units were damaged or destroyed during the conflict. In 1998, the World Bank financed the reconstruction of 2,082 war-damaged apartments (Table 5.2). Numerous renewal schemes in the districts of the *opština* could be carried through with the support of the EU reconstruction programme “Europe for Sarajevo”. Numerous relief organisations are located in the municipality of Centar, such as the Repatriation Information Centre, *Médecins Sans Frontières,* Swedish Rescue and World Vision.

As in the case of Stari grad, the municipality of Centar is dominated by the Bosniacs, with the Bosniac Coalition KCD holding the majority in the municipal council. The ethnic constellation in Centar has changed radically since the war; Serbs and members of other minorities left the city, partially by force. Subsequently, Serb presence dropped from initially 21% (1991) to 6.9% (1999). As many Serbs had been employed by the state and the army, and held positions in the bureaucracy, in schools, the university and services sector, the ethnic restructuring meant that municipal positions and management of state-owned and private enterprises in Sarajevo came under Bosniac control (Table 5.3).

5.3.4 Novi grad

Opština Novi grad was founded in 1978. It stretches over 48 sq. km and includes western Sarajevo and numerous rural suburbs in north-western and northern Sarajevo. Novi grad (103,115 residents in 1999) is still the most populated urban municipality of Greater Sarajevo (pre-war figures: 136,293 residents in 1991) with the greatest number of houses and apartments. Owing to its industrial potential, the municipality is very important for the national capital and the FbiH. Novi grad is divided into 23 districts and has also been marked as a "priority target area" of the United Nations High Commissioner for Refugees (UNHCR).

The Dobrinja district in Novi grad was divided into four smaller districts before the war (Dobrinja I–IV). Two of these, Dobrinja I and IV, were then separated by the IEBL on 4.2.96 from the rest of the municipality and today belong to *opština* Srpska Ilidža in the Serb Republic. The remaining two districts, Dobrinja II and III, were subsequently united. Dobrinja and Alipašino polje currently border Novi grad to the south-east and are tangented by the IEBL to the east and south-east and by the airport of Sarajevo, which belongs to the municipality of Ilidža, to the south-west. Besides the area along the main street M17 to the north-west near Rajlovac and Briješ e, Dobrinja and Alipašino polje were affected most by the intense fighting.

Novi grad has currently over 26,487 state-owned and 10,247 private housing units, making it the municipality with the best housing availability in the Federation. The situation at the beginning of 1997 was as follows: around 70% of total housing stock were still damaged or destroyed, private and state-owned housing units were in a similar condition (cf. Table 5.4). As the population of Novi grad has "only" dropped by 33% in relation to pre-war levels, it has to be assumed that many people currently live in apartments that are partially critically damaged. In the vicinity of the former main combat zone which ran through the village of Rajlovac and the districts of Naselje heroja Sokolja, Briješ e, Mojmilo, Saraj polje and Dobrinja, the majority of living quarters are still damaged or destroyed.

Between 1996 and 1998, 6,879 apartments and 152 houses of a total of 25,761 damaged objects in Novi grad were renovated, were in the process of renovation or had at least been financed.

Table 5.4 Degree of damage in Novi grad 1997 (Source: UNHCR 1998)

Degree of damage	*State-owned housing* %	*Private housing* %	*Total* %
Intact	31.9	24.5	29.9
Up to 20%	26.3	38.4	29.6
Up to 40%	24.4	15.8	22.0
Up to 60%	10.9	11.5	11.0
More than 60%	6.5	9.8	7.5
Complete	26,487	10,247	36,734

Within the framework of larger schemes, the main districts of reconstruction have until now been Dobrinja, Otoka, Mojmilo and Svrakino selo.

The renovation of 900 uninhabited living units in Dobrinja was financed by the EU and Turkey, providing housing for about 3,500 returnees, based on an average family size of four persons.

5.3.5 Novo Sarajevo

The municipal area of Novo Sarajevo has been reduced to 27% or its pre-war size and extends at present over 12 sq. km. As a result of the Dayton Agreement, the greater part of the municipality now belongs to the Serb Republic and is called *Srpsko novo Sarajevo*.

Novo Sarajevo is the central district of Sarajevo and is made up of 19 districts. It is to the most part urban and is dominated by high-rise apartment complexes south of the Miljacka river, that partially extend as far as the IEBL. Although numerous industries are located north of the river, the residential area reaches into the inner city of Sarajevo, which is part of the Centar municipality. A small, nearly uninhabited rural area borders the district of Vogošæa to the north.

The application for recognition as an “open city” has not been submitted (UNHCR Open Cities Initiative, Recognized and Potential Open Cities, UNHCR Head Office Sarajevo 1.11.1998). With respect to the violation of human rights and security, the Assessment Cell SFOR places Novo Sarajevo (September 1998) in the category of the less conspicuous municipalities of Sarajevo. As in the case of other municipalities, the municipal council is dominated by the Bosniac Coalition KCD.

Of the 35,633 pre-war apartments, more than a quarter were critically damaged or destroyed by intense fighting in the area (Fig. 5.5 and 5.6). Apartments which are still available, partially house up to three families per unit. A possibility of combating the housing problem would be to renovate total housing stock in the surrounding area so that domestic refugees living in Sarajevo can return to their homes outside the Canton of Sarajevo. The restrictive politics of the Serb Republic, however, set limits on this model, although it is clear that renewal measures in the places of origin of refugees are essential for successful repatriation. As a result of the critical housing situation, only a small number of applicants were given permission to return to their homes in the municipality in early 1999. In view of the significant number of refugees from Sarajevo in Germany and Switzerland, timely measures to provide housing for their return should be sought.

Fig. 5.5 War-torn residential block (Photo: R. Schmid)

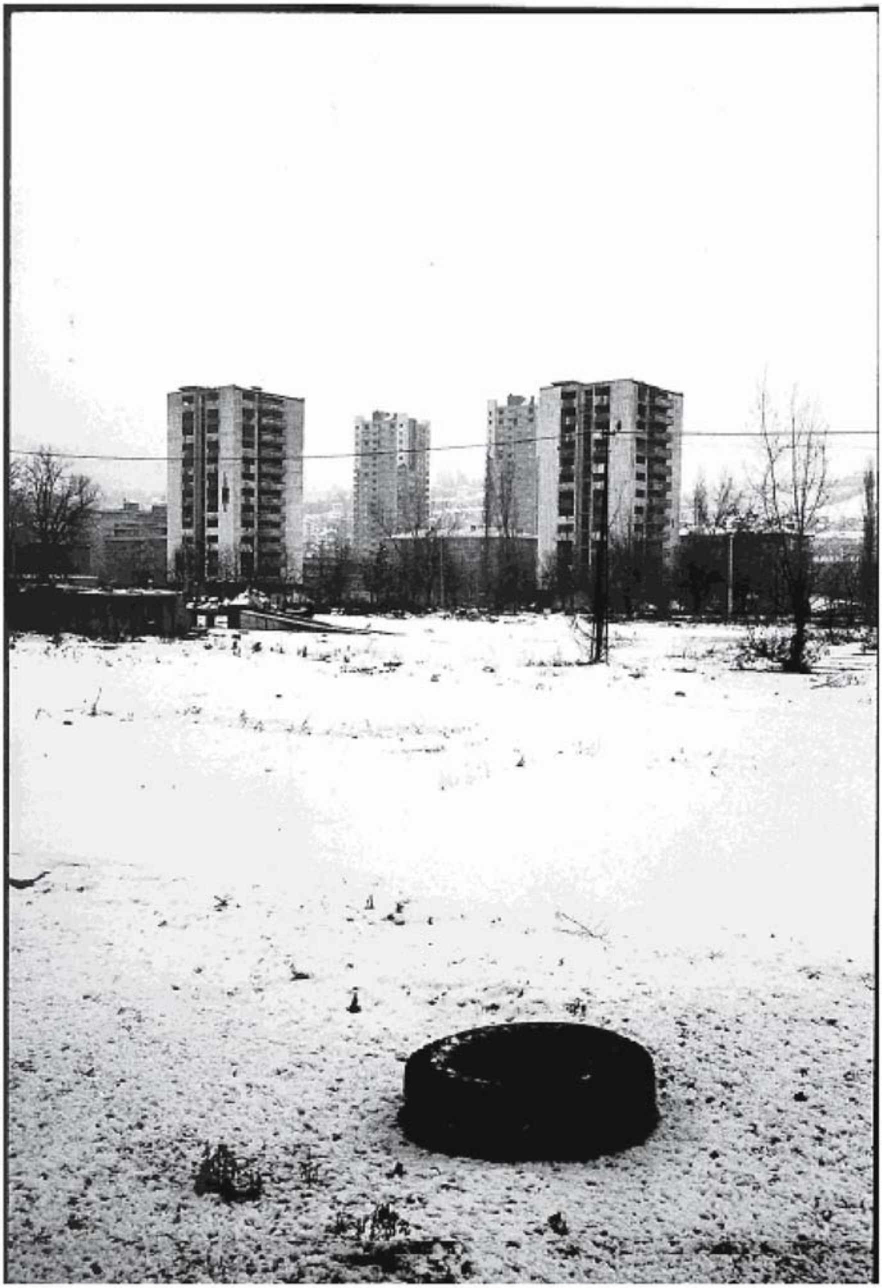


Fig. 5.6 Badly damaged high-rise buildings in Novo Sarajevo (Photo: R. Schmid)

By 1999, about 9,000 of the badly damaged apartments in Novo Sarajevo had been renovated. The plans of the municipality of Novo Sarajevo to create a satellite city appears to be a suitable strategy to relieve the housing market situation in the long-term, particularly considering the influx of exiles and refugees from the Serb Republic.

5.4 International reconstruction programme and measures toward stabilisation

Economic reconstruction measures are co-ordinated by Bretton Woods Institutions, the European Commission and the European Bank for Reconstruction and Development (EBRD) on a sectoral basis. Bilateral and multilateral schemes and programmes facilitate operational realisation. A positive development has been the handing over of co-ordination responsibilities to local agencies, such as the Social Task Force of the World Bank.

Contrary to expectations, the number of active foreign non-governmental organisations (NGO) did not drop significantly. On the other hand, more and more local NGO forums for support co-ordination have emerged.

The United Nations High Commissioner for Refugees (UNHCR) also represents the needs of local exiles and refugees. The United Nations Development Programme (UNDP), however, has not managed to make an impact within the context of Sarajevo. Because the United States controls key positions in civil (OSCE, OHR) and military fields (SFOR) it has a special status in the region.

At the beginning of 1999, the market and financial situation in Sarajevo stabilised and even improved slightly compared to 1998. The introduction of a uniform currency did much to soften the consequences of the trinational division of the region. The three entities also agreed to co-operation with regard to customs control. As is the case throughout the FBiH, market economy structures have been introduced according to the West-European model. Although the average salary in Sarajevo has increased from 290 DM (145 Euro) (1998) to 330 DM (165 Euro) (1999), the export trade in Sarajevo has dropped dramatically, companies only being able to export 12% of pre-war totals. As a result, the huge negative trade balance has been financed by massive international aid.

The majority of industries in Sarajevo suffer from capital shortage and loss of former raw material sources and markets. Start-up capital is difficult to obtain and only possible through international institutions. The law courts are hesitant and slow to take a stand against the widespread corruption. Sarajevo is still an unattractive financial centre for foreign investment because legislation ensuring a secure basis for financial development is still in the progress of being created and privatisation is still to be carried through.

From an economic perspective, commerce, trade, gastronomy and tourism were an important component of the pre-war municipality of Stari grad; however, it was the larger industries that employed the majority of workers. Only a few lived off agriculture. At present, there are 42 state-owned and 597 private companies that are active mainly in commerce and trade. Pre-war labour figures for Stari grad indicate that 13,228 persons were engaged and about 3,900 persons were unemployed. Today 7,668 workers have a job. The number of irregularly employed workers as a means of avoiding social tax is considered to be very high. Of the 2,405 registered unemployed, 1,775 are also on the waiting list for social welfare. However, the unofficial number of unemployed is considered to be much higher. The average income in the municipality of Stari grad amounts to about 205 DM. In contrast, the monthly unemployment benefit is 50 DM. An agreement between Germany and the FBiH guarantees returnees from Germany an unemployment benefit for six months which is financed by the German government. In order to qualify for the money, the returnee must register at the appropriate authority in the FBiH within 42 days of leaving Germany and present a statement from the German employment office. Only then is the applicant eligible for financial support from Germany which is paid out at the employment office in the FBiH. Switzerland also offers financial assistance to returning refugees and the co-ordination office of DEZA in Sarajevo is responsible for their social welfare.

Since autumn 1997, the municipal council of Stari grad has plans for the reconstruction of four large enterprises in order to improve the municipality's precarious financial situation. Two textile producers (*Sarajevotekstil* and *Ciklon)*, a transport company (*Orgrevtrans*) and a goldsmith atelier (*Zlatar Sarajevo*) would be able to offer permanent employment (City Council of Sarajevo, personal interview with Jusuf Pušiva, engineer, March 1999). These companies are, however, dependent on investment aid in the form of credit with low interest rates from international partners. The cost of creating a new work place varies according to the sector between 10,000 DM (5,000 Euro) and 30,000 DM (15,000 Euro). It appears that employees who stayed in the FBiH during the war have a better chance of being taken on by a company. Thus returnees have greater hurdles to overcome when looking for a job. International companies should be convinced of the advantages of timely investment in the FBiH. Besides direct investment, production under licence agreements is a highly suitable method of investment. Without functioning international financial ties, national economic development will be almost impossible.

Even before the war, the municipality of Centar concentrated on trade (42% employees), services (16%), and administration (33%). In contrast, industry and agriculture (each about 5 %) were less significant. At that time, 260 state-owned industries and 630 private enterprises were registered. Nearly all important banks and commercial institutions of the FbiH, e.g., *BH Banka*, *Komercijalna Banka*, *Gospodarska Banka* and eight other banks have their headquarters here. Within the urban conglomeration of Sarajevo, 23 banks are to be found. Since the foundation of the National Bank of the BiH Federation on 11.08.1997, a bank audit (*Agencija za bankarstvo BiH*) exists. The banks of Sarajevo are, in general, strongly undercapitalised and only a few have the trust of the population and international investors.

In the FBiH, social insecurity is reinforced by the political dependence of large sectors of the economy – a legacy of communism and planned economy. The nationalist nominees are generally in control of the companies: the state-owned industries are directly controlled through the choice of directors; private companies are indirectly controlled by transaction flows, the allocation of electricity, the tax authorities and the existence or non-availability of police protection.

According to an anti-corruption unit of the UNO the governing oligarchy of the FBiH embezzled up to one billion dollars of national and private financial aid within less than four years (end of war 1995 until summer 1999). Since 1995, the FBiH has received 5.1 billion dollars of foreign aid. An exceptionally critical case was that of the more than 20 million dollars that were misappropriated and deposited in the BiH Bank which has in the meantime had to close its doors. The closure of the bank in November 1998 also affected development aid accounts, such as that of the Swiss Agency for Development and Co-operation (SDC) which has been unable to access the 1.45 million CHF deposited there (*Neue Zürcher Zeitung*, 18.9.1998).

Owing to the central location of Sarajevo, many large companies – known as the "corporations" – had their headquarters in the city before the war. The production plants, on the other hand, were located outside the agglomeration in Bosnia or in other part-republics of the Federation of the Socialist Republic of Yugoslavia. According to the UNHCR, 46,414 persons were employed in the municipality of Centar before the war. Today only about 28,300 persons are employed. At the beginning of 1999, 2,853 persons had registered for unemployment, while the unofficial number of unemployed is estimated to be very high. As a means of uplifting the economic situation in the municipality, USAID offered numerous enterprises financial support in the form of interest-free loans.

Prior to the war, Novi grad was considered the centre of the metal-processing industry, but the long-established chemical, textile and wood-processing industries were also of great financial significance for the *opština*.

Prior to the war, 58 state-owned and 280 predominantly small businesses were registered in Novi grad. Approximately one third of the factories within the municipality were destroyed during the war, and the rest were damaged. By 1999, 47 state-owned companies had again taken up production and the number of private companies increased to 350. Many state-owned companies are at present in the process of privatisation, but in most cases it is uncertain when the process will be completed (City Council of Sarajevo, personal interview with Jusuf Pušiva, engineer, March 1999).

29,183 people work in Novi grad, of these 24,113 in the industrial sector. Before 1992, the majority of workers were employed in the public sector; since then, the figure has dropped to 12,500. The largest employer is the public transport company GRAS with 2,140 employees (1999). It is impossible to estimate the number of people working in the private sector.

The monthly salary of a full-time employee averages about 200 DM (100 Euro); and approximately 3,300 people in Novi grad are officially unemployed and receive a monthly unemployment benefit of 50 DM (25 Euro).

Depending on the degree of specialisation of a company, large-scale orders are often sub-contracted. This form of self-help via co-operation has been a positive development in recent years. One should note that the increase of productivity is usually only possible with investment aid that generally has to be refunded within three years. This obligation hinders companies from the further investment of short-term profits. An additional workplace costs the company according to branch between 8,000 DM and 15,000 DM (4,000–7,500 Euro). In general, the deficit investment capital of the company and the large number of people on the waiting list (assuring employment preference) makes the job market difficult for returnees. The principle of increased integration of resident companies into renewal programmes at the national level also applies to Novi grad, as it is an effective method of creating new jobs.

Before the war, Novo Sarajevo was one of the seven most-populated municipalities of the Federation of the Socialist Republic of Yugoslavia, with the majority of employees within the civil service (49%), industry (20%) and commerce (15%). After the war, an absolute increase of companies from 320 to 780 was recorded, of which the majority were small industries (80%) and services (12%), such as businesses (retail shops), restaurants and coffee shops.

During the war, large sections of the industrial plants were dismantled or destroyed since 1996, significantly reducing the production capacity of large state-owned companies to a minimum. The biggest employers in Novo Sarajevo are still the power station, the "Unis Holding" and "Energoinvest". Due to the supraregional nature of these companies, employees are recruited nationwide. Of further importance are the parent holding companies based in Nova Sarajevo. The VW plant in the Vogošća district will undoubtedly play an important role in the future economic development of the Greater Sarajevo area.

5.5 VW plant in the Greater Sarajevo area

The re-opening of the VW plant in Sarajevo-Vogošča on 31st August 1998 was celebrated as a symbolical occasion marking the return of foreign investment to a war-torn city. Until 1992, the German automobile concern had operated as *Tvornica automobila Sarajevo* (TAS), a shared partnership with VW and the local "Unis Holding". Even today the abandoned structures of the "VW Golf" assembly halls may be seen. The new scheme employs only 60 workers and thus requires only a fraction of the property: besides numerous offices, one completely renovated hall that is barely larger than a better repair workshop is used. Motors and other units are assembled into the bodywork with the help of three hydraulic lifts. The parts are delivered by rail from the Czech "Škoda" parent plant. In this manner, by the end of 1998, less than 1,000 "Škoda-Felicias" had been assembled for the local market.

In the face of high risk, the VW motto in Bosnia is: "Start quickly, but small and with minimal capital risk and then expand with the country". The company uses existing plants and has as yet only invested about 2 million DM (1 million Euro) of new capital. As a set-off for debts by the former TAS, VW acquired 58% of the new joint venture; the state-owned "Unis Holding", presently being privatised contributed 42% of the capital. The comparatively high cost of partial assembly in Sarajevo versus complete production at the parent plant is compensated for by customs and tax preferences. In the meantime, the plant is on the verge of further development, viz. the implementation of a full assembly line. For this purpose, 200 additional employees are being trained in the Czech Republic. It is, however, essential that the local partner is also willing to contribute toward capital increase. Also of necessity are new export target groups and markets. Of significance are the current custom control discussions between Bosnia, Turkey and Croatia.

Within the next two-and-a-half years, a complete plant including the production of vehicle bodies, spraying and assembly, with about 1,200 employees and an annual capacity of 35,000 vehicles will be running (*Národná Obroda,* Bratislava, 21.4.1999). The VW plant could prove that despite all the difficulties in the FBiH, investment makes financial sense; the money coming in through investment is just as important for regional economic upswing as foreign aid. Sceptics suspect that owing to the poor general conditions, the project is simply a politically motivated PR event beyond financial viability or sustainability.

5.6 The reconstruction programme of the EU

The European Union (EU) is the most important financial supporter of the FBiH; and the national capital, Sarajevo, has greatly benefited from various renewal programmes (see Table 5.5). Between 1996 and 1999, the EU invested nearly 100 million Euro into the reconstruction programme, while a further 100 million Euro was invested into humanitarian aid. Since the signing of the Dayton Agreement, the EU has focused on several spheres of activity.

1. Reconstruction of destroyed and badly damaged apartment blocks and urban infrastructure: power; water; mine-clearing; transport; telecommunications; humanitarian aid.
2. Revitalisation of the economy and development of the private sector.
3. Solidification of democracy and an open society: return of refugees; education; health; media and culture.

Table 5.5 The reconstruction and renewal programme of the EU: *Europe for Sarajevo*, 1997 (Source: European Commission Representation Office, Sarajevo 1999)

Int. Airport Sarajevo Railway Sarajevo-Zenica	In initial stage	8,500,000 Euro
Reconstruction and management of transport systems	In initial stage	1,100,000 Eueo
Reconstruction of 130 housing units in Sarajevo	Concluded	1,995,000 Eueo
Power supply, municipal heating and gas supply in Sarajevo	In preparation	7,950,000 Euro
Power supply: Management and reconstruction	Concluded	1,250,000 Euro
Reserve	In initial stage	800,000 Euro
Total 1997		23,587,500 Euro
Total 1996 & 1997		59,767,500 Euro

5.6.1 Customs: Customs and Fiscal Assistance Office (CAFAO). The World Bank Resident Mission in Bosnia and Herzegovina

In 1998, 2 million USD were invested into the reconstruction programme of the World Bank (IBRD – International Bank for Reconstruction and Development) (The World Bank 1998). The headquarters of the mission are located in Sarajevo. During the critical post-war period, the IBRD aimed at revitalising industrial companies, the infrastructure and housing. In addition, the recovery of the national economy should be sought, banking stabilised and privatisation stimulated. The IBRD seeks to support both entities, according to need and importance.

In Sarajevo, the IBRD invested into power supply, waste removal, public transport, airport reconstruction, municipal heating, education, housing and health. Measures to encourage export are also on the priority list of the WB. In 1999, the FBiH Pilot Cultural Heritage Project with a total value of 16 million USD was implemented. The purposes were:

- the renewal of the Old City of Sarajevo and Mostar including the old bridge (*stari most*)
- measures for protection and renewal of property within the framework of the national heritage scheme in BiH
- drawing up of laws for the protection of the Bosnian cultural heritage and historical architecture.

5.6.2 The International Finance Corporation (IFC)

The IFC is a member of the World Bank Group that supports economic growth in developing countries by means of financial aid to the private sector without national guarantees. IFC mobilises money in the international capital market, advises governments and businessmen and offers technical assistance.

5.7 Infrastructural services

5.7.1 Public transport

Considering the local situation, the municipal transport system is well-developed and in good condition. Nevertheless, due to poor maintenance and overload, many streets are in need of repair.

The relatively well-kept national motorways (M5, M17 and M18) run through the municipality of Novi grad. They were brought up to standard after the Dayton Peace Agreement and, apart from the railway route that is partially functional ensure the connection from Novi grad to Visoko, Zenica, to the Herzegovina capital, Mostar, as well as to the Croat coast. The country roads within the municipality area, on the other hand, are severely damaged.

Fig. 5.7 Partially destroyed railway station of Sarajevo (Photo: R. Schmid)

Trams run regularly within the urban region of Sarajevo. Although the trams are old and carriages defective, they are never out of service for long periods of time. In addition, the Transport Company of Sarajevo has signed a contract with the Siemens Company for the purchase of 50 new trams.

The bus companies “Centrotrans” and “Gras” service Greater Sarajevo and buses run regularly between the national capital and all the larger cities of the FBiH.

Sections of the railway network were repaired after the war (Fig. 5.7) with passenger trains running regularly from Sarajevo to Zenica in the north and to Mostar in the south. The only international airport in the country is located near Sarajevo.

5.7.2 Drinking water supply

The central drinking water supply and waterworks Bačevo are situated in the municipality of Ilidža (*Vrelo Bosne*). The supply of drinking water is only partially functioning. As a result of extensive war damage and poor maintenance, the network covering the city of Sarajevo is producing 60% to 70% below capacity. By switching the network on and off on a rotational basis, the municipalities can be supplied with drinking water twice daily for five hours at a time.

The cost of redevelopment of the whole network of Sarajevo is estimated at about 150 million DM (75 million Euro). The EU is supporting a partial scheme for redevelopment and has set aside 10 million DM (5 million Euro) for the first phase. Further financing has not yet been secured. In view of the continuous influx of returning refugees and exiles, continued support of redevelopment of the drinking water network is crucial in order to avoid critical supply shortfalls.

In the war-torn northern districts of Betanija and Šip in the municipality of Centar, drinking water is collected from centrally placed taps and carried home.

5.7.3 Canalisation system

All municipalities are connected to the canalisation system of the city of Sarajevo. War and poor maintenance and services have left the canalisation network in a bad state. The city of Sarajevo lacks the necessary money and tools for redevelopment. As the sewage plant Butila was destroyed, untreated sewage is being emptied into the Bosna and Miljacka rivers and its tributaries; as many locals swim in these rivers during the summer months, the danger of contamination and epidemics is high. However, not only are mines planted in the vicinity of the works hindering the rapid redevelopment of the sewage plant, but also sewage disposal has been given second priority next to the drinking water supply. The repatriation of refugees demands that attention be paid to the clearing of mines so that sewage plant repair can be tackled in the near future.

Many sewers are clogged up by roots which are either difficult or impossible to remove without the appropriate equipment. Sewer cleaning vehicles, pumps and cleaning machines are critical for sewage pipes of high-rise buildings.

5.7.4 Power supply

The power supply covers the greater part of the municipality adequately. The destroyed and barely inhabited fringe districts of Brusulje, Širokače and Hladivode are exceptions, with transformers out of order and damaged power lines. The barely inhabited fringe districts of Soukbunar in the south and Betanija in the north are also totally cut off from the urban power supply.

The power supply is not rationed in Stari Grad and Centar. Long periods of power failure are rare. The network needs to be repaired, but owing to limited finances is second to the urgent redevelopment of the drinking water and sewage disposal systems. Re-development in the municipality of Centar is partially hindered by mines that have not yet been cleared.

In Dobrinja and Nedžarići, in the vicinity of the international airport of Sarajevo, the power supply has also collapsed because of the damage caused to the supply lines during the war; however, electricity is available in all the other municipalities. The supply network is in dire need of repair and short power failures are common during periods of overload or during storms. Required parts are difficult to come by as they have to be imported and paid for with hard currency.

5.7.5
Refuse disposal

The urban refuse disposal of Sarajevo operates in all municipalities. The narrow roads in a number of fringe municipalities are not accessible to refuse disposal vehicles. As there are no operating incinerators in Sarajevo, partially contaminated clinical refuse, for example, is deposited on household waste disposal sites, a situation which holds high health risks.

An even higher health risk is the temporary household refuse disposal in Alipašin most. The site was established during the war because the existing refuse disposal in Buča otok was closed. The disposal of 50,000 tons of refuse that is deposited here would cost the municipality of Novi grad about 600,000 DM (300,000 Euro).

5.7.6
Natural gas supply

A natural gas network exists in the core of the city; at present, however, the pipeline from Russia via Hungary and the Serb Republic does not deliver gas because of outstanding payments from the FbiH and the Serb Republic. In the meantime, natural gas is being purchased in Hungary and delivered by tanker to bulk consumers; and private households make do with propane or butane gas from bottles.

5.7.7
Media and communication

Sarajevo has its own television station and a number of radio stations; several other outside stations can be received. The availability of printed media is adequate – alongside a selection of international newspapers and magazines, various Bosniac and Bosnian-Croat daily and weekly newspapers are available.

The telephone network serves the whole urban area and the connections for private households have sufficient capacity. A connection generally takes two to three weeks, costing private households 350 DM (175 Euro) and companies 1300 DM (650 Euro). Both international phone calls, as well as phone calls across the IEBL can be made, although the latter is limited. By early 1999, 450 connections across the IEBL had been made available.

Mobile phones only operate over the Bosnian Post and Telecommunications Service and the reception is very limited and the cost relatively expensive. The mobile phone network will be expanded in the coming few years.

5.7.8
Medical service

Stari grad has a polyclinic, *dom zdravlja*, and eleven casualty wards. Other medical facilities in Sarajevo may also be used. With 2,200 beds, the University Hospital Koševo in the municipality of Centar tops the national ranking and, for local standards, is well-equipped and modern. The medical facilities in Stari grad are modest and old, but functional. As elsewhere in the FBiH, there is a permanent lack of medicines.

Novi grad has a hospital (*Opšta bolnica)* in Dobrinja, a polyclinic (*dom zdravlja*) in Otoka, a welfare centre for disabled veterans and traumatised persons in Alipašino polje and eight casualty wards.

The hospital in Dobrinja has 25 beds, employs 19 doctors, a chemist and 35 nurses and serves an area of 60,000 people. Until completion at the end of 1999, the hospital was provisionally housed in the offices that were converted during the war to provide medical stations closer to the front. Nearly all of the medical facilities in the municipalities of Sarajevo lack important clinical equipment or house old instruments; and despite financial aid, medication is scarce everywhere. The casualty wards in Bojnik, Hrasno brdo and Rajlovac were completely destroyed during the war. With population numbers expected to increase as refugees return, modernisation and development of current medical facilities is essential.

Prior to the war, there were eight casualty wards and a hospital with an emergency ward (*dom zdravlja*) in Novo Sarajevo. Currently, four casualty wards, the small hospital and the medical institute for medical problems related to work are in operation. The emergency ward employs 50 doctors specialising in emergency care and 70 nurses and medical assistants. These doctors and nurses also have night shifts in the emergency wards of Ilijaš, Vogošča, Hadžiči and Sarajevo airport. The aforementioned emergency ward is the only training institute for rescue workers nationwide (City Council of Sarajevo, personal interview with Jusuf Pušiva, engineer, March 1999).

5.7.9 School system

All the schools that existed prior to the war have resumed. For example, Stari grad has seven primary and high schools, with an attendance of 5,446 pupils in contrast to 8,247 pupils before the war. 2,507 pupils are enrolled in the three professional training schools and the music academy. Among the faculties of the University of Sarajevo, the economics faculty is the most accessible by public transport from Stari grad. In a number of schools, finances to renovate heating systems, sports halls and sections of the buildings are lacking. The supply of teachers and adequate, modern teaching material is also insufficient.

In the municipality of Centar there are eleven primary schools, currently with 6,909 pupils; before the war 10,214 pupils were in attendance. The two high schools and 14 colleges are still functioning; approximately 3,400 pupils are registered in the various departments of the University of Sarajevo. The exodus of many of the university professors and lecturers to Yugoslavia, Croatia and elsewhere has negatively influenced the quality of teaching. Books, computers and laboratory equipment are in short supply and many of the departmental libraries were either destroyed or damaged during the war.

Before the war, there were 12 kindergartens, 13 combined primary and high schools and two high schools in Novi grad. Lessons are still held in pavilions in the "Osman Nuri Hadžić" primary school, formerly the largest primary school in Bosnia (2,700 pupils). The current teaching situation in this school is terrible: 900 pupils are taught part-time in three shifts, partially in cellars and private apartments. Classrooms are spread over 13 buildings. 11,500 pupils attend school in Novi grad (in 1991 there were 22,000 pupils). According to those teachers questioned, there appears to be no conflict at present between pupils and teachers of differing ethnic heritage.

In the municipality of Novo Sarajevo, there are eight primary schools, including a special school, five colleges, a high school and five faculties of the University of Sarajevo. All the teaching institutes lack furniture, teaching and learning aids (City Council of Sarajevo, personal interview with Jusuf Pušiva, engineer, March 1999).

5.8 Personal freedom and returning refugees

The infrastructure of the municipalities of Stari grad, Centar, Novo Sarajevo and Novi are no great hindrance to the return of refugees. The guarantee of freedom of movement for the citizens of the Bosniac-Croat entity of the FBiH as declared in the Dayton Agreement is only ensured up to the IEBL because of the behaviour of Bosnian Serbs. As a result, the Bosniacs and Bosnian Croats do not cross the IEBL for fear of harassment The inhabitants of the Serb Republic have relative freedom of movement, and take advantage of it due to the difficult supply situation in their entity. Citizens of the Serb Republic thus shop to a certain degree in the municipality of Centar. The UNHCR bus-line crosses the IEBL daily via Dobrinje, enabling commuters to visit the other entity.

Since the signing of the Dayton Agreement, only 11,000 Croats and Muslims returned to Serb territory. In the Bosniac-Croat Federation, 66,700 Serbs, Croats and Bosniacs returned to their homes, areas in which they are the minority (Figures according to UNHCR spokesperson in Sarajevo, Wendy Rappeport, quoted from the *Financial Times*, 10.4.1999). The NATO bombing of Yugoslavia led to further limitations of the already reduced freedom of movement between the entities.

5.9 The mission of the Organisation for Security and Co-operation in Europe (OSCE) in Bosnia and Herzegovina

Since the 18th December 1995 the OSCE has been active in the FBiH. The headquarters of the OSCE are located in Sarajevo (OSCE Mission to Bosnia and Herzegovina, General Information). The OSCE mission in Bosnia and Herzegovina had the following goals:

- Solidification of democracy (Democratisation Department)
- Support of democratic media (Media Department)
- Surveillance of human rights situation (Human Rights Department)
- Organisation and surveillance of free elections (Election Department)
- Arms supervision and implementation of Dayton Agreement (Department for Regional Stabilisation).

There is no evidence that the OSCE has contributed toward the unification of the new Bosnian State by helping to overcome the division that emerged during the war. Experience in Bosnia has shown that an international protectorate rather deepens and institutionalises ethnic conflict.

5.10 Conclusion

Sarajevo, the capital city of the Federation of Bosnia and Herzegovina (FBiH), suffered great loss of human life and disastrous damage to its infrastructure during the civil war of 1992–1995. By the end of the war, the ethnical composition of the population had altered dramatically; the diminished population of Serb and Croat residents were compensated for by Bosniac refugees who fled to Sarajevo from rural areas of the FBiH. The integrity of the national state and the city has been maintained only by the presence of SFOR and the OSCE. The progress of reconstruction and economic renewal schemes is slow. The continued existence of the Federation is, amongst others, dependent on the long-term solution of the Kosovo and Brčko problems. The desire for national co-existence of the Croat Bosnians and Serb Bosnians in their respective entities is also crucial. Successful implementation of the EU and UNO renewal programmes in war-torn areas of SE Europe, including the Federal Republic of Yugoslavia, is likely to guarantee the continued existence of the FBiH in the long-term. However, the cultural and moral fabric of Bosnia and her inhabitants was greatly damaged during the Balkan War, and if the healing process is to be successful, it has to begin from within. In the long-term, the consequences of war will also be visible in cultural forms that influence everyday lifestyles. The residents of Sarajevo should be given the chance to contribute towards both the desired spiritual renewal process and the financial recovery of the Federation or else there will be little hope of rebuilding a democratic and open society in the future. Such a society could hardly survive in the Balkans if solely decreed by global powers.

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6 Moscow: Capital of a decimated world power

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As the forces of disintegration began to work at the foundations of the former Soviet Union in the early 1990s, Moscow was pulled into the process which led to the formation of the Russian Federation, the largest of the resulting new states. Less than a decade later, Moscow appears to have hardly suffered. In fact the city seems to have even profited from the recent transformation that took place in Russia. Although the territory administered by Moscow was reduced and its population cut by half, the Russian capital is as self-confident as ever before. As a result of strong forces of regionalism, metropolitan urban development problems are linked less to the loss of the peripheral states than to the internal turmoil apparent in the Russian Federation. During the first part of the 1990s, Moscow had to fight to maintain its primacy; by mid-1999, the road to national power appeared to once again lead through Moscow, thereby unmistakably underlining the important role of the capital.

6.1
The mega city Moscow: Demographic and functional primacy

Moscow, at one stage the political centre of the socialist world, is considered a mega city even though the prevailing urban demographic processes, due to the far-reaching political and economic crisis in the early 1990s, followed a different path to those of the rapidly growing metropolises in so-called developing countries. The frequently used critical value of 8 million inhabitants to define mega cities is clearly exceeded: officially Moscow had a population of 8,638,600 as of 1.1.1997, slightly less than the 9 million recorded earlier in 1991. Both economically induced counter-urbanisation and the relative increase of the older generations due to a falling birth rate and a lower life expectancy led to the drastic drop in population numbers between 1992 and 1995.

The demographic primacy within Russia is not very striking. The capital is the largest city, followed by St. Petersburg with a population of 4.88 million, very much in tune with the “rank-size rule” (Fig. 6.1). Following are a number of much smaller cities with populations of around 1 to 1.4 mill. (in total 13 cities).

Functional primacy. More important than in population size is the city’s primacy as political, economic and social nerve of the state (Stadelbauer 1996). During Soviet rule, Moscow was the uncontested centre of the entire communist world.

R. Schneider-Sliwa (ed.), Cities in Transition:
Globalization, Political Change and Urban Development, 125–145.

Under the then prevailing system, this dominance was reflected not only in the location of government departments, the distribution of goods, the cultural sector, tertiary education including cadre training, but also extended widely into the economy and industrial production. In these areas, Moscow has not been able to regain a similar supremacy, as the transformation states are partially self-governed and partially ruled by global actors.

Moscow's importance in the public administration sector is unbroken. Not only are all of the ministries of the Russian Federation located in Moscow, but they generally also dispose of subsidiary research and planning institutes, further education facilities and even production plants.

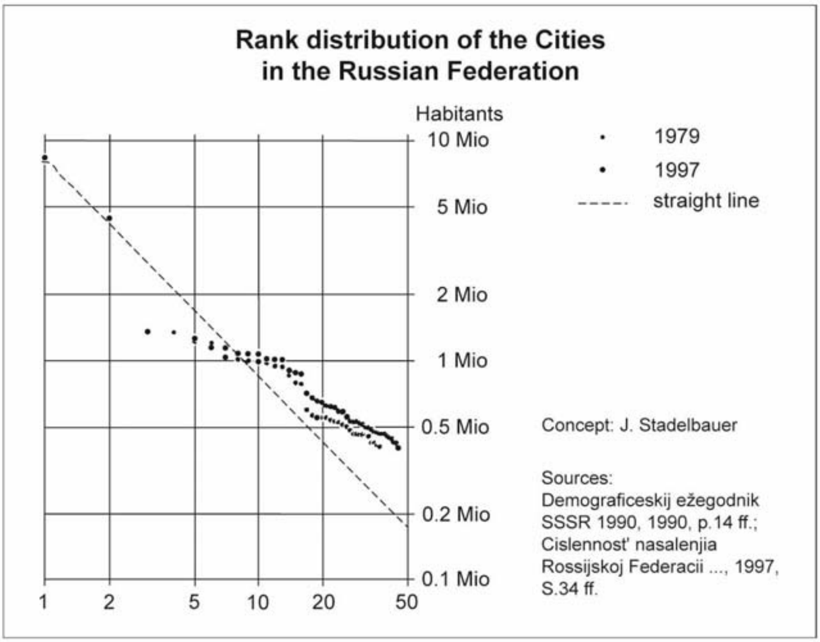

Fig. 6.1 Rank-size distribution of cities in the Russian Federation (orig. J. Stadelbauer).
The rank-size distribution is not typical, particularly with regard to the cities in pos. 3–13 due to their minimal variation in population (1 to 1.5 mill.). Reasons for this lie both in the dominance of the metropolis, Moscow, and the size of the country as a whole, which has led to the development of numerous regional urban systems.

Shifts in functional importance in the tertiary sector. The shifts in functional importance experienced by Moscow during the transitional period are reflected particularly in the status of the tertiary sector. Although the availability of consumer goods was better in Moscow than in the rest of the Soviet Union, the difference was only relative and retail trade in general was rather neglected. It was only after 1991 that the retail industry established itself with a large diversification of products. Although official statistical data is unreliable, the figures help to draw up a general picture of the situation: in January 1999, Moscow's retail turnover (36.75 bill. Rbl.) accounted for 32.4% of the Russian total. In comparison to the previous year, however, this share had diminished slightly. The capital's share of paid services is with 28.6% somewhat lower, although many public services are meanwhile included.

Concentration in the financial sector. The concentration apparent in the financial sector is stronger than in the retail business, the latter depending on a greater spatial distribution for survival. It is estimated that in the late 1990s, 80% of all financial transactions in Russia were concluded via Moscow. The strongest banks financially have their headquarters in the capital. In January 1996, 83.2% of all financial assets of Russian banks were concentrated in Moscow, thus giving the city control over national capital funding. Clearly, the city is able to glean profit from this eminent financial position. Although the banking sector was badly hit by the currency crisis of 17th August 1998, resulting in the closure of several financial institutions, Moscow emerged from the subsequent phase of consolidation and concentration stronger than before, and established itself in the national and international banking scene for years to come. In view of the increasing importance of the banks, the discrepancy that exists between Moscow and the other cities will be further accentuated as transitional processes continue. The insurance industry is not developed sufficiently for it to be considered a reliable indicator of concentration. However, the fact that in 1997, 492 of 1,893 insurance companies had their headquarters in Moscow, representing an increase from 21.7% in 1993 to 26.0% in 1997, is also a sufficient indication of increasing concentration in this branch (Goskomstat 1998, p. 664f.).

Cultural Centre. Despite financial difficulties, Moscow's leading role in cultural activities within the Russian Federation remains undisputed. Museums and theatres never lost their prestige and public attraction, remaining symbols of national importance. Construction projects in connection with the 850th anniversary celebrations of the city in 1997 emphasised the value given to cultural activity. This is also reflected in Moscow's employment figures for various sectors: in 1990, 9.1% of persons engaged in Moscow were active in the academic, cultural and artistic fields, a further 19.8% in the sciences and scientific services.

6.2
Centrality vs. regionalism

Centrifugal and centripetal forces. Following the collapse of the Soviet Union, it appeared at times as if centralism in the Russian Federation would be replaced by a comprehensive decentralisation. Several public administrative units of the second order (Republics, *oblasti*, *kraja*) aspired to uplift their status and demanded special privileges (e.g., Tatarstan, Baškortostan, Sakha Yakutia); others joined forces to create strong regional centres able to counterbalance the power of the metropolis. The relative rise in importance of cities, such as Niznij Novgorod, Samara, Ekaterinburg and Novosibirsk can be explained by this. Since about 1995, the centralistic functionality of Moscow has once again taken over. Signs of this are:

- the political consolidation of central power by the new constitution in 1993, reflected in the dominant position of the President and the concentration of national public administration
- emerging co-operation between members of the CIS, in particular the acceptance of the leadership of the Russian Federation by some non-Russian successor states, such as Armenia, Belarus and Kazakhstan (bearing in mind that Minsk was to be the administrative centre of the CIS)
- the concentration of management positions in the Russian economy, foreign trade and banking
- the undiminished importance of the military-industrial complex still controlled by branch ministries
- the general orientation of transport infrastructure, in particular the railways and air transport within Russia
- the renewed importance of the media located in the capital (television, daily press)
- the importance wielded by research and development departments of State Institutes which are closely linked to the administration. Though the institutes did lose some of their importance, their staff members were able to make use of locality advantages and close personal contacts to secure well-paid jobs in private enterprise.

Specific capital city regionalism. It should be added that Moscow is a strong defender of its own specific regional autonomy. Among the 89 constituencies listed in the Russian Constitution, the capital takes on the lead. The mayor makes statements, not just in communal but also in national matters. In the case of Moscow, centrality and regionalism are closely linked and are an element in many internal disputes. This particular role of Moscow was also apparent during the Soviet era; Yeltsin's path to national power led from Ekaterinburg (previously Sverdlovsk) via Moscow. Nowadays, latent disputes between the Kremlin and communal administration are considered to be one of the major conflict areas of Russian domestic politics.

Status as capital. Following a short period of decentralisation within the Russian Federation, the Central Government managed to make Moscow once again the undisputed centre of the nation, thus giving Moscow its, by Russian standards, atypical metropolitan character. This was at first reflected in the economic growth, not only within the context of domestic Russian networks (administration, major educational and cultural institutions, concentration of the banking sector), but also at the level of international relationships, an aspect which continues to gain importance with growing globalisation. Aspirations by other Russian metropolitan centres for increased importance, banking on greater political autonomy and higher attractiveness for foreign economic involvement, are in many cases not materialising. Processes of consolidation in the Russian administration, in politics and commerce, in education and the cultural sector at present continue to favour Moscow.

Also with regard to industrial production, the City of Moscow ranks among the top administrative units; in terms of total industrial production value of medium to large-sized enterprises, Moscow in 1998 ranked second to the oil producing Khanty-Mansiysk Autonomous District (Western Siberia). With a total industrial production value of 74.7 bill. Rbl., Moscow far exceeded St. Petersburg (40.4 bill. Rbl., in 9th position). Per capita, the picture is somewhat different: Moscow occupies the 33rd and St. Petersburg the 35th position (8,772 and 820 Rbl. per capita, resp.), whereas the Khanty-Mansi Autonomous District is second to the gas-producing Yamalo-Nenets Autonomous District to its north (67,971 mill. Rbl. and 55,912 Rbl. per capita, resp.) (Götz 1999).

Finally, the national budget also reflects Moscow's central function; although the metropolis has the highest tax base of the Union, it still receives financial contributions from other Russian territories due to its status as capital (a status much envied by other territories as they have to finance it).

6.3
Local economic development: The spatial effectiveness of transformation processes in the urban area

Economic transformation and dualism. The concept of "transformation" generally describes the conscious politically levered transition from one particular economic and social system to another. In the case of the former socialist world, this meant the transition from a centrally governed economy to a free market economy, from the political control over a range of social aspects to (more) democracy and thus greater individual responsibility. The ideology of communism could no longer cope with economic activities at the international level; the rigid corset of the Soviet system hindered Russia from joining the fast-moving, strongly networked global market.

As the transformation process set in, markets were gradually developed for consumer goods, capital, labour and real estate. In many cases, the necessary institutional framework still had to be set up (retail facilities, banks, service enterprises, offices). Although during Soviet rule, a formal and an informal sector had already co-existed, the diversity of economic forms, particularly in the services and retail sectors, has improved in recent years. This trend had already begun at the end of the 1980s with the establishment of co-operatives at a time when private entrepreneurs were not allowed. This led to the establishment of small enterprises parallel to the phase of privatisation of large corporations.

The process of economic transformation in Moscow will be described by way of the following urban characteristics (cf. Stadelbauer 1996; Lentz 1997):

- The real estate market
- The establishment of a CBD and increasing tertiary activity
- Growth of the informal sector
- Processes of inner-city differentiation

The real estate market. Soviet Moscow did not have a real estate market, although the first discussions about site valuation had been held more than three decades ago. With the introduction of free market mechanisms, a real estate market was rapidly established. At first prices fluctuated considerably, as land values did not have a solid foundation and as the legal framework was frequently changed. Since then, the market has stabilised at a relatively high price level. The shortage of central and easily accessible office space meant at times that Moscow was one of the most expensive metropolises worldwide. With the increasing availability of office space and growing disinterest of international investors due to slow-moving transformation processes, real estate prices have since dropped slightly.

In the summer of 1995, before consolidation processes set in, the number of real estate agents was estimated at 1,500 to 2,000, with three types of businesses:

- A small group of classical real estate agents (in total 30–40) who made use of advertising to sell their own real estate, paid great attention to the legality of documents of sale and worked with outdoor sales representatives.
- Businesses with regular, trained staff who completed each task from initial interest to finality and worked on a fixed salary and commission basis. The procedure was characteristically bureaucratic by nature, involving a great deal of paperwork.
- A great number of small and micro-"enterprises" who were only occasionally involved in real-estate transactions and could only offer minimal economic and legal background.

Sub-categories of real estate markets. Accordingly, three different categories of real estate markets were to be found:

- An "exclusive real estate market" dealing with high-quality and high-priced property, aimed at a small group of wealthy entrepreneurs or *biznesmeny*, the so-called "new Russians",
- The "normal real estate market" dealing predominantly with flats or detached houses on Moscow's periphery, aimed at the slowly growing middle class,
- An "auction real estate market", dealing with municipal flats bought at auctions and resold at a profit.

Foreign interest in real estate is for the most part isolated from the domestic market; the prices for such properties are comparable with those characteristic for the "exclusive real estate market".

Differential and displacement effects of pricing. As is to be expected, real estate pricing follows a centre–periphery distributional pattern. However, a distinction can be made between preferred residential areas along the banks of the Upper

Moskva and in the south-west of the city and the less popular and lower rated residential areas to the south-east, areas which are exposed to higher environmental pollution due to industrial activity. Current land values also reflect differences in quality, which already became evident in earlier periods of price evaluation (Fig. 6.2; cf. Stadelbauer 1994). Between 1989 and mid-1995, a total of 1.1 million flats were privatised. Due to the general shortage of flats, very few have been resold and have thus not circulated around the real estate market.

The area enclosed by the "Garden Ring" is the most popular for non-residential use (cf. the analysis by Bater, Amelin & Degtyarev 1998; for more information on CBD formation, see Lentz 1997; Rudolph 1997). Displacement processes in the city centre are clearly reflected by population figures: between 1992 and 1996, the number of residents dropped from 789,900 to 620,000. Elderly women have been hit the hardest. Modernised retail shops, which have expanded into the upper levels of buildings, and the conversion of residential into office space point to the formation of a CBD. Urban redevelopment often leads to a combination of gentrification and increase in office space.

During Soviet times, the service sector, like the retail trade, was State-owned and thus dependent on administrative decisions regarding their location. Research institutions, trade organisations and other authorities were scattered all over the city. In some cases, traditional locations were kept, in others the location is purely coincidental.

Due to current financial difficulties, many large institutions are compelled to sub-let a part of their own office space to small private companies (trade, computer services, and others) in order to cover monthly expenditure.

New outlying centres. Several modern commercial sub-centres are emerging, but they still orientate themselves according to economies of agglomeration, e.g., the office complex "Moskva-City" on the Krasnopresnenskaja riverbank of the Moskva built in close proximity to the Russian Parliament precinct. Whereas "Moskva-City" is focusing on export trade and has incorporated congress halls and exhibition facilities into the project, the Technopolis being planned to the north of the city will have a greater user mix. This 600 mill. USD scheme foresees the construction of 500 single-family houses and 700 multiple-family homes beside a business centre with office buildings and shopping facilities (*Izvestija* 3.9.1994, p. 2; *Kommersant Daily* 9.9.1995, p. 12 and 19.2.1998, p. 9). The "Balcug Plaza" project south of the Moskva, in the Zamoskvarec'e district, began construction in February 1998. Offering 32,000 m^2 office space, it is planned to be the last pure office project of this kind in the inner-city, as the Moscow city council wants to counteract the inner-city's depopulation (*Kommersant* 5.2.1998, p. 4). Other large-scale projects have concentrated instead on carefully renovating the older buildings. However, the often unclear ownership status of the buildings and the large bureaucratic hurdles have made these objects less desirable to foreign investors, causing financing problems and completion delays.

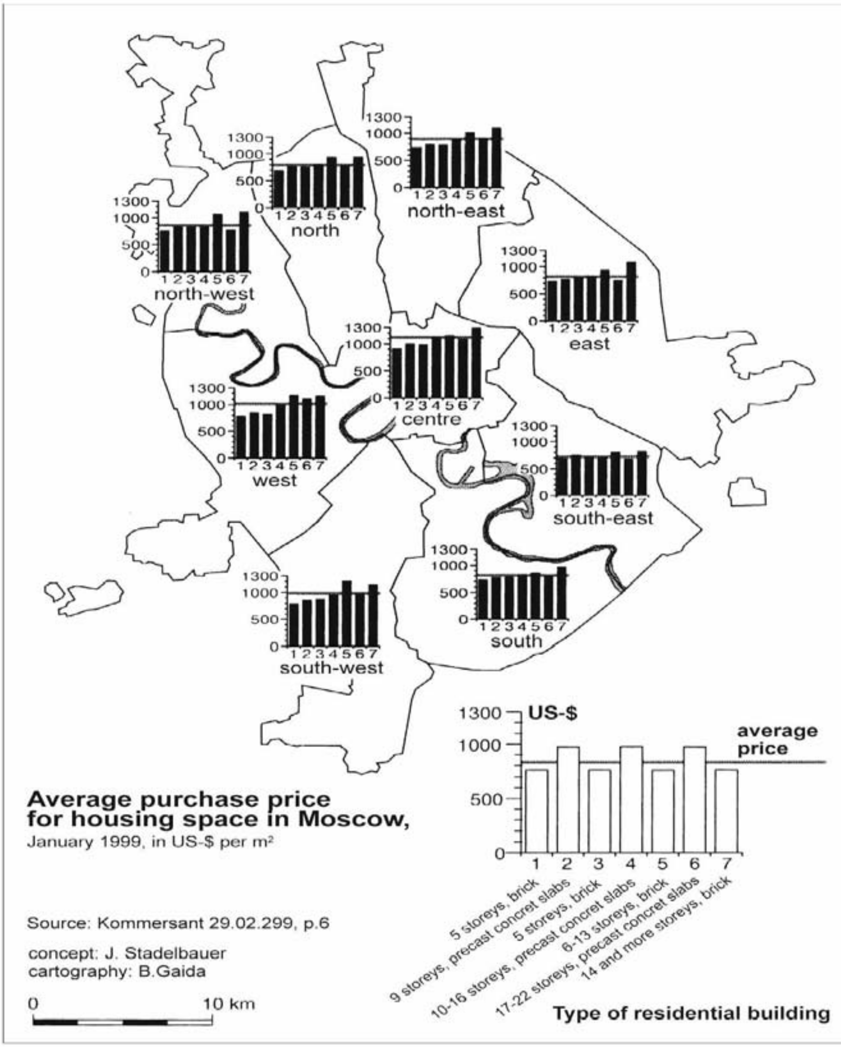

Fig. 6.2 Real estate prices in Moscow early 1999 (orig. J. Stadelbauer).
The average purchase price for residential space depends on both the location and structural quality. Sites in the city centre and to the west of the city are preferred; those in recently built high-rise buildings with modern infrastructure are priced higher than apartments in five-storey buildings that are meanwhile in need of renovation.

The informal sector. Characteristic for the transitional phase is the quantitative expansion of the informal sector. Already during the Soviet era, *kolkhoz* markets were established as alternative shopping facilities for food products, the supply sector being augmented further by spontaneous private market stands close to pedestrian subways and metro stations. From these beginnings, a system of new markets and trading facilities developed, with set locations and sales kiosks (as well as State control and taxation). There are noticeable price and prestige differences between these markets (*Literaturnaja Gazeta* 5.11.1997, p. 6; for a comparison with kiosk trade in St. Petersburg, see also Axenov, Brade & Papadopoulus 1996 and Chapter 7 of this book). Until now, little research has been undertaken on “poverty trade”, which is very different from the already well-established kiosk trade. The pressure exerted on large sections of the population after the sudden liberalisation of prices in early 1992, and after various currency crises, was intensified by recurring periods of non-payment of wages. Although the middle class was also affected, new groups of urban poor grew out of public administrative decisions to reduce or repeal social benefits for pensioners, singles and others .

6.4 Changes in the social structure

Population change. The pattern of population growth and loss is unevenly distributed over the urban area (Fig. 6.3) and minimal population growth is recorded in a few districts at the periphery. Narrow strips with a strongly diminishing population are found in the north-west, east and south of the city, but also in an area adjoining an upper-class residential area in the west. In contrast, the recently built concrete slab settlements at the urban periphery to the north and south are not as hard hit by population loss. Despite the long commuter distances to work-places in the inner-city, these areas are sought after for their comparatively high standards of interior fittings and to this day have managed to keep a certain level of prestige. Already during the late Soviet era, members of the elite tended to settle in the north-west and south-west of the city, those of the lower-class lived in districts on the northern periphery and in strongly industrialised areas to the south-east (Hamilton 1993; cf. O’Loughlin, Kolossov & Vendina 1997). Thus, it appears as though upper education sites and industrial locations have affected the socio-spatial differentiation of residential area structure.

Population density. New residential areas at the periphery have an above-average population density due to the typical form of high-rise construction (up to 22 storeys) (Fig. 6.4). In contrast, the dominance of older low-rise buildings in the city centre naturally leads to a lower population density, the displacement of many residents due to the high demand for office space intensifying the situation further.

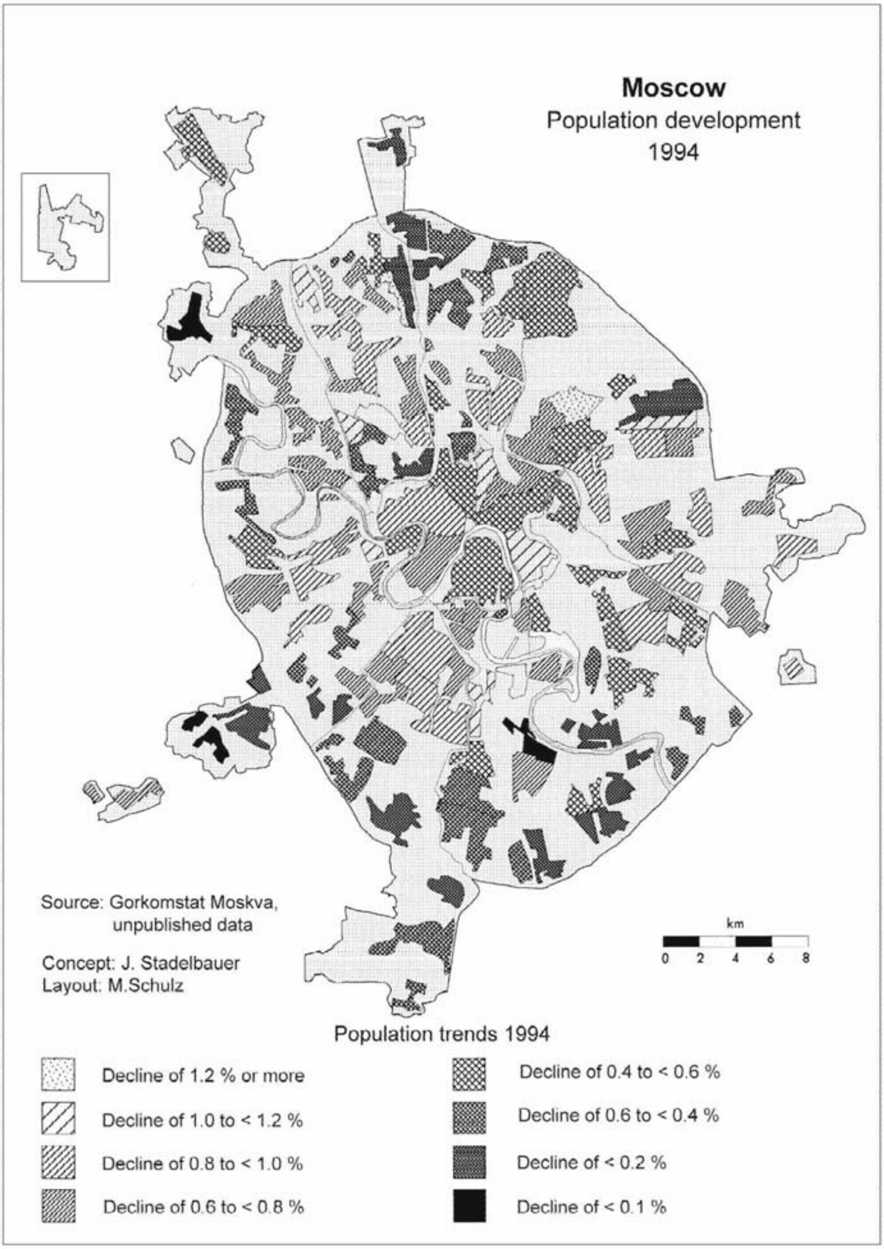

Fig. 6.3 Population change in 1994 by *rajon* (orig. J. Stadelbauer).
In 1994, the official population figures for Moscow continued to drop due to a negative natural population balance and slight negative migration. Population growth, due to the onset of construction activity, could only be recorded in a few districts bordering the suburban belt. Districts along traffic axes with good accessibility have suffered less from population loss than districts in peripheral areas.

The general housing situation (Fig. 6.5) is noticeably worse in the centre and in industrially dominated districts due to the age and quality of the buildings. Only after urban redevelopment programmes have been implemented will the face of the present urban structure be changed, for example through increasing gentrification of older districts. Districts in the vicinity of the university and other research establishments to the south-west, as well as certain districts bordering parks, offer a noticeably better housing supply. The share of municipality-owned flats in these districts is seldom very high. These are districts with below-average residential space, strong to medium natural population loss, a high percentage of old people and average population density (due to older buildings with space-intensive construction). The percentage of the working population increases steadily towards the periphery due to the relatively high percentage of old people in the city centre and a higher percentage of the younger members of the workforce in the new residential areas in the suburban belt (Moskovedenie 1994, p. 147).

Socio-spatial differentiation. It is almost impossible to create a clear picture of long-term spatial differentiation of the urban population as the city was re-divided into new administrative zones after the fall of the Soviet Union. Ten districts [*okrugi*], eight of which radiate from a central district, the tenth (Zelenograd) representing urban area beyond the motorway ring (Fig. 6.6), have replaced the 33 districts of Soviet times, which had been contained within two concentric rings. In addition certain demographic and socio-ecological data are available for the 128 (originally 133) *rajony*. The evaluation of the socio-spatial differentiation is based on extrapolations of population figures (by *rajon*) and the results of a micro-census covering 5% of total population (by *okrug*) in 1994 (cf. Wendina & Brade 1996; Vendina 1997).

For the analysis of spatial differentiation according to ethnic and ethno-linguistic groups, Rowland (1992) made use of district data from the census in 1989. Russians accounted for 89.7% of the population, followed by Ukrainians, Jews and Tartars (together 6.6%). Members of nations from the Caucasus and Central Asia (each with a few thousand persons) often belong to “problem groups” due to the difficulty of integrating them into Russian society. At the time of the survey, Ukrainians and Jews were over-proportionally present in the city centre, and Russians clearly dominated the industrial south-east and the almost rural areas to the north-west of the city.

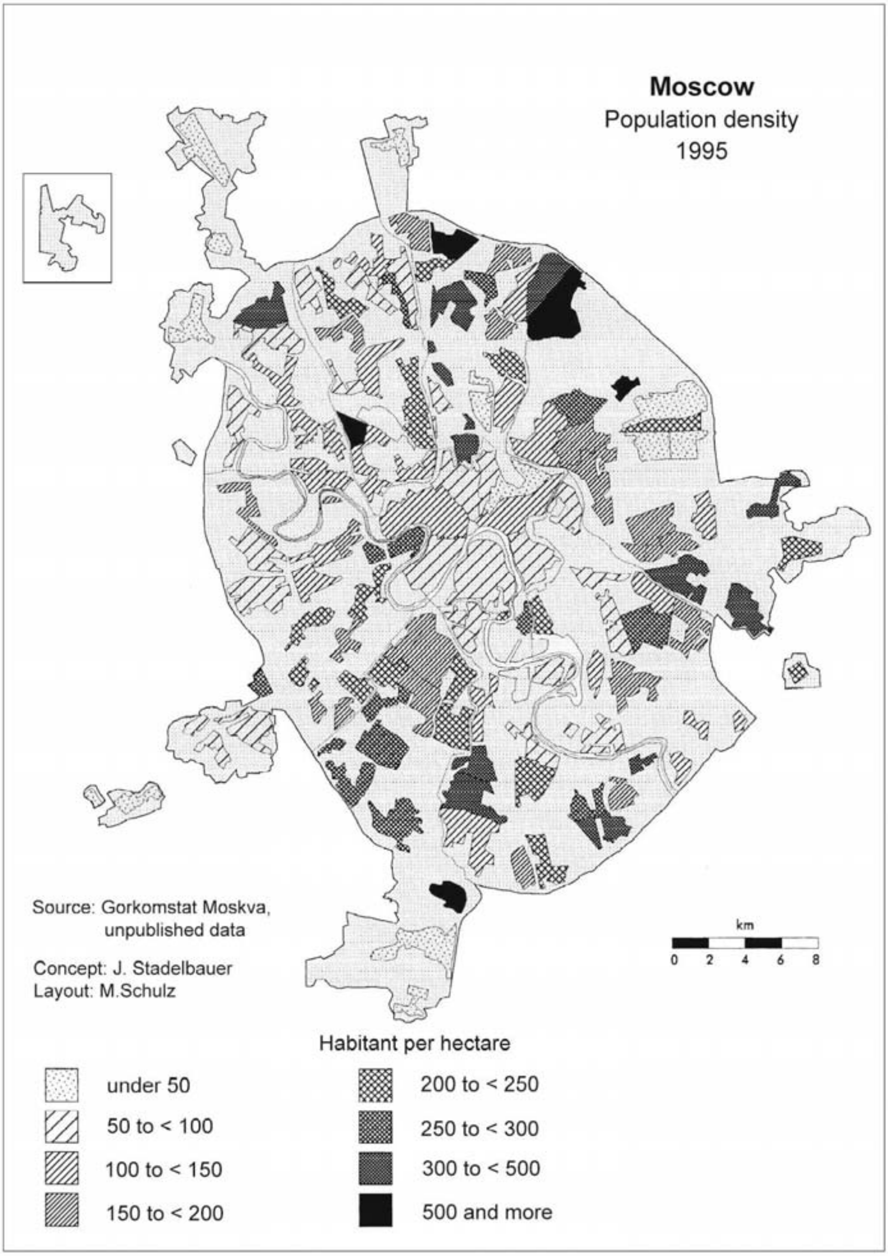

Fig. 6.4 Population density in 1995 by *rajon* (orig. J. Stadelbauer).
Population density tends to increase towards the urban fringe, due to relatively new high-rise residential towers and recently established spacious residential areas. Population density is higher there than in the city centre, which is suffering from urban blight. Individual urban sectors, particularly in the vicinity of the Moskva, are also less densely populated because of dispersed settlement or because they incorporate older rural communities.

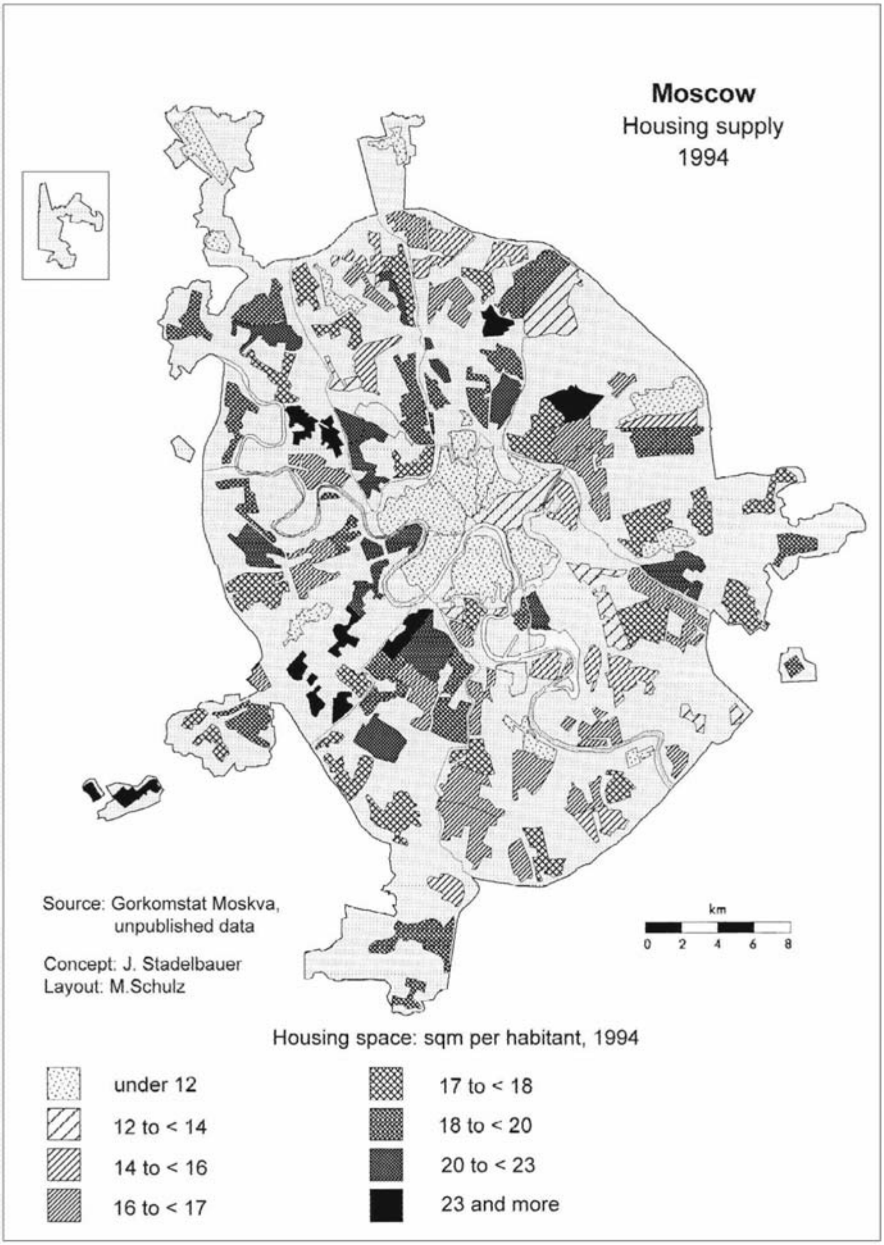

Abb. 6.5 Availability of living space in 1994 by *rajon* (orig. J. Stadelbauer).
Whilst large apartments in old buildings in the city centre tend to be occupied by several families (*kommunalka*), prestigious neighbourhoods in the vicinity of the university or academic institutes (south-west), near the Moskva (north-west) or close to the former *Exhibition of the Achievements of the National Economy* (VDNCh) grounds (north-east) have the lowest number of residents per living space unit.

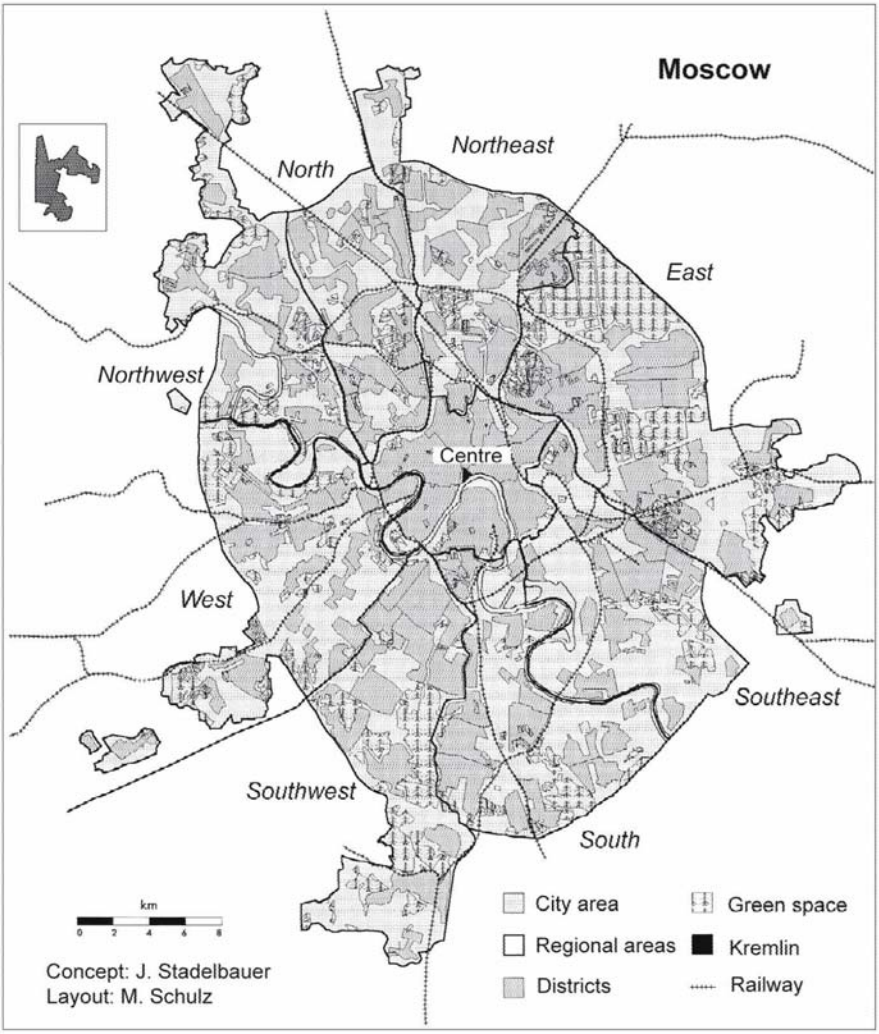

Fig. 6.6 General map of *okrug* and *rajon* demarcation (orig. J. Stadelbauer).
The spatial structure of Moscow's urban development follows a radial-concentric principle. With the latest expansion of the administrative boundaries past the motorway ring, the pattern continues. The compact development of the city centre contrasts with the open space and loose development of the outer urban regions. These spacious green areas partly owe their origin to large property holdings of the former Russian nobility.

Extrapolations of population data until 1994, now based on a considerably rougher subdivision of the city's districts, confirm the relatively high percentage of Jews in the central city (27% of the non-Russian population, many of whom are also members of the cultural elite). Members of the Trans-Caucasian nations (Georgians, Armenians and Azeris) are also over-represented in the inner city and are considered to be economically more dynamic than the other population groups.

Polarisation. With economic transformation, increasing polarisation based on differences in income levels set in. The price liberalisation at the beginning of 1992 was a shock introduction to market economy and led to the social descent of many residents, due to repeated currency devaluations, reduced job opportunities in the skilled labour market and increasing disintegration of the national social security system. In particular, members of the Soviet middle class engaged in government education and science institutions were hit hard because salaries were either only partially paid out or never paid. On the other hand, others profited from the new system, making use of all possibilities open to them to amass wealth quickly. Those population groups left destitute because of the sudden loss of social security had to develop strategies to cope with poverty, which explains the rapid growth of the informal sector. The number of poor has, however, not been intensified by migration waves from the rest of the state, a fact which places Moscow apart from many other metropolises. The reason for this is that, as in former Soviet years, Moscow still strictly controls the issuing of residence permits.

The increasingly difficult living conditions, deteriorating law and order and the failure of the civic administration have greatly contributed to the growth of criminal activities. These are not only restricted to the new Mafia-structured trade and retail scene but also refer to the increase in burglaries and petty theft.

6.5
A labour market large enough to cope, but increasingly more demanding

Regional development gradient. In 1992, Moscow was hit hard by the simultaneous drop in production output, price liberalisation and the onset of deep-reaching economic reform. Only two years later, Moscow once again elevated itself over other Russian administrative units and regained the lead with regard to per capita income and consumption, both of these featuring growth rates twice as high as in neighbouring regions. By November 1997, income per person was 3.5 times higher than the Russian average, per capita consumption 4.5 times that of the average. A shopping basket with 25 typical consumer goods cost in Moscow 24% more than the national average in 1998, the discrepancy increasing since 1996. For this reason, the subsistence level is a third higher than the Russian average, although the highest levels are recorded in remote regions of the High North. By the end of 1998, the subsistence level was set at 973 Rbl. in Moscow, in comparison to the national average of 717 Rbl.[1] The highest minimum income level was found in Cukotka (2,103 Rbl.), the lowest in the region of Ul'janovsk with 444 Rbl. (Goskomstat 1999, p. 407f.). The growing discrepancies between Moscow and the provinces also affects the labour market.

Trends in the labour market. An analysis of trends in the labour market indicates that no more than 20% of the population has an income compatible with an average living standard. The conditions amongst the working class and the

[1] Price indications refer to the Rubel prior to the currency adjustment on 1.1.1998, when the nominal value was reduced from 1,000 to 1 Rubel.

"intelligentsia", a term used since the 19th century to describe persons active in education, arts and culture, is most precarious. Both groups account for 30% of all persons employed and are currently hard hit by unemployment. In 1995, 46,000 employees from the manufacturing sector and 15,000 from the academic sector were without pay, although still registered with their respective work units. To add to this, in June 1995, 36,400 persons from the workforce were registered as unemployed, 19,000 receiving unemployment benefits. Rough estimates place the unemployment rate at 6%. By the end of 1998, the number of registered unemployed had increased to 52,500, of which 51,100 received financial support (Goskomstat 1999).

Moscow's economic and employment structure. The economic structure and labour market of the 10 districts in Moscow were examined in detail with the aim of highlighting small-scale spatial variations. In the city centre, as well as to the west and south-west of the city, the number of people emloyed increased during the early 1990s. However, the dominance of the city centre even in this area is striking: 30% of workplaces within Moscow are concentrated in 8% of its area; the city centre holds 63.4% of all managerial positions, 34.5% of all positions in science and culture and 38.8% in construction. Only in the manufacturing sector is the share of the city centre noticeably smaller (18.7%). Districts to the west and south-west of Moscow were affected most by structural changes towards the services sector, as these districts are the new seats of several academic institutions.

Changes in the percentage share of individual economic sectors depend strongly on the openness of the population to innovation. Important indicators for this are the level of education and the professional composition. Such data is however not available for small-scale analysis. The leading position of the city centre and the south-west districts is apparently not influenced by external factors. Lentz (1999), working with the results of investigations by Vendina (Wendina & Brade 1996; Vendina 1997) has convincingly shown that the foundation of the current situation in these two areas was laid down during Soviet rule. The population in the city centre and in the south-west districts generally has a better than average education and tends to be more academic (e.g., doctors, lecturers, lawyers, journalists, scientists, artists). Districts to the north, east and south-east of the city are furthest away from ongoing tertiarisation processes. Low education and a high percentage of persons engaged in the secondary sector are characteristic for these districts. Thus, today's society has been handed over a legacy of socio-spatial disparities initiated during the Soviet era, a legacy which even today is being partially reinforced.

Those segments of the labour market which focus on transnational business are still booming. In Moscow, salaries in this segment are about double that paid in other Russian cities with considerable international activity. In 1996, the head of a finance and commercial department of a medium to large company in Moscow earned between 800 to 1,300 USD, in other cities the same manager would be earning 300 to 700 USD; a salary of a secretary lies between 200 and 400 USD in comparison to 100 to 300 USD elsewhere (*Predprinimatel'skij klimat...* 1997, p. 165). These examples illustrate the fact that the labour market in Moscow is breaking away from the picture prevailing in other Russian cities. It has begun to depend more on the city's global linkages.

6.6 The built-up urban structure – A delayed modernisation?

Inner city office and residential development. Moscow's skyline differs from other mega cities in that the city centre has not seen the construction of many high-rise buildings. The late-Stalinistic high-rise buildings and the New Arbat (formerly Kalinin-Prospekt) precinct of the 1960s were for a long time the only examples of central high-rise architecture in Moscow. Since the mid-1990s, the picture is slowly changing. High-rise buildings at present under construction will clearly affect the skyline of the city. However, it is still uncertain if these large projects will ever be used to their full capacity. The drop in office rentals is not only a consequence of the general economic crisis but at the same time an indication of over-supply. The celebrations around Moscow's 850th anniversary in 1997 were used as an opportunity to boost construction and urban renewal. Of special importance for the inner city were the remodelling of the Manege Square to a large underground shopping centre and the reconstruction of the Cathedral of the Saviour.

The city centre is surrounded by a succession of concentric urban rings, each reflecting a more recent construction period the further away they are from the city centre. Whereas the monumental residential buildings of the late 1940s and 1950s which were built along the main traffic axes (Prospect Mira, Leninskij Prospect, and others) are of relatively good standard and are still today expensive,[2] the residential blocks of the Chruščev era are in great need of renovation (*Izvestija* 8.9.1994, p. 1; *Kommersant* 21.1.1998, p. 4). These, for the greaten part five-storey, buildings (so-called *chruščoby*) were built under great pressure and with minimal financial means, thus the problems today. More recent residential construction projects are characterised by increasing numbers of storeys (cf. Stadelbauer 1989). Within the motorway ring there is not much to be seen of the original rural development. Beyond the ring, a suburban belt established in the 1970s and 1980s, as well as recent projects, have encroached on the originally projected green belt around the city. In the transition period in the 1990s, residential development in the city slowed down, leading to the current need for modernisation of older buildings; however, the Luzkov administration is once again promoting increased residential development activity in order to keep to the standards of housing supply attained during late Soviet rule.

On the basis of current projections, the skyline of Moscow is expected to change dramatically as a delayed modernisation thrust sets in. In the city, several new office complexes are under construction or planned, projects which initially were proposed to solve the deficit in modern office space. The south-west of the central district is particularly affected. During 1996, 72% of private investments in Moscow's office sector, i.e. 4.8 billion Rbl., were allocated to projects in the central district.

[2] Early on in 1996, a three-roomed flat in one of the five-storey buildings cost on average 50,784 USD; a similar-sized flat n a residential high-rise of the Stalin era 108,942 USD (*Argumenty i fakty* 8.2.1996, p. 15).

Construction planning. Urban plans for the beginning of the 21st century indicate that Moscow could once again serve as an experimental field for architects and planners, as was the case during the avant-garde movement of the 1920s. 37 new construction projects have a special status of experimental design. For example, the construction of an office and residential complex over a railway section in the north-west of the city centre will be establishing new characteristics (*Kommersant* 26.2.1998, p. 4). High-rise projects in two rings parallel to the ring roads around the city centre could lead to renewed metropolisation processes (*Kommersant* 21.3.1998, pp. 1, 10–11 and 25.4.1998, p. 8 with examples of new developments). However, it appears that the absence of a true real estate market will affect the number of building sites available for spectacular construction projects and thus international involvement. On the other hand, this situation is a chance for Moscow to develop and cultivate its own city image.

6.7
Unresolved environmental problems – The negative side of the mega city

Air and water pollution. Moscow is one of the most polluted cities in Russia in terms of air pollution. The main problem factor is automobile traffic, which only temporarily stagnated during the economic crisis (Lichaceva & Smirnova 1994; Vasilenko 1996; Bridges & Bridges 1996). In addition, thermal power plants, district heating stations and chemical industries emit air pollutants. The industry and the military are sources of residual pollution. Currently, the whole city centre, as well as the south-eastern sector are especially polluted. Pollution levels on the north-eastern, southern and south-western outskirts of the city are acceptable and the entire north-western fringe is considered favourable (Moskovedenie 1994, p. 71). Due to its extensive parks, the north-eastern sector of the city is also subjectively rated more favourably. Soil contamination with heavy metals in industrial areas reaches well into the suburban belt. It seems unlikely that Moscow will be able to introduce international standards of environmental regulation and to tackle residual pollution as long as the current economic difficulties prevail. During the early 1990s, the number of infections and deaths increased dramatically, the spatial distribution of the cases varying by districts (*Segodnja* 4.5.1995, p. 9).

Despite the high seepage rate in the leaking pipe system of Moscow, its water supply is considered relatively secure (760 litres per day per person, 450 litres thereof for commercial purposes). However, the provision of water is a difficult task due to the extensive pollution of surface water in Moscow and surroundings (*Kommersant* 24.1.1998, p. 12 on the monitoring network of the Moskva and subsidiary rivers in the city). For this reason, Moscow draws 58% of its water supply from the Ivan’kovo Reservoir (via the Moskva Canal). Only 7% of the water supply is extracted from local groundwater sources. The main polluter of Moscow’s water is the manufacturing industry as a third of industrial waste water is emptied into the water system without any treatment. Still today, large production plants are situated in water protection zones. In the suburban belt, poultry and beef farming are major sources of surface water pollution (Bridges & Bridges 1996, p. 68).

The problem of refuse disposal. Refuse disposal is still highly centralised. Whereas the frequency of refuse collection decreased after the political changes during the 1980s, the quantity of waste has grown due to the greater use of packaging material and plastic covers. 85% of total household waste (1995: 2.5 mill. t) is deposited unsorted at Chmet'evo, Iksa and Timochovo landfills in Moskovskaja oblast', only 10–15% of the overall waste being processed in one of three recycling plants. The two incineration plants in Moscow, Korovino and Birjulevo, are considered antiquated. Since mid-1990, several wild refuse dumps have cropped up all over the city and the authorities are finding it difficult to keep them under control. The disposal of industrial waste is a particular problem. Although the recycling rate of industrial waste is higher than in the private household waste sector, the annual load of 6.5 mill. t solid waste includes 1.7 mill. t toxic waste (Vasilenko 1996; Bridges & Bridges 1996, p. 141).

6.8 The special role of Moscow as a mega city

Metropolitan growth and governance. A number of the characteristics typical for mega cities today did not apply to the Russian metropolis of the late 1980s, particularly as the omnipresence of the Soviet system covered up social contrasts, ensured a degree of "legal security" (or better: security of the system) and at least minimum levels of subsistence. Its international status of primacy was of relevance within the context of the "Second World", that is amongst the member states of the Warsaw Pact and COMECON. In contrast to other more classical mega cities, such as London and Paris, the civic administration dealt with urban growth by generously extending the city boundaries rather than erecting high-rise buildings. On the other hand, the shortage of urban housing and the administrative quota mechanisms kept inner-urban migration low. Typical suburbanisation and gentrification processes were therefore unlikely to be found in Moscow.

Although current mechanisms of regulation are not easy to identify, individual characteristics can be listed. One is the efficient administrative system, which tries hard to set the course of the city's development. As a market economy began to take over, the administration grew to become one of the most important protagonists in the real estate market. This is especially so in the city centre, where rumour has it that property prices and rents are artificially kept high. As a capital, Moscow is in addition strongly influenced by national parameters and is subject to internal power groups. Criminality has greatly increased in recent years, as official authority no longer enjoys the acceptance it once had. Mafia-like structures have thus gained control over a large segment of the economy. As to what degree the state is involved is unclear.

Integration into the global economy. A significant amount of work must be undertaken to integrate Moscow into global networks. The economic system of the Soviet Union secluded the Russian metropolis from any external influences, hindering especially any introduction of foreign capital. Representatives of foreign companies could only stay in secured buildings reserved for foreigners or in hotels. Still today, the non-transparency of the real estate market, the shortage of office space for foreigners and the resulting high rentals, as well as a certain degree of legal insecurity have made settlement by foreigners difficult. Not only the young and relatively unreliable banking sector, but also the domestic market (small when compared with international standards), have contributed towards Moscow's inability to make a name for itself as a control centre in the global economy.

It does not seem likely that much will change in the near future. Despite the buzz of construction activity, the city is still closely linked to a state that has failed to live up to reform expectations. Although the restructuring of the urban retail trade has made progress, there is still much transformation work to be done in the other less obvious urban activities of Moscow.

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7 St. Petersburg: Kiosks as mediators of the new market economy

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7.1 Introduction

Temporary, mobile, low cost, small-scale commercial spaces have an important role to play in St. Petersburg's transition from a socialist economy to free enterprise. They serve as indicators of socio-spatial structural change in the city. The urban area is a place where self-interested political and entrepreneurial individuals and interest groups engage constructively or come into conflict to construct viable markets – some formal and others informal. This empirical study explores St. Petersburg's commercial kiosk phenomenon as a reflection of socio-spatial reordering following the introduction of market forces and the city's new status in the world economy. Focus is placed on the agencies responsible for this kind of commercial renewal, the form and spatial structure of kiosk trade and its spatial linkages to the capitalist world. This study is based on the following questions: How is commercial development initiated in a city or a country where real estate markets have been absent for decades and where locational and investment decisions have been based on highly ideological socialist principles of planning? How does the structure of urban trade adapt to critical shortage of capital, inadequate formal regulatory trading structures and virtual lack of links to long-standing producer markets?

7.2 Trade flows from Istanbul to St. Petersburg

7.2.1 Shopping in Istanbul and informal transport routes

Trade flows to St. Petersburg are illustrated below by means of two typical case studies. In the first example, Anna and Julia, two Russian women, walk down a congested road between Galata Bridge and the Customs House on the Golden

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 147–173.

Horn port facility in Istanbul. They pass customs with sturdy carts overloaded with bundles of garments bought in the Laleli district. It appears as if they know the customs officer and obviously there is some sort of agreement, allowing them to cross the border with ease thanks to their *laissez-passer* documents. Following some explanation and passport control, the authors of this chapter were also permitted to cross. On the way to the freight ship of Ukrainian registry, we learnt more about the flow of informal trade between Turkey, Russia and the Ukraine. During research in 1994 on the emerging commercial structure of St. Petersburg, we had become aware of these trade flows, as the city is an important terminal in the trade network. Other Ukrainian and Russian traders and "facilitators" on the ship confirmed the significance of this informal, high-frequency, low-exposure, often single-operator driven pattern of circulation for businesses in cities in the new European republics.

Second case study: Alexander, aged 35, academic, first started supplementing his meagre income by working for a sailboat building company. When his employer filed for bankruptcy, he started travelling between St. Petersburg and Istanbul, selling material and clothes in Greater St. Petersburg. It eventually became his main, and later only, occupation. Since 1990, the "shuttle" trade has emerged as the main means of satisfying demand in the city for a number of consumer goods, especially textiles. With imperialistic and Soviet competition cast aside, Turkey has become the main supplier of kiosk trade goods. As in the case of Alexander, dozens of "shuttle entrepreneurs" import, either alone or with two to four partners, as many goods as physically possible. Ordinary looking luggage is used (usually huge duffel bags) that can be stored in train compartments, on ships or in aeroplanes. Both goods and bags are bought in Istanbul's Laleli district.

7.2.2 History of retail trade in St. Petersburg: From *babushki* to commercial kiosks

As strange as it may seem to Western understanding, trade of consumer goods on the street or pavement is not new for the Russian. Bater (1976, pp. 258–268) vividly describes the extent of informal trade on St. Petersburg's side streets, in cellars and refuse-ridden market stalls in the 19th century. Until the Revolution, it seems that "formal" shops only played a supporting role to this apparently mainstream marketing tradition. Street hawking had obvious antecedents in Russian cities. In his study of fairs, markets and vendors in 19th century Russia, Gohstand (1983, p. 355) makes mention of the long tradition of peddling (*torgovlya vraznos*). He notes that "the sale of all sorts of commodities from portable trays (*lotki*) was well established throughout the nineteenth century" and "street hawking was related, and blended into, the institution of the *rynok*, or periodic urban market". The difficulty of regulating street hawkers further underlined its informal character. Many street hawkers operated without a license, much like the kiosk and street traders of today (Gohstand 1983, p. 356).

Photo 7.1 Street hawking

The Soviet era overturned the combination of formal and informal trade of the Czarist era. Despite the grand rhetorical statements by the Communist Party of the Soviet Union (Novosti Press Agency 1981, p. 285), the system failed to deliver its citizens with consumer goods of good quality and in adequate quantity. Without doubt, the system of state stores was plagued by mismanagement and even fraud. Bater notes that “holding back a commodity, usually by state store employees, for sale at the official price for someone [often a friend] who [would] then either use it, or more likely, resell it at whatever the market [would] bear and share the proceeds, [was] commonplace” (1989, p. 61). These deficiencies in service were also reflected in the manner in which Soviet cities were constructed rather than designed. Reiner and Wilson (1979, p. 61) observe that during this period, once the residential structures in neighbourhoods (*microrayoni)* had been built, the construction of service facilities lagged behind. Bater (1989, p. 126) notes the lack of shops in the densely populated inner-city, while French (1979, p. 96) reports that in 1971, even Moscow, where commercial services were better than anywhere else in the Soviet Union, had only 10,932 retail outlets, of which more than a half (5,915) were stalls and kiosks.

Photo 7.2 Modern kiosks in St. Petersburg

Photo 7.3 Kiosk arcades

Western media err, however in implying that private enterprise did not exist prior to *perestroika* and *glasnost*. Even during the period of supposed comprehensive control of production and exchange by the Soviet authorities before 1989, the commercial activity engaged in by Soviet citizens was consistent with notions of the capitalist market. In terms of the official norms of Soviet society, these informal activities were deviant and reactionary. Although modest in scope, this commercial form indicated that the Russian people, when given the chance, were familiar with and prepared to engage in market activities on a grander scale. Kiosks as a central element of the complex hierarchy of mobile commercial spaces in the post-Soviet era were venues for emerging formal and informal social contacts between market players. These contacts largely shaped the reactive regulatory environment and commercial life in the European part of the former Soviet Union.

During the Soviet regime, basic commerce was carried out by *babushki*, elderly women who were either unemployed or past the age of employment. They had the time to sell surplus goods of the Soviet rationing system. Although every Soviet citizen was entitled to rations of alcohol and cigarettes, there were persons, including *babushki* themselves, who were either not interested in the goods or who were only interested in their exchange value. *Babushki* thus became brokers of surplus goods such as Vodka and cigarettes. As unlikely as it may sound, their informal intervention corrected some of the inefficiencies and discontinuities created by a distribution system, which was blind to the demographic characteristics and desires of Soviet consumers.

What was crucial for the success of the *babushki*, was that they built a solid understanding of commercial location logistics. Through trial and error, they identified the sites where their merchandising was most successful. One of the unforgettable images of the late Soviet era is that of the seemingly forlorn *babushka* in a well-worn coat standing for long periods of time at a choke point of pedestrian traffic close to a metro station, with packets of cigarettes spread out for sale. The *babushki* developed such a reputation for having a good location that when greater opportunities eventually emerged, the new entrepreneurs surveyed these sites first. This expels claims that Russians (in this case, persons from Leningrad and later St. Petersburg) would have to deal with frequent and painful business failures during a phase of "naïve merchandising" while learning the logistics of location. This pre-existing locational knowledge is possibly responsible for the incredible speed with which commercial market practices have taken off in Russia and in St. Petersburg in particular. Within five years of economic liberalisation, St. Petersburg has developed large numbers of commercial establishments and a commercial hierarchy of sorts: from lone-standing individuals (no longer exclusively *babushki)* to the revived pre-revolution multi-stall department stores, such as *Gostiny Dwor* and *DLT*. Of crucial significance in this hierarchy are the thousands of "flexible commercial spaces", mobile establishments that have usurped the prime position of the Soviet-era state stores and co-operatives.

7.3
The research process

Data. Conducting research during the current early stage of democracy in Russia is significantly easier than it was before the collapse of the old regime. However, obtaining access to data and information is still more difficult than in Western countries. The current problem is not so much the fear of passing on trivial information to Westerners, but rather the disorganisation and/or total ignorance of the responsible authorities as to what is happening in the city. Initially we had hoped to map the distribution of kiosks throughout the city since 1989, based on aerial photographs at 1:2000 scale, which are available at the Institute of General Planning. This was plausible as kiosks are usually situated on pavements or in cul-de-sacs, near train, metro and bus stations rather than in covered or interior spaces. However, in contrast to the West, such primary sources of information are still considered classified in Russia. We received instead official cadastral plans of the three relevant districts (*rayons)* Vasileostrovsky, Smol'ninsky and Vyborgsky (Table 7.1).

Table 7.1 Research data (Source: private research data)

District	*1989*	*1994*
Vyborgsky rayon	85	1,016
Vasileostrovsky rayon	35	321
Smol'ninsky rayon	130	280
Total	**250**	**1,617**
Total case studies:		**1,867**

In general, the new openness of the political system, at least in St. Petersburg, allowed detailed urban morphological fieldwork that would have been impossible five years earlier. Data for this study was extracted from the following sources, representing the best available:

1. Urban morphological fieldwork to localise and classify all kiosks in three representative districts (*rayons*) of the city in 1994 (1,617 cases), based on standardised questionnaires, classifying kiosks according to size, type, merchandise and site.
2. Analysis of a private photographic archive. In 1989, an architect/photographer recorded the spatial distribution of 250 kiosks, which had then begun to line the streets of St. Petersburg. We were thus able to locate and classify the kiosks of 1989 in the same manner as those from 1994. The comparison of the 1989 database and our own field work allowed us to create a temporal data set concerning the morphology of the kiosk phenomenon and to make assertions about the evolution of St. Petersburg's mobile commercial structure.

3. Numerous interviews with wholesalers, kiosk owners, "shuttle" and "protection" entrepreneurs, municipal authorities, city and private planners and architects provided us with case histories and general information about the origin of the kiosk phenomenon, the supply of kiosks and the forces that currently shape the kiosk trade. While the views of government officials may be considered generally trustworthy, the views of other reference persons serve only to support assertions about the processes involved. Although the interview partners were randomly selected, the results are most likely not statistically significant. Few entrepreneurs were willing to reveal details about their operations, partly out of fear for their personal safety, in spite of our assurances that their identities would not be disclosed. There is however, sufficient coincidence in the varied information drawn from them to claim that the findings are accurate.

Goals. This study is more than a morphological description of a special new form of trade in Russian cities. It is an attempt to analyse, for the brief period for which it will last, the agencies and processes of deSovietisation of St. Petersburg. The method includes standard urban morphological fieldwork, which is sensitive both to the spatial character and physical attributes of the individual objects, as well as the patterns that they create as ensembles. The historical depth is limited because at the time of study, the phenomenon was only five-years-old and the data available allowed only a single comparison between 1989 and 1994.

The interviews with different authorities and entrepreneurs highlight two important methodological questions: the balance between agency and structure in socio-spatial development and the question of urban regimes of co-operation. The data and resulting conclusion inform in some detail the two debates and sketch out possible scenarios of how agency and structure are balanced, and what is the nature of co-operative regimes in St. Petersburg's retail milieu.

7.4
The kiosk phenomenon

Why have temporary retail facilities such as kiosks emerged in St. Petersburg instead of the type of fixed shop common in the West? What role do kiosks play in urban commercial activity in St. Petersburg? Who are the agents of this type of urban commercial development, and how do they interface with the world economy? The fundamental question is whether today's dominance of kiosks in the commercial hierarchy of St. Petersburg will become a permanent feature of the city or whether it is a transitional stage which requires that commercial activity be eminently flexible in spatial terms because the marketplace is so vulnerable, fragile and changeable. The latter was observed by Chauncy D. Harris in 1950 in Frankfurt/M., Germany: similar kiosks mushroomed in Germany after the Second World War, when buildings in central business districts (CBDs) were extensively destroyed or heavily damaged.

A kiosk, broadly defined, is a makeshift, although sometimes carefully crafted, structure measuring usually 2-–5 metres long and 1–3 metres wide. The structures have some form of temporary foundation or are on wheels. They are usually located in public places, e.g., on pavements or public squares, cul-de-sacs or inside metro stations. Raised slightly above the pedestrian passing by, the kiosk dealer sells goods through a sliding glass or Plexiglas partition. The location is chosen carefully, i.e. in areas of high pedestrian traffic, e.g., important junctions or train stations and bus or metro stations and terminals (Axenov, Brade & Papadopoulos 1997). Concentrated in areas of significant centrality, kiosks have become a crucial functional element and visual symbol of economic liberalisation in post-Soviet cities. Not all kiosks are the same. Although a detailed description of the variety of archetypal kiosks in St. Petersburg will not be presented, three types of kiosks can be broadly defined according to genetic, material and social characteristics.

7.4.1
Kiosk typology

Basic type. Primitive kiosks reflect the prehistory of market reform and emergence of privately owned mobile commercial facilities. In morphological terms, they represent the lowest rank in the hierarchy of kiosks. More importantly perhaps, the owner/operators represent the lower class of St. Petersburg's socio-spatial hierarchy. The size, poor craftsmanship and lack of design of these kiosks have their roots in the newspaper stands of the Soviet era. They are not attractive, but offer an entry-level platform for entrepreneurs with meagre means. Generally less than 2 metres long, with little consideration for appearance, these kiosks are made up of surplus construction material (Fig. 7.1). In 1989, they represented 2% of all kiosks in the three study areas, while in 1994 their number had increased to 15.9%. This increase reflects more the exponential growth of new kiosk entrepreneurs than an overall increase of retail trade activity in St. Petersburg.

Photo 7.4 Different types of kiosk

Photo 7.5 Kiosks adapted to their surroundings

Photo 7.6 The modern standard type

Standard type. This form is widely spread in central locations (e.g., along Moskovskiy Prospekt) and near important urban transportation centres (metro and bus stations and terminals). The structures are usually of a higher standard than the basic form – the elements are generally prefabricated, the materials and dimensions are standardised and carefully finished (Fig. 7.2). These kiosks blend in well with their environment and reflect the expectations of the authorities with regard to acceptability. Following the introduction of free enterprise in 1989, standard kiosks made up the majority of existing kiosks (97.2%). By 1994, this dominant position had dropped to 72.8% of the total numbers because of increases in both basic and elaborate kiosk structures.

Mature type. This kiosk form differs from the standard type in terms of morphology and functionality. The so-called mature kiosks are carefully designed, with greater emphasis placed on nuance, detail and image. A good example is the *Yeliseyev Magazin* kiosk. The outer appearance roughly resembles that of the *Yeliseyev* flagship store on *Nevskiy Prospekt*. Kiosks that belong to a chain or carry the trademark of major international consumer product companies such as *Coca-Cola* or *Marlboro* also belong in this category. They function both as vehicles for the selling of corporate products and the outdoor advertising of the corporate's name and logo. In the three study areas, the percentage of this kiosk form increased significantly from only 0.8 % in 1989 to 11.4 % in 1994. There is good evidence suggesting that such kiosks will ultimately replace the other kiosk forms in central locations and take the lead in the city's socio-spatial mobile commercial hierarchy.

Photo 7.6 The mature type

7.4.2 The rationale for kiosks

Kiosks are not found throughout post-Soviet cities. They have emerged as a result of certain conditions in cities such as St. Petersburg and Moscow.

Lack of trading space per capita. Seventy years of central economic planning eradicated both private entrepreneurship and the spaces in which it was conducted. The lack of commercial space is particularly noticeable in the newer dormitory cities of the outer zones surrounding St. Petersburg. In accordance with socialist planning norms, the ratio of trading space per capita in these areas is very low (Bertaud & Renaud 1994, pp. 16–18) and the location of state-owned shops was tightly regulated. The ratio reflects the limited amount of consumer goods, including foods, that were available in these shops. Because the government controlled production and distribution, there was neither competition nor were variety, size and form of trading facility questioned. Lack of competition and the gradual deterioration of the state's ability in the last decade of the Soviet era to provide more than the basics resulted in fewer trading facilities being erected each year. For example, due to the chronic delay of construction in one of the largest new residential areas in then south-west Leningrad, more than 100,000 permanent residents were for several years served by a single large food store. Kiosks and other low-cost mobile retail commercial establishments have satisfied, to a significant degree, the demand for consumer goods and easily accessible shopping facilities.

Public attitude towards regulation. The informal and flexible nature of kiosks reflects perhaps the basic distrust of the public toward state authorities, the police and the legal system. The relative anarchy of the kiosk trade suits the customer in St. Petersburg, as it provides needed services and employment largely unregulated by the state.

Absence of real private property. A basic precondition for significant investment in traditional fixed commercial space is the unconditional recognition by the state of an individual's right to own private property. Although the Constitution of the Russian Federation of 1993 puts private property on the same level as other forms of property, there remain significant barriers and disincentives to controlling and investing in real estate. Municipal and state authorities are generally reluctant to relinquish control of facilities they have owned since the Soviet period. Interim arrangements involving long-term leases of municipal holdings to private entrepreneurs and firms are slowly giving way to outright privatisation of land. Pavement kiosks side-step the controversy over the leasing or purchasing of public property. For this reason, they will continue to flourish until the disincentives against private property ownership wither away.

Transport and shopping. The public transport passenger data of the Institute of General Planning in St. Petersburg registered 2.7 million rides by metro and 8.2 million rides by other means of public transport on an average weekday in 1989. In 1994, the metro registered more than 3 million rides daily. Moreover, not fewer than 80% of the city's 5 million inhabitants exclusively use public transport (metro, bus, trolley bus, tram and train) or their own legs for their daily trips. This is the result of very low automobile ownership rates. These transport facts have significant implications for the structure of commercial space in St. Petersburg:

- People in St. Petersburg expend significant amounts of time commuting between home and work and places with shopping opportunities. On an average day, residents spend 3–4 hours in transit. Hence, most commuters seek to minimise their time in transit by seeking shopping opportunities near metro, tram and bus stations and avoid off-route shopping facilities.
- Few people can drive to large supermarkets as in the USA and (increasingly so) in Europe. Not only are automobile ownership rates low, but also prices in supermarkets are higher than anywhere else in the city. At the same time, choice and supply are not guaranteed in shops other than big supermarkets and malls. As a result, kiosks located near public transport nodes benefit from a desire to save time. Large clusters of kiosks in these areas serve as "open-air multi-stall supermarkets".

The spatial pattern of kiosk establishments appears to be very similar in the two research years of 1989 and 1994. Kiosk clusters near metro stations and other important traffic intersections make up 66.8% (1989) and 64.7% (1994) of all kiosks in the three study areas. Single kiosks at intersections constituted 14.4% of the total in 1989 and 12.7% in 1994. Until fixed commercial space becomes a reasonably secure type of private asset, kiosks will continue to thrive. Large regional supermarkets outside the CBD will only become viable alternatives once private automobile ownership rates increase significantly.

Flexibility in trade. Kiosks are flexible marketing platforms. Since they do not draw on stockpiled goods, they can adjust the range and type of their merchandise to the changing demands of customers. Experimentation with new products is less costly when stocks are limited. Rising competition in wholesale trading guarantees the kiosk owner increased choice of supply and goods. Only product sizes and state regulations limit the choice of goods that can be sold through kiosks. Our field work registered 74 different types of commodities and services sold through kiosks, ranging from imported drinks such as *Coca Cola* and ice-cream (e.g., *Baskin Robbins*) to slot machines, religious paraphernalia and watch repair. Alcohol, cigarettes and tobacco products, snack foods, fruits and vegetables, milk products, fast food and other prepared foods, newspapers and magazines, souvenirs, toys, clothes and shoes, household cleaning supplies and hardware goods were the most common items. Most kiosks sell a wide variety of goods under one roof, although both ends of the kiosk hierarchy tend towards specialisation. On the eastern side of the *Maklina Prospekt*, simple newly erected kiosks sell mainly tobacco products, beer, vodka and numerous dubious spirits. On the other end of the spectrum, stylish kiosks in prominent inner-city locations focus only on foods (as is the case of the *Yeliseyev Magazin*) or clothes. Over the past five years these kiosk clusters have taken on a more orderly appearance.

Our fieldwork revealed increased segregation of kiosk forms in the study areas. In 1989, 85.5% of the kiosks were in mixed clusters that included all three types. By 1994, this number had dropped dramatically to 46.1%. At the same time, the number of kiosks that belonged to single-type clusters rose from 12.1% in 1989 to

23.9% in 1994. Equally important was the shift toward mixed clusters with a dominant form from 2.3% in 1989 to 30% in 1994. This development suggests two important phenomena: firstly the emergence of geographic concepts, or at the least of a geography of retailing, and secondly increasing social differentiation or potential ghettoisation. Despite the absence of the racial factor, it is not difficult to see the so-called "spirits kiosks" of St. Petersburg as standing in for the liquor stores and currency exchanges of the poorest part of West Chicago or southern Bronx, and thus as instruments of exploitation in a process of exclusion.

Locational flexibility. Theoretically, kiosks can be easily moved from one location to another. Although this flexibility at first appears paramount to the character of kiosks, kiosks usually remain in a profitable area over a long period of time. Due to the standardisation of kiosks, construction cost is increasingly a smaller component of the total investment. More important are other start-up and operating costs: official and unofficial land rent, licenses, communications fees, bribes for municipal officials, payments to protection organisations, transport and salary costs. Kiosks are generally able to sell their products at lower prices than supermarkets because despite high protection monies, the owners usually pay less rent, are taxed at lower rates, are less controlled by the state and have lower maintenance costs. A recent development is the rental of kiosks which does away with the need to physically move a kiosk when a new site is targeted. The market for kiosks and their location is slowly assuming the character of a fixed-space real estate market.

Seed capital. There is a tremendous scarcity of venture capital in post-Soviet Russia. The savings of the Soviet citizens were in a currency that was not convertible internationally. The currency reform, although essential, intensified the investment crisis. Most foreign firms defer investing in Russia until the political and legal structures protect private property. The capital has had to be generated by the Russians themselves. Kiosks not only provide commercial outlets to entrepreneurs and consumers, but also generate wealth and investment capital. Ultimately, the kiosk's success may lead to its decline, as sufficient capital is accumulated for permanent retail trade facilities. Kiosks play a strategic role in the hierarchy of retail trade in St. Petersburg, but their reputation suffers under the existing anarchy and the questionable origin of purchased goods. Kiosks are tolerated – and even promoted – as long as the benefits of the kiosk trade outweigh these externalities. It is already obvious that the mayor's office is moving to regulate kiosks aggressively, partly to raise tax revenues, and partly to curb black market trade, organised crime, consumer fraud and customs violations.

7.5 The geography of kiosks and kiosk trade

The geography of kiosks and flexible merchandising is strongly interlinked with the spatial patterns of transport and housing. Unlike capitalist cities with longstanding land markets, St. Petersburg shows the features typical of a planned urban economy where site value is not priced, transportation costs are heavily subsidised and the cost of capital is not based on a calculus of profit maximisation. Since the resources of the Soviet state (besides industry and strategic politics) were always limited, only 35% of the total built-up area were allocated to housing. In market economies a share of 50–65% is common in residential areas. The population of St. Petersburg is distributed into four concentric zones which, again, do not reflect the highest and best use of land that land markets would dictate. Rather they were moulded by socialist planning that favoured industrial land use over services and housing. The Fontanka Channel defines a highly populated baroque-neoclassic inner city, surrounded by a sparsely populated industrial zone. The megalithic residential belt from the Khrushchev and Brezhnev era has a population density similar to that of the old city. Finally, the suburban areas of mixed housing (dachas and low rental housing) enjoy significantly lower population densities, comparable to those found in the suburban zones of market-driven cities.

Since the Soviet regime underplanned for services such as retail shops, Soviet citizens spent much time waiting in queues in front of modest state stores. The costs in lost productivity were tremendous. The continuing deSovietisation of St. Petersburg has meant at least three important things for commercial services development. Firstly, the emergence of kiosks has dramatically increased shopping possibilities. Secondly, the emerging real estate market, presently based mainly on exchanges, is gradually transforming the inner structure of St. Petersburg. Higher land values will ultimately lead to the recycling of current sub-optimally-used inner-city areas. The desire for centrality will change the urban economic structure. Thirdly, realistic pricing of public transport will strengthen the value of centrality. The present distribution of kiosks reflects the public's appreciation for efficient access to shopping facilities.

Our survey reveals a strong correlation between the size of kiosk agglomerations (number of kiosks) and the significance of transportation nodes (number of rides per day). Specifically, we recognised a commercial hierarchy with metro and railway stations as the most attractive locations for kiosks. Shopping centres (mostly ex-state stores) come second and other public transport stops third, followed by intersections and pedestrian crossings. A hierarchy based on external economies and accessibility is consistent with the experience of market-driven cities. There is even a finer differentiation of centrality within the agglomerations themselves. Where time is limited, mere metres of distance from the metro entrance can either make or break the owner. There are exceptions to the rule, such as the covered kiosks at *1 Sovetskaya Ulitsa*. Although the site itself lies outside the main routes of daily migration, it is within reach of the Moskovskiy Railroad Station, two metro stations, a number of tram, trolley and bus stops and the city's booming *Nevskiy Prospekt*. Planned by local authorities in the early days of market reform as a regional shopping centre, the site attracted significant numbers of kiosks and customers. Although more conveniently located kiosk clusters have since then been established, customers continue to choose this market. Firstly, *1 Sovetskaya Ulitsa* has reached a critical mass, establishing it as an independent amenity with its own pull factors; and secondly, the market has developed a special character which attracts customers away from more convenient kiosk clusters.

A comparison of empirical data from the city's Institute of General Planning in 1987, which according to that Institute was still valid in 1989, with our data from

1994 (use of public transport and emergence of kiosks in three districts) clearly confirmed the location hierarchy of the kiosks (Table 7.2). By applying this knowledge to the rest of the city, one can predict the viability of this flexible form of retail trade during the transitional period of deSovietisation.

Metro stations in the densely populated Soviet residential areas (e.g., Prosveshcheniya, Ozerki and Primorskaya stations) serve many more passengers than stations in the inner city. These stations thus play an important part in the interrelationship between transport, housing and kiosk development. High passenger frequency resulting from Soviet housing arrangements as well as the availability of free space near metro stations have attracted numerous kiosks and private traders to these sites. For example, the number of kiosks near the Primorskaya station in 1989 was the highest in the city. Although the metro station remained an important focal point for retail trade facilities in 1994, the number of kiosks dropped suddenly to eight. This figure is a striking difference to the number of private traders with or without stands in the vicinity of the station. The decline of the kiosk cluster at Primorskaya station is the result of the surgical application of strict administrative regulations by the city, in response to significant criminal activity involving kiosk owners, operators and their "protectors". The location is valued by semi-legal traders, who are still tolerated by the authorities. The focal point of retail trade in the area is gradually moving to a nearby supermarket. The small number of kiosks around Ligovskaya metro station is temporary, as kiosk space in the vicinity of the station is restricted by numerous construction sites.

Table 7.2 Comparison between passenger numbers and size of kiosk catchment area (Source: personal research data)

	1989		*1994*		
District and metro station	Number of people/day (in 1,000s)	Number of kiosks	Number of people/day	Number of kiosks	Number of other traders
Vyborgskiy District					
Pr. Prosveshcheniya*	–	38	125	224	132
Ozerki*	–	17	58	127	18
Udel'naya**	161,5	30	60	111	131
Lenaya	67,3	N/A.	36	30	15
Vyborgskaya	82,7	N/A.	38	50	5
Smolninskiy District					
PI. A. Nevskogo	124,0	3	83	21	3
PI. Vosstaniya & Moskovskiy RR station	120,4	42	106	90	35
PI. Ligovskiy	–	–	88	3	0
Vasileostrovskiy District					
Vasileostrovskaya	173,2	N/A.	165	38	46
Primorskaya	110,7	35	104	8	85

* These metro stations were built after 1989.
** Valid for both metro and train stations. According to research in 1987, 15,000 people frequent the Moskovskiy Railroad Station in summer on an average working day during rush hour, while 14,000 frequent the Udel'naya Station.

7.6 The spatial structure of kiosk trade

A geography of kiosks and kiosk trade does not sufficiently describe the complex socio-spatial structure that underlies the phenomenon. It has grown from an interweaving of Russian emigrant capital with trade structures spanning the Baltic and Black Seas and the marketing on the streets of St. Petersburg of consumer goods originating from capitalist markets. This network of exchange at macro-level stems from demand for consumer goods in large cities such as St. Petersburg and Moscow. It is complemented by a network of exchange at the micro-level, which funnels the consumer goods from container ships or truck depots to the kiosks and ultimately to the Russian consumer. At this level, diverse wholesalers, middlemen, "protection" providers and kiosk entrepreneurs come together to promote their self-interest, and change the city in profound ways.

While the emigrant trader has to conform to the limitations that European legal and economic structures impose on him, local middlemen have to deal with what is left of the Soviet legal system and with the emerging ones of the Russian Federation. In this arena different types of agency are developing. Protection money blackmailers have crafted a system of penalty and reward that has become an integral part of kiosk commerce. Another decisive regulation structure is that of the municipality, which has emerged under former mayor Sobchak. The interlocking networks of exchange at the macro and micro-level are illustrated below from the perspectives of different protagonists. The findings are based on a large number of interviews.

7.6.1 From supplier to consumer: The view from the warehouse

Under the old Soviet regime, it was the responsibility of the state to identify local consumer needs and to control the productive forces of the country to meet them. In theory, the state funnelled industrial output to the consumers and supplemented shortages, especially in basic foods, with foreign import. However the demand was often calculated incorrectly, and the lack of incentives within the managerial hierarchy to correct this produced tragi-comic situations and unbalanced markets. In a Western-style entrepreneurial environment, the manufacturer conducts market research in order to determine the needs of the market and his own competitive position within it. The products reach the consumer via a system of formal distributors or dealers. A similar standardised system has not yet been established in Russia. The transition in Russia from heavy industry to consumer goods production is by no means complete. Specifically, St. Petersburg as a former research and production centre of the defence industry, currently expends major resources to transform military plants into consumer-orientated manufacturing plants. Whereas it is relatively easy to transform a factory for T-72 tanks into one for trolley buses, it is more difficult to produce high quality consumer goods and establish effective distribution channels. Thus, many consumer needs, especially in large metropoliitan areas such as St. Petersburg, are met with imports. The proliferation of Western and Japanese trademarks such as NIKE, PHILIPS and SONY in St. Peters burg's landscape indicates a growing demand for quality products in contrast to previous state products. Regrettably, the demand even for basic products such as foods has to be met with imports.

Changes in consumer attitudes have led to two striking circumstances: on the one hand, despite an obvious income decline resulting from inflation and expensive import goods, the demand for all types of goods is increasing. Entrepreneurs who are willing to take advantage of loopholes in the system and the relatively poorly organised municipal and regional authorities therefore have ample opportunities. On the other hand, very little of this quasi-legitimate profit benefits the productive sphere in Russia. It is far more difficult for Russian industries to bring acceptable consumer products onto the local market than it is to import. Ultimately, both parties are at odds. Commercial entrepreneurs profit greatly from importing and distributing passable products, while undermining the transformation of the Russian manufacturing industry. In the opinion of the Russian commercial entrepreneurs interviewed for this study, the business mentality of the new entrepreneurial class – the so-called "new Russians" – is short-term and maximum profit-orientated. The environment of marketing imported goods is described as highly competitive, brutal and dangerous. The goal is maximum profit, with little consideration of the consumer or the merchant–consumer relationship. This, in combination with the flexibility of the kiosks, is one reason why the kiosk commerce is flourishing in metropolitan areas like St. Petersburg.

Although imported goods are common in St. Petersburg, foreign companies have been very reluctant to organise distribution networks such as in West European, American and Japanese cities. The virtual absence or vagueness of laws concerning private property and contract obligation are reason enough for many Western companies not to invest in the Russian market. Although their products may be traded in St. Petersburg, they are rarely marketed through formal distribution networks. Russian entrepreneurs have also avoided developing their own distribution networks. Limited capital and managerial experience at both the owner and the staff levels, governmental and municipal hurdles and the desire to hide the true extent and nature of their commercial activities from political and regulatory authorities, hinder the establishment of such networks for the time being. Flexibility, discretion and of course profiteering are priority for most of St. Petersburg's commercial entrepreneurs. Accordingly, the size of businesses generally remains small so as to yield as much undetectable or uncontrolled personal income as possible. Even directors of large companies use small shops and kiosks as a means of extracting "petty cash" for their personal use outside the formal accounting of the company.

The supply chain. The supply of kiosks is complex and brings together social forces from both international and national settings. The spatial relationship between operatives in supply areas abroad and kiosk trader and customer in St. Petersburg is best illustrated with the most typical, dramatic and geographically interesting form of goods supply. Each type of agency plays a specific role in a spatial commercial, functional and social hierarchy. It begins usually with Russian emigrants in West and Central Europe (Germany, the Netherlands, Poland) or in

Turkey. It is estimated that less than 100 such individuals supply the St. Petersburg market and less than 1,000 supply the whole of Russia. They are reliable in supplying kiosks with appropriate goods, based on an elaborate system of market correspondents, warehouses and middlemen. Their most important characteristic is that they have sufficient money and a mission to identify sources of low-cost wholesale goods. These goods are often bought for marginally (about 10%) less than the Western retail price, but they are mostly of low quality and often defects or copies of popular named brands. However, on the Russian market they can be sold at appropriate prices. Products are bought in bulk, from single containers to the total output of small factories. Major emigrant importers purchase goods for over 20 million USD per year.

These businessmen are as averse to government interference as the simple kiosk owner is, selling only to private concerns. Emigrants sell their stock in lots to a maximum value of 100,000 USD to acquaintances and friends of acquaintances in St. Petersburg. A forty-foot container of food costs about 12,000 USD, a similar container with garments or VCR tapes may be worth close to the 100,000 USD mark. The goods usually arrive on freight ships at the port of St. Petersburg or on twenty-ton trucks overland. No documents are ever produced reflecting the true value of the merchandise or revealing the nature of the relationship between shipper and correspondent. Thus, this process is largely based on trust and the fear of penalty. Once the goods arrive at Russian customs, excise taxes and duties are paid to the proper authorities, although again without any legitimate documentation on the part of the supplier. Customs officers are bribed to overlook controls or to register goods incorrectly. Only taxed and duty free goods are delivered with legal documentation. Upon receipt of the merchandise, the recipient pays either cash or deposits money into the shipper's bank account in Russia. As the relationship is based on trust, the shipper does not require a letter of credit to send or to release the merchandise. Dealers who receive goods without paying are not given a second chance to participate. In fact, their property in Russia and perhaps even their lives are at stake.

The relationship between foreign importer and wholesaler in St. Petersburg is often paternalistic. These importers, and even large companies, can extend credit in the form of cash or goods to the wholesaler to secure his service for their business interests. Many new private banks also extend loans to importers, in which case the world market intrudes in what otherwise appears to be a fringe economic activity. Even the smallest kiosk owner is influenced by fluctuations of the international currency market as imported goods are obtained from middlemen on a regular basis. The importer and established wholesaler can discriminate and make preparations for exchange rate fluctuations by shifting among different suppliers in Europe and by stockpiling. The kiosk owner on the other hand, who generally cannot afford to stockpile goods, operates in isolation and uninformed, dealing exclusively in roubles. This asymmetrical link to the wider market is fundamental to the operation of the kiosk environment with its socio-spatial hierarchy. Middlemen placed higher in the hierarchy profit from the market vulnerability of the kiosk owner. They are not only essential for getting goods through customs. Often they are connected to a specific wholesaler milieu, for example at *Apraksin Dvor*, known before the Revolution and again today as a wholesale centre, as well as a haven for unsavoury characters.

Wholesalers lease storage space in one of the large depots built during the Soviet era on the fringe of the city, and gradually funnel goods over several weeks to wholesale centres such as *Apraksin Dvor* in the inner city. The municipal decision in 1994 to upgrade the inner city for the Goodwill Games and move wholesale operations from *Apraksin Dvor* to the former agricultural market of the 30s, the Trotsky Market near Trinity Cathedral, was met with dismay (Nassor 1994). According to the wholesalers, the mayor's decision interfered with the interests of the wholesale trade, which is dependent on abstract transactions and the quick turnover of goods.

Products are sold mainly to middlemen but also directly to kiosk owners at a profit of 5–50% (usually 15–20%). Selling merchandise through one's own kiosks is not the most efficient way of making money. For this reason, many wholesalers specialise in selling to others down the distribution chain. On a good day, a wholesaler in *Apraksin Dvor* sells 12 million roubles (about 6,000 USD) worth of food, a kiosk owner sells only 0.5–0.6 million roubles worth (about 250–300 USD).

The protection racket. Another reason why wholesalers are reluctant to get involved in retail trade is because of their personal and professional safety. The quasi-legal nature of the import trade has given rise to an entirely new economic sector of "protection", extortion and coercion. The high level of excise and corporate taxes (75–80% of profits) and customs duties have driven many commercial operations underground, thus putting them at the mercy of "protectors". Emigrants and wholesale partners take advantage of legal loopholes and bend the law. Others profit by threatening to expose illegal operations, or by threatening to destroy property or physically harass the merchants. Everyone involved in the kiosk trade is a victim in one way or another to coercion. The more successful an enterprise, the more "protection" money it has to pay. Thus, a small business pays 100–200 USD per month, a larger one ten or more times as much. Entrepreneurs who try to hide sales from "protectors" put much at risk. Some of the blackmail groups, so-called "roof" organisations, operate as kiosk owners themselves or rent kiosks, and are thus able to predict their customer's profit margin. Wholesalers avoid contact with kiosk owners and the public out of fear of "protectors". Even traders in large establishments, such as *Apraksin Dvor* have to pay tributes to the local "roof" organisation. Wholesalers and leaseholders in *Apraksin Dvor* view this money as part of the fixed monthly rental costs. Whereas the official monthly rent for a trading stall in *Apraksin Dvor* is 1,000 USD, the corresponding protection fee is an additional 200–300 USD – a significant financial burden.

Although the above-mentioned "roof" organisations have a distinct spatial character, St. Petersburg is not divided among "roofs" into discrete territories, as is common with the Mafia. Rather, they are client or project orientated. A "roof" organisation only offers "protection" within a defined area. For example, a trader is perfectly protected by the general *Apraksin Dvor* "roof" inside the facility, but can be easily robbed on the sidewalk just outside by another "roof" organisation or a common street criminal. Consequently, a trader or business may need to purchase a variety of "roofs" to be protected in different locations and business settings. Most of the blackmail organisations spread their operation over the functional hierarchy of flexible import trade, but there are some which specialise in the "protection" of kiosks and the small car repair workshops that have proliferated in the city. The rise of local and out-of-town "unorganised" crime has benefited the "protection" organisations. It is in the interests of the "roof" organisation that the client entrepreneur is not hurt by other criminals and prospers as much as possible so that he can pay even larger "protection" fees. On a positive note, these organisations do indeed provide protection against casual crime, although traders would prefer to provide for protection from ordinary crime themselves. Additionally, "roofs" can provide their clients with assistance in collecting debts. In some cases, up to 80% of the outstanding money has to be paid to the organisation if successful, but others do offer this service free of charge.

Other considerations. The trade flows of the kiosk sector can extend past the apparent functional territory as far as Western Europe and Turkey. Kiosk trade is connected to the international level by the supply network of emigrants and the currency market. The former determines the import merchandise that is put out for sale in the kiosks, whereas the latter influences the price at which emigrants will sell to middlemen down the distribution and retail line. At the national level, banking, fiscal and customs regulations and increasingly crime also affect kiosk trade. It is often out-of-town/non-Russian criminals who prey on the merchants of St. Petersburg. At the regional level, the general state of agricultural, merchandising and industrial production influences the kiosk trade as much as any of the other elements in flexible commercial trade. Although the majority of products are imported, some are manufactured in or near St. Petersburg. These links to the regional economy may actually increase the independence of the kiosk owner from international agencies and structures. Last but not least, the local elements of the kiosk trade are also important. At this level, the distribution process from importer/wholesaler over middlemen to kiosk owners is affected by the blackmail racket.

7.6.2
The view from the kiosk

Kyril M., 32, once a medical doctor, is now an entrepreneur. He has been a partner of a small trading business and had just established his own kiosk near the main office of the Moskovskiy railway depot. His story is representative of many successful new-starts in the kiosk trade. Of all agencies active at the micro-scale, he is the most vulnerable to structural change, such as changes in municipal regulations or operations of the "protection" milieu.

Kyril M's first concern was identifying a strategic location for his kiosk. This was found a few kilometres from Moscow station itself, in a limited access area restricted to railway personnel. The train depot guaranteed him 350–400 prospective clients who entered the depot's main office every workday. In addition, long distance passenger trains stop nearby for up to one hour. Personnel from these trains visit the office and sometimes buy food and alcohol for personal use or illegal sales to passengers. The only other kiosk in the area sells home-made, low-quality vodka to train personnel with significant success.

Kyril M. could have registered his new kiosk under his existing company's name. Differences in the regulation of companies versus private enterprises such as kiosks make it more profitable to register a venture as private and independent of a company: taxes and licensing costs are lower, the red tape is less and the entrepreneur can easily avoid reporting much of his revenue. On the other hand, the city only issues short-term licenses to kiosk owners and does not grant them official stamps. As these would be required for the authorising of business contracts, sub-letting, the employment of personnel and other contractual agreements are heavily restricted. Once the license was issued, Kyril M. and the railway authorities signed the lease for the property, an area including only the footprint of the kiosk plus a perimeter zone of half a metre. The lease is registered with the local health authority and fire department. These formalities usually take a few days to complete as a thorough inspection of the kiosk is required. Kyril M. glided effortlessly through the process without having his kiosk inspected, at a cost of two bottles of vodka. But his entrepreneurial initiative is somewhat hampered by additional municipal registrations. For example, kiosk entrepreneurs have to register all electrical appliances, such as grills and refrigerators. Since 1993, by order of the mayor, all cash registers are regulated in the hope of tracking revenue. By granting special licences for categories of merchandise, the city hopes to increase revenue. At the moment, the municipality regulates about 15–20 categories of goods, including tobacco products, beer, vodka and other spirits, pure alcohol, furs, jewellery and caviar. Different permits apply to the wholesale trade. Two different municipal authorities issue licenses: one for fixed stores with trading space of less than 100 sq. m. (the municipal Ministry of Trade), and another for kiosk-type establishments (rayon administration). Licenses for marketing in fixed shops cost about 800% more than licenses for selling the same goods in a kiosk. Kyril M. ordered a kiosk from a company that specialises in the construction of kiosks that are approved by the municipal authorities. The more standardised the kiosk, the cheaper the cost. The location had no further restrictions. Kiosks situated in the historical city centre need special approval by the municipal architectural planning authority.

In Kyril M.'s own words, his "concern is market demand. Everything else [he] can manage and control". The notions of "management" and "control" indicate the importance of personal networks in business. They are crucial for the development of business relationships, because the legal structures are incomplete and considered by most as suspect. Kyril M. was not only informed of the strategically well-placed location by doctor friends, but they also helped him establish an understanding with key contacts, such as the chief health inspector of the Moscow Station. She was instrumental in streamlining the process of putting up a kiosk on the station property, so the rent could be set at a token price of 600 roubles per month, and she mediated between Kyril M. and the local "roof" organisation, which resulted in the symbolic protection rate of 120,000 roubles per month (in Dec. 1994 37.50 USD). Although Kyril M. could have asked the "roof" which serviced his business in the north of the city to extend its "protection umbrella" over the kiosk at the station, he decided to appease the local protection organisation by paying the agreed amount. Had he wanted a kiosk directly in the Moscow Station, the permit would have cost 2,500–3,000 USD and "protection" 1.5–2 million roubles (475–625 USD) per month. The city government has attempted to contain the "roof" trade, as it erodes the productivity of small businesses and leads to violent crime. The drastic price difference between "roof" organisations confirms the increasing spatial differentiation of small businesses according to locational value.

The life of a kiosk entrepreneur is dangerous, but the promise of financial success is tempting. Our survey shows for example that the daily gross revenue of kiosks selling meat or milk products can be as high as 12 million roubles (3,750 USD). We estimate that the kiosk owner makes a net profit of about 15% on his investment.

7.6.3 The view from the train compartment: Pathways of the "shuttle" trade

Having explained the Russian context, let us once more return to the "shuttle" trader in Istanbul. What role does he play in the supply chain of products for the kiosk trade in St. Petersburg and what are the opportunities offered? Shuttling is a particularly flexible and cheap way of supplying the St. Petersburg kiosk milieu. It establishes key spatial-economic links with capitalist markets in Europe and Asia. Although the volume of products is less than that directed by emigrant wholesalers, "shuttle" trade can be crucial to creating start capital. For example, a "shuttle" trader buys dozens of jeans in Istanbul for 10 USD apiece. On returning to St. Petersburg, the real cost is 12 USD apiece to cover transaction costs. The whole cargo is sold for 16 USD apiece to a kiosk owner or wholesaler. By the time the jeans are put out for display in the kiosks, their retail price is at 20 USD. Generally, goods double in price from initial to final sale. Since "shuttle" traders appear to favour a small set of destinations, the price differences among goods from the shuttle trade are minimal at kiosk level.

The low number of flights from Pulkovo Airport to Istanbul do not reflect the fact that this flight route is probably the busiest international connection from St. Petersburg and one of the most important paths of the "shuttle" trade. Although "shuttle" traders also use scheduled flights, they conduct most of their business over chartered flights as these allow for higher luggage weight limits. Private travel agencies offer "shopping trips" to countries of supply for "shuttle" traders (Germany, Finland, Turkey, the United Arab Emirates, India and China). They organise the whole tour, from the chartering of planes to visas and accommodation. In autumn 1994, the monthly lease for a plane was 30,000 USD. Part of the cost is reimbursed by the high rental of cargo space to third persons on the return flight. Most "shuttle" traders however, purchase a one-way plane ticket and travel back to St. Petersburg over land. Usually it takes a "shuttle" operator 3–4 days to complete his purchases and approximately 3 days to return. The merchandise is packed into sacks or duffel bags that carry 70–100 kg. "Shuttle" traders usually travel in pairs or teams of up to four persons. A group of four, for example, would book two four-person compartments and store 15–20 pieces of luggage in each compartment to protect them from theft. There remains very little space for sleeping. Storing the luggage in the cargo section of the train not only involves extra costs for customs, duties and fees, but the luggage is unguarded and can be easily damaged or stolen.

There are two major types of "shuttle" businesses: independent and corporate ones. Normally, neither type is registered with the municipal authorities. Most independent "shuttle" traders are students or civil servants with a low income, who trade on a part-time basis. They usually do 3–4 shopping tours a year, selling their merchandise at the weekend in markets, such as *Apraksin Dvor*. By avoiding mediators, they make more profit. Once they have sold all their merchandise, they go on tour again. “Shuttle” trade is based on informal agreements and personal connections and references. That does not mean however, that it is not sophisticated and complex. Successful “shuttle” traders invest heavily in their business, for example by expanding and employing staff. On average each person on a “shopping trip” can haul up to 15,000 USD worth of goods. A porter requests about 100 USD for a week-long tour, in addition to all his expenses. If a larger team is assembled, a manager will also be hired for 500 USD. For example an experienced Turkish market expert and trip manager can be engaged as a “consultant” and paid a fee or given a stake in the venture. The remaining members of the team are hired for their muscle power. When the enterprise has matured, the owner will most likely remain in St. Petersburg organising the marketing of goods to kiosks, while hired operators undertake the tours.

Seed capital for starting a “shuttle” business lies at approximately 6,000 USD. This is sufficient for a single tour. According to a shuttle operator, the travelling expenses between St. Petersburg and Istanbul are 600–700 USD per person. Astonishingly, this price secured through a shopping tour operator includes all bribes for customs and train officials. Amongst shuttlers, the slang word for bribe is *prochodki*, which means “passes”. Customs officials have it in their hands to record “shuttle” luggage under different categories and thus substantially reduce fees and duties. As a result, the profit margin is often an extraordinary 30–40 %!

6,000 USD for an engineer is equivalent to several years of salary; a student has to save several years of scholarship. Thus investors are necessary if a “shuttle” business is to be launched. The most common investors are found among friends and relatives who then charge exorbitant interest rates of 3–10% per month. The interest has to be paid in hard currency and if a trader fails to pay his debts, his creditors ask their protection organisations to “arbitrate”. If the debt is significant enough, the debtor may lose both business and personal assets, including real estate holdings. In this case, the “roof” organisations receive a commission for their work. In this respect the “shuttle” trade is as risky as the wholesale and kiosk branch. Although there are no direct “roof” charges in the shuttle business, occasionally shuttle route operators engage secret service or police (*sic*) services to escort cargo or to facilitate customs and immigration procedures.

7.7
Conclusion:
Recasting the Soviet city in the age of markets

What to do with a city that materially and structurally still reflects the Soviet era? How should the wide belt of rusting factories be redeveloped that separates the baroque city as only centre of employment from the wide periphery of socialist housing? How can the deteriorating community services such as public transport, roads, water supply, sewage, telephones and power supply be managed? And finally, how can any significant part of these extensive planning and restructuring projects be achieved with very little capital and without losing sceptical municipal voters? The kiosk phenomenon in St. Petersburg answers at least some of these fundamental questions. In a dismal fiscal and macro-economic landscape at both the national and municipal level, kiosk commerce deals most efficiently with the growing demand for services and new consumer products the public associates with capitalism and liberalisation. Kiosks emerged in 1989 to assist in the development of a mature, market-driven urban structure which clearly still lies years away. If individual entrepreneurs had not developed this possibility of trading, then the city would have had to. With more than 1,600 kiosks cluttering intersections and metro stations in only three districts in St. Petersburg, it seems unlikely that kiosks are only a temporary phenomenon. Russians are familiar and comfortable with them as a trading form which pre-dates even the Bolshevik Revolution. The inhabitants of St. Petersburg welcome or at least tolerate kiosks as they have revolutionised shopping possibilities in a city that suffered from inadequate services during the Soviet era. The so-called "new Russian", the emerging entrepreneur class, has embraced the form and developed it in imaginative ways that maximise the impact of the limited available capital.

On balance, kiosks have eased the consequences of deSovietisation in St. Petersburg: they provide employment to thousands, supply much needed commercial services, offer excellent training ground for new entrepreneurs, generate capital that can be invested in manufacturing and services, and finally, they assist in developing trade links with foreign markets. However, as reflected in the case studies described above, there are of course negative sides to these activities: tax evasion, intimidation, bribery, black market, money laundering, customs violations, urban planning and health inspection violations, consumer fraud, public utilities fraud and even violent crime. For this reason, it appears as though the civic government has already made the decision to contain kiosk commerce. To the rescue comes the city's slowly emerging private architectural and urban planning community.

7.7.1
The view from the Ministry of Trade: Wishing for more fixed shops

The Minister of Trade of St. Petersburg, Stepanov, concedes that kiosks initially emerged from the lack of appropriate commercial space in buildings. The local government has tolerated the kiosk phenomenon since the onset of market reform in 1989 as a suitable form of private capital formation and as a lucrative source of municipal revenue through various forms of regulation. However, the kiosks do not represent the government's ultimate conception of St. Petersburg's commercial structure. In their present form they are considered necessary, if not a welcome feature of the urban economic structure. Due to recent developments, kiosks have emerged as a nexus of mobile trade as well as for illegal activity. While the former was once welcomed, the latter is increasingly unsustainable politically, as there are cries from all levels of government to contain crime. The city government thus plans to replace kiosks with permanent shops. Although there will always be space for kiosks in the commercial hierarchy of the city, as there are in American and West European cities, the local government would like to curtail the prevalence for fiscal, public safety, consumer protection and aesthetic reasons. The decision to limit the growth of kiosks and the imposition of governmental regulations on urban retail trade are decisive for the future of kiosks.

The civic government aims to bring traders from the streets into fixed shops by first withdrawing the most desired licenses, e.g., for vodka or other alcoholic beverages. Over an undefined period of time, further product licenses will be withdrawn, making entire categories of kiosks unable to function legally. Essential commodities, such as milk and newspapers will still be sold in kiosks. The withdrawn licenses will then be granted to operators of permanent shops in buildings. This strategy does not solve all problems, but the development of traditional, permanent shops will enhance the accountability of entrepreneurs to the consumers. The activities of fly-by-night con men who sell defective equipment to unsuspecting consumers or pass off detergents, shampoos or lye as alcoholic drinks out of a "flexible" kiosk, will be curtailed once they are permanently identified with a fixed shop. In addition, the removal of kiosks from the city's pavements will restore the aesthetic integrity of the baroque and neo-classical downtown and will improve pedestrian traffic in busy places. Vandalism and surveillance as fundamental elements of the "protection" racket are also expected to decline. Permanent shops are not impregnable but significantly easier to protect against crime. The city's plans to substitute kiosks with "mini-marts" reflects the growing desire to combat crime, but this strategy will not eliminate criminal traders nor the "protection" racket (interview with police authorities). There exists a convenient symbiosis of kiosks that operate at the margin of the law and legitimate permanent shops owned by the same individual or corporate concern. In fact, the shops will allow the entrepreneur to launder illicit profits from the kiosk trade in the same manner that kiosks allow "landowners" and "protection" dons to launder income from their activities.

Of critical significance to the future development of the city is the manner in which the plan will be implemented. Surprisingly, the government is not planning to impose zoning regulations which will define areas of sole or mixed use retail activity. Instead, a general support was announced of all entrepreneurs who open a shop on the ground level of a building. If space is available, the city will issue a permit for the operation of the business and a special permit for the sale of products such as vodka. In geographical terms, the outcome of this policy will be a *laissez-faire* urban commercial structure based on the desires and possibilities of individual entrepreneurs and companies. The Minister conceded that locational competition, as well as the laws of supply and demand would lead to many business failures. Ultimately, healthy structures will emerge that reflect the location preferences of St. Petersburg's consumers.

One should note the potential of this policy to recast existing kiosk problems in a different trading context. The *laissez-faire* operation of shops throughout the city means that the most powerful persons, in terms of capital and "protection" support, will be able to secure the best locations, thus leading to a new socio-spatial hierarchy of lucrative and weak enterprises. The ministry is very interested in creating an atmosphere for maximum market liberalisation. However, it appears also to exhibit some naivety about long-range land use planning of the city, and the perceptions to foreign investors that the lack of zoning regulations will create.

7.7.2
The view from the architect's studio

Kiosks have become such an important element of the city that government authorities seek to integrate them visually into the built environment. In addition to imposing regulations on kiosk owners, the city is considering the design and construction of "mini-marts" as substitutes for ordinary kiosks. This scheme however does not foresee the total elimination of kiosks. Mini-marts are planned for areas with ample space and high pedestrian traffic, as for example on *Moskovskiy Prospekt*. They are to provide trading space at street level in the form of small shops (larger than the typical kiosk) and a small rooftop playground. This scheme aims to improve the infrastructure of the kiosk branch and the working conditions of kiosk operators. The mini-marts will have adequate sanitary installations and working space. The scheme is also interesting for the kiosk owner; on the one hand, the mini-marts adhere to the locational demands of typical kiosks, although they will be fixed. This should not necessarily prove to be a disadvantage, as kiosk owners even today rarely move their kiosks. The commercial space leased to single entrepreneurs in such a facility will be only slightly larger than the usable space in a kiosk and, hence not significantly more costly. The additional infrastructure could improve the productivity. On the other hand, mini-marts are better protected against vandalism and attacks from "unorganised" criminals or disgruntled "protectors" than kiosks are, as the construction is solid, security alarm systems can be installed and they are usually controlled by groups of owners.

Entrepreneurs in Moscow appear to have embraced a version of this strategy warmly. In the vicinity of St. Nicolas and the Red Square, 15–20 metre-long "kiosks" were installed on cement foundations next to fleets of mature type kiosks of the same corporate banner. In these cases, the "megakiosks" have assumed the physical attributes of fixed shops. The Sobchak administration in particular was pushing for increased regulation of flexible trading platforms. Clearly the idea of a permanent kiosk will appeal less to those in the trade who find it convenient to disappear in the middle of the night, or who want to see kiosk, owner and operator in as vulnerable a position as possible. Ultimately, the fate of the kiosk branch is sealed. *Realter*, a trade magazine in St. Petersburg, estimated the number of kiosks in March 1996 to be no less than 6,000. The actual number was probably much higher, as the number of kiosks registered in the three research districts was nearly 2,000. City authorities planned to replace major kiosk clusters near metro stations with mini-marts by July 1996 and to eliminate all kiosks by the end of that year. Needless to say, things have been slower than expected. In view of the role of kiosks in urban commerce and the convenient service they offer the public, hasty elimination is not only unrealistic but also probably not suitable. One thing *is* certain: the intrepid enterprise of kiosk owners has uprooted one of the banes of Soviet existence: the queue at the store!

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8 Johannesburg: Life after Apartheid

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8.1
Demographic, economic and social background of post-apartheid urban development

As a result of political change in the Republic of South Africa, the general conditions of urban development have altered significantly. Structures from the past persist, however, as defined by the model of the Apartheid City (Bähr & Jürgens 1993). With reference to the demographic components of urban development, the growth pattern is much more dependent on political factors and decisions (e.g., annulment of influx control (Ogura 1996), liberalisation of border control) than on natural population growth, as reflected by the specific reproductive behaviour of individual ethnic groups and varied age structure. With reference to the economy, new opportunities for the long-term disadvantaged sections of the population have emerged (e.g., annulment of job reservation, measures for affirmative action). As the South African economy has to become internationally competitive, it can no longer afford – as during Apartheid – to be "cut off" from the world market. If the current economic growth rate is maintained, which is barely on a par with population growth, the distribution potential will be limited and a rapid adjustment of living conditions between different sections of the population is not to be expected (Bähr 1998). This could have a far-reaching effect on the urban labour and housing markets, such as the division into formal and informal sectors. At the same time, the expectations are high: after nearly half a century of Apartheid rule, many expect rapid financial improvement, an appropriate job and a private home. In the face of growing unemployment, the youth see themselves deprived of future opportunities. This partially explains the rapidly growing number of burglaries with a growing tendency towards violence, ranging from attack to murder. The high crime record and growing insecurity make South Africa not only unattractive for foreign investment and international tourism, but also contribute to the rivalry between different cities and suburbs.

R. Schneider-Sliwa (ed.), Cities in Transition:
Globalization, Political Change and Urban Development, 175–208.

8.2
New spatial structures in Greater Johannesburg

Greater Johannesburg belongs to the 1994 newly established Gauteng Province, incorporating to a great part the (former) industrial belt of the Witwatersrand and stretching from Greater Pretoria in the north over the mining–industrial core of Johannesburg to the so-called Vaal-Triangle (mainly industrial area) in the south. About 19% of the population occupy 1.5% of the area of South Africa, producing 35% of the gross national product and even 69% of the industrial production (Hoetzel *et al*. 1997, p. 575).

The regions and urban districts (location cf. both Fig. 8.1 and 8.2) in the industrial belt of Johannesburg have been affected by the political change to extremely different degrees. The obvious structural transformation is also not only the result of the Post-Apartheid Period. Many processes were initiated during the Late Apartheid Period and were simply reinforced after the annulment of all restrictions. Control factors of urban development universally at hand, such as the sub-urbanisation of living area, work and services, are to be taken into consideration as they are not specifically South African, but rather in the context of South Africa they take on a specific form.

8.2.1
The decline of the CBD (Central Business District) and revitalisation schemes

The status of the CBD as the "heart" of the agglomeration and the location of shops, services and the headquarters of the largest South African companies, is threatened by the sub-urbanisation of the tertiary sector, which is following the sub-urbanisation of the (white) population. Particularly under South African conditions, this process has taken on a high pace and has changed the appearance of the CBD within a short period. The extensive emergence of urban blight is a result of the restructuring process (J. Rogerson 1996, p. 77). Five factors in particular contribute towards the above situation:

1. The white population is abandoning many central residential areas, and non-whites are moving in. As a result, consumer profiles and preferences are changing.
2. During Apartheid, the townships were consciously provided with an insufficient number of supply facilities of every kind, forcing the residents to meet their needs in the CBD. This situation has changed now (cf. Ch. 8.2.3).
3. As a result of unemployment, many blacks have been forced to secure an income in the informal sector. This sector has therefore expanded rapidly within a few years and increasingly determines the economy in the CBD.

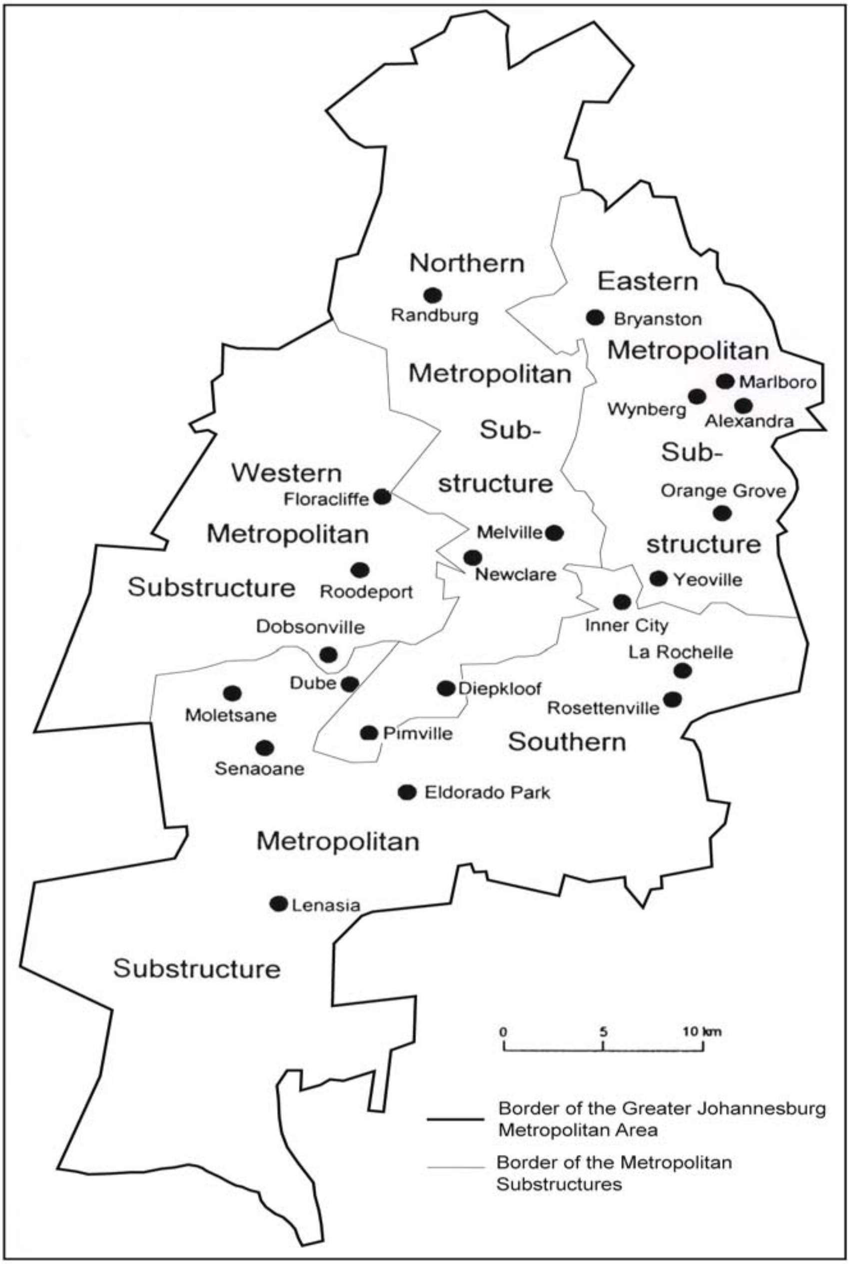

Fig. 8.1. Greater Johannesburg Metropolitan Area and its substructures (Source: Communications of the Municipality of Johannesburg).

In the early 1990s, the old Apartheid structures were legally annulled. Cities such as Johannesburg, Randburg, Sandton, Soweto and Alexandra were consolidated into one Metropolitan Region in order to ensure that traditionally disadvantaged black residential areas would profit from the tax revenue of rich white suburbs.

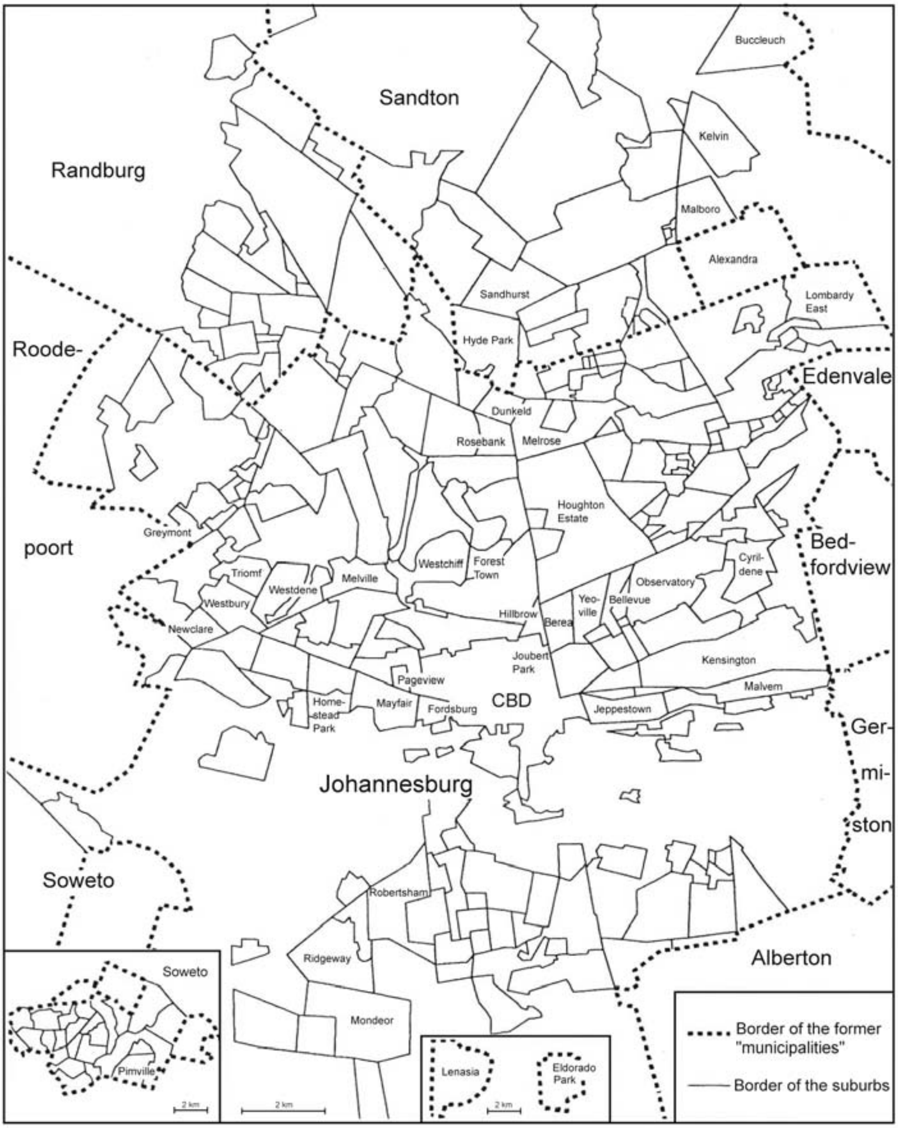

Fig. 8.2. General map of suburbs in Greater Johannesburg (Source: Communications of the Municipality of Johannesburg).
Illustrated is the breakdown of Johannesburg into suburbs. The so-called municipalities are preliminary structures of the current metropolitan substructures (Fig. 8.1)

4. In the perception of many white, but also non-white South Africans, Johannesburg's CBD is particularly unsafe. As a result, the existing shops and offices are no longer in demand, and employees question the relevance of the location.
5. Many companies have improved their image by moving to the outer suburbs instead of remaining in the centre. As a result, an edge-city has emerged in Midrand between Johannesburg and Pretoria, offering not only huge shopping centres with adjacent leisure and entertainment facilities, but also large office complexes and industrial areas (*Business Day* 29.05.1997; *The Star* 19.06.1997). A similar trend can be witnessed near the international airport (*The Star* 13.02.1997; *Saturday Star* 04.10.1997).

8.2.1.1
Changes in business life and office space usage

Functional loss. The effects of the restructuring process on the supply side can be witnessed as many traditionally upper-income shops and shopping centres in the CBD and neighbouring inner-city areas close down and follow their clients to outer suburbs, or as shops are restocked according to the needs of the new customer – currently predominantly blacks with low or middle income levels. Many shops offer mainly cheap products, such as simple textiles, plastic utensils and second-hand products. According to a survey of the well-known estate agent J.H. Isaacs in 1995, about 50% of the shops in the CBD of Johannesburg traded in clothing and shoes and about 20% in foods.

Nevertheless, there are examples of new investment in businesses in the CBD. The department store chains Woolworth and Edgars opened new flagship stores in the CBD (*The Star*, 24.03.1997). The trend in shop rental proves that this was an exception to the rule. In 1992/93 rents dropped by 15.8% for grade A retail space, and by 11.1% for grade B retail space. In comparison, an average increase of 30% was witnessed in two shopping centres in the upper-class suburb of Sandton (*Financial Mail,* 18.06.1993).

Experts believe that although the supply will continue to change, the number of vacancies will never be large nor long-term. On the one hand, the purchasing power of the black population increased – net income between 1985 and 1994 grew by 35% – while the purchasing power of the whites dropped slightly (SAIRR 1997: Fast Facts 5/97), and on the other hand, the CBD will remain for many township inhabitants the most important "shopping magnet" in the near future (*Business Day,* 14.05.1997; cf. Ch. 8.2.3.1).

The transformation of business has led to a change in office space usage. Extensive crime and insecurity has made the CBD unattractive. In general, the headquarters have not left the Greater Johannesburg Area entirely, but tend to have relocated to the northern suburbs and the Midrand area.

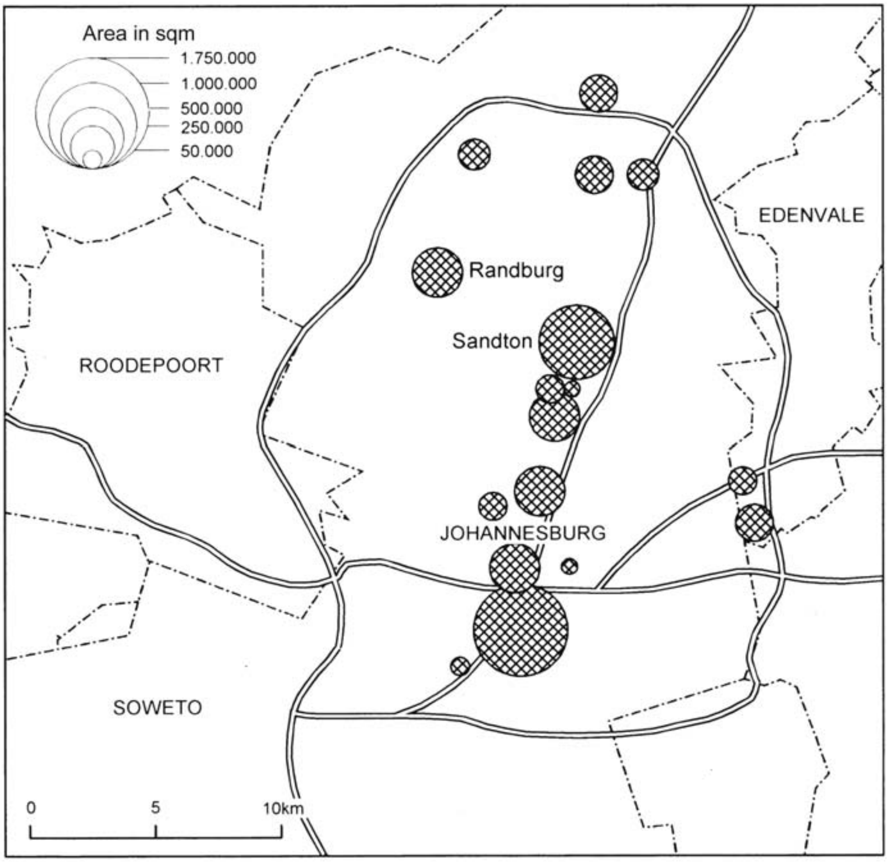

Fig. 8.3 Important office centres in Greater Johannesburg (Source: Beavon 1998).
Although the CBD still has the highest stock of office space, edge cities have developed in Sandton and to the north of the city, with more attractive real estate.

Of the top South African companies residing in Johannesburg (65 of the top 100), as many as a quarter relocated to another part of the metropolis between 1982 and 1994 (CM. Rogerson 1996, pp. 572f.). Additional competition is likely to emerge from the planned Crown City, situated 3 km south-west of the CBD, offering besides commerce and light industry at least 200,000 sq. m of new office floor space (*Financial Mail,* 07.03.1997; cf. Ch. 8.2.3.1).

Office floor space supply. While the demand for office floor space in decentralised locations between 1981 and 1992 nearly tripled, it has declined in the CBD area (J. Rogerson 1996, p. 76). High vacancies and falling prices are the immediate results (Fig. 8.4a and 4b; cf. with the opposite trend in Cape Town Fig. 8.4c): of the nearly 2 million sq. m office floor space in the CBD almost 15% was vacant by 1995; by 1997, as much as 25% of the upper price-range offices were empty (*Financial Mail,* 21.11.1997). The revenue does not cover the continual property expenditure in the form of tax and duties, cleaning and security services (J. Rogerson 1996, p. 77).

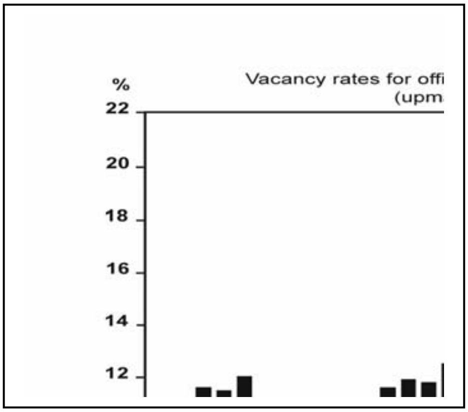

Fig. 8.4a Vacant office spaces in the CBD of Johannesburg

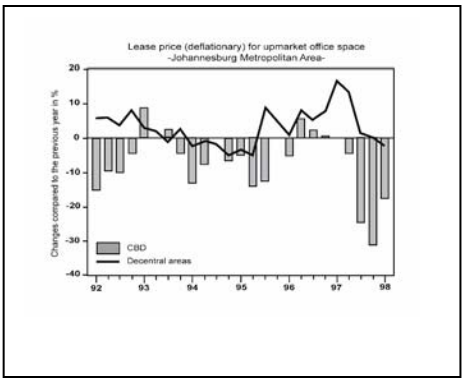

Fig. 8.4b Development of rentals for office space in the CBD and in the suburbs of Johannesburg

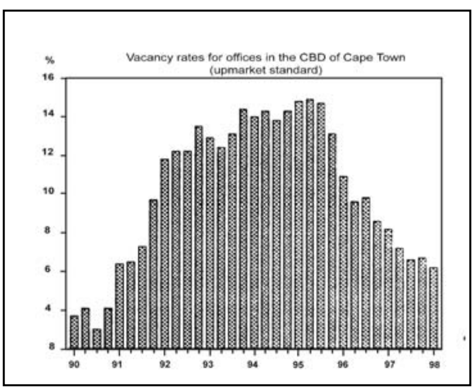

Fig. 8.4.c Vacancy rates for offices in the CBD of Cape Town (Source: Rode's SA Property Trends 1998, pp. 18, 20, 30).
Unlike Cape Town, vacant office lots have increased extensively in Johannes-burg. The rental price level in the CBD of Johannesburg has thus sunk significantly, while it has risen or remains almost constant in decentral locations.

Many buildings are thus temporarily not in use, are locked up and watched by private security patrols to prevent occupation by the homeless – numbering about 5,000 to 7,000 on the streets of the CBD and in the main train station (Hoetzel *et al*. 1997, p. 575; *Business Day,* 18.07.1997).

The end of the economic recession as well as the decision of the newly formed Gauteng Province to concentrate its administration in downtown Johannesburg will hopefully revive the market (J. Rogerson 1996, p. 78). Within only seven months, the administration managed to move from Pretoria to Johannesburg. Since then, an additional 2,000 civil service positions have been created in the CBD (*The Star*, 31.07.1996). But the rental of office space in prominent places has dropped more than 50% below that of the "new" CBD in Sandton (*Business Day,* 02.06.1999). The purchase of an office block costs about ZAR 22 million (1 ZAR = 0.316 DEM; exchange rate as at 12.07.1999), about eight times cheaper than market analysts had anticipated (*Business Day*, 02.06.1999). Even the Johannesburg Stock Exchange is to leave the CBD in 2001 and move to Sandton.

The vacuum caused by the transfer of predominantly white-owned shops and companies has been partially refilled by newly founded small and micro-enterprises owned by black businessmen, even though the percentage of black landlords in the CBD is currently less than 20% (Rogerson & Rogerson 1997, p. 94). The "ethnic profile" of certain buildings has changed dramatically within a few years, leading to – like the residential sector – diffusion processes on the sale of blocks or houses. On the whole, Rogerson & Rogerson consider their theory (1997) of the CBD as an incubator for new black-owned companies to be proven correct. The demand is still limited to a handful of exclusive locations, where the newly leased property is often divided into smaller lots.

Formal and informal markets. Trends in the formal economic sector are accompanied by the enormous expansion of the informal sector. According to J. Rogerson (1995) a total of 3,167 hawkers' stalls were spread out along the pavements of the 318 blocks which form the CBD of Johannesburg, at the end of 1994. Included were not only traders in the formal sense, but also cobblers, hairdressers and cooks, who worked on the streets. The above figures are presumed to express the lower range of the current situation in informal activity. In 1994, there were about 15,000 street hawkers in the whole of Johannesburg (*The Star,* 18.08.1994) (Photo 8.1), in comparison to about 300 in the early 1980s (cf. CM. Rogerson 1988), 1,004 in 1987, but already 14,000 (!) in July 1988 (Rogerson and Hart 1989, p. 35). By 1997, the number increased to more than 20,000 (10,000–12,000 in the city centre and 4,000–7,000 in Hillbrow; *Saturday Star,* 08.03.1997). The market thus appears to have reached the point of saturation.

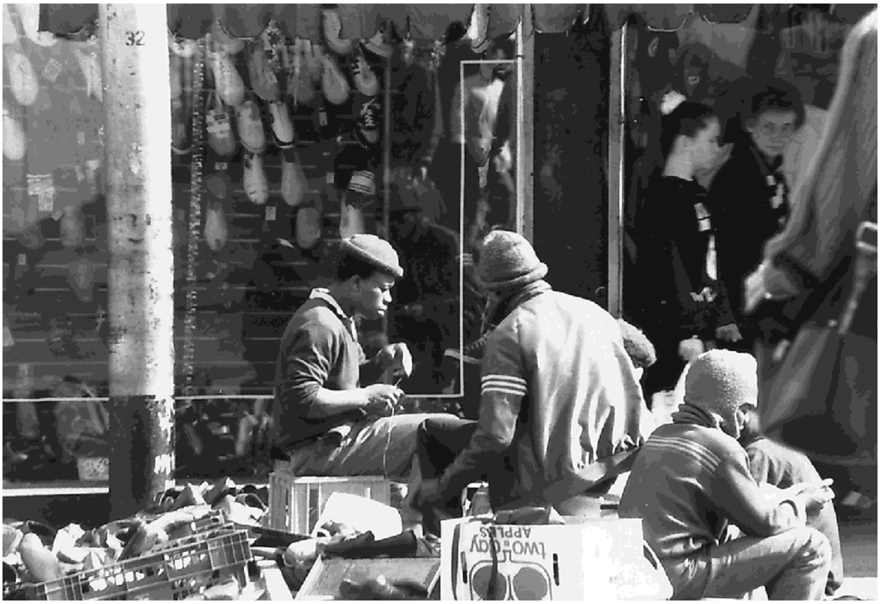

Photo 8.1. Street hawker in Hillbrow (Source: Jürgens).
Business in the city centre is increasingly determined by street hawkers. For some this development is moving in the direction of a "vibrant street culture", for others in the direction of "urban blight".

It is often difficult to differentiate between the formal and informal sectors, as numerous markets in the city centre (such as flea markets) have emerged, the stands being run to a large degree by owners of normal shops (J. Rogerson 1995, p. 167). In the meantime, a number of permanently installed stands offering storage space, washing facilities and toilets have also been constructed. In such cases, it is correct to speak of "formal informal traders" (*The Star*, 17.10.1997), as taxes have to be paid. In 1997, the monthly "rental" of these 2 sq. m stands was between ZAR 30 and ZAR 80 (*Financial Mail*, 25.07.1997). With the aid of new by-laws, informal activity was not restricted but rather organised and controlled. New restrictions include the size of the stand, and prevent the use of bus stops and pedestrian crossings for commercial activity (*Mail & Guardian*, 04. –10.04.1997). Whether such regulations will be effective, is yet to be seen. Even big suppliers will join forces to lobby against further control of the informal sector. A quarter of the ZAR 900 million annual turnover of Johannesburg's wholesale market is brought in from street trade (*Financial Mail,* 25.07.1997).

8.2.1.2
Attempts at revitalising the CBD

CBD-upgrade. Short-term and long-term restructuring schemes are necessary to prevent further depreciation of the CBD. Short-term schemes should focus on security and particularly safety awareness of the clients and employees. Long-term schemes should aim at replacing the existing functional redundancy. Although new suggestions and ideas are constantly discussed, their realisation faces great difficulties. On the one hand, it is not easy to find financially strong investors who believe in the future of the CBD, and on the other hand, planning schemes are complicated by the fragmentation of responsibility. The boundaries of the four metropolitan substructures have been defined in such a way, that three of them (Eastern, Northern and Southern) incorporate parts of the CBD and profit equally from the income revenue of these areas (*Saturday Star,* 07.06.1997; Fig. 8.1). In April 1999, the Greater Johannesburg Metropolitan Council took over important civil services, such as water works, refuse disposal, street cleaning, electricity and surveillance of street commerce, from the substructures (*Business Day*, 23.04.1999).

Of the immediate measures implemented in the CBD, the concept of visible policing is particularly significant. Intensified police patrolling, constant surveillance of important buildings and the installation of cameras are measures which will be taken to transform the CBD into a "safety lung" (*Saturday Star*, 22.06.1996). Besides further measures to improve the visual climate (e.g., permanent stalls for hawkers, combating the refuse problem, accommodation for the homeless, support of landlords to renovate and maintain buildings, new taxi stands, bus lanes and other measures for traffic control) visible policing is a determining factor in stopping the depreciation process and instilling new life. The potential for the realisation of comprehensive and expensive schemes in the future will increase if the above measures are successful.

The role of public administration and private enterprise. In order to privatise the cost of revitalisation, to relieve the communities and to encourage personal responsibility, the so-called City Improvement District Act of 1998 imposed a special tax on landowners in Gauteng for street cleaning and security. At least half of the landowners in the CIDs (City Improvement Districts) have to agree with this plan. On the one hand, community services are to benefit from the contribution of private enterprise. On the other hand, it shows the inability of the public sector to provide basic services for everyone and creates within the city different standards of community services (*Financial Mail*, 19.06.1998).

In July 1997, the Mayivuke scheme (= Awake Johannesburg) was presented to the public. In a combined effort, the central authorities, the Gauteng province, the Greater Soweto Johannesburg Transitional Council and its substructures, as well as private enterprise have agreed to invest ZAR 2 billion (1 ZAR = 0.316 DM; exchange rate as at 12.07.1999) over the next three years for the revitalisation of the CBD (cf. Tomlinson 1999).

Amongst the many singular measures, the following should be highlighted (*The Star*, 14.07.1997; *Business Day*, 18.07.1997): the construction of eight shelters for the homeless and a low budget hotel with 600 beds, the partial transfer of taxi stands underground, the construction of various shopping centres and office blocks, the development of Newtown (at the western fringe of the CBD) as the cultural centre, the improvement of housing supply by means of high density housing projects (Jeppestown, Jewel City), and a fast train connection to Pretoria and the airport.

The financial means are not yet guaranteed for all sub-schemes, nor is the involvement of private enterprise secure. Private enterprise welcomes the proposals, but remains uncommitted, as many proposals of the past have to date not been realised (*Business Day*, 23.07.1997). Because the property market in the centre of Johannesburg is controlled by approx. 20 big companies (J. Rogerson 1996, p. 73), there is a great danger that individual decisions could be the onset for a chain reaction in one direction or another. Whilst optimists believe that revival is possible, pessimists prophecy that the CBD will turn into a residential area with ground-floor shopping within the next ten years (*The Star*, 17.10.1997).

8.2.2
New black ghettos in the city centre

Since the restrictions on the choice of residence have been abolished, there are no more "grey residential areas", with non-whites illegally living in group areas which by law had been proclaimed "white". Simultaneously, the influx of immigrants to the cities has increased to such an extent that new housing schemes have not been able to keep up with demand. The demand for affordable housing in the former "white" residential areas has thus increased. Because many race discriminating rental practices are still operating, the demand is geared primarily toward the (former) grey residential areas (cf. Bähr & Jürgens 1993).

The establishment and growth of these areas have much in common with the invasion and succession process of the black population of North American cities (Bähr, Jürgens & Bock 1998). In general, this process is divided into three phases: the first phase is defined by the settlement of isolated individual black families in "white" residential areas; the second phase by the consolidation of closed groups (ghettos), leading to spatial expansion in the third phase (spill-over). The different phases can also be repeated in sequence, defining the residential area as a product of a multiple of successive phases (not always complete).

8.2.2.1
Phases of new ghetto formation in Hillbrow and Yeoville

Ethnic transformation. With reference to Hillbrow, one of the nuclei of the "greying processes", the succession of these phases is clearly illustrated. Hillbrow borders the CBD to the north-east (Fig. 8.2). In 1895, Hillbrow was planned as a suburb of one-storey buildings, but from the 30s onwards developed into an extremely dense residential area (Hoetzel *et al.* 1997, pp. 620ff.). The apartment blocks, up to 50 storeys high, consist of predominantly smaller apartments (one to two-roomed flats). They are supplemented by boarding houses and residential hotels. Traditionally, Hillbrow was a residential district for young singles and couples, especially for new immigrants from Europe who sought accommodation near their workplace in the CBD or at the University of the Witwatersrand, enjoying a wide variety (in South African terms) of leisure and entertainment facilities. Over the years and with the decline of European immigration, the district began to age. Long-term cheap, controlled rent reinforced this tendency. The rapid increase of empty apartments in the 70s and 80s, legally reserved only for whites, instigated the "greying" process (cf. Morris 1994; Guillaume 1997).

The "pioneers" were young, single newcomers, especially those from outside Johannesburg who stood at the bottom of the waiting list for a house in the townships. The majority of them were Indian or coloured (cf. Rule 1989). They were tolerated as (illegal) tenants even before the annulment of legal restrictions, or passed for whites, not only because of their similar or even higher social standing in comparison to their white neighbours, but also because of their comparatively fairer skin colour to the majority of the population. It was only later that blacks and non-whites of lower social class moved in.

Spatially, rental opportunities for non-whites were limited to a couple of houses. The invaded area expanded into the neighbourhood, not so much as a result of a white flight as such, but rather because of the passive thinning out due to the natural population development and the ongoing trend of sub-urbanisation of the white population. It soon became obvious in Hillbrow, that the mixed population was only a transitional phenomenon (Photo 8.2). By the beginning of the 90s, the percentage of the black population was estimated at 80%. The third phase of the invasion process was in progress: (New) black ghettos were forming similar to the (old) ghettos in the townships (cf. Ch. 8.4.5.2). In turn, these began to spread into the neighbouring residential areas. The changes that occurred in neighbouring Yeoville are an appropriate example.

Expanding ghetto. Yeoville is situated NE of the city centre and the high-rise flats (Fig. 8.2). The history of this residential district goes back to the end of the 19th

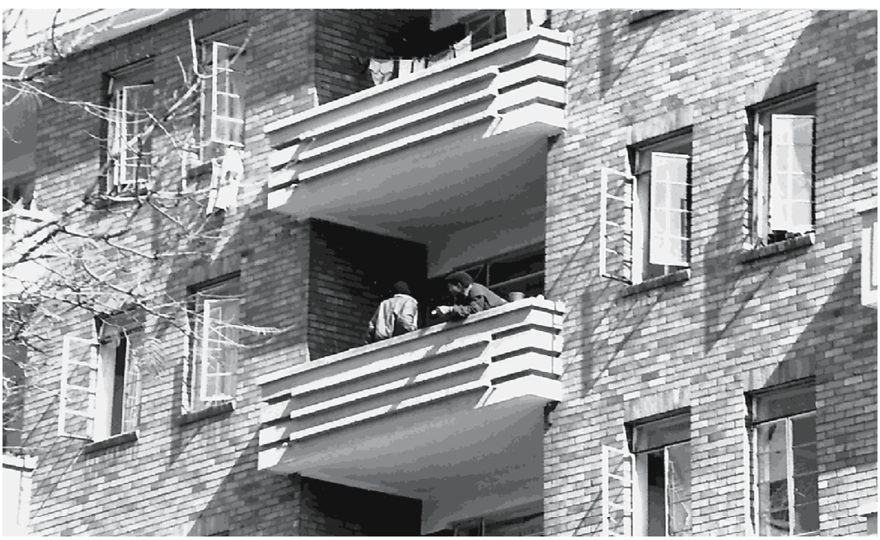

Photo 8.2. Black tenants in Berea (Source: Jürgens).
In particular, high-density residential districts such as Hillbrow and Berea were starting points for the influx of non-whites into originally official "white" residential areas.

century. Originally catering for the upper class, Yeoville developed into a middle class area, becoming extremely built up. Detached housing, terrace houses and tall buildings of up to four storeys with rented and private apartments were constructed on comparatively small lots. The population structure is characterised by many Jewish-Orthodox families in the northern part, many single persons (retired people, students) and a high percentage of academics and European immigrants. Politically liberal-minded and spatially very mobile young whites encouraged the *greying* of Yeoville, both actively (acceptance of blacks as subtenants) and passively (moving away from the area), in the early 80s. According to Jürgens (1991), Yeoville was at the brink of the invasion process in the late 80s/early 90s: in 1989, the percentage of non-white and mixed households (excluding the legally resident non-white domestic workers) was just over 3%; the total population numbering 8,242 inhabitants (Census 1985) and about 4,350 households in 1989 (estimation Jürgens 1991). It can be said that the non-white population moving in, shared an equivalent socio-economic status with the existing residents. A decline of structural fabric was not yet obvious. Structural damage caused by vandalism and the spreading drug scene in Hillbrow and Berea indicate that residential blight (see below) is also beginning to affect Yeoville (*The Star*, 19.12.1996 and 10.06.1997). Simultaneously to residential blight, the population composition changed dramatically as the Hillbrow ghetto expanded. In October 1998, 80% of all households were non-white or mixed (current DFG-scheme Bähr & Jürgens). White flight describes the situation when socially and spatially immobile older whites remain in an area and younger whites do not move in. The average staying period of white households increased from 7.1 years in 1989 to 16.9 years in October 1998. The population pyramids in Fig. 8.5 illustrate the trend of demographic polarisation between whites and non-whites.

Social polarisation is growing, not only between whites and non-whites but also within the non-white population. The net income of non-whites in 1998 was two and a half times less than that of white households, and unemployment between 16 and 65-year-olds was ten times higher. This affected the non-white property buyer (Fig. 8.6) to a lesser extent than the increasing number of tenants, who occasionally share their homes with other households.

Currently a new invasion and succession cycle in the core of the ghetto is emerging. With the end of Apartheid, many black Africans from West and Central Africa, as well as from the neighbouring countries of Southern Africa, came to Johannesburg in search of work (Carim 1995; Haldenwang 1996). These people converged in particular in the high-rise districts at the edge of the city. Because the illegal immigrant is in danger of being transferred home, he is willing – like

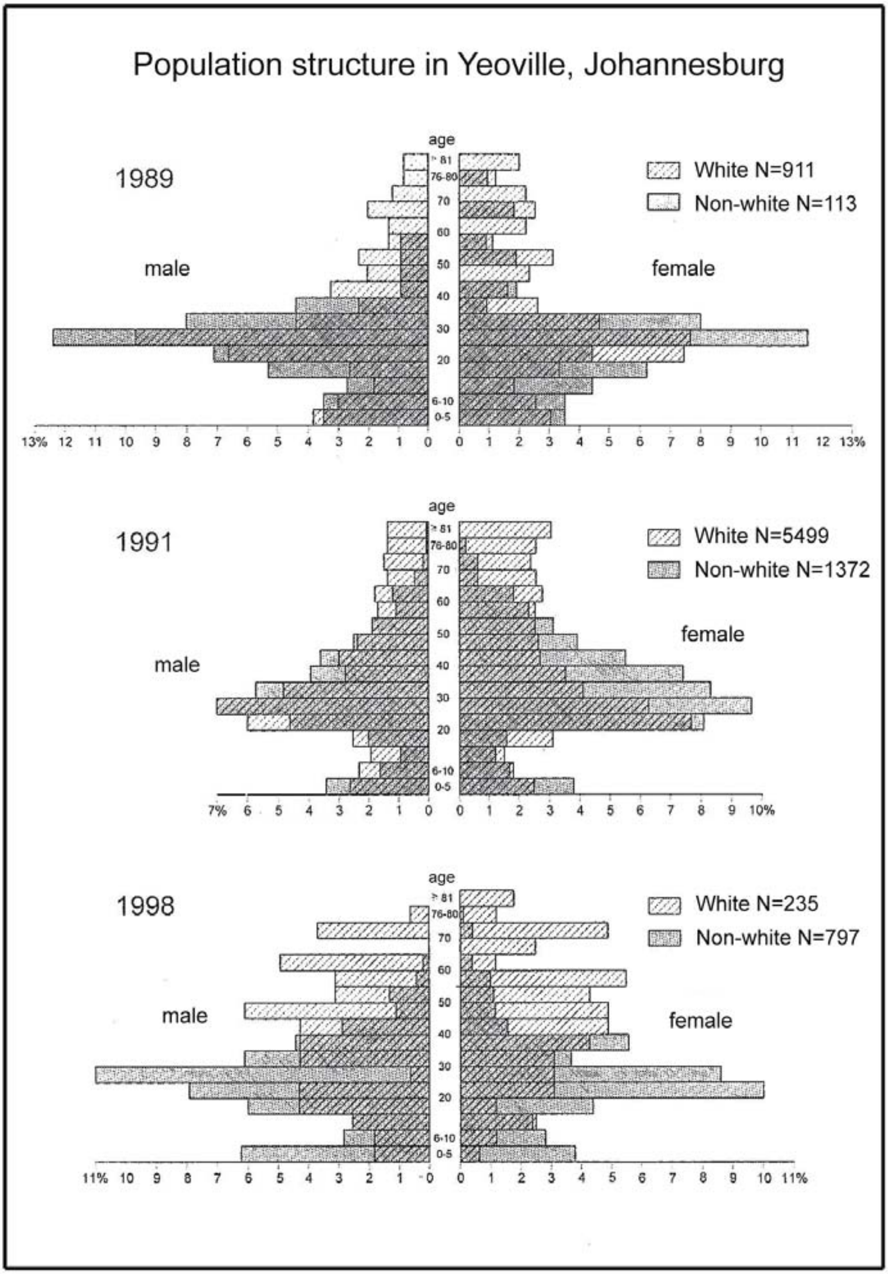

Fig. 8.5. Population change in Yeoville, Johannesburg, 1989, 1991 and 1998 (Source: Jürgens 1997; Republic of South Africa 1992.

Comparison of population structure of Yeoville over several years. All information is based on empirical statistics from 1989 and 1998, as well as on the results of the 1991 census. A very young non-white population strongly contrasts with an ever-ageing white population. At some stage, the whites will no longer be represented in the pyramids for natural reasons.

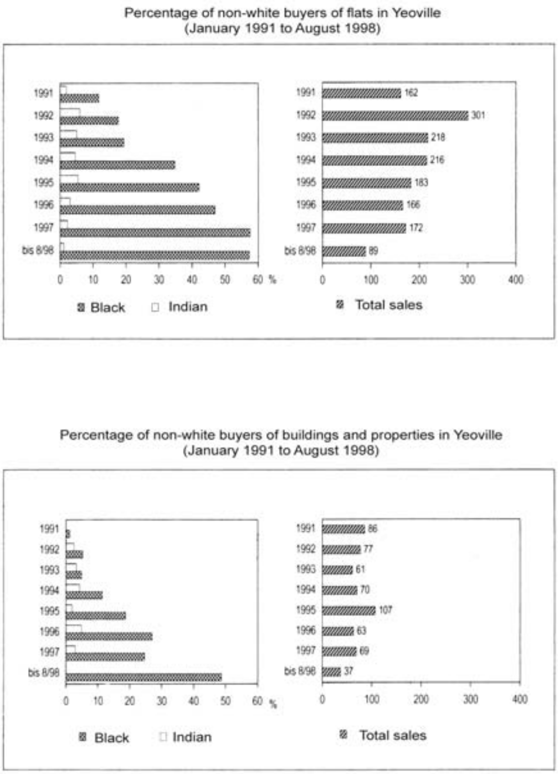

Fig. 8.6. The number of buildings, properties and flats sold in Yeoville, Johannesburg (Source: Record of Transfers 1991ff. (until May 1994); Selsick & Ahier Estates 1994ff. (from June 1994)).
The percentage of non-white property buyers in Yeoville has increased dramatically since 1991. The demand for flats is obviously much higher than for buildings. This may be due to the prevailing limited financial power of black buyers and limited or lack of credit.

the non-white South African in the early 80s – to pay higher rent, and is thus exploited by many landlords. Numerous buildings in the central flatlands are currently occupied exclusively by immigrants from the Congo, Nigeria, Ghana, Liberia or Senegal (Siso 1995). The black South African in particular, blames the high unemployment rate and growing criminality on the immigrants, who have become victims of growing xenophobia (Morris 1998).

8.2.2.2 Forms of urban blight

Whether or not and to what degree the invasion and succession process is accompanied by population growth and decline of structural fabric depends largely on the original situation, i.e. the structural fabric of the relevant district and structural condition of separate buildings. The phenomenon of residential blight in the centrally located high-rise districts of Hillbrow and Berea is immense. Exorbitant rents have led to overcrowding, increasing structural decay and wearing out of infrastructure, such as water and power supply, the sewage system, lifts, etc.

Overcrowding. If overcrowding is defined as three or more persons to a bedroom, then, according to Crankshaw & White by the end of 1991 24% of all flats in inner-city districts (such as Hillbrow and Berea) fell into this category; 35% of the population actually lives in such conditions. Two forms of overcrowding in particular exist: families which are too large for the mostly small-sized one and two-roomed apartments, and singles or couples without children who share an apartment together. The association between overcrowding and ethnical succession is illustrated by the fact that almost only blacks, coloureds and Indians live in overcrowded apartments, although they inhabited only 60% of the apartments in the residential areas in question (Crankshaw & White 1995, pp. 626 ff.).

The infrastructure has partially or totally collapsed in essentially the highly overcrowded living blocks. According to Crankshaw & White (1995, p. 635) only about 10% of the apartments were classified as slums in 1991. These apartments were mainly located in buildings that were not in the best condition before the invasion process began, and had needed immediate fundamental renovation.

Redlining. The more advanced the structural decay, the harder it is to receive credit from banks and other financial institutes (redlining), further accelerating the decaying process. However, some landlords consciously stop investing in their property in order to maximise yield during a short period. Whether the planned amendment of the Rent Control Act (originally) of 1976, with the incorporation of a Dispute Resolution Board (*The Star*, 13.01.1998) and the installation of a national Mortgage Indemnity Fund, which is to offer credit in areas where banks have pulled out (*Saturday Argus*, 30.04.1997), will alleviate the situation, is yet to be seen (*The Star*, 15.01.1997 and 15.04.1997).

Commercial blight. Structural decay, commercial blight, as present in a similar form in the city centre, and the expansion of the informal sector are all connected (cf. Ch. 8.2.1). In Yeoville, for example, traditional kosher shops for Jewish clients have closed down, in Hillbrow continental bakeries, butcheries and cafés have left. Street cleaners and refuse disposal workers cannot cope or discontinue their services if the duties are not paid. The visual appearance of decay is subsequently intensified (*Saturday Argus*, 30.04.1997).

Further intensifying the situation are complex social problems; not only the expansion of the red-light district and street prostitution, partially including child prostitution (Gilbert 1996; Gqubule 1997; *The Star*, 15.10.1997), but also drug dealing and other forms of illegal businesses flourish in spite of police surveillance (*Saturday Star*, 19.08.1996). The ever-growing extensive violent crime (*The Star*, 06.11.1997) in particular makes these residential areas increasingly unattractive not only to whites, but also to wealthy non-whites.

8.2.3
"*Black" townships*

Economic activity has not only moved from the formerly "white" CBD to the "white" suburbs in the north (Ch. 8.4.5), but has also moved into the surrounding townships, which during the Apartheid era had been conceived as dormitory towns and were equipped with only elementary and informal facilities. The townships have become interesting for investors for two reasons:

1. The residents portray a growing socio-economic differentiation. As a result commercial demands have diversified and an increasing polarisation between the poor and the rich, and between residents of the formal settlement and the backyard shacks that were erected at a later stage, is apparent.
2. The purchasing power increase in the black residential areas of Gauteng alone was one billion Rand between 1995 and 1996 (*Business Day*, 12.02.1997).

8.2.3.1
Changes in business

In 1987, only 7 libraries, 14 clinics, 13 soccer fields and 1,554 "enterprises" catered for the 1,821,526 inhabitants of Greater Soweto (Mashabela 1988), compared to the more than 3,000 formal shops in the CBD in the mid 1990s. This reflects the deficiency and demand of infrastructure and facilities.

Although new shopping centres have been built in Protea North and Dobsonville (districts in Greater Soweto), the new shops have, contrary to expectation, hardly gained acceptance. This is because:

- 65% of the inhabitants of Soweto (*Business Day*, 23.10.1996) have to work outside of the township and commute to other areas of Greater Johannesburg;
- the prices of communal taxis are as high, or nearly just as high for a ride within the township as for a trip to the CBD;
- only 20% of the households in Soweto in 1995 had access to a private car, in order to shop in shopping centres. Everyone else is generally dependent on public transport;
- a traditional familiarity with the CBD, because one works there and can shop over lunch time or after work;
- customers are under the impression that the quality of certain products in the townships is inferior or that the prices are higher than in the CBD (*Business Day*, 23.10.1996).

Various shops in the Dobsonville Centre have had to close down again, because the shopping centre generally remained unknown in Soweto. Even the centre's bookshop, which is the only one in Soweto, is not popular. Customers basically only frequent local shops as "gap fillers" (*Business Day,* 30.12.1996).

The so-called *spaza* neighbourhood shops have proven to be more successful. These converted shipping containers or huts offer a limited variety of food or services (e.g., telephone booths, repair workshops or fast food stands). They are generally one-man businesses which hardly keep their owners above water and therefore barely differ from the omnipresent street hawkers or pavement vendors. Other *spaza* shops have already been consolidated into larger shopping chains or are spatially concentrated, offering an "alternative" form of shopping centre. In Kliptown near Soweto, the so-called Freedom Square Project offers 50 containers next to each other, including, amongst others, shops, restaurants, hairdressers and a library (*Weekly Mail & Guardian,* 15.12.1994).

In 1991, in front of nearly every sixth house in Orange Farm, a township 35 km south of Johannesburg, stood a *spaza* shop, illustrating the atomised structure of their market (Eskom 1991, p. 4). Nevertheless, the total financial power of these shops is not to be underestimated. In 1996, Coca-Cola received nearly a fifth (i.e. ZAR 1 billion) of its national turnover from *spaza* shops (*Business Day*, 04.02.1997).

Pavement vendors are as significant for food and basic provision. Of those questioned, 61% of the non-whites (in contrast to 18% of the whites) in Gauteng shopped regularly – especially for fresh produce such as fruits and vegetables – on the streets (*Business Day*, 20.06.1997). Many of these vendors are represented in the African Council for Hawkers and Informal Businesses (Achib), which estimates its members' average monthly earnings at ZAR 800 in 1995 (SAIRR 1997, p. 280). In comparison, the subsistence minimum of a six-person household in Johannesburg in September 1995 was set at about ZAR 1,055/month (SAIRR 1997, p. 387), indicating that the income of a pavement vendor alone could not sustain a family.

In an effort to spatially integrate the spheres of living, working and supply, to shorten commuting distances and to increase the urbanity of townships, the former buffer zones of the Apartheid Era were designated as "mixed-use-development" areas. The promotion of workplaces in services and especially in the then totally lacking manufacturing sector were foreseen. The development of Crown City with an investment budget of ZAR 1.8 billion (about 650 million DM) links Soweto to the CBD. Offices (ca. 200,000 sq. m), industrial buildings (ca. 255,000 sq. m), retail shops (ca. 35,000 sq. m), leisure facilities and residential complexes are to be built on 68 ha, creating about 12,000 jobs (*Business Day*, 27.02.1997).

8.2.3.2 Social problems

Besides the inadequate infrastructure, social problems in particular impede the transformation of townships into "normal" cities (*The Star & SA Times International*, 08.10.1997).

Poverty, unemployment and criminality. Surveys from 1997 reveal the dramatic dimensions of unemployment and the resulting poverty (due to lack of social security systems). It is estimated that about 74% of those aged 16–25 in Soweto are unemployed, this group reflecting 48% of the total population. Relative to the whole workforce, 35% are unemployed (*The Star*, 28.08.1997 according to studies of the University of the Witwatersrand; cf. Schlemmer & Levitz 1998). As a result, commerce is becoming less and less formal. The expansion of the informal sector was facilitated by an amendment to the Business Act of 1991, repealing national regulations other than those relating to the food branch (*The Star*, 17.10.1997). Those who have turned to criminal activity have often done so in order to guarantee themselves a "safe" source of income. Areas of influence are divided amongst syndicates and gangs, and the activity is co-ordinated (Wardrop 1998).

Militancy. Unlike the experiences of the youth who fought against Apartheid in the 80s, the youth of today are largely apolitical. According to the above-mentioned research surveys amongst the youth in Soweto, only 26% showed any interest in politics. More than half of them did not support a political party (*Saturday Star*, 01.11.1997). The tradition of not paying the rent and electricity bills to the community has solidified, generally leading to hopeless debt of the respective community boards. The so-called Masakhane (= let us build together) campaign was planned to end the boycotts that often stemmed from the Apartheid era. In March 1997, the electricity payments, e.g., in Tsakane (East Rand) covered only 7% of total usage, in Alexandra (NE of Johannesburg) 19.8% and in townships west of Soweto 12.5% (*Business Day*, 01.08.1997). Over the past couple of years, certain townships have been redlined by banks and insurance companies, thus hindering residents from the opportunity of opening a credit account or taking on a mortgage. The culture of not paying has also affected the hostels – formerly accommodation for seasonal workers (Photo 8.3) – some of which are still considered no-go-areas for strangers. In 1993/94, only 7.4% of the rates of the hostels in Soweto could be collected (*Business Day*, 16.10.1996). Another problem connected to this form of living is the ethnical rivalry between residents which has led to the upswing of protection blackmail. The policy of converting hostels from male accommodation into family units – to alleviate social tension – is implemented to varying degrees in Gauteng. The percentage of women living in hostels in Soweto has increased to 23%, reflecting the decline of the "male-only" status of the hostels (*The Star*, 28.08.1997).

Photo 8.3. Hostel for seasonal workers in Soweto (Source: Jürgens).
The so-called hostels are still to this day centres of social and racial tension. Seasonal workers from former homelands, who mainly work in the mines, live here. In general, the families of seasonal workers have remained in the homelands. It is planned to transform hostels into family accommodation.

Growing class-consciousness – competing for residential areas. The struggle for limited accommodation or even living space is reflected by the fact that around 20,000 new people flock to Greater Gauteng monthly (*Weekly Mail & Guardian*, 16.05.1997). In general, the newcomers are unable to find accommodation in formal quarters, but settle on free land either as legal or officially tolerated squatters (cp. Ch. 8.2.4) or are accommodated in low-cost housing projects that are funded by the government (cf. Goodlad 1996).

Recently, middle class blacks have brought a number of these schemes in their neighbourhood to court, because cheap housing would devalue their property and present unacceptable health risks (*Cape Times*, 18.11.1997). The privatisation of former community-owned homes (matchbox houses) – until March 1997, 168,000 applications for transfer were registered in Gauteng (*Business Day,* 17.03.1997) – will probably make the new landlords more conservative and possibly more resistant to future changes in construction density in their neighbourhoods. Until today it has not been clear in a number of townships who the legal tenant/owner is and who the subtenant. In the case of Alexandra, registration was only introduced in 1997. That is why many of the owners have not been able to take legal action against tenants who did not pay rent (*The Star*, 10.06.1997).

Indian and coloured townships. The domination of blacks in politics has left parts of the coloured population frustrated by the substitution of decades of white suppression with black-enforced discrimination. Coloureds feel that they are treated differently to black residents by municipal authorities when it comes to rents and public services, as well as the maintenance of buildings and streets. Partially violent protests in Westbury and Eldorado Park have given birth to a new (coloured) racial identity consciousness, which goes against the national concept of the so-called rainbow nation. Despite the new show of cultural consciousness, the social problems reflected by the high unemployment rate of the youth (49% of 20–29 year olds; SAIRR 1997, p. 362) and criminality differ only slightly from that of black townships. Since the abolition of the Group Areas Act, numerous coloured (e.g., Ennerdale near Soweto) and Indian areas (Lenasia) have registered an influx of black residents (*Financial Mail*, 06.11.1992). Wealthy Indians have avoided this trend by moving to northern suburbs. Vacant homes in Lenasia have subsequently been occupied by squatters (*Business Day*, 26.05.1999).

8.2.4 Squatting

8.2.4.1 Different forms of squatting

As a result of the widespread housing shortage and the never-ending influx of people, informal and often illegal construction solutions have increased considerably (Jürgens & Bähr 1994). These are not spatially isolated units alongside the legally formalised (former non-white) townships and the (former white) suburbs, but are often rather mixed with both. Squatters in public parks, under bridges near the University of the Witwatersrand or on vacant lots such as, e.g., in the upper class suburb of Houghton, have been threatened by forced removals to “established” squatter areas on the outskirts of the city. In the mid-90s, whole blocks of flats in Joubert Park (city centre) were occupied and defended with force against the police (*The Star International Weekly,* 01–07.12.1994). Marlboro, an industrial area adjoining the township of Alexandra, is currently largely unoccupied, because squatters have stolen construction elements of existing buildings and converted vacant halls into new living quarters in the form of a hostel (*Business Day*, 27.01.1997).

In order to make themselves heard by courts, property owners and the public, squatters formed organisations, such as the Backyard Shack Dwellers’ Association and Homeless People Federation. The formalisation of squatting is considered by top political commissions to be a suitable mechanism for reducing housing shortages without putting pressure on the national budget. The Extension of Security of Tenure Bill provides the squatter with settlement rights, if they have been resident more than a year in the same property (*Business Day,* 19.08.1997). The Township Declaration Act allows the legal formalisation of informal residential areas, making way for the planned development of social facilities in the form of schools or police posts and the right of the resident to apply for land titles and to qualify for national subsidies and mortgages. An *in situ* revaluation of the residential area results from the new ownership pride of the resident (*The Star*, 19.09.1997). Over the next ten years, up to 200 informal residential areas in Gauteng are to be upgraded to townships.

8.2.4.2
Socio-economic characteristics of squatters

The personal history of a squatter in relation to place of origin, level of education and profession is very diverse.

- Illegal African immigrants have mostly travelled a long way and tend to settle in Alexandra.
- People coming from former homelands and unemployed farm workers seek accommodation in squatter areas that surround the whole city. As many of these squatters have laid out maize fields and keep cattle and small livestock, the areas have a very rural atmosphere. Of 22 households questioned in Mandela Village north of Pretoria, 18 acknowledged having a subsistence activity of this kind (Hall *et al*. 1996, p. 68).
- As a result of political violence (early 90s, amongst others in East Rand) or termination of tenancy, people who had been living in formal residences were displaced to the squatter areas.
- Ethnic conflict and the ongoing conversion of the *hostels* into family apartments have caused many inhabitants to move. It was either too dangerous to live in a hostel or the supply of housing has effectively been reduced, because the size of the individual living units has increased.
- The hostels of some mines (e.g., in Bekkersdal, West Rand), do not offer sufficient accommodation for all workers. Many miners thus live in informal settlements, which have spread rapidly since the early 90s (Jürgens 1994).

It is not unusual that many people live in informal housing for up to 20 years. The more recent their arrival however, the better the level of education in general. Thus, on the one hand, social discrepancy between newcomers and long-term squatters is increasing, and on the other hand, a social assimilation between "new" squatters and neighbouring formal property owners is also apparent (Jürgens 1994, p. 74). In recent years, this has increasingly led to political disagreements between the homeless and homeowners, as well as to illegal occupation of buildings.

8.2.5
Traditional "white" residential areas

In July 1997, the Nigerian Minister of Information referred to "South Africa as a white country with a black head (of state)" (*The Star*, 15.07.1997). This statement led to diplomatic embroilment. The rainbow nation remains a myth, because the white population still lives spatially and socio-economically segregated from the non-whites, as shown by socio-economic surveys and interviews concerning political voting and ethnic identity; only 2% of the whites consider themselves "African" (*Saturday Star*, 23.05.1997; *Financial Mail*, 15.08.1997). Small-scale election results for parliamentary elections in June 1999 reflect the political–ethnic polarisation between sections of the population (Table 8.1). While the whites (e.g., Bryanston) voted primarily for the liberal Democratic Party, the blacks voted mainly for the ANC or as in the case of seasonal workers from KwaZulu-Natal, for the IFP.

Table 8.1. Result of parliamentary elections in June 1999 (Source: http://www.elections.org.za)

Constituency	*ANC (African National Congress)*	*IFP (Inkatha Freedom Party)*	*DP (Democratic Party)*	*NNP (New National Party)*
Yeoville[1]	66.88%	7.95%	16.64%	1.79%
Hillbrow[2]	78.87%	9.42%	4.62%	1.77%
Bryanston[3]	30.52%	2.00%	59.17%	2.18%
Alexandra[4]	92.11%	2.61%	1.02%	0.64%
Meadowlands Hostel (Soweto)[5]	22.21%	74.27%	0.80%	0.93%
RSA	66.35%	8.58%	9.56%	6.87%

[1]Yeoville Boys Prep School; [2]Hillbrow Recreation Centre; [3]Bryanston High School; [4]Alexandra High School; [5]121 B Meadowlands Hostel Bungalow (Election offices within the constituencies)

The small-scale election results are based on individual election offices within the suburbs. The difference in voting pattern between the whites and blacks is significant.

8.2.5.1
New forms of living

The "laager mentality" apparent predominantly in white middle class residential areas as a means of maintaining spatial control of racial–class differences is growing as a reaction to the dropping of border strips and Apartheid police legislation. The latter is directly connected to the explosive violent crime. "Answers" are sought in gated communities, which are well-known in the USA. With their fences, entrance control and security people they resemble modern fortresses (*The Star*, 24.07.1997) (Fig. 8.7). In contrast to tradition, even the wealthy forfeit large spaces for compact living and share tennis courts and swimming pools with their neighbours. In comparison to the block-sized lots in certain parts of Sandton and Randburg, which can extend over 30 ha, the so-called Retro Cities (Hoetzel *et al.* 1997, pp. 634ff.) consist partially of multi-storey townhouses and built-up clusters. The latest development is the erection of "Manhattan-style apartment blocks", that combine living and working in close proximity in the Sandton CBD. These flats cater for the very rich: prices in the "Michelangelo Towers" vary from ZAR 1.7 million for 97 sq. m living space to ZAR 6.3 million for a penthouse (*Financial Mail*, 18.06.1999) (1 ZAR = 0.316 DM; exchange rate as at 12.07.1999).

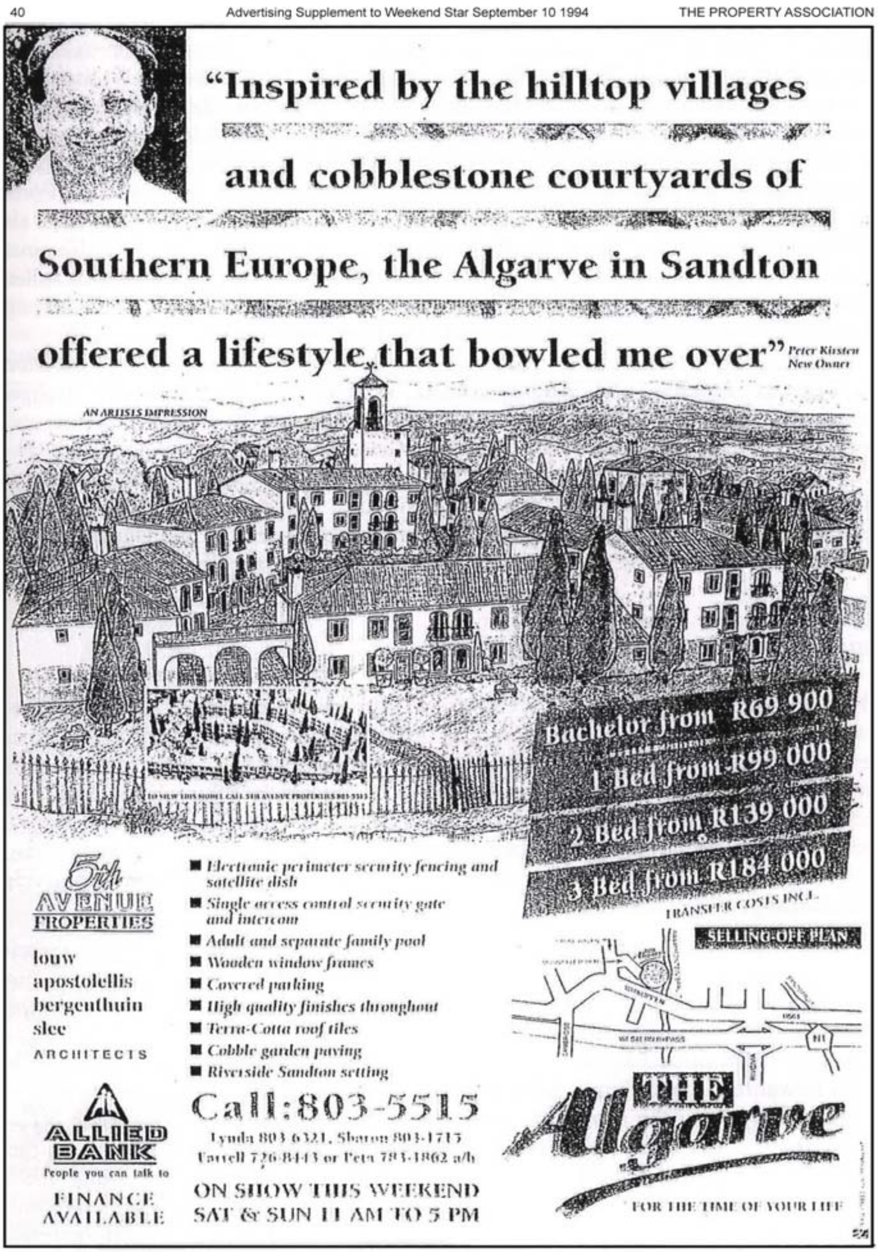

Fig. 8.7. Advertisement for cluster housing (Source: *Weekend Star*, 10.09.1994).
Life in a gated community should also be stylish. The Algarve feeling of the residential atmosphere helps structural security elements, such as electric fences and guarded entrance gates seem optically acceptable.

Racial integration is not ruled out in the upper class suburbs of Houghton, Westcliff, Dunkeld, Melrose and Sandhurst. Considered exclusive investment objects for foreigners, suitable for diplomats, as seats of embassies and internationally active companies and as the home of a growing number of new-wealthy blacks, these suburbs hide a "cosmopolitan flavour" behind high walls (*The Star & SA Times International*, 11.10.1995). The same attitude toward security unites racial groups, formulated even in the form of street barriers. At the end of 1997, more than 200 thoroughfares in Northern Johannesburg were illegally blocked (*The Star*, 14.11.1997). With the aid of the so-called Rationalisation of Local Government Affairs Bill, street barriers were to be negotiated between administration, police and public and subsequently legalised (*The Star*, 09.02.1998).

In addition, businesses and residents in Rosebank or Sandton have organised themselves into "business watches" and "neighbourhood watches" to assist the local police. "Hillbrow syndrome expands" (*Die Patriot*, 29.04.1988), "Hillbrow-oorlog is net die begin" ("Hillbrow war is only the beginning"; *Afrikaner*, 09–15.12.1994) and "Jo'burg's streets of fear" (*The Star*, 13.10.1994) are only a few headlines reflecting the opinion of many whites, who avoid the city centre for shopping, leisure and work, in favour of suburban service centres in Randburg and Sandton.

8.2.5.2
Extent of racial integration

Despite the fact that many whites want to cultivate their European lifestyles, the annulment of Apartheid legislation enabled the "Africanisation" of all urban districts, although various "shades of grey" (Schlemmer & Stack 1990) still prevail with regard to racial integration (Table 8.2). A number of white areas have remained untouched by the influx of non-whites; other suburbs are particularly sought out by black buyers. The following development is to be seen:

1. Many black buyers prefer – contrary to the white prospective buyer's demand for clusters and flats – large properties. The desire to break out of the narrowness of townships might be the cause of this (Clover 1993).
2. In cases where property is not bought in the townships, in order to uphold social relations, many blacks move to the "white" suburbs that border the townships ("in the comfort zone close to their roots"; *The Star*, 21.10.1992; site plan cf. Fig. 8.2). Between 1993 and 1996, two thirds of all buyers in Naturena (near Soweto) were blacks, and in 1996 every second buyer in Robertsham was black. Recent research shows that black buyers are less significant in "better" residential areas, such as Kensington. In this suburb in 1996, only four of 200 buyers were black (*Financial Mail*, 20.12.1996). The spill-over effect of black buyers in neighbouring white areas is also to be seen in former free settlement areas (special forms of group areas without racial restrictions from the Late Apartheid Period in Greater Johannesburg (Bähr, Jürgens & Bock 1998). The gilded ghettos (Country View, Midrand and Windmill Park, Boksburg; Table 8.2) have developed into black and Indian middle class suburbs in rural surrounding, influencing the "white" property market in neighbouring areas to a similar extent as is the case in areas bordering the traditional townships. An

example for this is Dawn Park, which borders on Windmill Park and proved to be extremely attractive for black buyers (Fig. 8.8).

Table 8.2. Number of black property buyers in selected suburbs of Johannesburg 1993–1996 (Source: *Newsletter of Urban Development Studies* 2(1), 1997, S. 2)

Area	*Suburbs*	*Price increase in % 1993–1996*	*Average price in ZAR 1993–1996*	*Number of sales*	*Number of black buyers*	*% Black buyers*
North	Fourways	16.8	357,256	628	12	1.9
	Morningside	2.8	366,014	794	18	2.3
	Sandhurst	7.8	530,579	41	0	0.0
South/ Southwest	Rosettenville	1.7	147,089	563	17	3.0
	Naturena	-0.7	161,708	276	175	63.4
	Ormonde	16.8	174,161	110	13	11.8
	Kibler Park	7.9	178,191	274	64	23.4
	Southdale	-1.7	178,711	36	3	8.3
	Robertsham	4.0	201,341	285	112	39.3
	Glenanda	7.4	209,169	124	12	9.7
	Mulbarton	10.2	244,867	376	24	6.4
East/ Northeast	Bez Valley	5.0	151,023	458	33	7.2
	Kensington	5.0	221,699	1,132	28	2.6
	Cyrildene	7.0	272,087	180	1	0.6
	Norwood	12.5	324,456	323	0	0.0
	Observatory	5.8	363,466	187	5	2.7
	Houghton	1.7	599,624	287	1	0.3
Northwest	Newlands	15.6	142,148	619	24	3.9
	Fontainebleau	12.2	227,086	147	4	2.7
	Fairlands	-0.1	358,217	253	4	1.6
	Northcliff	7.7	378,846	779	18	2.3
	Bryanston	5.5	437,794	1,131	64	5.7
Total				9,003	632	
Midrand[1]	Country View	Unknown	88,746	254	158	62.2
Boksburg[1]	Windmill Park	Unknown	72,072	118	70	59.3

[1] Own calculations based on information from relevant real estate register offices; objects sold for less than ZAR 5,001 are not taken into consideration.

All former white residential areas have undergone racial integration. At a small-scale level the degree of integration can vary greatly. It depends, amongst other things to a greater and smaller degree on the location related to the place of origin of black newcomers, on the price of apartments and on the image of the residential area (liberal or conservative whites).

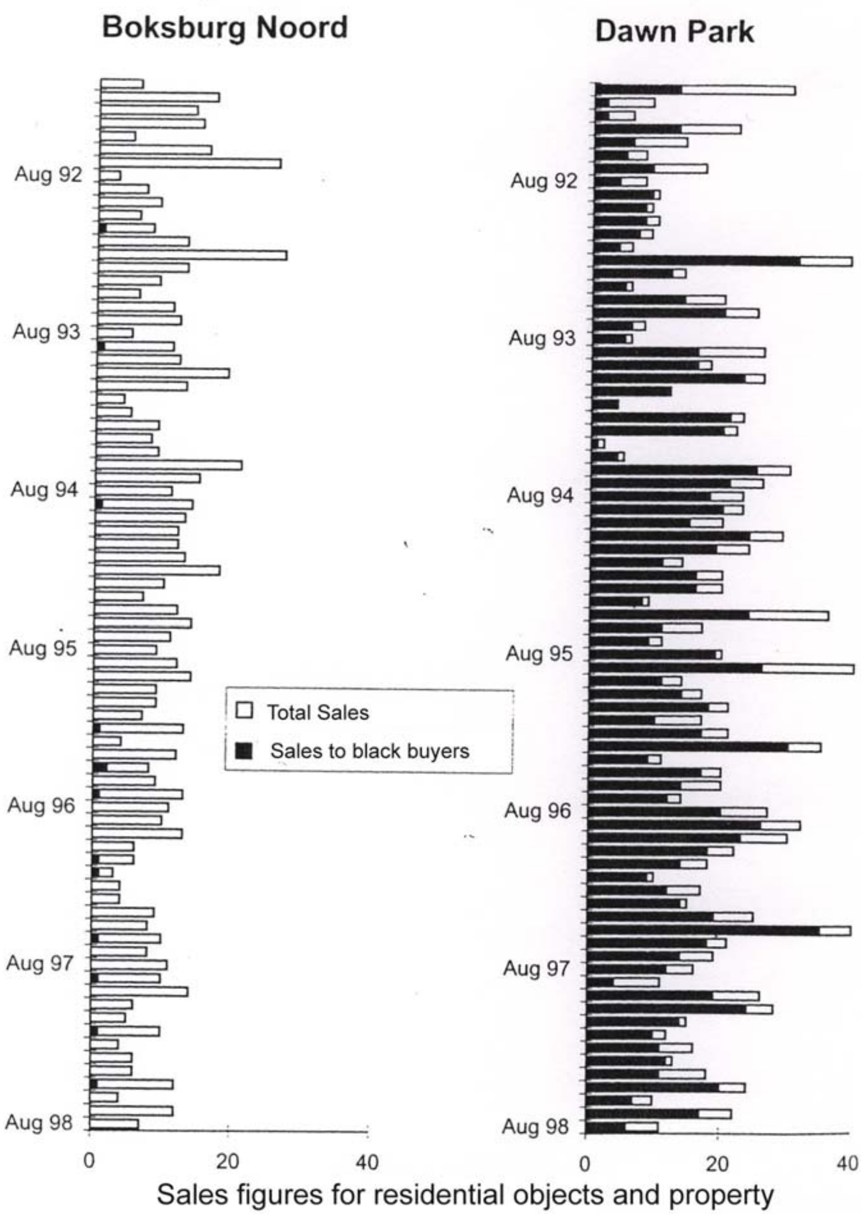

Fig. 8.8. Sales figures for residential objects and property in Dawn Park and Boksburg Noord in Greater Johannesburg (Source: Record of Transfers 1991 (until May 1994); Selsick & Ahier Estates 1994ff. (from June 1994))

Continuation Fig. 8.8 Residential areas in Greater Johannesburg are undergoing a wide range of racial integration. Boksburg Noord, traditionally an Afrikaaner-dominated residential area on the eastern urban edge, has witnessed minimal influx of blacks. Dawn Park on the other hand, a residential area south-east of Johannesburg city, attracts nearly only black buyers due to its proximity to black townships.

3. Other white areas "are not popular because of a conservative attitude among existing owners" (Clover 1993). In the early 90s, the whole West Rand (e.g., Roodeport), the northwestern suburbs of Johannesburg (Table 8.2), as well as Randburg (*The Star*, 21.10.1992) and Boksburg (the stronghold of the former Conservative Party), that revived micro-Apartheid at the end of the 80s (Fig. 8.8) was affected by this. Suburbs, such as in Melville, Greymont and Westdene, which saw an inflation of property prices due to white "gentrifiers" have also seen minimal black influx.
4. It is said that the relocation pattern of Indians is based on the location of religious facilities. Homestead Park, Fordsburg, Robertsham, Malvern and Kensington attracted prospective buyers. In Mayfair, the Indian population at the end of 1992 was said to account for 65% (*The Star*, 21.10.1992), in Fordsburg and Mayfair West for as much as 85% (*Financial Mail*, 06.11.1992).
5. The ethnic invasion since early 1997 in Cyrildene, a traditional Jewish suburb, is an exception to the rule. Although there are indications that Indians are also buying property in the area, the suburb is developing into a China town (atypical for South Africa). East Asian restaurants and vegetable and fish stores threaten to displace old-established shops. In addition, commerce and services are increasingly conducted from the homes. Post offices and local libraries have closed due to lack of interest. According to the town council, the original residents have either emigrated or moved to the northern suburbs (*Financial Mail*, 03.10.1997).

8.2.5.3
Functional change and planning problems

Independent cities, in particular in the northern suburbs of Randburg and Sandton have emerged, enabling residents to separate themselves from the existing and unpopular core of Johannesburg (cf. also Ch. 8.2.1). Since the mid-90s, new municipality delineation created for administrative purposes defines these districts as part of Greater Johannesburg. With the help of administrative reform, the high tax revenue of wealthier white areas is shared with black disadvantaged areas (Alexandra, Soweto) where in general the level of tax income is too low to pay for their own administration. As a result of the growing dissatisfaction among whites, the "culture of not paying" for communal services, known in the townships for years, is extending into the white residential areas.

The following points indicate that Randburg and Sandton, as well as Kempton Park and the Midrand, are drawing more and more urban functions away from the CBD of Johannesburg and are structurally turning away from the original suburban urban sprawl.

1. Communal authorities plan to increase the building density of "white" garden suburbs significantly by subdividing properties, building clusters and increasing the floor area ratio. Space would thus be created for more residential as well as commercial use. Some owners are making use of the opportunity to sell part of their properties. The focus on tertiary activity along the arterial roads in the northern suburbs has increased the demand for high-value housing and reduced the housing market's supply. New townhouse complexes (such as, e.g., in Sandton) can compensate for the shortage of property. But even a multi-storey college in Hyde Park has caused the residents to fear that "the huge building will lower the tone of the area" (*The Star & SA Times International*, 11.10.1995). Similar "fears" threaten to emerge from the sale of the expansive lawns of golf courses and country clubs that reach through the northern urban area (Prince 1995, p. 25).
2. The main problems hindering structural and functional redevelopment are inadequate urban planning and insufficient governmental control. An estate agent highlighted the situation along Jan Smuts Avenue between the CBD and the northern suburbs. Although never officially rezoned from residential to commercial use, its buildings are almost entirely used by offices (*The Star & SA Times International*, 11.10.1995). Immediate and legal solutions are blocked by 4,000 pending applications for rezoning (*Financial Mail*, 26.09.1997), as the municipal councils are waiting for the overall planning strategy of the Greater Johannesburg Metro Council, as this is supposed to be the framework for changes of local zoning plans (*Financial Mail*, 12.12.1997).
3. The northern suburbs, and in particular the Midrand, have gained much recognition as sites for banks and insurance companies, as well as for light industries and high-tech companies. With the help of the (international) tourism and congress sector and the concentration of commercial and entertainment facilities, these suburbs have gained urbanity.

8.3
Megalopolis Soweto/Johannesburg/Midrand/Pretoria

The Apartheid city is continually losing its original design. The traditional spatial sectors of the city are tending toward homogeneity rather than diversity, based on racial integration in residential areas or the "Africanisation of the pavement" by street vendors. The spatial segregation of these sectors is slowly disintegrating as squatters build shantytowns on the former uninhabited buffer zones and residential and industrial parks are established. As a result of the immense influx of people from the former homelands, from rural areas in general and the neighbouring African countries, Johannesburg, Soweto, the edge-city structures of the Midrand and Pretoria are merging into a single strip of cities that is nearly 100 km long. Very similar primate city structures can be identified in nearly every African country, a development which is considered "unhealthy" for regional politics. The shifting of the financial centre from the CBD of Johannesburg to the north in the direction of Midrand, is illustrated by a series of large-scale projects:

1. Besides Pretoria, the Midrand in particular is competing for the relocation of parliament from Cape Town, in the hope of becoming the second capital of the country (Jürgens 1998).
2. Large leisure and supply facilities between the two largest visitor nodes, i.e. Pretoria and Johannesburg, are planned, including amongst others, a horse racing course, casinos and shopping centres (*The Star*, 19.06.1997).
3. A new CBD is planned, offering about 160,000 sq. m rental floor area in the first building phase. Advertising highlights the comparatively low crime rate and the possibility to install the latest security measures from the start (*Business Day*, 29.05.1997).
4. Services, wholesalers, light and high-tech industries line the motorways between Johannesburg and Pretoria and are (still) relatively easily accessible to clients, suppliers and employees.

Consequently, for Johannesburg, regardless of its consolidation with Randburg and Sandton into a so-called mega-city, many commercial and industrial taxpayers would remain outside its municipal boundaries. This typical paradox between centre and "green field" locations is also common in Western Europe. It is further feared that the birth of a megalopolis could cause the high crime level in Johannesburg to spread to its surroundings (*Business Day*, 17.09.1997).

Although big department stores and warehouses stay in the city centre of Johannesburg "to maintain a standard in the CBD" (*Business Day*, 04.02.1997), the longstanding negative trend and image decline as a result of urban decay and crime cannot be reversed in a short time (cf. Ch. 8.2.1).

This does not mean that cities like Durban and Cape Town do not have to deal with similar problems. However, it is only in Johannesburg that suburban nodes have been able to develop to such a degree (Fig. 8.3), making the CBD redundant for many customers and businesses. Johannesburg is of no historical interest, and thus of little significance for the future international tourist market *(Business Day*, 20.08.1997). Owing to its modern infrastructure, it has become a congress centre and the venue of large sports events held on the African continent, e.g., the World Rugby Cup and the African Nations Cup (soccer) in the mid-90s and the All Africa Games in 1999.

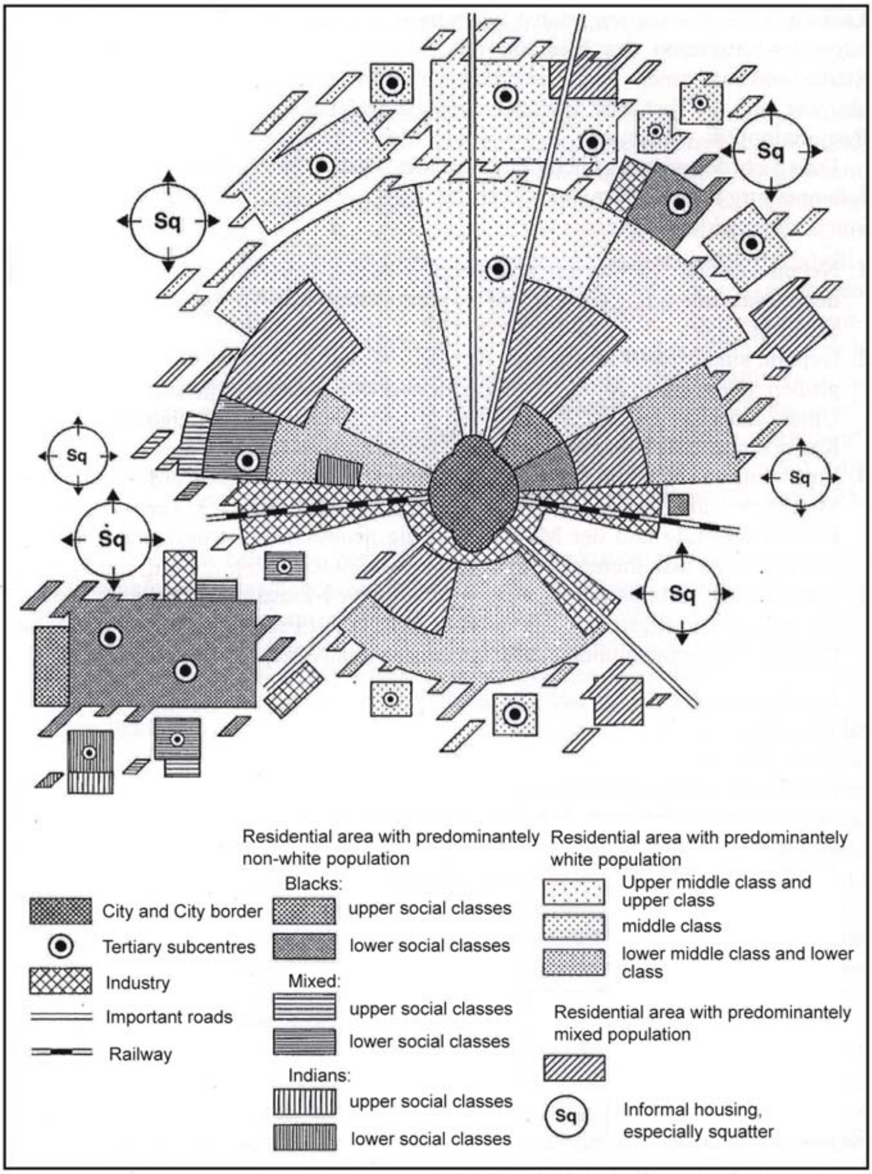

Fig. 8.9. Post-Apartheid City of Johannesburg (Source: Bähr & Jürgens 1993, p. 411).
The Post-Apartheid City is characterised by small-scale diverse racial integration and socio-economic differentiation, also in non-white residential areas. Undeveloped buffer zones between residential areas of former separate population sectors are slowly disappearing. A ring of informal dwellings marks the entire periphery of the city.

A summary of the transformation of urban structures presents a contradictory picture (cf. Fig. 8.9).

1. A white population sector still exists, with sufficient financial means to remain socio-economically and spatially segregated.
2. A narrow non-white upper class sector exists, belonging to either the political or financial elite (often referred to as tycoons; cf. Malunga 1995) and able to overcome the socio-economic boundary in Sandton or Randburg.
3. A mobile non-white middle class has emerged, finding its port of entry in former white residential areas, living in the medium-term alongside those whites who are socially and spatially most immobile.
4. The consequences for future urban planning and investment of restitution claims of those who were expropriated or forced to move during Apartheid is not yet known. At the beginning of 1997, 11,553 claims were made nationwide to the appropriate authorities for the refunding of property in urban areas. 2,792 of these were in Gauteng (Republic of South Africa 1997, Sp. 1122).
5. In particular the poor, and in general the black population, uphold the image of "eGoli", the City of Gold. Although their living standards have objectively improved in comparison to the standards in the rural areas, they have remained poor.

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9 New perspectives for Vienna: Repositioning between East and West

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9.1 Vienna in modern Europe

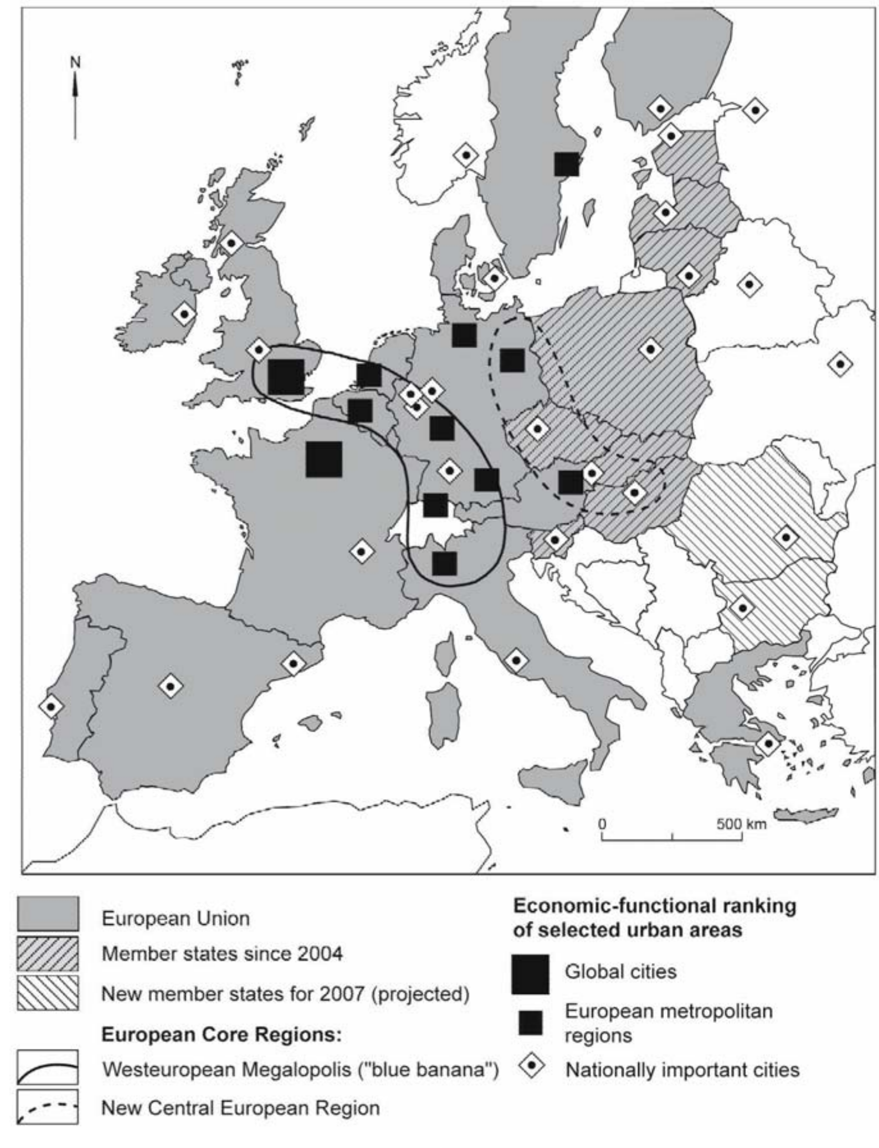
9.1.1 Regained centrality

Political change in Europe has once again dramatically influenced Vienna's relative position on the continent. Both the proximity of the Iron Curtain, just 50km east of the capital, and the city's extreme peripheral position within Austria influenced demographic and economic development over more than four decades. With the collapse of the socialistic economic and social systems and the opening of borders in 1989, Vienna no longer found itself on the outskirts of West Europe but once again at the heart of Central Europe. The door was opened for the re-establishment of economic ties with its eastern hinterland. However, Vienna remains at the interface of East and West, a boundary now marked less by differing political ideologies than by serious economic disparity. With the accession of Austria into the European Union in 1995, this border of economic division also became the outer border of the European Union. As the European Union advances eastwards, the border will at some stage simply be another internal boundary within the EU, thus shedding its divisional character, at least in political and economic matters (Map 9.1).

9.1.2 Interrelationship between different levels of global and local development and control

The fall of the Iron Curtain, the integration within the inland market of Europe and the increasing globalisation of the economy are new challenges facing Vienna at the beginning of the 21st century. In the face of rapidly changing global/external relations, urban development is confronted with changing local/internal competitive and locational situations.

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 209–249.



Map 9.1 Vienna within a new Europe (Source: Author's design; ranking of urban areas according to Krätke 1995, p. 143).
Vienna's present position on the outskirts of core European activity ("blue banana") is further intensified by its proximity to the outer border of the EU. If the EU extends eastwards and economic development and social stability in new democracies of Eastern Europe continue, then a new Central European sphere of influence is likely to be established, stretching from Budapest via Vienna and Prague to Berlin.

Vienna is neither the source nor the destination of different flow patterns, be it population, goods, services, information or capital. At the same time, the metropolis is faced with heightened competition from the EU, from states in Central and Eastern Europe and from “global players”. In the light of increasing competition for workplaces and investments, Vienna will have to consciously promote its local strengths. The future regional and global position of the city depends on the success of local authorities to either soften the impact of global processes or use them to their advantage. In essence, Vienna has to re-position itself on the supraregional, supranational and global levels: as economic hub between East and West Europe, as a European metropolis and as a “global city”. Vienna will only be able to secure itself a place within the international competition of services centres if it is able to attain the expertise suited to its new geographic situation and economic structure, and proliferate itself accordingly (Mayerhofer & Wolfmayr-Schnitzer 1996, p. 548).

9.1.3
Local effect of global change

It is not always easy to differentiate between the local consequences of two major integration processes within Europe (establishment of an inland EU market in the West, transformation of the former socialistic countries in the East) and of globalisation and internationalisation tendencies in the economy. Changing externalities generate new local structures and processes or lead to the acceleration or strengthening of contemporary development. The specific local situation modifies these new structures, processes and development. In the case of Vienna, the dual urban development of the city, reflected in the different urban structures of the old inner city and the outer city (pre- and post-Second World War period), has a modifying effect. Furthermore, differences between large state-controlled and free market segments in the housing and labour markets have also led to a modifying situation of dualistic processes in these areas. As a result of the “municipal socialism” practised in Vienna, more than 40% of the urban area belongs to the state; over 40% of enterprises are state-owned or communal; and communal housing accounts for nearly 30% of total apartments (Lichtenberger 1993b, p. 10). Moreover, the uncertainty of the rate and success of economic transformation in neighbouring eastern countries and the consequences of weaker wealth disparities between these countries will have an unforeseeable effect on Vienna. It is also difficult to project when the EU will actually expand eastwards and what the exact effects will be.

According to the principles describing the interaction of global and local forces (Ronneberger 1995, p. 145), the determination of Vienna’s current position at the local level should be completed before the city can reposition itself at the supranational and global level, particularly as the dominant processes are very different:

- Vienna is expanding once again: population figures reflect the waves of migration triggered directly and indirectly by the fall of the Iron Curtain; urban fabric reflects changes in city planning from urban renewal to urban development; economic figures reflect the market enlargement towards the East and the West. The continuous growth of foreign trade is an indication of renewed intensive economic co-operation between Vienna and the bordering new democracies of Eastern Europe.

- The massive influx of foreigners has had profound effects on the housing and labour market, to such a degree that the integration of the foreign population has been given priority in urban planning for the future (Lichtenberger 1995, p. 10). The globalisation of migration has also led to stronger ethnical segregation.
- The radius of the Vienna labour market is no longer asymmetrical: due to the increasing number of legal and illegal foreign labourers, as well as frontier commuters, the work market is extending its sphere of influence to include Poland, Hungary, the Czech Republic and Slovakia.
- The East–West shift of labour is concomitant with a West–East shift of capital. Investment strategists in the West have discovered Vienna again (Lichtenberger 1997, pp. 45f.).
- The liberalisation and internationalisation of the housing and real estate market after the fall of the Iron Curtain initiated an office construction boom with negative side-effects, such as demolition speculation, displacement of living space and rental explosion (Stoisser 1991, pp. 10f.).
- The opening of the East and the Balkan Crisis have led to a rapid increase of traffic and associated environmental pollution.
- With the Austrian accession to the EU, the devolution of the nation state has set in. On the other hand, the historical federal states have gained more political power. In the framework of the special status of Vienna as capital, federal state and municipality, the city could gain greater control and command functions. For a Europe of Regions to function, intense domestic and supranational co-operation is necessary.
- The change from domestic market orientation to international geographic competition and opening of protected markets heightens the pressure of adaptation and increases the pace of economic structural change.
- The EU prohibition of measures distorting free competition is leading to profound change in business promotion and competition policies.
- Post-industrial economic and social development is characterised by progressive de-industrialisation, tertiarisation and internationalisation of the quaternary sector. The latter is marked by falling employment rates and increasing demands of flexibility. Furthermore, tendencies in these sectors are leading to:
- the demolition of the social state, which together with other economic trends is resulting in a new polarisation of society (new poor and new housing shortages).

Central to this chapter are the local consequences of the external/globally-induced processes described below, their modification in local and regional settings and strategies and actions taken by local decision-makers.

9.2
Renewed expansion in Vienna

The opening of the East led to Vienna once again taking up a position in mainstream international migration patterns which adequately reflects her new ranking in Europe. Consequently, Vienna is expanding at a rate that some have labelled “a return to the pioneer period”. In contrast to the migration movements of the pioneer period, the new immigration wave extends beyond the Hapsburg Monarchy and has taken on global proportions. A new multicultural society is being formed in the former melting pot of Vienna. New problems of acculturation and integration will have to be dealt with as a dramatically increasing number of newcomers look for work and housing. A growing Vienna creates a new basis for urban development. The city council, who have shifted their policies from urban renewal to urban expansion, has acknowledged this changing situation. At the same time, the internationalisation of the real estate market has caused office construction to boom. Thus, also in terms of urban fabric, Vienna is expanding once again. The recovery of the eastern hinterland, the integration into the West European inland market and the spirit of a new beginning has ushered in a period of economic growth.

9.2.1
Population growth in Vienna 1951–2021

Population growth in Vienna was greatly influenced by the erection of the Iron Curtain. In 1971, the population of Vienna totalled 1,619,885, which was exactly 3,760 persons more than in 1951 (Fig. 9.1). The reason for this population stagnation lies in the negative domestic migration figures and population balance, as well as in the onset of suburbanisation in the 1960s. Whereas the steadily increasing number of guest labourers compensated for reduced domestic immigration until the mid-1970s, increased urban flight in the following years intensified population decline (Lichtenberger 1988, p. 21). Between 1971 and 1981, the population of Vienna dropped by 88,539 persons and reached its lowest point in 1986 with 1,504,395 residents. During the same period, population figures in the region (Vienna and surrounding area) underwent a similar negative trend (-53,486 persons). The migration flow thus affected a greater area than the agglomeration of Vienna alone. In 1961, 23.1% of the Austrian population lived in Vienna; by 1981 the figure had dropped to 20.3%.

In the city centre itself, centrifugal migration dominated as people moved from the districts of the pioneer period to the outer districts. The First District (City Centre) alone lost 52% or 16,652 of its population between 1951 and 1991. On the other hand, districts in the south (Favoriten, Simmering and Liesing) and the east (Floridsdorf, Donaustadt) of the metropolis registered population growth ever since 1951 (Map 9.2).

The opening of the East resulted in an influx of foreigners and put a stop to the negative population balance. Between 1987 and 1992, the number of foreigners had more than doubled (293,491 foreigners). Until 1993, the number of foreigners in Vienna increased on average by about 28,000 persons per year, which in relation to the Austrian population meant an increase from 8.4% (in 1987) to 17.9% (in 1993). Already by 1987, the positive migration balance compensated for the negative birth rate. However, noticeable population growth was only registered after 1989. The influx of foreigners with high birth rate has in the meantime significantly improved the negative average birth rate. In 1993, Vienna's registered population of 1,642,391 persons exceeded figures of 1951 for the first time.

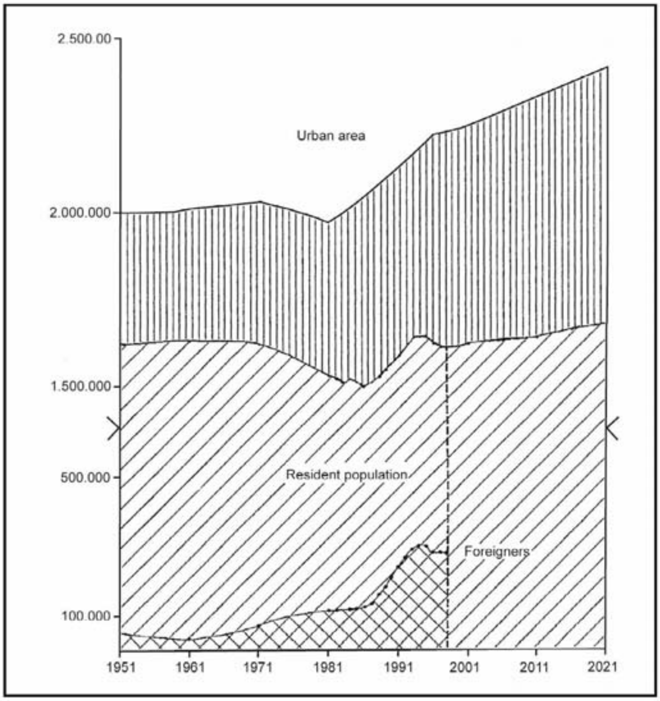
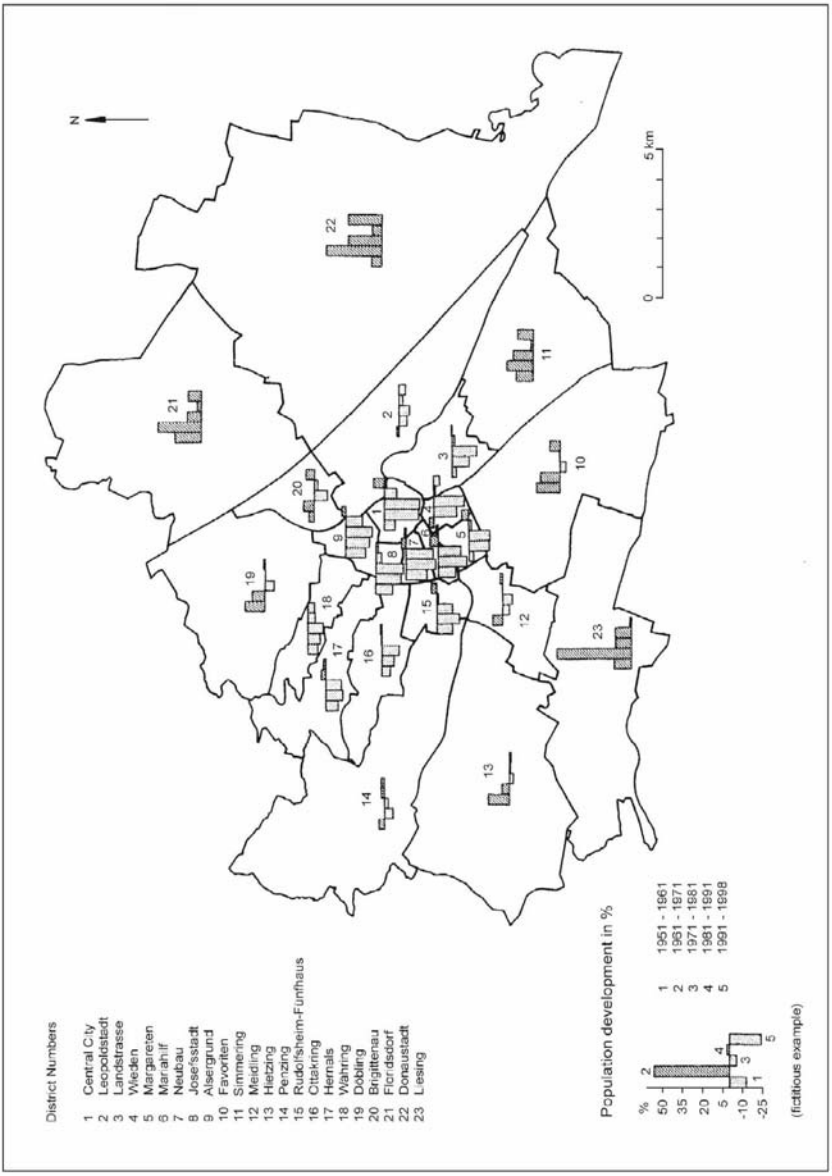


Fig. 9.1 Population change in the urban area of Vienna 1951–2021 (Source: author's design based on Vienna City Administration (ed.) 1988, pp. 46f. Vienna City Administration (ed.) 1994a, p. 8, Vienna City Administration (ed.) 1997, p. 4, Vienna City Administration (ed.) 1998, pp. 45, 49f., Lichtenberger, Fassmann & Mühlgassner 1987, p. 85).
The erection and fall of the Iron Curtain decisively influenced population growth in Vienna. After the borders were closed, the population stagnated until the beginning of the 1970s, declining in the following years. Since the opening to the East, the population of Vienna is once again growing due to a high influx of foreigners. As the number of foreigners was officially limited in 1996, only a moderate population increase is expected for the future. However, the surrounding area of Vienna is expected to experience high population growth rates until 2021 due to progressive sub-urbanisation processes.

* The political districts of Baden, Mödling, Bruck a.d. L., Gänserndorf, Korneuburg and Tulln, as well as the administrative districts of Wolkersdorf and Neulengbach are included in the suburban belt of Vienna.
** 1951–1981 population census data, 1982–1998 Population of Vienna, Residential population as of 31.12.



Map 9.2 Population change in districts of Vienna 1951–1998 (Source: author's design after Vienna City Administration (ed.) 1998, p. 35, Vienna City Administration, Wien online 15.04.99: *Statistik aktuell, Bevölkerungsevidenz* as of 31.12.1998.

During the above time frame, the population distribution within the city changed as a result of residents moving out of the original inner districts into the outer districts. High population loss in District One (central city) is concurrent with constant population increase in the southern districts (Favoriten, Simmering and Liesing) and eastern districts (Floridsdorf, Donaustadt).

With the exception of five districts, all neighbourhoods profited from overall urban population increase between 1991 and 1998. Even the original districts that had been plagued by population decline for decades are currently registering growth. In these districts often marked by substantial deprivation, new immigrants are moving into vacant living space. Neighbourhoods affected by this process are the sub-standard residential areas of Rudolfsheim-Fünfhaus, Ottakring and Hernals, as well as the former middle class residential areas of Mariahilf and Alsergrund. The highest population growth within the inner city is registered in District One, with 7.1%. In the expansion belt of the city, the link to the UNO centre is giving rise to a second major centre within the agglomeration; and the population figures here are expanding accordingly (+24.6%) (Fig 9.2).

Two factors contributed towards the gradual population decrease, resulting in a total population of 1,606,843 persons in 1998 after a gradual increase of foreigners and total population between 1993 and 1996. In an effort to control and limit immigration at the beginning of the 1990s, several federal laws were passed concerning migration control – amongst others the Law of Residential Permission of 1.7.1993. Consequently, only a limited number of residential permits could be issued each year, causing a dramatic drop in officially accepted applicants. On the other hand, the decline of population and foreigner numbers in 1996 can also be explained by changes in the survey method. From 1996 onwards, only persons with main residence are included in the census. Until then, persons with temporal residence had been included.

Whereas population forecasts of the 80s presumed continuous population decline would eventually lead to the death of the metropolis, current predictions reflect the changed political climate: while the opening of the borders in the initial years resulted in unhindered, officially uncontrolled immigration and thus extensive population growth, current prognoses indicate a moderate population increase, totalling 1,675,359 persons in 2021. In comparison to the population figures of 1996, this would mean a growth rate of 4.3%. The growth rate in the residential areas of Vienna is 22.8%, noticeably higher than in the city centre.

An element of uncertainty in the population prognosis is future development of foreigner figures in connection with EU enlargement toward the east. The possibility of fixing quotas of selected immigration groups has hindered the expected East–West migration until now. After a period of transition, this will no longer be possible with successful EU applicant states. On the contrary, the residents of new EU member states would have free access to the labour and housing market in Vienna. The extent of labour migration from these countries is difficult to assess. The state of development in these countries at the time of accession and the subsequent economic development will certainly play an important role. It is possible that Vienna could experience greater population growth in the future, with associated problems in the housing and labour markets.

9.2.2 Globalisation of migration

Whereas very few foreigners lived at Vienna at the beginning of the 1960s (1.6% of the residential population), urban change in the 1990s has been strongly influenced by immigration. Not only the number of foreign residents, but also the place of origin has fundamentally changed since then. The most significant characteristic of the new immigration field is increasing globalisation. The diversity of countries of origin, the distance between these countries and Austria, and as a result the “ethno-cultural distance” is increasing.

Whereas only 25,909 foreigners lived in Vienna in 1961, the figure had already increased to 67,760 by 1971 and 113,423 by 1981, accounting for 7.4% of the total population. Within ten years, the relative and absolute figures had doubled again. The record was set in 1995, with 300,675 foreigners (equivalent to 18.4% of the population) living in Vienna. According to official statistics, the percentage of foreigners has since then settled at around 17.6%. If the estimated number of illegal foreigners living in Vienna is considered – in 1993 about 90,000 (Lichtenberger 1995, p. 11) – a quarter of the residential population in Vienna are foreigners.

During the economic boom of the 1970s, guest labourers from Yugoslavia dominated immigration in Vienna. In 1971, they accounted for 44.4% or 25,090 of total immigrants, followed by West Europeans with 24.9%. Turkish immigration set in at the beginning of the 80s and soon exceeded the West European influx. The latter group, with 11.5%, represented the third largest group of immigrants in 1981, second to Turkish immigrants who accounted for 17.4% of all immigrants. By 1997, the majority of foreigners in Vienna came from either former Yugoslavia or Turkey. Whereas immigrants from former Yugoslavia continue to move to Vienna, the number of Turks has decreased since 1993 (16.5%). In particular, the refugee waves in the 1990s contributed towards the steady flow of Yugoslav immigrants, their number reaching 43.2% of all immigrants in 1993. The number of East Europeans has increased rapidly since the opening of the borders. At present they represent 14% of foreigners, making them the third largest group in the city. Since 1971, the percentage of West European immigrants has dropped dramatically. By 1997, their number approximately equalled the number of immigrants from Asian countries (8.9%) (Fig. 9.2).

Both heightened intracontinental migration and the shift of the principal emigration source countries (now Asian) are among the most important global migration processes at present. In 1997, more than a quarter of all emigrants came from Asia compared to 9.2% in 1971. During the same period, emigration from European countries dropped by 10% to 66.2%.

A detailed analysis of immigration statistics for Vienna reveals that besides the large percentage of Turks, mostly Iranians and Egyptians have moved to Vienna. The globalisation of migration has also led to an increase of African immigrants. At 2.6% this group is still the smallest, but in absolute terms their numbers have increased elevenfold since 1971. This immigrant group has the highest growth rate after the group of Turkish residents.

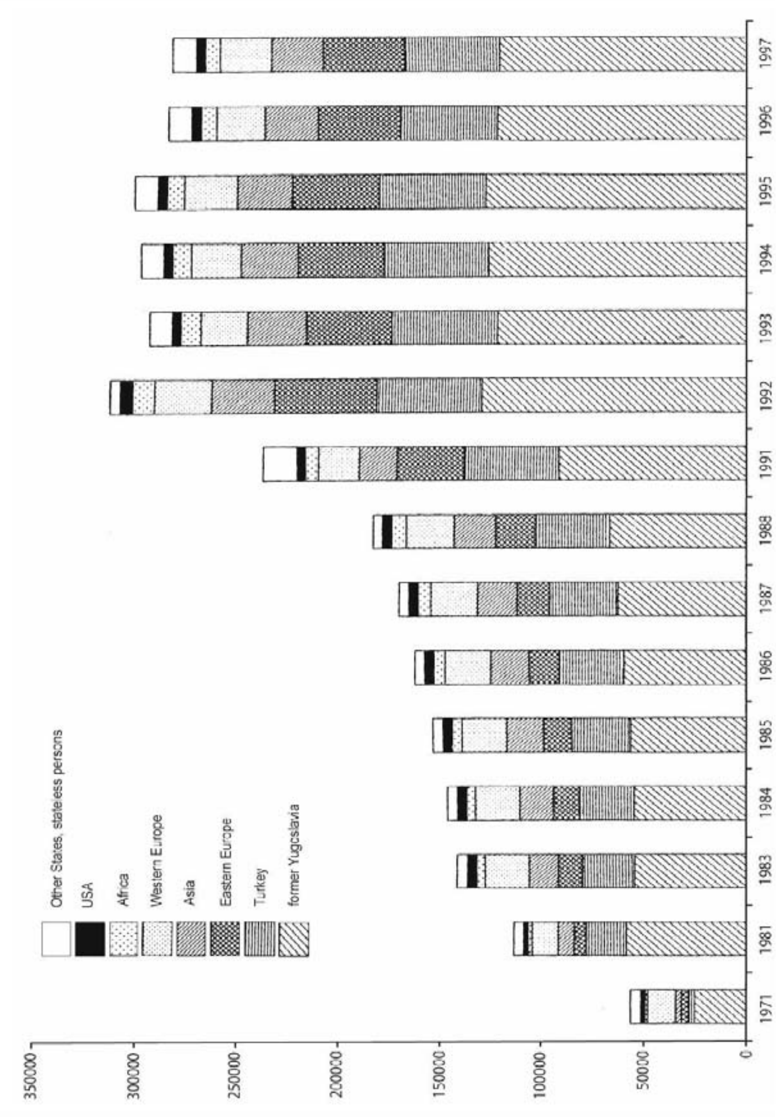


Fig. 9.2 Foreigners in Vienna according to nationality 1971-–1997 (Source: Author's design after Vienna City Administration (ed.) 1988, p. 66, Vienna City Administration (ed.) 1998, p. 46, Vienna City Administration, Wien online 20.10.99: *Wien in Zahlen, Ausländische Wohnbevölkerung in Wien*).

In the 1970s, mostly Yugoslav guest labourers were attracted to Vienna. In the early 80s, Turkish guest labourer migration set in, soon surpassing European immigration. Since the opening of the borders, the strong influx of East Europeans has made them the third largest immigration group. The shift of emigration countries towards Asia, and the increasing number of African immigrants underline the globalisation of migration patterns.

Continued Fig. 9.2
* 1983–1988, 1992: officially registered foreigners in Vienna; 1991: Foreigners in Vienna according to nationality; 1993–1995: Foreigners with temporary residence in Vienna; 1996–1997: Foreigners with main residence in Vienna.

9.2.3
Social prestige of foreigners in Vienna

The foreign population in Vienna can be divided according to nationality, or according to the social prestige given by the local population. The social acceptance of the migrants is very different; a small group of respected and well-educated foreigners of mostly Western origin stands out against a large and often discriminated group of guest labourers. Lichtenberger (1995, pp. 12f.) describes such a situation as ethnic stratification (development of upper and lower categories of foreigners). The establishment of international organisations in Vienna's centre soon after the Second World War led to the creation of an upper class of foreigners. Today, about 40,000 international officials, diplomats and their families live in the metropolis. The ten elite schools for foreign children underline the significance and importance of this group (Vienna City Administration, *City Hall Report* 26.04.96; Lichtenberger 1993a, p. 177).

A second phase of upper level immigration set in with the opening of the East and the globalisation of economic processes. Growing demand for highly qualified personnel in the expanding quaternary sector set off an immigration wave of internationally mobile top managers and specialists. Here too, the global aspect of migration is apparent: managers and staff members from the West, as well as from Japan, East Asia and the Orient take and took up for a limited period of time top positions in Vienna's economy (Lichtenberger 1997, p. 270).

On the other hand, the larger group of ethnic lower level foreigners has the potential to intensify social conflict during periods of extensive unemployment and the flagging social responsibility of the state. In particular, guest labourers from former Yugoslavia and Turkey fall into this group. As local residents fear a downturn in social security due to the influx of lower level foreigners, hostility towards foreigners is growing. The increasing physiognomic presence of foreigners which may be seen in spatial concentration and ethnic segregation has nurtured these fears of foreign infiltration. Thus, the integration of foreigners is a key element of future urban policies.

9.2.4
Ethnic segregation in the housing market

Since the beginning of the new wave of immigration, the spatial pattern of foreigners in Vienna has changed. From the housing unit segregation of the 80s, a new wave of neighbourhood formation has emerged. The following four factors have played an important role:

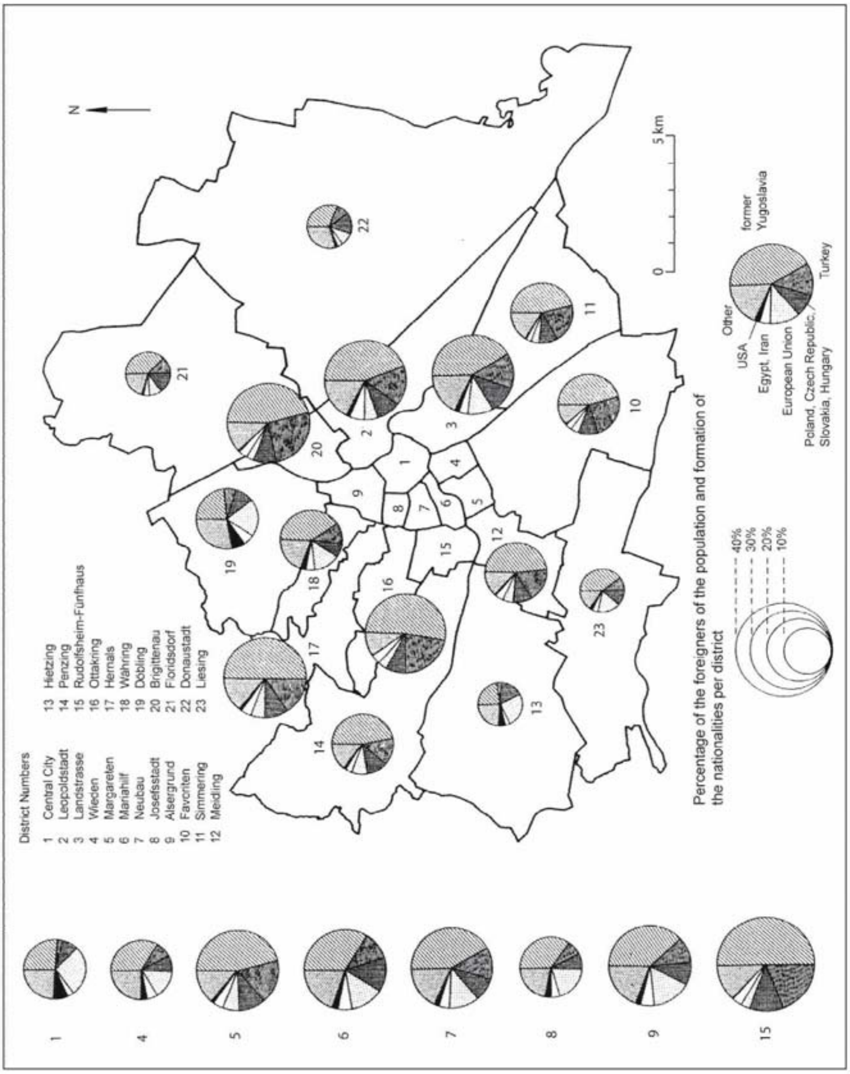
- the dramatic increase of foreigners;
- the spatial concentration of empty housing spaces;
- municipal housing policies; and

- increased ethno-cultural distance of new immigrants.

The first generation of guest labourers from former Yugoslavia settled predominantly in the former industrial belt, in older neighbourhoods along arterial roads and in poorer residential areas of pioneer period districts (12th, 15th, 16th and 17th). In these districts, former Yugoslavs are still the largest group of foreigners, accounting for 47.8% of foreigners in the 12th District and 52.1% in the 16th District (Map 9.3). The Turkish guest labourers who entered Vienna from the 80s onward, clearly separated themselves from the Yugoslavs. Turkish areas were established in the 10th and 20th District, accounting for 24.5% and 25.8%, respectively, of foreign residents in these districts, the highest relative figures for this population group to date. The existing ethnic networks in both groups have and will continue to strongly influence further immigrant settlement patterns. Consequently, between 1987 and 1997, 27,342 immigrants moved to the 15th and 16th District and 27,691 settled in the 10th and 20th Districts. Recent immigrant settlement has focused on the former middle class districts (2nd, 4th, 6th, 8th and 9th District), where many apartments and shops in buildings from the pioneer period have stood vacant since the 80s (Lichtenberger 1995, p. 15). Immigrants from Western Europe and the USA have a very different spatial settlement pattern. Both the inner city and middle class districts (13th and 19th District) are favoured by this group (Map 9.3).

On the whole, foreigners have settled predominantly in the low-rental districts built during the early pioneer period, i.e. in the city centre (2nd, 3rd, 6th and 7th District) and in districts directly to the west thereof (15th, 16th, 17th and 20th District). Characteristic of these districts is the high percentage of sub-standard apartments and buildings of poor building substance. The percentage of foreigners in these areas is around 20% to 34% (Map 9.3). Signs of sub-culture formation are also most evident in these districts, the intensity of the sub-culture being clearly linked to the ethno-cultural distance.

Ethnic segregation is aggravated by the demands of a strongly increasing number of foreigners on a spatially limited, even shrinking housing market. The phase of urban renewal which began in the mid-1980s focused on revitalising the older districts and led to a restructuring of the housing market. On the one hand, apartments in these areas became more expensive due to the renovations; and on the other hand, the reduced financial support of construction projects led to decreased availability of social housing. During a period of increased demand for cheap housing, the supply was in fact reduced. Furthermore, communal residential complexes which account for one third of Vienna’s residential capacity are not available to foreigners. Thus, few such residential complexes are to be found in urban expansion areas to the south and east of the city (13th, 21st, 22nd and 23rd District).



Map 9.3 Foreigners in Vienna 1997 – in relative terms and according to nationality per district (Source: author's analysis based on Vienna City Administration (ed.) 1998, p. 46, author's calculations).

The foreign population in Vienna is concentrated in the low rental sector of the old part of the city built during the pioneer period, i.e. in neighbourhoods in the city centre and in districts to the west thereof. The Yugoslavs and Turks form the largest foreign population groups in Vienna. The 10th, 12th, 15th, 16th, 17th and 20th Districts have developed into the main districts for guest labourer settlement.

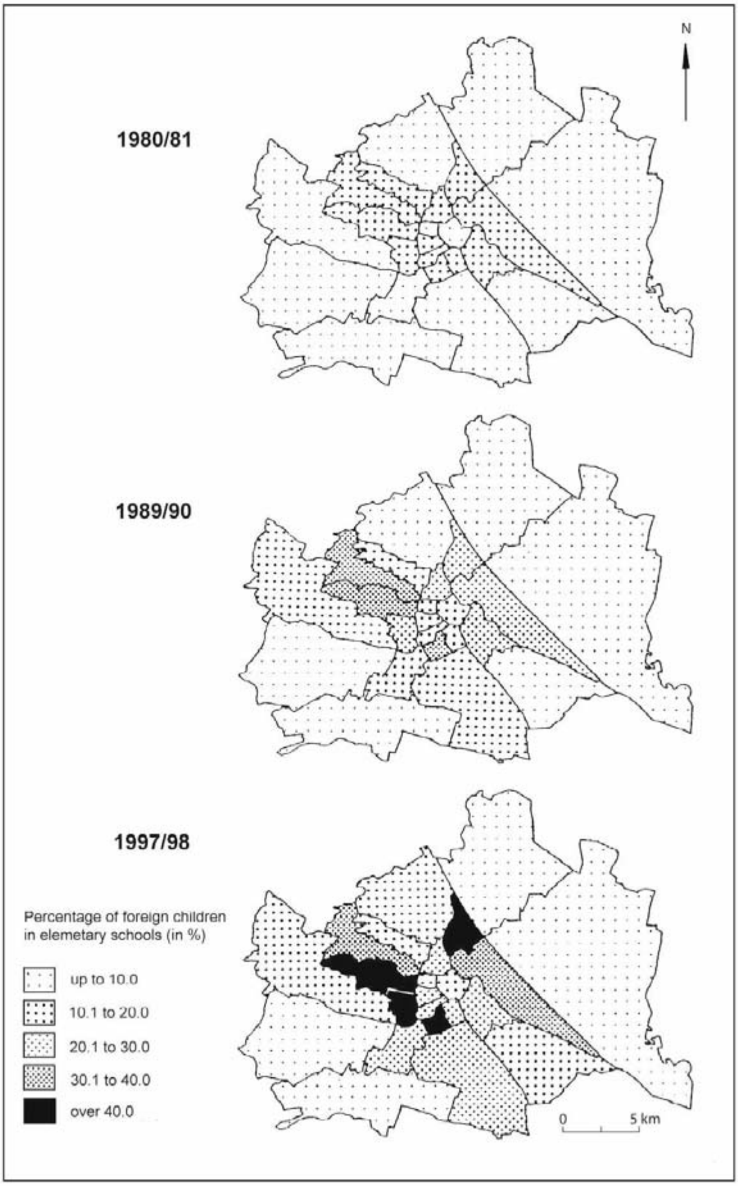
The policies of the communal housing sector have meant that foreigners are forced to seek accommodation in privately owned buildings from the pioneer period, thereby meeting with competition from students looking for cheap living areas and 'yuppies', who are moving into the city centre (Lichtenberger 1990, pp. 188f.). Urban ethnic segregation is thus leading to increasing marginalisation of foreigners in the housing market.

In 1997, nearly 50% of the foreigners lived in only 6 districts which cover 18.4% of the urban area: Leopoldstadt (7.8%), Landstrasse (6.1%), Favoriten (10.0%), Rudolfsheim-Fünfhaus (8.6%), Ottakring (8.2%) and Brigittenau (6.9%), clearly revealing the spatial concentration of foreigners. The relative increase of foreign pupils in the public schools of these districts between 1980/81 and 1997/98 also clearly reflects the continual concentration process. While in 1980/81 the number of foreign pupils in all districts was less than 20%, by 1989/90, 30%-–40% of the schoolchildren in three districts were foreign. By 1997/98, the number of such districts had increased to six, and in four districts (5th, 15th, 16th, 20th) the percentage of foreign pupils had exceeded the 40% mark (Map 9.4). Between 1980 and 1998, the number of foreign pupils attending public schools increased from 5,138 to 13,812, reflecting a percentual increase from 8.8% to 22%.

In particular, foreigners from the traditional guest labour source countries are affected by the new housing shortage. In contrast to immigrants from Western industrial countries who can afford expensive living space, this group of people are dependent on the limited rental segment of unrenovated apartment blocks from the pioneer period. This dependency is clearly visible in the residential ratio: 94% ex-Yugoslavs and 97.8% Turks reside in buildings that were built before 1918, 55.5%, respectively, 66.3% thereof living in sub-standard apartments (Categories D and E: without toilet, bathroom and central heating and only partially supplied with water). Only 7.6% of the other immigrants live under similar conditions.

From an overall urban perspective, a multiple (spatial) polarisation is visible:

- Between the traditional guest labourers who live in the poorer areas dating from the pioneer era and other immigrants who live in middle class districts (the settlement pattern of these two groups also affects the social prestige given to them by the local population);
- Between the living area of foreigners in the inner-city districts from the pioneer era suffering from urban blight and the living area of predominantly local, original Viennese families and families in communal housing in the outer districts – in this case it is suitable to talk of an urban dualism reflected in a social dualism;
- Within the city centre itself which is characterised by a downtown and a downtown extension (4th, 8th and 9th District) adjoining the central rundown districts of the pioneer period (2nd, 3rd, 6th, and 7th District). The growing number of luxury apartments in the former category is leading to increasing gentrification, displacing low income, often foreign families into the districts of the latter category (Lichtenberger 1993a, p. 189).



Map 9.4 Foreign children in Vienna's public schools according to district 1980/81–1997/98 (Source: author's analysis based on Vienna City Administration (ed.) 1998, pp. 35, 308f.).

The relative figures of foreign children in public schools according to district over the above-mentioned period clearly indicates the continual spatial concentration of the foreign population. In 1997/98, more than 40% of pupils in public schools in the districts of Margareten, Rudolfsheim-Fünfhaus, Ottakring and Brigittenau were foreigners.

9.2.5 Ethnic segmentation of labour market

After 1988, the Viennese labour market expanded strongly, reflecting the population growth trends and catering for the increase of foreign labourers. Between 1988 and 1991, the number of employed foreigners increased by 48.9% from 69,836 to 103,968. Since then, a more restrictive handling of foreign employment has dampened the rapid economic growth (Fassmann, Kohlbacher & Reeger 1993a, p. 7). In May 1999, there were 106,388 foreigners working in Vienna, only 2.3% more than in 1991. Thus the share of employed foreigners in the labour market increased from 9.4% (1988) to 13.8% (May 1999).

Map 9.5 Vienna's labour market region (Source: Adapted after Fassmann, Kohlbacher & Reeger 1993a, p. 37).
After the East opened its borders again to international contact, Vienna's labour market, which for many years had been asymmetrical, could once again spread its sphere of influence into the former socialist neighbouring countries of Slovakia, Hungary, Czech Republic and Poland. Vienna's labour market attracts in particular the mobile and better-educated population groups from the urban centres of neighbouring countries.

The expanding foreign working force is directly related to the fundamental restructuring of Vienna's labour market region. Since the reclamation of the East European hinterland, the originally asymmetric catchment area of Vienna's labour market has stretched its boundaries to include the former socialist neighbouring countries of Slovakia, Hungary, the Czech Republic and Poland (Map 9.5). A press analysis of job applications by foreigners revealed that workers from Bratislava or more generally from Western and Middle Slovakia are predominantly seeking jobs in Vienna. Further groups of job applicants in Vienna are from Moravia, Prague, Western Hungary, Budapest and Poland. Owing to spatial proximity and accessibility, Western Slovakia and the border region of Western Hungary may be considered part of Vienna's commuter field; while those living in other countries and seeking employment in Vienna have to take migration into consideration. Vienna's labour market attracts, in particular, the mobile and better-educated urban population groups (Fassmann, Kohlbacher & Reeger 1993a, pp. 36ff. and 1993b, p. 93).

Vienna's labour market generally holds restrictions for foreign job applicants. Those jobs which are available are predominantly limited to a few fields of activity in the secondary sector, positions which are characterised by instability (crisis-prone), low wages and poor working conditions (Fassmann, Kohlbacher & Reeger 1993a, pp. 9). In addition, the influx of immigrants from Eastern Central Europe and further abroad has given rise to an ethnic segmentation of Vienna's labour market: in other words, certain jobs are assigned to certain ethnic groups (Table 9.1).

Table 9.1 Ethnic segmentation of Vienna's labour market 1994 (Source: Lichtenberger 1997, p. 271, adapted by author).

Country of origin	*Percentage of working force*	*Immigrant classification*	*Social prestige*
Western Europe, USA	11%	"international elite-migration"	upper ethnic stratification layer
Yugoslavia, Turkey	58%	"traditional guest labourer migration"	lower ethnic stratification layer
Eastern Central Europe, Eastern Europe	16%	"new migration"	lower ethnic stratification layer
Asia, Africa	15%	"ethnic caste society"	lower ethnic stratification layer

Following the fall of the Iron Curtain and the globalisation of migration, an increasing number of Eastern Europeans, Asians and Africans joined the traditional segment of guest labourers from Yugoslavia and Turkey on Vienna's labour market. As certain job segments are only open to specific ethnic groups, one can speak of ethnic segmentation of the labour market.

The Yugoslavs, who generally fall into the guest labourer category, were hired by the construction and industrial branches in the 1960s and 70s. The second generation of younger, partially more-qualified labourers were able to find jobs as storage personnel, in transport and in retail. The Turks, who have been steadily immigrating to the city since the 1980s, work predominantly as traders and dealers in public food markets. Discrimination toward these groups is visible in the clearly limited choice of work. Both groups only find work in areas which are no longer of interest to the local population. With respect to the status of the jobs, this group differs greatly from other groups of foreigners. Despite the generally longer period of residence, 86.5% of Yugoslavs and 91.8% of Turks are employed as labourers, whereas in the other groups only 28.8% are labourers. Consequently, the number of employees (13.5%) and employers (8.4%) from the guest labourer segment is also low. The low professional and social prospects of this group of workers suggest that they are still not socially integrated. The fact that this is the largest group among the foreign workers gives these findings even more significance.

New immigrants from Hungary, Poland, the Czech Republic, Slovakia and Rumania are generally employed in positions that were only created after the fall of the Iron Curtain, e.g., in the resulting office construction boom. They are employed in construction, repair, cleaning, hotel and tourist services, they work in private households and as unskilled labourers. In terms of demography and training, they differ significantly from the traditional guest labourer. The majority of these immigrants are middle class and often take on work below their qualifications level (brain waste). Because of their upwards oriented professional mobility, the degree of disqualification is reduced as the duration of residence increases. At the same time, the standard of living generally improves, giving rise to better integration possibilities (Fassmann, Kohlbacher & Reeger 1995, pp. 56ff. and 1993b, p. 101).

The immigrant class type "ethnic caste society" is characterised by specific fields of work which are determined by labour organisations. The migrants in this group come from Africa and Eastern and Southern Asia. Migrants from Egypt and Bangladesh work as newspaper carriers, migrants from the Philippines and India as nurses and the Chinese in Vienna are generally found in the hotel and restaurant industry. The globalisation of migration has caused an irreversible process of profession-specific exclusion to emerge at present on the labour market. The question of middle-term integration of this group into the metropolitan labour force appears here to be more difficult to solve than is the case with the guest worker segment.

Immigrants from Western Europe and the USA make up the smallest group of the foreign labour force. The group is characterised by a high percentage of entrepreneurs (8%) and senior or executive employees (30.3%). As they are in a position to make decisions over job applicants, they are responsible for the upswing of "international elite migration" to Vienna. The international immigration of highly qualified personnel reflects the quality of the location of Vienna for international organisations and companies (Fassmann & Münz 1994, p. 17ff.; Lichtenberger 1995, p. 13f. and 1997, p. 270ff.).

9.2.6
A promising foreign policy: Integration before new influx

The massive influx of foreigners after the opening to the East led in the early 1990s to the complete reform of regulations concerning immigration. New laws for migration control and regulation were passed and existing laws amended. The list of changes is as follows:

- Foreign Labour Law of 1976, amended in 1990, since then setting the upper limit for employment of foreigners in Austria. In 1995, the upper limit was 8% of the potential Austrian working force. EU and EWR citizens are not affected by this regulation.
- The Immigration Law of 01.01.1993 aims at clearly differentiating between immigrants and tourists and lays the foundations for the prohibition of illegal immigration.
- The new Asylum Law of 1992 only recognises asylum-seekers as refugees if they have entered Austria directly from the country of persecution.
- The Residence Law of 01.07.1993 aims at controlling the influx of foreigners. Accordingly, foreigners applying for immigration have to be able to present a residence permit and proof of a secure livelihood, as well as a place of accommodation. The number of residence permits is defined by the Federal Government after the annual hearing of application countries. This regulation includes foreign children born in Austria, who however are not citizens of EU and EEA countries (Fassmann & Münz 1994, p. 10ff.).

The purpose of the policy relating to foreigners is to maintain a functioning labour market and to minimise potential social conflict between local and foreign citizens. Immigration politics fixes the quota of new immigrants and cross-border commuters relative to the local and working population. This caused a drastic reduction of immigration from 1994 onwards. In 1998, the quota of new residential permits issued to migrants in Vienna was set at 2,904, whereby family reunification was clearly given priority (Vienna City Administration, *City Hall Report* 18.11.97). An international financial centre that aims to offer partial functions of a global city should not hinder the settlement of international companies by embracing restrictive immigration policies. For this reason, employees of international organisations in Vienna, as well as specialists and executives of multinational and international groups require neither a residential permit nor a work permit (Fassmann & Münz 1994, p. 12).

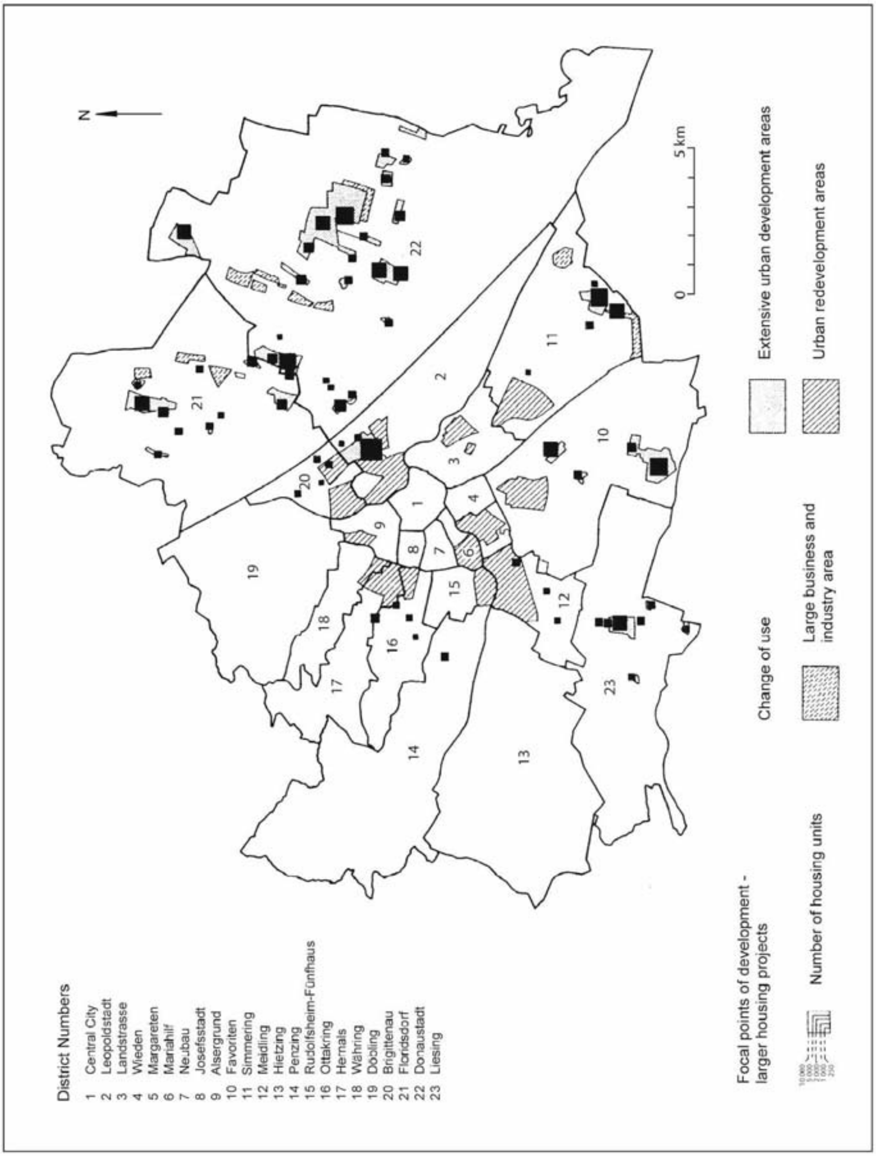
Immigration restrictions and the integration of resident foreigners go hand in hand. Although the Federal Government is responsible for immigration policies, over which Vienna has little influence, the city is responsible for the definition and implementation of integrative measures, e.g., the Integration Fund for Foreigners (1992). Naturalisation is an appropriate measure for rapid integration. For this reason, the annual number of naturalisations in Vienna more than doubled between the 1980s and the 1990s: from an average of 3,917 naturalisations per year in the 80s to 8,088 naturalisations per year in the 90s. However, in relation to the absolute number of foreigners, the quota of naturalisations remained constant at 3.2% (1981) and 3.1% (1997). An active integration policy that counteracts the spatial concentration and ethnic segregation of foreigners is lacking. Foreigners have neither access to education programmes essential for social advancement, nor to communal housing (Fassmann & Münz 1994, p. 21). In view of the social acceptance of foreigners among the local population, the historical significance of Vienna as a melting pot needs to be rekindled once again. A European metropolis and even more so a global city is by nature a multicultural city. The multicultural image of a city is a factor in intra-urban locational competition, which should not be underestimated. Finally, one should note that the immigration of a predominantly young foreign population, with a relatively high birth rate ratio, is a decisive factor of the demographic population structure.

The high percentage of illegal immigrants and a growing undeclared employment sector are proof that immigration cannot be hindered over a long period of time. Because of Vienna's exposed situation, it will continue to take on a central position in the international pattern of migration. In view of the EU's enlargement eastwards, an active immigration policy, which also deals with the causes of emigration in the countries of origin, is essential.

9.2.7
New urban growth of Vienna

The Urban Development Plan of 1984 (STEP '84) caused a turn in the existing urban policy of Vienna. Under the signs of further urban population decline, urban development was replaced by total urban renewal. Ten years later, the situation had once again changed so much that policies needed to be totally revised. Externally induced population growth and internal social development, such as the demand for a better ration of living space per person and the growing number of single and incomplete households, have led to the situation of an unsatisfactory housing market (Freihsl 1994, p. 10). External economic developments, accelerated internal structural development of the economy and intensified competition in a new Europe have led to heightened spatial needs of businesses and offices and growing demand for new attractive locations with top infrastructure.

The following STEP Programme (STEP '94) therefore concentrated on new housing construction schemes and the development of new districts. The extensive "outer urban expansion" south of the Districts 10, 11 and 23 and in particular on the other side of the Danube in the 21st and 22nd Districts is supplemented by the re-zoning of former industrial areas, barracks and railway grounds within the inner-city. At the same time the concept of urban renewal is being upheld. Those sections of the older districts which extend across the industrial belt (2nd, 10th–12th, 15th–17th and 20th District) have been identified as urban renewal areas. They are also the areas designated as (potential) problem zones in the city because of the high concentration of foreigners. If total renovation and integration measures are not taken, deterioration and urban decay will continue. In the city centre, measures for renewal are concentrated in sections of the 3rd, 5th and 6th Districts (Map 9.6) (Vienna City Administration (ed.) 1994b, p. 108ff.; Vienna City Administration (ed.) 1995, p. 68).



Map 9.6 Urban development and urban renewal areas in Vienna (Source: design adapted after Vienna City Administration (ed.) 1995, p. 68).

The current Urban Development Plan is based mainly on urban expansion, but maintains the concept of urban renewal. Extensive urban development areas have been defined further south of Vienna, with focus on districts on the other side of the Danube. Those areas marked for renewal are part of the pioneer era districts which extend over the industrial belt (2nd, 10th–12th, 15th–17th and 20th District).

From at least the perspective of the urban planner, the talk of a "new pioneer era" is appropriate: Vienna is undergoing an investment boom. Amongst the larger schemes that have either been planned, are under construction or have already been completed are: the*Donau-City* with Research and Technology Park; *Tech Gate Vienna* which is linked to the *UNO-City*, a multifunctional high-rise centre in Central Vienna (Ring Street Zone); the "Museum District" near the Trade Centre Palace (*Messepalast*); the *Zukunftsstadt* (City of the Future) on the grounds of the former Northern Railway Station (*Nordbahnhof*), a new district which is linked to the Technology Park on the exhibition grounds and the District of the 21st Century on a former industrial site in the 12th District (Vienna City Administration, City Hall Report 31.06.96 and 05.05.99). Housing schemes are planned in the outer districts to the south of the city (e.g., *Wienerberg City*), and especially in the transDanubian districts. The largest scheme currently running offers 10,000 living units on the site of the former Northern Railway Station (Map 9.6). The percentage of renovated apartment blocks in the central city sections dating from the pioneer era has increased. New modern complexes are replacing the older buildings. The majority of the above-mentioned projects are being realised in the form of Public–Private Partnerships between the Municipal Executive and international financial bodies that are interested in reaching out into the East European markets from Vienna. The Japanese, for example, have invested in the construction of the *Donau-City* and the *Zukunftsstadt*. Large schemes have established a new urban and architectural emphasis that reveals an "outwardly" visible, dynamic development of the economy and contributes to image formation and improvement.

The construction of a transDanubian "sister city" and extensive urban expansion on the far side of the Danube endorses the urban planning policy followed since the establishment of the *UNO-City*, which aims to bring Vienna closer to the Danube. With the Danube taking on the function of a central recreational axis, the present development reflects the new vision of spatial integration of the modern work and recreational society (Lichtenberger 1993c; pp. 143, 167f.).

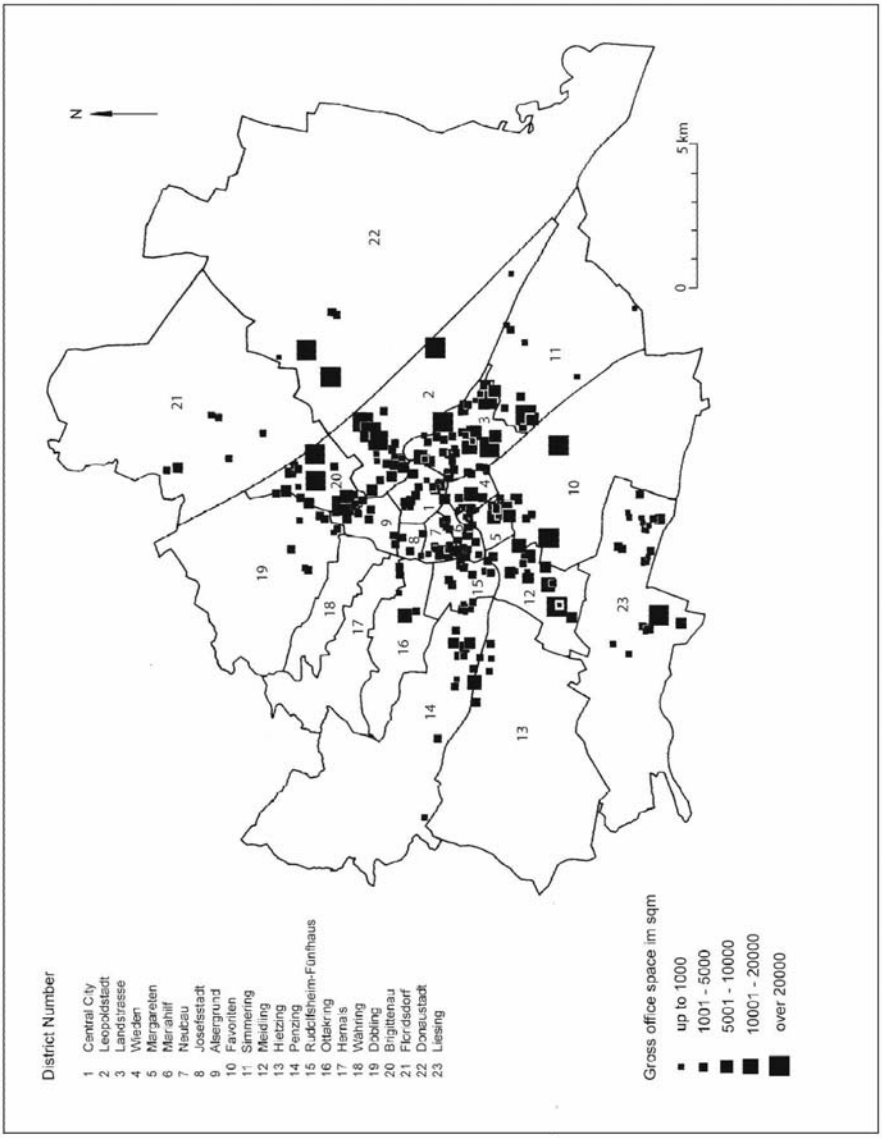
The development of the office sector, especially the new office high-rise buildings on the fringe of the city, has influenced urban growth and the urban image, e.g., Andromeda Tower in *Donau City* (113 m, 18,300 m^2 floor space), Aris Tower and IZD Tower (International Centre of *Donau City*, 50,000 m^2 office space) to the north-east of the *UNO-City*, Millennium Tower on *Handelskai* (Trader's Wharf) (36,000 m^2 office space) and Business Park Vienna on *Wiener-berg*, south of the city (130m, 68,000 m^2 office space). The internationalisation of the office and property market in Vienna only set in after the borders were opened. Increased demand has since resulted in a construction boom. Between 1987 and 1991 a total of 510,900m^2 office space was provided and between 1992 and 1995 the construction volume increased to 1,384,400 m^2. Soon after international organisations had established Eastern head offices in Vienna, international con-cerns participated in intense speculative construction. In 1988, only 2.4% of 71,000m^2 gross floor space was rented out, while in 1991, 85.8% or 60,400 m^2 was rented out. Between 1992 and 1995, the rented area was reduced to two thirds of the constructed area, but relative to the total construction volume, it remained fairly high. During this period, larger construction projects for personal use were only to be found in the 2nd District where the new IBM (40,000 m^2) and Bank of

Austria (130,000 m^2) buildings were constructed. The demand for office space in the inner-city resulted in the re-activation and renovation of the high number of offices in the old buildings. Further, vacant lots were utilised and living space transformed into office space (Vienna City Administration (ed.) 1992, pp. 22ff.).

Office space construction is spatially concentrated in the "inner-city". Nearly 60% of new office space is found in downtown extension areas (Districts 2–9 and 20). In the 1st District itself, new construction is limited due to the lack of expansion possibilities (4.4% of total construction activities). One fifth of construction activities takes place in the outer districts to the south of the city (Districts 10–12 and 23). Large schemes offering more than 20,000 m^2 gross floor space have had to orient themselves according to available space and are as such generally situated on the urban "periphery". The number of office schemes on the further side of the Danube, in the 21st and 22nd District, is comparatively small (Map 9.7). The long periods of no rental income from office buildings in these districts is an indication of their low attractiveness for businesses. In contrast to other Western European metropolises, office space construction in Vienna has to date not pushed into the suburbs. The relatively poor dynamics in this segment certainly play a role (Vienna City Administration (ed.) 1992, p. 18).

9.3 Vienna's economy under the influence of post-Fordist tendencies, globalisation, the opening to the East and EU accession

The interplay of continually changing international structures and the decisions taken by local agents in Vienna form the basis of the economic development perspectives of the metropolis. Global trends determine Europe's spatial dynamics, contribute partially to the re-evaluation of locational conditions in European sub-areas and take place predominantly independent of locational politics. The latter is however of great significance for future development of the urban economy, as local policies are able to soften the consequences of global economic trends and falling boundaries in Europe by means of structural adaptation, the strengthening of local advantages and the improvement of local competitiveness.



Map 9.7 Office schemes in Vienna 1992 (Source: Design adapted according to Vienna City Administration (ed.) 1992, pp. 47f.).
The internationalisation of the office and property markets in Vienna after the opening of the borders resulted in a construction boom. The provision of office space is spatially concentrated in the inner city. Nearly 60% of new office space has been constructed in the extended downtown areas of Districts 2–9 and 20. Large projects with more than 20,000 m^2 gross floor space are in peripheral locations because of limited development space in the city.

Presented are all known office schemes with at least 500 m^2 to 1000 m^2 office space, that were in planning or in the process of being built in April 1992. Also included is space which has been re-zoned for office use.

In contrast to the continuous integration into the West, the further development of the East European countries is influenced by numerous uncertainties with regard to the pace, progress and stability of processes of transformation. Keeping this in mind, local actors in Vienna have to lay the foundations for Vienna's future position in Europe. The options range from an offensive expansion strategy that aims at upgrading Vienna to an international economic metropolis, to an active adaptation strategy in which Vienna limits itself to the role of an interregional centre in Central Europe, to a passive strategy which leaves Vienna on the outskirts of international locational competition. The decision as to which path to take should balance optimal economic advantages and maximum social acceptability against each other. If these aspects are taken into consideration, the path of an offensive expansion does not appear to be satisfactory as it would lead to growing social polarisation and segregation (Vienna City Administration (ed.) 1994b, pp. 19ff.).

9.3.1
Characteristics of post-industrial and "post-Fordist" economic development

The situation on the Viennese labour market is continuously worsening, although at the international level it may still appear favourable. As a result of the economic recession during the 1970s, the city adopted the Keynesian strategy of deficit spending, in other words, the extensive use of public funding to maintain a high level of employment and low unemployment rates. In the early 1980s, the growing budget deficit led to the realisation that Vienna could not distance itself from international development for a longer period. At the turn of the following decade, the labour market situation was aggravated by the opening to the EU's domestic market and the new democracies of Eastern Europe (Pokay & Weigl 1996, pp. 3 and 6). Characteristics are as follows:

- Falling employment rates
- increasing unemployment as a result of increased flexibility and restructuring of production
- shift of employment from secondary to tertiary sector
- stratification changes within tertiary sector in favour of higher valued business services
- spatial de-concentration processes as a result of transfer of production activities and retail trade into the surrounding areas of Vienna
- spatial concentration of higher valued services in the city centre.

It is clear that Vienna cannot remove itself from the influence of global economic-–social restructuring processes. The following developments could be identified:

Development of employment ratio. Between 1970 and 1977, the number of dependent labourers increased by 8.2% to 791,310 persons, reaching an all-time peak. By 1984, only 731,027 persons (7.6% less) were employed. The effects of economic upswing in the USA and the collapse of the OPEC cartel in the early

80s revived production but did not improve the employment situation. It was only after 1984 that economic and employment growth once again ran parallel.

From 1988 onwards, the labour market underwent massive expansion, increasing by 6.6% to 791,961 persons in 1992. Foreign immigrants contributed predominantly towards this boom, generally taking on positions in the secondary sector whatever their qualifications. As a result of the influx of cheap foreign labourers, certain labour cost-oriented branches were able to increase their workforce numbers at minimal cost.

The economic downswing after 1993, the pressure of extensive rationalisation due to Austrian plans to accede to the EU in 1995, and a reduction of production and partial relocation of services to new democracies in East European and developing countries led employment figures to drop by 3.5% to 764,280 (1997). The greatest downturn in employment figures was registered in the two years after joining the EU, −7,836 persons or −1.0%, followed by the loss of a further 9,836 positions or −1.3% in the following year (Table 9.2). Despite fewer jobs, productivity increased by 2.3% (1995) (Pokay & Weigl 1996, pp. 6f., 12, 16).

Unemployment. Between 1970 and 1980, the unemployment rate remained more or less constant at the low level of 1.5% due to the policy of *Austrokeynesia*. In the years thereafter, Vienna had to take her place in international economic development. Attempts to consolidate the budget by means of increased taxation negatively affected consumer patterns and led to rapid unemployment growth (Pokay & Weigl 1996, p. 6). The 5% unemployment barrier was broken in 1987 with 5.4% registered unemployed. During a phase of economic upswing in the second half of the 80s, the unemployment rate remained stable, but by 1990 it began to rise again: from 1990–91 by +0.5%, 1992–93 +0.8% and since EU membership annually by +0.5% (Table 9.2). The unemployment record was reached in 1998 at 8.8%, although 1999 appears to be an equally strong year (during the first five months of 1999, 8.9% unemployed were registered).

The increasing duration of unemployment finds its roots in the structural problems of the labour market (employment growth only in public and private services sector, extensive retrenchment in industrial sector). In comparison to 1980 (18.5%), the number of long-term unemployed persons in 1990 (38.5%) had more than doubled, while in 1995, 43.8% of all unemployed persons had been without a job for more than six months. In terms of age structure, unemployed persons tend to be 40 years and older. Whereas this group represented 36.8% of total unemployed in 1987, this increased to 44.9% in 1995 (Pokay & Weigl 1996, p. 7, 15). Further, since 1980, the percentage of unemployed men is higher than that of unemployed women. Middle-aged men with proportionately high salary expectations and low flexibility (reflected in the duration of unemployment) are thus amongst the "new losers" on the labour market (Schermann-Richter 1997, p. 35). As public and communal organisations close down or restructure, unemployment has also hit the traditionally safe bureaucratic labour market sector.

Table 9.2 Vienna labour market 1951–1997 (Source: Pokay & Weigl 1996, pp. 4f., Vienna City Administration (ed.) 1998, pp. 257ff., author's calculations)

	Unselbständig Beschäftigte				Sektor		vorgemerkte Arbeitslose				Arbeits-losen-
Jahr	insges.	männl.	weibl.	Ausl.	II.	III.	insges.	männl.	weibl.	Ausl.	quote
1951	661981	61.2	38.8	-	-	-	47155	51.1	48.9	-	6.6
1961	770775	57.1	42.9	0.2	47.1	52.3	14034	36.8	63.2	-	1.8
1971	739254	56.9	43.1	7.7	41.2	58.2	10467	27.0	73.0	-	1.4
1981	764367	55.1	44.9	10.3	33.5	66.1	16325	56.1	43.9	2794	2.1
1987	739153	54.5	45.5	9.3	29.1	70.6	42477	56.0	44.0	4924	5.4
1988	742939	54.2	45.8	9.4	28.2	71.5	43089	56.0	44.0	4804	5.5
1989	749321	54.3	45.7	9.9	27.4	72.3	42858	54.9	45.1	4952	5.4
1990	762395	54.3	45.7	11.4	26.9	72.8	47161	55.6	44.4	6669	5.8
1991	781718	54.4	45.6	13.3	26.6	73.1	52334	56.0	44.0	7992	6.3
1992	791961	54.0	46.0	12.7	25.8	73.9	54464	57.4	42.6	8475	6.4
1993	789232	53.8	46.2	12.6	24.8	74.9	61436	58.3	41.7	9652	7.2
1994	788311	53.7	46.3	13.0	24.2	75.5	60129	58.9	41.1	9057	7.1
1995	780475	53.7	46.3	13.5	22.0	77.6	61020	59.2	40.8	8970	7.3
1996	770639	53.6	46.4	13.7			64877	59.7	40.3	10025	7.8
1997	764280	53.6	46.4	13.7	22.8	76.7	68803	58.8	41.2	10325	8.3

The situation on the labour market of Vienna has increasingly worsened. Characteristic of the 90s is the downward trend of employment and the continued shift of jobs from the second to the tertiary sector. Foreign labourers in particular are affected by unemployment (13.7%).

The onset of increased competition between enterprises in the secondary sector during a period of weak economic activity affected, in particular, foreign labourers who are generally found in the lowest categories of the labour market. It is also this group of workers that is affected more than the average by a dynamic reduction of work numbers in industry (Pokay & Weigl 1996, p. 12). Although the percentage of employed foreigners in relation to total employed has remained constant at about 13% since 1991, the unemployment amongst foreigners increased from 7.1 % in 1991 to 9.0% in 1997, which was equivalent to 10,325 persons. If this negative trend continues, there is a danger of increasing social and ethnic polarisation.

De-Industrialisation and Tertiarisation. The number of employed in the secondary sector reduced rapidly after 1961. Between 1973 and 1984, employment figures dropped annually by 2.8%, to recover slightly between 1987 and 1990 with an annual reduction of 1.9%. The contribution of the secondary sector to total employment thus dropped from 47.1% in 1961 to 22.8% in 1997. Rationalisation, outsourcing and relocation of industries to Lower Austria (de-concentration process) are the main causes for this negative trend. At the same time, the tertiarisation of the economy continues unhindered. Between 1984 and 1990, the services sector employed an additional 42,671 persons. Since 1961, the number of dependent labourers in this sector increased from 52.3% to 76.7% (1997) (Table 9.2). De-centralisation tendencies apparent in the retail trade, such as the erection of shopping malls in the region surrounding Vienna (e.g., *Shopping City Süd*) and the negative impact of a shrinking production sector on wholesale retail trade has led to below average employment growth, when compared to national figures. Although between 1971 and 1981, employment figures in retail trade increased by 23,767, 7,219 thereof were retrenched during the following decade (Pokay & Weigl 1996, pp. 7f.).

The above-mentioned processes also led to urban restructuring and thus to changes in social and economic orders. As a result of de-industrialisation in the 70s, several backyard and one-story industries in the 6th and 7th Districts closed down or were relocated. In the urban fringe industrial area established during the pioneer period to the south and west of the city, many enterprises were shut down or consolidated. Extensive downtown expansion into adjoining districts, the relocation of larger enterprises active in the tertiary and quaternary sector to optimal transport nodes at the interface between the inner- and outer-city, and increased commuter traffic due to the expansion of the labour market into the surrounding region, may all be seen as consequences of the progressive tertiarisation of the economy (Lichtenberger 1988, pp. 23ff.). Tertiary sector activity is strongest in the inner-city (workers employed in the tertiary sector > 68%) (Districts 1–9) and in the 13th and 15th to 20th Districts. These areas are also marked by either high purchasing power or high tourist volumes. The space-intensive requirements of the secondary sector means that industrial trade enterprises are rather found on the outskirts of Vienna, in Districts 11, 12, 21 and 23. In these districts, the percentage of employers working in the secondary sector exceeds 40% (Pokay & Weigl 1996, p. 9).

Restructuring of tertiary sector. Between 1987 and 1997 employment in the tertiary sector grew by 10.7% to 586,111 persons. Within the spectrum of branches in this sector, "Public Administration, Defence and Social Security" is the largest employer (28.4% of total workers in this sector or 166,358 workers). Vienna's tripartite role as national and federal centre and as municipality is reflected in the large number of jobs available in the tertiary sector, in particular in the secure work environment of public and communal services. Close to one fifth of all labourers in this category (115,939 persons) are employed in "Trade, Maintenance and Repair of Motor Vehicles and Durables". In 1997, the property market and company-oriented services registered 13.3% of tertiary sector workers, equivalent to 77,886 workers, thus ranking third on the employment scale. The three above-mentioned branches therefore account for 61.5% of positions in the tertiary sector.

Because the property market and company-oriented services branches experienced the to date largest absolute and relative employment growth (+46,134/+145.3%) between 1987 and 1997, they obviously benefited most from the opening to the East and from globalisation processes. During that decade, the employment shift towards property market and company-orientated services was clearly visible. As 80% of all new jobs were registered in this field, it rapidly moved from accounting for 6% of all jobs in this sector to 13.3% (Fig. 9.3). The employment changes in the other branches are as follows: Accommodation and Catering (+6,108/+25.5%) and Health, Veterinary and Social Services (+3,583/+16.5%). Both fields are characterised by person-oriented activities which only allow for minimal rationalisation of personnel. The growing significance of the Health Care branch as employer reflects the increasing life expectancy of the population.

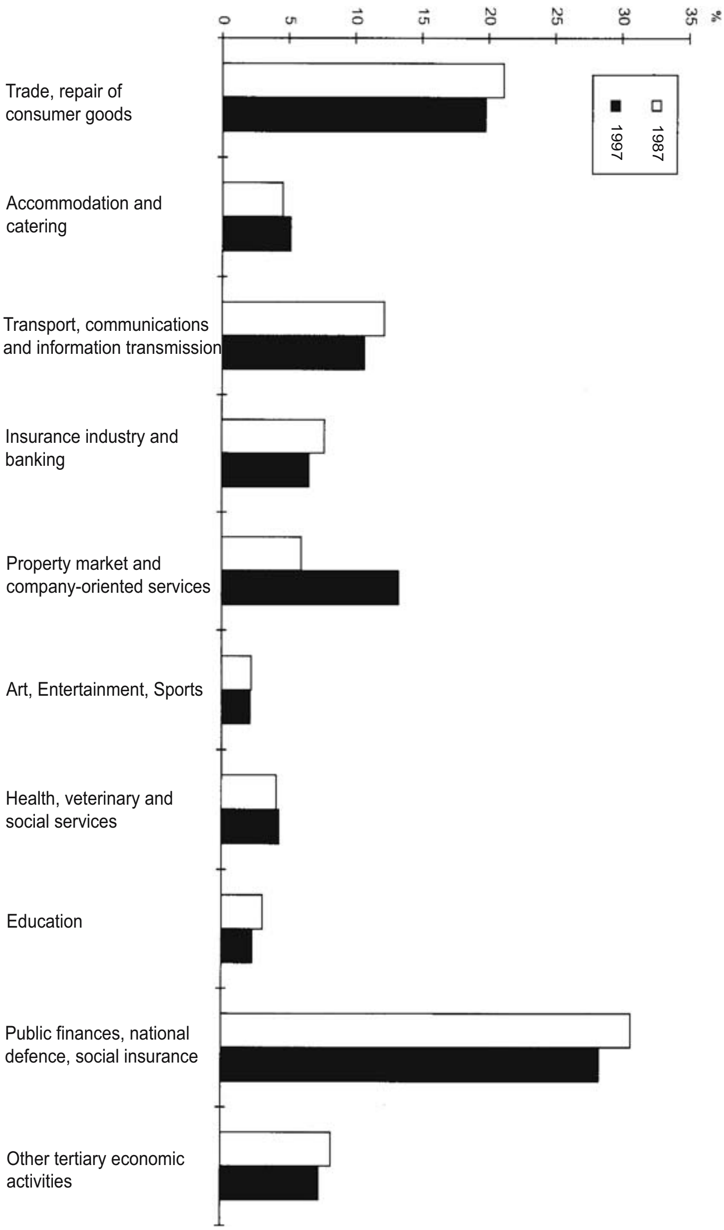


Fig. 9.3 Relative distribution of dependent workers according to economic branches in the tertiary sector 1987 and 1997 (Source: design by author based on Vienna City Administration (ed.) 1988, p. 342, Vienna City Administration (ed.) 1998, p. 258, author's calculations).

During this period, employment figures in the tertiary sector clearly shifted towards property market and company-orientated services (from +6.0% to 13.3%). Accommodation and Catering (+0.6% to 5.1%) and Health, Veterinary and Social Services (+0.2 to 4.3%) registered smaller employment growth. All other branches were faced with negative growth.

Continued Fig. 9.3
* The figures for 1987 are based on *Betriebssystematik 1968*, those of 1997 on *Systematik der Wirschaftstätigkeiten* (ÖNACE 1995). The division of branches is based on headings and sub-headings of the classification manual of 1995. Only those economic activities suitable for comparative representation were selected. Marginal inaccuracy based on divergent classification during the periods of comparison is possible.

Globalisation has a greater negative impact on employment in traditional branches of the tertiary sector. In the field of Transport and Communication, employment dropped by 3.1% (−1,972 workers), in Credit and Insurance by 5.8% (−2,359 workers). Development in banking during this period was on the one hand characterised by both a decline of excess capacity as a result of over-banking during a phase of nationalisation and on the other hand by the shifting of work-intensive functions onto the consumer. The introduction of automatic money transfer has mostly affected the customer-oriented smaller branches of banks. Between 1993 and 1997, 18 sub-branches were closed, while 5 new main offices opened (Vienna City Administration 1998, p. 191). Continued consolidation in this field is expected to lead to further retrenchment of workers.

9.3.2
New locational qualities: Role of Vienna in a new Europe

As a result of globalisation, the functions and significance of cities and regions are changing. National urban hierarchy and intraregional competition is substituted for international and European competition, respectively. As European urban areas compete for international companies and their headquarters, vertical placement in the ranking of core zones and accessibility to/from core zones of the European urban network are decisive factors of growth potential. Vienna is on the outskirts of the current European core region, the so-called "blue banana", which stretches from London to Brussels, the Rhine/Ruhr area and Zurich to Milan. This peripheral position is intensified by the division between EU member and non-member states. A look at "European metropolitan urban areas" in the economic–functional ranking of European urban areas shows that only Berlin, Hamburg and Stockholm are in a similar position to Vienna.

Throughout Eastern Europe there is as yet no urban area of supraregional significance. Depending on the economic growth and social stability of the new democracies, the hierarchical ascent of certain cities is foreseeable in the medium-term. This development, together with the eastern enlargement of the EU, will create favourable conditions for the emergence of a new Central European Core Region, stretching from Budapest, Vienna and Prague to Berlin and maybe even Stockholm (Map 9.1). However, the integration of the East into Europe once again has also enflamed competition between the European cities. Vienna, for example, can expect serious competition from Prague and Budapest due to their spatial proximity. The future role of Vienna within the dynamic European urban system will depend on the distribution of functional duties between the metropolises. Specialisation and clear urban profile in today's global world are important prerequisites for a favourable ranking in the urban network. Existing strengths and weaknesses are determining factors for strategic placement. The opening to the East gives Vienna the opportunity to establish itself as a control and command centre in Central Europe and to offer specialised services for international companies that would like to spread their sphere of influence into Eastern Europe (Mayerhofer 1993, p. 48).

Locational qualities which either have the ability to push the economy ahead or have a multiplication effect on the economy are discussed below.

Eastern Europe competence as locational factor. Vienna has a solid network of contacts to Eastern Europe and numerous Viennese companies who have specialised in East European markets. The economic interlocking between Vienna and East European countries has intensified considerably since its opening (Mayerhofer 1992, p. 153). Foreign trade statistics, which are available at a federal state level since 1996, reveal that already in the first year of observation, a quarter of all Viennese exports were delivered to Central and Eastern European countries (CEEC). In 1997, the export volume to the East increased by a further 28.5%, while exports to the EU and other countries in Europe dropped. Thus only 20% of export products were sold to EU member countries or Hungary, Poland, the Czech Republic and Iceland. As imports from the new democracies increased during the same period from 6.9% to 7.7% (Table 9.3), Vienna has a clearly positive foreign trade balance with these countries. Since the fall of the Iron Curtain, Vienna has thus not only been able to increase its export volume, it has also been able to reduce its foreign trade deficit. In connection with the value of export products, Vienna registered above-average growth at the national and international level. The value of export goods from Vienna increased by 23.7% (Austria +16.8%); however, turnover increased by 44.8% in the CEE countries and by 46.0% in the five new accession candidates (Weigl 1998, pp. 5f.).

The number of enterprise co-operation treaties with the former East-Bloc countries has led to a general improvement of specialised knowledge in this field. Of the (in total) over 13,000 Austrian joint ventures with the East, about two-thirds are from Greater Vienna. According to a survey, more than half of Vienna's industries are involved in a joint venture with the new democracies (Vienna City Administration, *City Hall Report* 17.01.96; Mayerhofer 1993, p. 49).

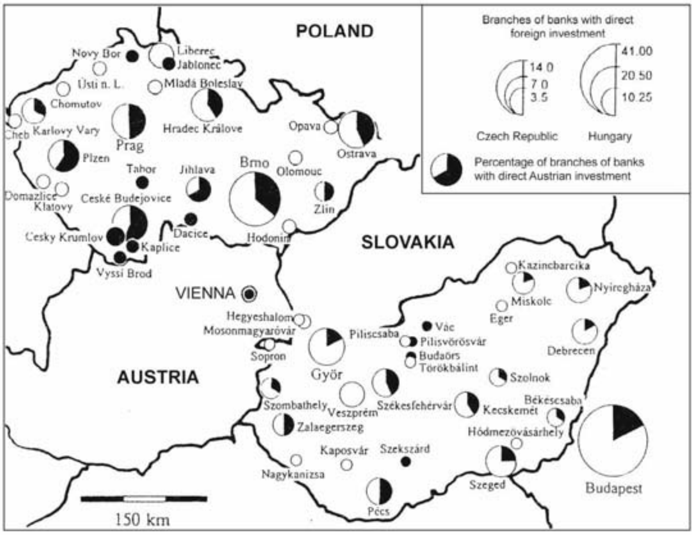
Table 9.3 Viennese foreign trade according to country 1996–1997 in % (Source: Vienna City Administration (ed.) 1998, pp. 177f., author's calculations)

	1996		1997	
Country	*Export*	*Import*	*Export*	*Import*
EU	54.1	66.2	49.5	64.4
CEEC	24.3	6.9	28.5	7.7
other in Europe	4.3	3.8	4.2	4.2
CIS	3.1	3.9	3.9	3.7
Africa	1.3	4.2	1.2	4.1
America	5.6	5.8	6.3	6.6
Asia	7.0	9.2	6.0	9.3
Australia	0.4	0.1	0.4	0.1

Economic activity between Vienna and East European countries has intensified considerably since the fall of the Iron Curtain. In 1997, more than a quarter of all exports from Vienna went to Central and Eastern European countries (CEEC), while exports to the EU and other European countries dropped. As Vienna only imports 7.7% of its goods from the new democracies, its foreign trade balance with these countries is clearly favourable.

In addition, Vienna has become an important banking and financial centre for Central and East Europe. The Czech Republic and Hungary are the main regional foci of direct Austrian investments (Austrian capital accounts for 40% of foreign capital) (Map 9.8). In particular the Creditanstalt, the Raiffeisen Central Bank and Bank Austria established branch networks in these countries within a short period of time. Although Raiffeisen Bank is on new ground here, Creditanstalt-Bankverein has re-activated traditional locational patterns from its presence in this region during the Austro-Hungary Monarchy (Lichtenberger 1997, pp. 294f., 340). The under-developed structures of Vienna's financial market, in particular in the areas of securities and the stock exchange present limitations to the metropolis's striving to attain international financial status. Consequently, a strategy of selective internationalisation through spatial specialisation is also being followed here (Mooslechner 1993).

International organisations as locational pull-factor. In addition to the above described know-how advantage, Vienna has a traditional role as interface between East and West. This role is manifest in Vienna's importance as third UNO location.



Map 9.8 Branches of banks in the Czech Republic and Hungary that were established with direct Austrian investment (Source: Lichtenberger 1997, p. 41).
Since the opening of the East, Vienna attained importance as a banking and financial centre of Central and East Europe. Regional foci of Austrian bank expansion are the Czech Republic and Hungary.

Table 9.4 Seat of international and non-governmental organisations in Vienna 1998 (Source: Vienna City Administration, Wien online 27.07.98)

	Seat of international organisations		Seat of non-governmental organisations (NGOs):
UNOV	United Nations Office at Vienna	AGEZ	Arbeitsgemeinschaft Entwicklungszusammenarbeit
UNIDO	UN Industrial Development Organization	ICC	International Association for Cereal Science and Technologies
IAEA	International Atomic Energy Agency	IBG	Internationale bodenkundliche Gesellschaft
CTBTO	Organisation zur Überwachung des Atomtestabkommens	FIR	International Federation of Resistance Movements
KSZE	Generalsekretariat der Organisation für Sicherheit und Zusammenarbeit in Europa	*	International Foundation for Cooperation and Peace for Bosnia and Herzegowina - Probos Privatstiftung
OPEC	Organization Petroleum Exporting Countries	*	International Helsinki Federation for Human Rights
OFID	OPEC Fund for International Development	IGFM	Internationale Gesellschaft für Menschenrechte
EPO	Europäisches Patentamt	IIASA	International Institute for Applied Systems Analysis
*	Europäisches Zentrum für Wohlfahrtspolitik und Sozialforschung	IIF	Internationales Institut für den Frieden
ICMPD	International Center for Migration Policy Development	IPA	International Police Association
IOM	International Organisation for Migration	IPI	International Press Institute
INTOSAI	Internationale Organisation der Obersten Rechnungskontrollbehörden	IRC	International Rescue Commitee
WHO	World Health Organisation	*	International Union Socialist Youth
*	Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies	IUFRO	Internationaler Verband forstlicher Forschungsanstalten
*	UNO-Donauschutzkommission	*	EU-Beobachtungsstelle gegen Rassismus und Fremdenfeindlichkeit
TINA	Transport Infrastructure Needs Assesments-Sekretariat		

The choice of Vienna as third UNO seat reflects the historical and site-induced role of Vienna as mediator between East and West. Following this decision, several other international organisations moved to Vienna, resulting in the introduction of an international quaternary sector into the

Continuation Table 9.4 ...commercial activities of the city. In 1994, 17 UN organisations were located in Vienna. The growing number of international non-governmental organisations has added to the increasing international significance of Vienna.

The arrival of the International Atomic Energy Organisation (1963), OPEC (1965) and UNIDO (1967) in Vienna laid the foundations for international quaternary activity in the city. Between 1980 and 1994, the number of UN organisations increased from eight to seventeen. In 1996/97, the international significance of Vienna was further enhanced with the decision of several international organisations to base their headquarters in Vienna: the Comprehensive Nuclear-Test-Ban Treaty Organisation (CTBTO), the Office of Wassenaar Arrangement of Export Controls for Conventional Arms and Dual-Use Goods and Technologies and the Danube Protection Commission. The Technical Secretary for Planning of Trans-European Transport Network (TINA) was the first operative EU unit to move to Vienna. In addition numerous non-governmental organisations are represented in Vienna (Table 9.4).

Locational quality of the 'congress and conference city'. Besides the generation of investments and employment, and influencing the image of the city, international organisations have also contributed to Vienna's role as conference and congress city. Consequently, Vienna is now ranked second after Paris as a congress metropolis (Vienna City Administration, *City Hall Report* 20.08.96; Vienna City Administration, *Wien online* 17.03.98). Although there were 32 fewer congresses in Vienna in 1997 than in 1993, the number of large congresses increased, with annual participation up by 27,548 to 123,946 visitors. Three quarters of the congresses were internationally oriented. Such congresses are important for the city as foreign congress participants spend on average three times more than the average private tourist. Participant overnight stay increased by 40.4% as the duration of these international congresses is generally longer than national congresses. In 1997, congress tourism contributed to 6.7% of total nights spent in Vienna (Vienna City Administration (ed.) 1998, p. 226; Vienna City Administration, *City Hall Report* 15.03.95).

Locational quality of the 'corporate headquarter city'. Before the fall of the Iron Curtain, Vienna had already disposed of a clear concentration of control and command structures of foreign enterprises, even if they were only established to control the local market. In 1991, 93 foreign enterprises which ranked among the 500 largest organisations in Austria were seated in Vienna, employing 89,792 persons and contributing 63.2% to total turnover. According to a survey of the University of Commerce in Vienna, the opening of the East resulted in the upgrading of numerous representative offices of large companies to East European headquarters. Approximately 200 international corporations have chosen Vienna for the co-ordination of activities in the new region. At the same time, about 4,000 companies from East Europe have settled in Austria, mainly in and around Vienna. The attractiveness of Vienna as commercial centre has increased significantly in comparison to other European cities (Vienna City Administration, *City Hall Report* 21.03.96). According to Lichtenberger (1995, p. 10) a progressive internationalisation of the quaternary sector is to be observed: since the opening of the East, numerous foreign banks, insurance companies, advertising companies and real estate agents have opened branches in Vienna.

Locational qualities which could still be improved are listed as follows:

Concentration of high quality services. In a comparison of the location quotient (LQ) between European metropolises, Vienna appeared to be under-represented as regards high quality services, despite the number of corporate administrations and international organisations. Within the category of market-oriented services (versus public services), Vienna ranked 29th of 39 European cities as it attained only one of 93.1 possible location quotients. The low LQ, which is calculated according to the percentage of employees in each branch, indicated a minor concentration of specialised international and supra-regional services. The existing branches of the tertiary sector are still too rigidly focused on national activity to make use of mechanisms of cumulative causation to improve Vienna's image as a centre of international services enterprises (Mayerhofer & Palme 1996, pp. 46ff.).

Reputation as business location. Although Vienna has an international reputation, it has no comparable reputation as a business location. In a survey amongst executives of European multinational companies in 1994, Vienna was ranked 23, of various European business locations, behind Prague, Warsaw and Budapest. The unfavourable image reflects the shortcomings that Vienna is seen to have in terms of locational factors, such as market accessibility (rank 16) and international traffic connectivity (rank 20). The quality of telecommunications is also considered relatively poor. Although Vienna does well in terms of environmental quality (rank 7), this is not an important criterion when it comes to locational choice of a business. The business image that Vienna conveys outside of Europe is particularly weak (Mayerhofer & Palme 1996, pp. 36f.).

On the whole, economic activity in Vienna became more dynamic following the opening to the East. Federal structures and growth of foreign trade (Weigl 1998, p. 9) reflect Vienna's improved locational quality as a supraregional transaction centre. A European survey of 37 metropolises in Europe underlines the favourable growth of economic development in Vienna since 1989. With production growth at 2.1% and employment decline at 0.1% per year, the performance of the city between 1975 and 1989 was still below the European metropolis average, which had annual growth rates of 2.4% or 0.3%, respectively. Between 1989 and 1994, the dynamics in the Viennese economy increased noticeably with an annual added gross value of 2.5% (European average +1.6%). The economic upswing positively affected employment (+0.8% p.a.) which had generally stagnated in Europe (European average –0.1 %).

On examination of the economic sectors, the following conclusions can be made: growth in manufacturing (+1.7%, European annual average +0.1%) and in construction (+5.3%, European annual average +1.1%) was directly related to the opening of the borders. As a result, export trade increased, infrastructure required adaptation to the new spatial situation and speculative building led to a construction boom. In addition, public services registered above-average growth rates (+4.6%, European annual average +1.9%), while market-oriented services remained under average European performance (+1.7 %, European annual average +2.6%). However, the fact that growth occurred in construction and public services portends a future downturn in economic development (Mayerhofer & Wolfmayr-Schnitzer 1996, pp. 524ff.).

9.4 Strategic alliances and co-operation at local, regional and supra-national levels

As the economy tends to become more and more internationalised, a stronger trend to regionalisation is also apparent. In the end, it is the local/regional potential and the strategies which define how well an urban area does in the competition between metropolises and how it is linked with the global processes. For this reason, the ability of a regional economy to reduce intraregional competition and to unite local strengths is in itself a decisive locational factor. In order to improve international competitiveness, problem areas in the region have to be tackled together. Vienna is forging strong regional ties with its surroundings due to the progressive suburbanisation of its population and companies, and to the enlargement of its labour market. Problems, such as loss of buying power, urban sprawl and traffic and environmental problems cannot be solved purely at local level. In the case of Vienna, the need for co-operation is being intensified at three levels: at the local level with its suburban area, at the federal state level with Lower Austria and Burgenland (Vienna Region) and at the European level with Bratislava, Brno and Györ. Networks operating at a transnational level between cities and regions are gaining in significance. On the one hand these networks enable the exchange of experiences, on the other hand they facilitate a better presentation of private interests to third parties, such as the EU. Several packets of measures for co-operation between different regions and levels have been conceptualised.

Support of the local economy. The Vienna Business Agency (VBA) and Employment Promotion Fund (WAFF) were new political–economic instruments introduced to enable faster reactions to economic change. One of the promotional foci of the VBA is "Technology and Innovation". Accordingly, research and development are to be made more accessible to small and medium-sized enterprises (SME). Further priorities are the economic and technical logistic support of new companies and the enhancement of Vienna's attractiveness for international companies. In addition, the VBA supports the promotion of Viennese products abroad. The Employment Promotion Fund pursues improvement of qualifications and further education possibilities for employees. Primary target groups are the youth, older employees and women (Vienna City Administration, *City Hall Report* 22.05.97).

The introduction of the internationally recognised trademark "*Wien Products – take Vienna home*" aimed to assist export of products from small and medium-sized companies in situations where they would not have had the financial means to do so. At the same time, Vienna's economy is being promoted internationally. *Wien Products* includes a range of top quality and technology-intensive products and services that are presented to potential foreign buyers at organised events. In 1997/98, 1,500 contacts with North America, South East Asia and within Western and Eastern Europe were made on behalf of *Wien Products* members (33 companies). In addition, own sales outlets were set up (Vienna City Administration, *City Hall Report* 16.12.98).

The Municipal Board of "International Relations" was created for the promotion of urban marketing at the international level. Its primary responsibility is the development of concepts for public relations and the improved international image of Vienna, as well as the co-ordination and planning of diverse foreign activities and contacts. The urban marketing campaign is internationally orientated because of the prevailing unfavourable image of Vienna. The opening of Vienna House in Brussels and Vienna Representative Offices in Tokyo and Hong Kong are examples of the international sphere of activities of Vienna's urban marketing efforts. The Representative Offices not only promote Viennese companies and products, but also the economic advantage of location within Vienna. Further, they serve as base offices for the expansion into new markets. (Vienna City Administration, *Wien online* 14.05.97, 27.07.98).

Bundling of regional strengths. The existing federal state co-operation between Vienna, Lower Austria and Burgenland, the so-called Planning Community East *(PGO – Planungsgemeinschaft Ost)*, has no legal status and is voluntary-based. Efforts are therefore being made to transform the *PGO* into an Advisory Board in the form of a federal conference to include all local actors and be more active. In the long-term, a regional committee with a regional project management is foreseen as steering planning and implementation of measures of federal states and communities. The "Vienna Region" is considered a guarantor for the competitiveness of the region within Europe. Especially in the areas of economic, traffic and urban planning, improved collaboration is anticipated. Consensus has been achieved between the participating parties on the issue of settlement. The Vienna Region enables the active participation and representation of interests in, for example, financial matters or national and international traffic concepts (Trans-European Traffic Network/TEN). Intensified co-operation between local agents and the transformation of individual strengths into a regional competitive advantage should result in the international proliferation of the location for the benefit of all participants (Vienna City Administration, *City Hall Report* 20.02.97, 25.02.97, 15.06.99). However, since the opening to the East, co-operation in the Eastern Region of Austria has become more difficult. In 1997, the Provincial Government of Lower Austria, which has been striving for economic independence, left Vienna and established its own federal capital in St. Pölten. Thus, there is still a long way to go before the "Vienna Region" is completed.

Development of transborder networks. Greater international competition and the implementation of common interests are reasons why the international Euro-Region Vienna-Brno-Bratislava-Györ was established. Vienna is at the centre of the macro-region of four million inhabitants, although it does not completely fulfil a central place function. Increasingly, relations with Germany, France and Great Britain are being intensified, thereby leaving Vienna on the side-line. The advantages of the Euro-Region are mainly to be seen in the co-operation of transport and telecommunication infrastructural development and in competition for international investors. The intensification of transborder co-operation at financial and planning levels is just as significant for a new Central European core region within a united Europe, as for the position of Vienna as international transactions and trade centre in Eastern Europe. The extent of co-operation will be determined by the future ratio of complementary and competitive activity in the region. It is already apparent that certain locational advantages of Vienna will shrink in the medium-term as the new democracies catch up on West European countries.

Transborder co-operation projects which support progressive rapprochement between different structures in the west and east are supported by the EU. Such projects include the Interreg IIa-Project "Planning the Gateway", which analyses the possibilities and conditions for co-operation within the region, or the Interreg IIc-Project "Vienna Tele Cooperation Centre" (VITECC). The latter project concerns a service network based on modern communications technology that supports political, planning and financial co-operation between the cities of the region (Vienna City Administration, *Wien online* 04.03.98; Vienna City Administration, *City Hall Report* 01.06.99).

Levelling of hierarchies. Economic globalisation corresponds to a new form of global co-operation and work division that occurs between cities and regions and leads to the creation of supranational networks. The urban networks in which Vienna is a member, differ significantly in membership size and orientation. The Assembly of European Regions (AER) focuses on representing regional interests in the EU. In the urban context, the independent, non-profit orientated association *Eurocities* follows similar goals. With 80 member cities representing more than 250,000 inhabitants from 19 European countries, it is the largest European urban network. The Association of Capital Cities in the EU focuses on the exchange of experiences between administrations and the discussion of similar problems typical of capital cities. To promote co-operation, Vienna and Athens founded the Conference of South-east European Capital Cities. A partnership between the Danube countries concentrates on the development of the Danube Region. An example of a problem-orientated network is the Airport Regions Conference, which encourages dialogue between regions with large international airports. All of these networks aim to strengthen their own position, be it that of a city, a region or greater community, against higher level inner-European and foreign forces. In other words, they aim to bolster local forces against global forces.

9.5
Results and prospects: Vienna and the eastern enlargement of the EU

From an economic perspective, Vienna has until now benefited directly and indirectly from the opening of Eastern Europe. The positive foreign trade balance with East European countries, the number of joint-ventures, international investments in Vienna and the resulting construction boom, the transfer of numerous international companies and organisations to Vienna and the growing tourism sector are proof of this. Less spectacular are the high follow-up costs in the social sector and for infrastructure. The "new" social problems are more serious than the momentary costs of constructing schools, housing and transport facilities. Ethnic segregation, the fear of foreign infiltration and increased racism are the consequences of the massive influx of foreigners since the early 1990s. Integration of the foreign population has thus become a key task of politics in Vienna today, not only as migration influx is halting, but also in view of the financial and demographic importance of the influx of foreigners.

The pressure to modernise and adapt the economy increased after accession to the EU and is seen as a positive development. It is encouraging that changes in an economic structure that had for many years focused on the domestic market improving competitiveness, proved to have a positive impact on the innovative climate of the city. Protected markets have been dissolved which has put additional swing in the economy. Rationalisation has increased productivity, despite fewer employees. Negative effects which have accompanied the accession are company closures and growing unemployment, in particular the increasing number of long-term unemployed.

In view of Vienna's new role as either regional economic hub between East and West Europe, as transregional Euro-metropolis or international global city, various scenarios are possible. Vienna's role as centre of an international Euro-Region depends on the extent of co-operation between the sub-regions, the regional economic development and to what degree typical economic development steps can be left out. Vienna's significance as location for transregional control and command centres of international organisations has increased since the opening of the East, "but is not sufficient to attain that critical measure of headquarter functions and complementary services, which enables independent growth" (Mayerhofer & Palme 1996, p. 16, translated). In particular, Vienna's locational significance is of little importance to foreign companies. This means that although Vienna has on the whole reached a certain degree of international acclaim, it is not in a position to compete against established global cities as a result of current local structures.

The future development of Vienna lies in the interplay between global processes and local trading freedom. Consequently, the effects of the opening of the East and EU accession were not exogenous responses, but were rather influenced by the strategies and actions of local agents. "Development opportunities are determined by definite functional specialisation of the economy and activities of locational and infrastructural politics at regional level" (Mayerhofer & Palme 1996, p. 12). The path that Vienna will follow in the future depends on the local political, economic and private decision-makers despite of or as a result of global change.

On the other hand, the city cannot distance itself from the process of global socio-economic restructuring. The problems of a "multiple-divided city" (Krätke 1995, p. 158) are also visible in Vienna. The polarisation of society – new poverty and a new shortage of housing on the one hand, growing wealth and prosperity on the other – is increasing. It is expressed in continued spatial social and ethnic segregation. Likewise, developments in the labour market are less the result of local or national activity, but rather of a European-wide restructuring process of the economy. Seen in this light, Vienna has to deal with the same problems as all other post-industrial urban societies. The solution to these problems forms the basis of future development possibilities and should be included in the global strategy of local policies. Thus, the choice that local agents make concerning

Vienna's future role in the European urban network does not only depend on optimal economic benefit but also on the greatest possible social consideration.

In this context, the eastward expansion of the EU offers new opportunities and risks. It strengthens the central function of Vienna throughout the region and stimulates the economy, especially with regard to export trade. Risks for the economy and the labour market are found in labour supply, wage levels and differing environmental and social standards. Additional problems caused by increasing immigration and the consequences for the housing and labour market are difficult to assess (Havlik, Mayerhofer & Geldner 1997).

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10 Brussels: Pseudo-capital of Europe. Perspectives of Belgium's global city in-the-making

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10.1 Brussels, EU-City – A symbol for Europe?

A cross-section through the heart of the "European Union downtown" of Brussels begins at *Rond-Point Schuman* (Photos 10.1 and 10.2), once the center of European Institution implementation in the city. It ends at the integrated administration-business mega-project of the European Parliament, the *Centre International du Congres* (Photo 10.3*)*, on the site of the old *Léopold* Brewery and opposite the *Gare de Luxembourg* (main railway station). Here the *Berlaymont*, Lucien de Vestel's signature building of the European Commission, can be seen. The land on which the east wing of the 1920s Residence Palace constructed by Michel Polak stood, is now occupied by the 1995 modernist Council of Ministers building designed by *Groupe Planning* (Spapens 1997, pp. 143ff). As late as the late 1980s the demolition site lay idle as plainly landscaped green space in anticipation of the plans from the developers, the city, the region and the national government.

An eclectic selection of row houses from the turn of the last century stands behind the massive new Council building, their rank interrupted by European Community-era mid-rise office buildings (Photo 10.4). Beyond the southern façade of the Council building lies open space. The long-promised residential units that were planned to balance out the rapid growth of office space are still unrealized. To the right, the *Van Maerlant* Abbey is festooned with a huge billboard advertising its availability to commercial real estate consumers. The growth coalition that has been transforming the *quartier* with great zeal since the mid-1980s had meant it to be a recreational facility for the executives of the European Union. A new policy intolerant of the Brussels "eurocracy" has forced a less exclusive future upon the Abbey.

Directly across from the *Avenue Belliard* lies the *Parc Léopold* and the *Beaux-Arts* Museum of Natural History. Not much has changed here. On the other side of the hill near the Hermes-like bust statue of *Léopold II*, the southern anchor of the European Union's building infrastructure comes into view: the bough of the oval-shaped *Centre International du Congrés* and its parliament-like meeting hall's vault soar over the park and the museum buildings (photo 10.3). The juxtaposition

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 251–271.

of these building styles has a jarring effect. The sense of proportion is lost. Such is the secret life of building for Europe and world-city status in this modestly sized national European capital.

Photo 10.1 *Rond-Point Schumann*, starting point of the urban redevelopment for European Institutions (viewed from South-west)

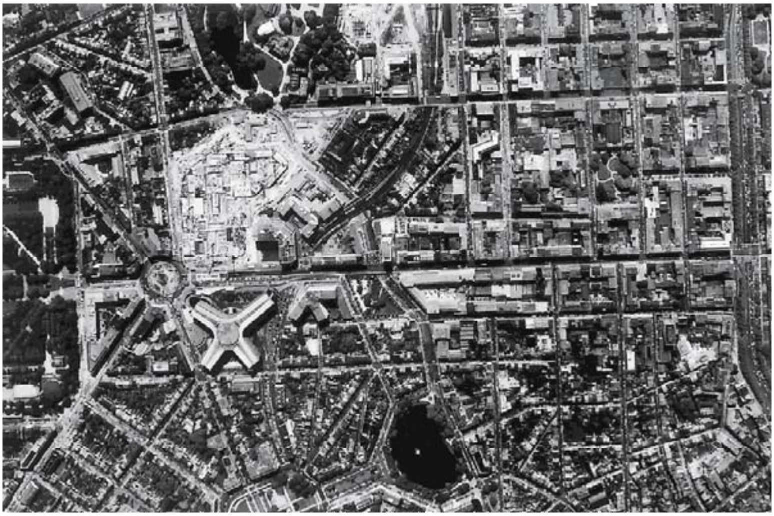

Photo 10.2 Brussels, EU-City at *Rond-Point Schumann* today (viewed from South-west)

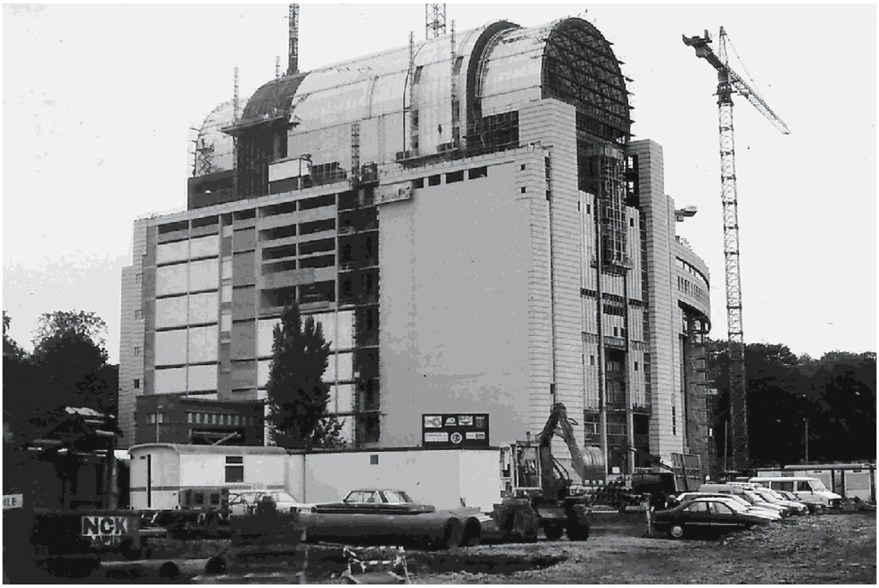

Photo 10.3 *Centre Internationale du Congrés* with dome-shaped roof of its parliament-like hall

Photo 10.4 Architectural change of the EU City: 19th century row houses, interrupted by new office buildings

10.2
Brussels, Europe's capital and world city?

The main objective of this chapter is to trace the processes and urban morphological implications of the status of Brussels as "Europe's capital" since the signing of the 1952 Treaty of Paris launched European integration. The discussion links the theme of European politically-induced urban change to the broader discourse on globalization and world cities. These issues are viewed from the perspective of neighborhood change, exemplified by the transformation of the mid- to late-nineteenth century residential *Quartiers Léopold* and *Nord-Est*. Since the 1950s they have been redeveloped as an alternative and specialized business district that hosts a subset of the land uses and structures of the typical post-World War II central business district. Its profile is supplanted by a new set of functions that speak to the new politics and economics of European regional integration. The planning, land market, and political negotiation processes at work in this "Central Executive District" both reflect and mediate the mechanisms and public–private partnerships that have been building a united Europe since 1952. It is this new set of high-order international administrative functions – and its European executive district – that have turned Brussels into a world-class urban place.

The status of Brussels as a world city can be indisputably attributed to the hosting of the executive branch of the European Union, formerly the European Communities, since the launching of European integration in 1952. Although Brussels was chosen early as the executive seat of the European Coal and Steel Community, it took more than fifteen years until the EC built its own headquarters in the city's *Quartier Léopold*. Despite the delayed EC construction schedule, private developers (mostly of British origin) had already been hard at work transforming the *quartier* into an office district. Whether the distinction as "Europe's capital" has improved the quality of life for the people of Brussels is questionable. Perhaps just as important to its enhanced status as the presence of "Europe" within Brussels, is the growth of a significant complex of high-order producer services, such as management consultancies, international legal and financial firms, regional and political lobby firms, non-governmental bodies with European agendas, and an international press corps second in size only to that in Washington.

These entities have remade the city into a true nexus of transnational decision-making, information production and brokering, and politico-economic transaction flows. These services are there primarily because of the European Commission. Unlike New York City, London and Tokyo where the volume of banking transactions lends them the critical role of functioning as control points for the world economy, Brussels' lackluster stock exchange is not the determining factor for world-class status.

The process of integration of these new international executive and service functions into the city's morphology has been gradual, though hardly evenly distributed throughout the nearly fifty years of the European organization's history.

The fervor of the first years of interstate collaboration was doused by the recession of 1959, which made the original six member states defect from the regime in pursuit of their national interests. In the 1960s Gaullist rivalry with Britain retarded the integration of key European Free Trade Association members into a greater European market and set the stage for ideological camps, Euroskeptics vs. "Europeanists", which still operate today. The oil shocks of the 1970s and the ensuing recessions kept the members weary of sovereignty-related concessions to Brussels. At the end of that decade Margaret Thatcher rallied the anti-European integration forces in Britain, and fueled the debate over the sanity of Brussels-based supranationalism at the expense of intergovernmental collaboration in the Commonwealth or the North Atlantic Treaty Organization.

Despite these contrary currents, member states proceeded with European integration by either deepening the framework of collaboration through institution-building, or widening the membership on the basis of both economic and political practicality and necessity. It was during the recovery from the 1979–82 recession and following the failure of François Mitterand's socialist policies that the French Presidency warmed up to a bolder recasting of the integration process. Policy shifts in France resonated with the emergence of a consensus in the newly elected European Parliament about necessary redirection of the integration strategy. Weary of competition from U.S. and Japanese companies, the heads of major European corporations, such as Volvo and Philips constructed a framework for making true the term "common market", and lobbied the European executive branch for a pro-active (and business-friendly) relaunching of the European idea. Deregulation and privatization became the mantra of the new businessmen's Europe. Former French Prime Minister Jacques Delors, appointed President of the European Commission in 1983, mediated these tendencies in the European political and economical arenas in the 1987 Commission initiative that called for the completion of the Single Market by 31 December 1992 (Single European Act). Integration appeared to be relaunched on a new safe course that was to make Europe the largest and wealthiest marketplace in the world.

The implications of this intensified integration have been extraordinarily important for Brussels. Seen positively, its status as seat of the European executive branch has produced an investment windfall that can be likened to hosting the Olympic Games annually. A more discriminating investigation reveals that the "Europeanization" of Brussels' urban scene has produced camps of winners and losers: developers, the government treasury, the European institutions and the high-order services industry have gained from the process, while long-standing neighborhood residents, immigrant populations, non-profit social services and urban conservation groups, and non-"European class" land users, such as family-owned shops and artists' ateliers, have been significantly displaced.

10.3 World cities, the information superhighway and regional integration

Inequality, dislocation and opportunity have come with world status to cities like London, Paris, New York, and Chicago. Saskia Sassen (1994), Manuel Castells (1989), Susan Fainstein (1990) and William Mitchell (1995) have studied the urban implications of the information revolution and world-class status for cities. There seems to be a consensus that markets have brought the simultaneous deconcentration or decentralization of manufacturing away from its traditional hearths in certain regions of North America and Western Europe, and the concentration or centralization of economic decision-making and high-order services industry to a handful of cities. These cities, by implication, play the role of choke points and mediators of world economic flows. Sassen (1994) speaks about such cities as magnets for international capital, which, however, impacts urban space selectively and with the clinical, instrumental logic of profit maximization. The result is urban geographies of inequality that define a new class founded on access to, and role within, the resident, globalizing producer services.

Technological foundations of global city status. This spatial and structural reordering of economic activity has been facilitated by technological innovations in transportation (containerization, super-sized merchant ships), telecommunications (fax machines and the internet) and information processing (faster microprocessors and artificial intelligence that allows for "smart" automated securities trading). Castells (1989) notes that while this revolution lends a new lease on life to capitalism by allowing for new market segmentation and soaring productivity, it also harbors the means of widening the gap between the "haves" and the "have-nots". World-city status, then, would not be a result of population gigantism or urban primacy, but decidedly a function of access to the information-related innovations that allow a city to either be "on the grid" (and therefore competitive) or off it.

William Mitchell's study of the new spatiality of cities in the era of the internet warns that "[t]he bondage of bandwidth is displacing the tyranny of distance, and a new economy of land use and transportation is emerging – an economy in which high bandwidth connectivity is an increasingly crucial variable". He continues by questioning whether the fast lanes of the information superhighway – the switched broadband, digital networks on which most high-order services depend – will only serve the affluent and powerful, while rural communities who "languish at the ends of information dirt tracks and economically marginalized neighborhoods get redlined for telecommunications investment" (Mitchell 1995, pp. 17f). The key word here is "connectivity", and evidence from the study of world cities suggests that there is a very strong, three-way correlation between the locational logic of telecommunications investment, regional market profitability, and public–private urban coalition interests.

Digital and spatial connectivity. Digital connectivity as a market segment and its distribution are critical to the functioning of day-to-day European Union politics. It goes without saying that it has become a field of economic policy of the utmost importance as Europe is competing for market share on information technology and services with the United States and Japan. The decision for UMTS technology will make possible wireless access to a wide range of internet and multimedia services, in addition to mobile telephone and paging services for about 200 million consumers across Europe by 2005 (Official Journal of the EC, 1998). As far as the European administration is concerned, remote data storage, ultra-fast document and database accessing, teleconferencing, and advanced telephony have allowed the European Union's leadership to parcel spatially the offices of governance in order to satisfy competing claims on the employment, investment, and prestige benefits that come with hosting a European institution. European policy observers will remember President François Mitterand's reaction to the growth coalition in Brussels' machinations to attract the plenary session of the European Parliament to Brussels, where legislative committee sessions were routinely held. Claiming to protect French interests, he threatened in 1991 to block all European integration efforts until France received a guarantee that the European Parliament would remain in Strasbourg. Thus, the powerful supranational European Commission and the intergovernmental Council of Ministers are hosted by Brussels, the plenary session of the European Parliament by Strasbourg, the European Court of Justice and the European Investment Bank by Luxembourg, the new European Central Bank by Frankfurt, the European Environmental Protection Agency by Copenhagen, and so on. Lower order centers, such as Thessaloniki were awarded lower-order EU services such as the European Center for Vocational Training. This new geography of the European administration and the fragmentation of decision-making have arisen independently from the virtual connectivity celebrated by Mitchell. Luckily for all the information technology innovations and the creation of "trans-European networks", as a fundamental commitment of EU regional policy, these politically founded locational decisions were less disastrous and absurd than they could have been.

Privatized Urban Development. Susan Fainstein (1990) touches upon the critical issue of financing urban growth and services in an era of advancing privatization, retreating government involvement, and eroded solvency of public institutions. She notes that there are three core areas in which cities vary according to the nature of state intervention targeting urban economic regeneration:

1. extent of governmental entrepreneurship, such as targeted subsidization of investors that provide the city's economy with a comparative advantage, engagement in venture capitalism, and private–public projects responsive to market demand
2. amount of planning as opposed to purely market-driven urban development and land use disposition
3. level of priority of those in greatest need.

Her conclusion is that urban growth coalitions are usually made up of self-interested parties that will privilege themselves and their allies in the distribution of benefits emerging from strategic positioning and development. What is critical about her framework for understanding cities in the 1990s in general and Brussels in particular, is the point that access to private – and often international – capital has emerged as the single most critical determinant of urban economic health. If the assumption is correct that cities compete with other cities for capital in an economic environment in which national structures are increasingly irrelevant to the movement of that capital, then it can be further assumed that the parties most immediately affected by access to this capital – that is, the elite who make up the growth coalitions – will be keenly interested to create the conditions that would most likely attract it. Going back to Fainstein's tripartite framework, these conditions would be:

1. Pro-business, laissez-faire-oriented government orientation
2. Planning in the service of investor circles
3. Prioritizing of the needs of business over the needs of less powerful constituencies, such as neighborhood groups.

The next step would be to formulate these suppositions more directly to describe "the making of", and conduct in, a world city as opposed to any other kind of city. It can be argued that Fainstein's admonition about the problems of top-down, investor-driven planning and urban development are clearly reflected in the construction of Brussels during the 1980s and 1990s towards a world city.

10.4 Building Europe's "Central Executive District" in Brussels

Even if a tentative agreement can be reached that Brussels in the 1990s warrants the title of world city, there are still many critical issues to resolve in order to understand the implications of that status. As studies of other world cities suggest, the advantages come at a significant cost in income polarization of urban populations. It is also unclear as to who is in charge of urban development processes in such cities despite, at least, the nominal presence of democratic institutions of local governance. Therefore, it would be appropriate to ask first whether there is a vision operating, and if so, to what extent has it been crafted collectively and democratically? It is important to differentiate between local, regional, transnational, and global agency and urban morphological impacts. The argument here is that strong extraterritorial causality undermines democratic processes and local initiatives – for example, a disproportionate contribution of foreign direct investment in city receipts may give disproportionately great influence on city affairs to the brokers of that investment. Closer to home one needs to explore critically the function of planning and the role of "expertise" as objective media of urban change.

Central to the investigation is the role of markets, specifically the real estate and urban development sectors, in shaping and making urban change possible in an environment of deregulation and diminishing government power. Questions to be addressed are, what *gentrification* may mean in the global city Brussels; how historical landscapes are affected by market demand; and how "public" public space is when the vast majority of projects have at least a significant private capital component. Ultimately, the networks of cooperation that define the public–private growth coalition that is capitalizing on Brussels' status as Europe's capital and world city, will crystallize. The coalition is opposed by less powerful and connected coalitions of citizen, neighborhood, and conservation groups that defend their definition of a locally sustainable quality of life. The discussion of these issues draws significantly on a detailed work on Brussels' European precinct (Papadopoulos 1996). The findings from the mid-1990s will be updated with additional commentary.

Photo 10.5 Historical urban landscapes of Brussels in the process of gentrification

Photo 10.6 Influence of demand on historical urban landscape

Photo 10.7 Brussels' redevelopment for a European capital

For whom one builds is of enormous significance for the shape of new urban space, the sustainable character of the land use mixes introduced in it, and the nature and quality of life for neighborhood residents. This statement bears a special significance and warning for Brussels. The European precinct is essentially being built for strangers, by people who do not live within it, and have not had the opportunity, or necessity, to experience the life–work conditions they create. Without question, European history is being written within the limits of the European precinct, although the growth coalition that has given it shape has been less interested in glory than profit. Indeed, it has unspoken pretensions of becoming a super-specialized central business district – a true Central Executive District – at the service of the European integration enterprise. The emerging morphological character of the district – essentially a new district pieced together from parts of other districts into a functional whole – is quite recent. The introduction of the office function in the eastern fringe of the original Quartier Léopold dates to the late 1950s, and the first European Community building was constructed as late as 1965. In typical Brussels fashion, however, the urban impact of this process of internationalization has been rapid, haphazard, and overwhelming.

The processes and entities at work in the European District which transformed Brussels into a world-class administrative and business center, will be summarized below. These processes belong to a planning tradition that sanctions the idiosyncratic development of the district and reflects the delicate ethno-linguistic balance in the country's federal system; a land market that is equally firmly linked to the international capital market and to local business interests; a political process that gives rise to ephemeral local and international regimes of cooperation between the political and economic elite and an aesthetic vision and vocabulary dominated by market considerations, the commodification of architecture and an indifference to Western traditions of urban monumentality.

From the growth coalition's standpoint, it was necessary to make a decision about the value of retaining, adapting, or either selectively or entirely removing the 1850–1914 signature landscape of the "quartiers of squares" (Photo 10.5), as the neighborhood has always been fondly referred to, to make space for new office structures. The devastation of the *Quartiers Léopold* and *Nord-Est* by the restructuring of their space into an administrative–business district (photo 10.6 and 10.7) occurred despite the fact that in the 1950s the "quartiers of squares" were still an active, though physically frayed, built environment. It was neither abandoned nor decayed beyond repair. It was clearly at the later stages of neighborhood transition and ripe for reconstruction and reinvestment. The growth coalition selected these quarters *because* they were at the vulnerable late stage of neighborhood transition. While change is inevitable and even welcome in neighborhoods in that stage of their life cycle, the choice of demolishing large tracts of these historic neighborhoods has now been almost universally condemned as disastrous for Brussels' architectural and urban heritage, and deemed unnecessary. There was no planning–engineering advantage to develop such a complex in the inner-city versus either a green fields development, or one in a less precious neighborhood, as it was proposed by a non-profit planning group, which suggested moving the EU facilities to the largely abandoned Josaphat train station outside the 19th century city (Cnudde 1991).

To some extent, in the last four decades the diminished historic streetscapes and squares influenced both market choices, as well as political realignments among the government and business elite. They have also spurred into existence constituencies of resistance and shaped aesthetic choices and architectural sensibilities in the emerging precinct. The ten-year rallying of civic resources and non-profit organizations against the unchecked demolition or transformation of historic buildings has neither produced the necessary about-face to save the "quartiers of squares", nor has it made a significant difference in protecting the quality of life for the remaining long-term residents.

10.4.1 The weak link of planning

Brussels is an atypical Western European city because of the historical incidents that made it a capital city, its peculiar urban regulatory tradition – or lack of one – and its recurrent flirtation with American-style urban development practices and planning. The planning dimension cannot be simply subsumed under the rubric of "political activity", although it is the product of political bargaining between political authorities, business, and citizen groups. Planning regulation, at least in the case of Brussels, exhibits great durability, perhaps because its significance lies less in politically negotiated regulations and more in a certain "esprit" that prescribes how far political forces are allowed to tamper with the *laissez-faire* climate of the city. Thus, the privileged position of private capital has ensured that urban change often occurs in a spatially fragmented and haphazard manner. It is often uninformed by democratic discourse; it places the needs of business and state above the needs of citizens, and produces jarring combinations of land uses and building ensembles. The ensuing urban dysfunctionality has been given a bitter name by local planners: "Bruxellization".

The atypical morphological character of the city is captured in the role the private sector has played in shaping planning decisions. This role has been basic to Brussels' urbanism. Since Brussels became the capital of the Kingdom of Belgium in 1830, finance capital and the private sector, represented by the landed aristocracy and prosperous bourgeoisie, have been key participants in the modernization, expansion, and embellishment of the city. The historic opportunity presented to the French-culture elite, and the new Belgian and foreign financiers to transform the modest Flemish city into a national capital in the French style, made possible the launching of private ambitious urban development projects. These included the opening of the *Quartier Léopold*, and the development of a *Champs Elysée*-like *Avenue Louise*. This prominence of private capital as initiators of large-scale projects, and implicit subcontractors of the government, remained a prominent feature of urban development throughout the nineteenth century and continues to be perhaps the most dominant feature of urban transformation today.

What fostered this inclination of the private sector to get involved in the planning affairs of the city appears to be a *laissez-faire*, or *laissez-bâtir* climate. The proliferation of paper regulations, such as the *Plan de Secteur* of 1972, the *Plans particulier d'Aménagement* (PPA), and the creation of *Commissions de Concertation* responsible for reviewing urban development projects, appear to have only a modest influence in curbing the activities of the private sector.

Real planning authority rests in the design and approval of PPAs, which permit specific changes that are usually limited to an area of a few street blocks. PPAs are *ad hoc* proposals to making exceptions in land zoning plans. PPAs turn Brussels' urbanism into a palimpsest where, theoretically, specific needs of the city and market are addressed without disrupting the environs of the affected area. Its critics, of course, claim that it has a domino effect around the city: concentrations of PPAs in certain areas of the city weaken the existing built-up fabric. This appears to also be the case in the European precinct.

The PPA tradition combines an overt reliance on the private sector for urban initiatives with a procedural framework that allows an appreciable amount of flexibility of response to market needs. The planning regime provides a smooth terrain for urban development firms and an attractive business arena for international capital market watchers who have been traditionally attracted to high yielding, high security, modestly regulated real estate markets. Therefore, the planning environment provides structural conditions for the flourishing of planning practices compatible with the fast changing needs of the private sector at both the local and the international level.

What about public initiative? What conditions limit government maneuvering to the extent that the city becomes dependent on private capital when it seeks to carry out a significant urban project such as the creation of the European District? Brussels finds itself on unusual legal terrain as a consequence of the federalization of the Belgian state – a process that was concluded in 1989 and gave rise to three largely autonomous regions, one of which is the Region of Brussels.

The constitutional reform was brokered by the Walloons and the Flemish, the two major ethnic groups in Belgium, in order to address issues of equality and self-determination without abolishing the Belgian state. Brussels emerged from the process with an enhanced national profile as both federal capital and federal state. Ironically, the political compromises that gave it its new status also created legal–economic frameworks that have undercut the city's solvency (De Bruyker 1989; Drumaux *et al*. 1991). In brief, the new constitution fixed the administrative boundaries of the new regional government of Brussels along boundaries of the nineteen historic municipalities – "communes" – that made up Brussels, thus severing Brussels' functional metropolitan area into an urban core controlled by Brussels' regional government, and an economically vibrant periphery that is shared between the Regions of Flanders and Wallonia. Due to a certain measure of demographic decline and an increase in low-income households (predominantly of non-Belgian origin), the financial resources of the city are diminishing (Noèl 1998, pp. 39–45). Moreover, the size of population that accesses the city and its services is significantly larger than the resident tax-paying population. More than 55 percent of jobs in the Brussels region are in the hands of non-residents (Kumps

& Tymans 1993, p. 26). Given that the regional council has both infrastructural and services obligations towards the resident federal government of Belgium, the European Union, and the North Atlantic Treaty Organization, it frequently has to make difficult choices about how public moneys are spent. In such a fiscal environment, private capital can have significant sway.

10.4.2 The markets as urban brokers

A dynamic and multi-nodal world economy operates by making massive, rapid, and frequently “smart”, computer-programmed transfers of capital between markets. Capital markets employ consultancies that rank for them locations, sectors of economic activity, and firms according to potential for risk and profit. Financial officers then proceed with investments that match their clients’ level of desired returns to capital and their willingness to assume risk. The security of real estate investment in Paris, London and Brussels has made these privileged and relatively safe land markets common destinations for capital from places, such as Scandinavia, the United States, the oil-producing Arab world, and Japan.

The changing urban morphology of the European precinct in the last 15 years – following the relaunching of European integration with the Single European Act in the mid-1980s – illustrates the manner in which a city is changed both materially and functionally by its “upgrading” in the eyes of financial markets. Modest, drab, first generation office towers, built by pioneering British urban developers in the 1960s and 1970s in response to the European challenge and growing demand for office space, are now being replaced by architecturally “world-class” office towers that reflect the city’s world status. In danger of oversimplifying a complex process, both international capital and the elite of international design follow world-status, which is in this case crafted by the course of European politics.

The linking of hyper mobile investment practices to real estate development in London, Brussels or other world cities produces both peril and opportunity for local authorities. The contradiction involves the very concept of flexibility of movement sought by international portfolio managers and the largely permanent nature of storing capital in buildings. Brussels’ financial shape compelled regional and national authorities to create conditions hospitable to international investment. As far as the federal government is concerned, Belgium needed to do what it could to retain the EU’s executive branch in Brussels. As far as the regional government is concerned, the EU represented a mechanism for increasing revenue and bolstering the public purse at a time of declining population and aging infrastructure (de Meulenaer 1990, p. 16). In both cases the presence of European institutions became the core of an urban strategy to capture and retain international capital in the city. The catalysts behind this strategy have been local entrepreneurs and the elite who shape, cushion and supplant urban development activities in the service of the EU and their own financial interests. It is in the conduct of this multipurpose strategy that local, national and international elite and markets meet and interact.

The rapid development of the office function in the European precinct reflects the coupling of international and local investment capital and its economically "rational" application by profit-maximizing members of the elite. The city's growth coalition produced an image campaign that capitalizes on the role of the city as "capital of Europe". The image campaign sustains the interest of international capital markets in the city and the district, rallies investors and resources of all magnitudes and origins and, most importantly, nurtures the relationship between the European Union, the Belgian State, and the Region of Brussels.

The result is a political–economic ecology of local and international processes specific to a special type of urban development, the new, super-specialized "European" Central Executive District, that supplants Brussels' traditional Central Business District and a number of other outer or suburban office nodes, such as the *Quartiers Nord* and *La Hulpe*, respectively. Markets have distilled in this Central Executive District land uses related to regional, transnational, and international governance, diplomacy, lobbying, international press services and high-order producer services. Conspicuously absent are commercial activities of any magnitude, a "bright lights" district, as well as civic and cultural amenities, such as museums, galleries, and performance spaces – all fixtures in the typical CBD and its fringe.

World city status has meant that land speculation became a feature of the district's economic life. To appreciate why the district's real estate market may have appeared overpriced to many locals by the end of 1990, one only needs to compare any property in the area to the 139 million Belgian Franc (ca. 560.- USD/m^2) auction price of a mid-rise building on *Rue Belliard* – a long-valued area close to the inner ring and the Royal Park (Association of Brussels Notaries 1990, case 97). Prices of 560.- USD/m^2 reflect real estate conditions in London City, Paris or New York and mark the exponential rise of the cost of land in the district especially between 1985 and 1991. By 1990, the rate of growth in the value of upmarket properties in the district made Brussels one of the most sought-after real estate markets in the world. A review of the sale records of all publicly auctioned properties in the area between 1980 and 1991 helps us distinguish, albeit in fairly impressionistic terms, the land value profile and the trajectory of land prices in the district. This review is based on the annual reports of the Association of Brussels Notaries, listing the address of each auctioned property, the number of storeys and building type, the surface area of the lot, the allowable land use (as listed in the city's planning records), the property tax, the price and date of sale, and finally, the name of the notary responsible for bringing the property to market. The database includes 109 auctioned "lots" (115 district properties). Mean values for each of the eleven years have been used to plot the evolution of the district's real estate market during a period of great socio-economic change. According to real estate development professionals, properties brought to market in an auction setting are usually sold for below-market prices. Although there are exceptions, regular sale prices can be estimated as 10–25% higher than those listed in the notarial database. The rapid turnover of certain properties suggests that speculators were operating in the market: for example, four of five residential row houses on *Rue De*

Pascale, situated on the same city block as the newly erected annex to the European Parliament (Report 1982, cases 29–33), were resold within one to two years (Report 1983, cases 41f; Report 1984, cases 50f), although three of the four transactions were profitable, yielding a return of 10-–20% on the investment.

The spatial distribution and the temporal spread of certain transactions suggest that buyers were attempting to consolidate small parcels into large lots: for example, between 13.1.1983 and 6.3.1984, the office of the notary Vernimmen auctioned in four different transactions nine contiguous properties forming the corner of the *Rues Belliard* and *Van Maerlant*. Although the identity of the buyer or buyers is not revealed in the annual report, a visitor to that street corner will discover today one of the annexes of the European Parliament. The implication of such market frenzy, of course, is that serendipitous investors and local homeowners cannot participate equitably in the process. They are either displaced or bought off by speculators. Thus the neighborhood changed character at a cataclysmic pace.

The symbiotic relationship between the planning environment and the land market is clear. In purely market terms, the emergence of new complexes of administrative activity have created the demand for a new type of "command, control, and communications" center, which markets have rallied to create and underpin. The market has built on the earlier decision of the Belgian government to locate these communities in the residential districts of *Léopold* and *Nord-Est* by gradually transforming them into a Central Executive District that meets this emerging functional demand. Whereas the explanation is well informed by the investigation of the district's land market, there is still the question of how planning and economic choice in the district are engineered and set in motion.

10.4.3 Boosterist regimes of cooperation

There is strong evidence that the efficient implementation of the large-scale urban strategy for the district is tied to the ability of the political elite of national and regional caliber to work with the business elite of Belgian, French, and to a lesser extent British, origin. Only when such alliances or "regimes of cooperation", are forged, can the expansion and intensification of this Central Executive District proceed. Through the study of such networks, the nature and operational mechanics of the growth coalition that carved the European District out of Brussels' inner city may be explored.

The establishment of such networks allows the consideration of short-term, special purpose, and virtually always "informal" agreements between agents, without excluding the influence of structures, such as complex market forces, and especially the internationalized securities market as it relates to real estate development. In effect, the political and business elitists that operate in the European District come together to accommodate the space needs of the European Union. They can be seen as both client and invisible participant in the decision-making process concerning the material transformation of the district.

The European Union is not allowed by treaty to own or manage its physical facilities until the time its leadership – or in effect the national governments, which make up its leadership in conjunction with the European Commission – decide on a permanent site for the institutions. Brussels is only the provisional site of the EU Executive; hence, the apprehension among the national and local political and business elite that Brussels may lose the facilities, should the Union find a more enticing urban and working environment elsewhere. The networks of the European District exist to a large extent to avert such a catastrophic event for the city of Brussels and Belgium (Timmerman 1991).

The construction of the *Centre International du Congrés* (CIC) was fully financed by a consortium of Belgian and French financial interests and conveniently included a massive parliament-like amphitheater and facilities for simultaneous interpretation. It is a clear example of how the private sector, Belgian political elite, and the EU achieve common urban goals in informal, special function, and short-term networks of cooperation. It would have been a folly for private sector interests to build such a massive complex *in the hope* of attracting the European Parliament committee and eventually the plenary sessions. It would have been illegal for the EU to give any guarantees to the private sector that this project could be leased by the EU. Finally, it would have been politically risky for Belgian politicians to extend in part public land and the building permits to a project that diverts investment from other parts of the city and especially housing, which is in such short supply in Brussels, to a "prestige project". However, it would make perfectly good sense for all concerned, and involve a relatively modest amount of risk, if a cooperation regime was at work here. European parliamentary sources indicate the existence of such a regime, as do the building permits and the corporate composition of the consortium that built the CIC. The CIC has been, of course, leased by the European Parliament for twenty years as feared by its critics and hoped for by developers and regime members in the city (Staes 1990).

It can therefore be suggested that structures, such as firms and political institutions, serve as indispensable frames of activity in the design and implementation of Brussels' "world city strategy" – a tactic that is both mediated by and benefits directly strategic elite, such as powerful, long-established national and regional politicians, and their business patrons. It can also be suggested that these regimes perform spatial tasks by investing locational significance and economic gravity in the district, in a number of street blocks, or even single lots, which in turn influence future economic and aesthetic choices in the broader city.

10.4.4
Building Europe's soul-less capital

Why should urban aesthetics matter in a discussion of world city dynamics? Perhaps it is more important to speak about the historic Brussels streetscapes and squares lost to thoughtless demolition, than bemoan the aesthetics of Canary Wharf in London's dockyards, or the western Paris neighborhoods that were swallowed by *La Défense*. These inner-city landscapes of Brussels represent a rarity and preciousness in a city that has already been devastated by megalithic, top-down planning. That is why it is important to be aware of the mechanisms of devastation and record what has replaced them, for example the modernist *Cité Administrative* in the old city's north-west district as the most sterile of post-WWII government-planned projects. Its failure, however, did not teach much to the architects of the equally sterile European District.

Aesthetics play an ever-increasing important role in the fashioning of urban space in global cities that compete among themselves for investment. Chicago's Mayor, Richard Daley Jr., is creating what Saskia Sassen has called "glamour zones" on the city's lakefront-girding axes (cf. Sassen 1999). The official reason may be the enhancement of quality of life, while the *pragmatic* reason is likely the creation of an attractive urban environment that will pull in extra-mural – read "tourist" and "convention" – dollars. To this end, it will also benefit Chicago's new Millennium Park auditorium, which the avant-garde architect, Frank Gehry, is building. Chicago may be losing its commodity exchanges to William Mitchell's vision of enhanced bandwidth connectivity, but the city has a back-up strategy that will place the financial jobs shortfall and some of the prosperity of its CBD in the hands of cultural, educational, and recreational investment. If Daley and Sassen are correct in drawing a vital connection between aesthetics and world city competitiveness, then Brussels has drawn a losing hand. Three periods of landscape transformation in the district that are arguably tied to the fortunes of European integration are explored briefly:

1. The launching of the European Community (1957–1966)
2. The consolidation of the office function (1967–1985)
3. The relaunching of Europe and the emergence of Brussels as a global city (1986–to date).

Regrettably for the city, they also account for the creation of a vastly dysfunctional and unattractive neighborhood.

The mode and scale of transformation changed from one period to the other. In the period of the launching of the Communities, when European integration did not captivate the imagination of politicians, electorates and markets as it does today, investment and change appeared haphazard and limited to the sub-block level. Urban morphological change proceeded on the basis of a "Trojan horse" strategy: with single low-rise office buildings appearing in a street block of *fin-de-siècle* residential row houses, only to start a cascade of row house demolitions in subsequent years. The scattered demolitions and the piecemeal absorption of the historic neighborhood made it difficult for residents to organize and resist the process. The resulting pattern of modernization, intensification, and "Europeanization" of the district by private developers thus appears unordered and in contrast to the EC's declared desire, to concentrate their facilities around the *Rond-Point Schuman*.

The consolidation of the office function from 1967–85 reflects the cumulative and substantial impact of the gradual, disorderly, privatist-inspired development of low-rise and mid-rise office buildings. It has in essence, removed the massive proportion of nineteenth and early twentieth century urban fabric of the old *Quartier Léopold* and is now infringing upon other nineteenth century extensions of the city to the north and to the south. In this period, the scale of projects has not changed, but one encounters, on the one hand, the systematic diffusion of administrative activities throughout the district, away from the EC "hub" of the *Rond-Point Schuman* (clearly the result of increased space needs of the EC, in part due to the accession of new member states to the EC) and on the other hand the expansion of a small cross-section of typical CBD front-office operations. Commercial activities of any significance have never taken root in the district.

This development reflects less the commitment of the Brussels business community to the EC, which had still to earn the confidence of the European private sector, than to the *Quartier Léopold*, emerging as the major node of the multipolar CBD system of Brussels. In fact, the CBD-type office uses proliferating in the quarter in this period did not have a strong reference to the European integration enterprise.

It is the third period, the so-called "relaunching of Europe" following the signing of the Single European Act in 1987 that propelled the district out of its relative obscurity as a business land market and international administrative hub into the political limelight. The changes now had pronounced reference to the European integration enterprise. The scale of the projects has changed conspicuously. They are no longer limited in extent to parts of street blocks or to the street block level, but absorb portions of the old ground plan into "mega-projects" for use by the EU and a new vast array of lobbyists, embassies, national and regional representations to the EU, as well as European-level professional, industrial, and labor unions. This fundamental reordering of the neighborhood was justified as "good for the city", "good for the state", and minimally harmful to the thinning population of the district. Gentrification was therefore invested with a glow of national interest and the collective interest of the city.

The opposition campaign has been difficult for citizen groups. To quell the rising opposition, the city granted building permits to the private consortia that built the *Centre International du Congres* and the Council of Ministers with the *sine qua non* of including new housing units in the neighborhood. Despite the legal standing of these commitments, the spirit of these promises, if not also the word, was violated. The overall number of housing units dwindled in every new revision of the plans, the low cost housing virtually disappeared, and some of the housing that *did* make it to the final construction blueprints have taken more than ten years to construct.

Finally, the question of monumentality in building – or the lack of it – is an issue in an urban political project that harbors tremendous symbolism for more than four hundred million Europeans. One can find fault with the lack of a grand vision in the planning and architectural distinction in the precinct. Incidentally, both of these are listed as major complaints of real estate developers doing business in the district. Despite these complaints, however, it is clear that the priorities of the parties active in the district lie in making the planning and aesthetic decisions that meet the sophistication and wallet size of the clientele. Moreover, the provisional status of Brussels as seat of the EU executive has made authorities in Brussels and Belgium reluctant to sink significant financial resources of their own on what may be an ephemeral building project. Thus, the European District "CED" is not invested with the grand aesthetic one would associate with the long tradition of monumentality in European capitals. Instead, one has to search diligently among the often drab office towers to find either a restored architectural gem postdating the EC activities, or an aesthetically valuable, modern or post-modern structure. Most alarming for this newly-minted world city is the lack of "glamour", which may be translated in market losses, or perhaps a successful bid for the European institutions by a city with a longer-term view on the value of building for history's sake as opposed to Mammon's.

10.5 Conclusion

The ascension of Brussels to world city status as a result of hosting key institutions of the European Union in a specialized business district that was created by a public–private collaborative regime of elite has been explored. The Brussels case brings to the fore questions about the role of the democratic process in the shaping of urban places, and questions the value of top-down and privatist-directed planning. While there is little doubt that the growth coalition that shaped the European District made a mockery of the democratic process, it is perhaps proper to ask whether there is an inherent instrumental authoritarianism in "cities that work", and cities that compete for the title of "world city"?

In purely technical terms, the Central Executive District described above may be construed as a new urban form that may anticipate the growth pattern, function and even the aspect of other world cities in the making, that have been benefiting financially from the globalization of command, control, and communication functions associated with international administration and high-order producer services (Geneva, Strasbourg, Vienna, and Frankfurt come to mind). The manner in which the European District of Brussels came into being may, ultimately, help illuminate the discussion about the future of central business districts and the apparent tendency for super-specialization of their functional character in advanced capitalist societies.

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11 Hanoi and Ho Chi Minh City: The long struggle of two cities/Recovering from endless war

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11.1 Recovery from endless war

There are few cities in the Third World with such a difficult and long struggle behind them, as is the case of Hanoi and Ho Chi Minh City. Since independence, the other Asian cities and the majority of new countries in Africa were generally spared from violent foreign control, while the immediate consequences of conflicts in Vietnam continued through to the end of the 1980s. The USA and China sent their own troops to war on Vietnamese territory, and the former Soviet Union and its allies in the Eastern Bloc countries offered military assistance to North Vietnam, enabling it to conduct a proxy war (Fig. 11.1). Vietnam itself then turned to the role of aggressor, attacking the neighbouring countries of Laos and Cambodia.

The material price Vietnam paid for the years of war was the destruction of infrastructure, facilities and settlements. More than 10% of the population died, leaving about one million orphans; 3% of the veterans returned home crippled – the former social structure had been destroyed.

Until the decline of the Eastern Bloc, North and South Vietnam and later the Socialist Republic of Vietnam received financial aid from their respective allies to counter the consequences of war. The ratio of capital input over the past four decades to current key geo-economical indicators could not be worse when compared to the ratio in other developing countries.

While countries such as Thailand, Malaysia, Indonesia and even the Philippines enjoyed a period of relatively peaceful economic growth during the first half of the 1990s, the decline of the planned economies in Eastern Europe and Northern Asia hit Vietnam particularly hard. Not only did the substantial development aid provided by the Eastern Bloc come to an end, but its collapse led to the gradual introduction of a free market economy in Vietnam. The recent financial crisis in the Southeast and East Asian countries has however delayed this process of change.

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 273–320.

Peace be with you!

Fig 11.1 Vietnam 1973, illustration by Hans Geisen (used by permission of Odette and Johann W. Geisen)

The period of colonial and post-colonial war and more recent conflict are reflected not only in socio-geographic and economic indicators, but also in the urban physiognomy and in the planning of Vietnamese cities, especially in Hanoi and Ho Chi Minh City. The following chapter is a critical analysis of urban development in these two cities from the period of de-colonisation until today, and the reaction of urban planning authorities to socio-geographic and economic challenges. We will see that both cities followed very different paths of development, despite the fact that they were influenced by strong extraneous disturbances to the same degree. A comparison of these two cities will illustrate how endogenous factors overtrump or influence the effects of extraneous factors.

Hanoi is situated on the right-hand bank of the Red River, about 100km upstream of the Golf of Tonkin in the South China Sea. The river is not navigable for large ships. For this reason, Haiphong took over the role of seaport for Hanoi, a convenient situation as the cities are only 102 railway kilometres apart.

Ho Chi Minh City (HCMC) is situated 1.139 aeronautical or 1.726 railway kilometres south of the capital, Hanoi. Until the defeat of the USA, the city was known as Saigon. Old Saigon (58.1 km^2) was only a fraction of the size of the city today (2056.5 km^2), which now includes besides the former Saigon, the neighbouring Chinatown Cholon, a suburban belt and a rural region.

Whereas Hanoi is considered to be one of the oldest cities in Southeast Asia still in existence today, Saigon was founded by the French in the Mekong Delta during the late 18th century, and entered an extraordinary period of growth after the Second World War.

11.2 Exogenous factors disturb urban development in Vietnam

11.2.1 The interplay of exogenous and endogenous factors

The number of factors that have fundamentally influenced urban development in Hanoi and HCMC and still continue to define it is considerable. As in the case of developing countries, the strong forces are mostly of exogenous origin and are disruptive (Table 11.1). Endogenous factors also exist and should not be overlooked even though they are less influential, and due to the lack of information from Vietnamese authorities – as a result of the internal political structure – often difficult to determine. Attributing the initiation of the restructuring process to either an exogenous or endogenous trigger event is, due to the interrelationship between both components, not always possible.

Table 11.1 Synoptic presentation of important exogenous factors in the recent history of Vietnam and their influence on urban development in Hanoi and Ho Chi Minh City (Orig. R.L. Marr)

Period	*Event*	*Year*	*Hanoi*	*HCMC*
Colonisation			++	++
	Saigon is made "capital" of French Cochinchina	1862 – ca. 1940	0	+++
	Hanoi is made capital of the French Protectorate Tonkin	1887 – ca. 1940	+++	0
	Japanese occupation	1941–1945	-	-
De-colonisation, War of Independence		1945–1954	--	---
	Hanoi capital city of the Dem. Rep. of Vietnam (North Vietnam)	1945	+	0
	French bombardment of Haiphong	1946	--	
	Agricultural reform in North Vietnam	1953	+	--
	Capitulation of France	1954	--	--
	Geneva Treaty: Saigon capital city of South Vietnam	1954	0	+
	First wave of refugees		-	--
Civil War		1960/64–1975	---	-
	USA bombing for the first time in North Vietnam	1964	--	

	First bombardment of Hanoi	1966	--	
	Intensive bombardment by USA	1970ff	---	
	Withdrawal of US troops	1973		--
	North Vietnam conquers Saigon: Hanoi capital city of the whole of Vietnam	1975	+++	---
	Deportations and second wave of refugees	1975		---
Socialist Republic Vietnam		since 1976	++	-
	Expropriation of private companies	1978	-	--
	Third wave of refugees	1978/79	-	--
	War against Cambodia	1978–1979	-	-
	Invasion by Chinese armed forces ("educational campaign")	1979	--	-
Economic opening		since 1986	+	+++
	Doi moi/Economic revival	1986	+	+++
	Food crisis	1988	-	-
	Fourth wave of refugees	1988	-	--
	Opening to tourism	1988	++	0
	Financial aid from Eastern Bloc	until about 1990	++	0
Globalisation		until about 1995	++	+++
	Membership ASEAN	1995	+	+++

+++ very positive effect
0 no effect
--- very negative effect
This assessment is based on the effects seen in urban, economic and social geography of Vietnam

11.2.2
The effects of colonisation and de-colonisation on urban development

Still today, it is difficult to say as to what degree French colonisation financially influenced Vietnam. Franklin D. Roosevelt's statement that France milked Indochina for a hundred years (Kuhn 1974, p. 30) is certainly incorrect as the colonial power did much for Vietnam in terms of urban structure and infrastructure. The representative precincts of Hanoi and the whole of Saigon were planned and constructed by the French colonists. Since then, the colonial districts have changed considerably. Recent urban redevelopment, however, confronted planning authorities once again.

The de-colonisation phase was thought to have begun when the Japanese occupied French-Indochina, until the local population realised that another foreign colonial power had simply replaced the previous one. In terms of urban development, the Japanese did not noticeably leave their mark in Vietnam (in fact, the same may also be said of Japanese sovereignty in Malaysia, Singapore and Indonesia).

The consequences of the de-colonisation wars (1945–1954), began when France attempted to gain a colonial foothold in Indochina and once again influenced the further development of the cities in Vietnam to a greater extent. In 1946, French aeroplanes bombed Haiphong, the seaport of Hanoi. As a result, the seaport faced the same fate as other ports in Vietnam: it silted up.

When the French troops surrendered in 1954, practically the entire infrastructure in the country was destroyed: only 10.2 % of the railway network was in operation, most of the roads were closed and the telegraphic network was dismantled. The French not only took the telecommunication equipment with them, but all the plans also (Trân 1996, p. 164). Thus, the cities were disrupted in their typical functionality to a greater extent than the rural areas.

Similar difficulties were faced by many other cities in developing countries in their first years of national independence. In the case of the Vietnamese cities, decolonisation did not lead to the gradual stabilisation of home affairs, but rather to civil war. This affected virtually all provinces and greatly impeded the structure, physiognomy and function of Hanoi and HCMC, setting them back heavily in their development.

11.2.3
Civil war as primary disturbance factor

Following the Japanese surrender of Vietnam after WWII, France attempted to regain control, and thus triggered off the war of independence. In contrast to similar disputes in other young states (e.g., Indonesia) this war developed into a civil war. Two opposing social and economic systems clashed violently with each other, resulting in the intervention of the USA who feared the onset of communist infiltration in Vietnam and throughout Southeast Asia ("Domino Theo ry"). The war divided the country and the two capital cities were to follow very different paths of development during the next decades.

China and the former Soviet Union – together with other East European Bloc countries – supported North Vietnam during the years of conflict both financially and with weapons. In the context of the global West–East antipathy, this war may also be seen as a "proxy war". Vietnam experienced possibly the worst of all independence wars that have raged in developing countries and the most complicated communist revolution (Brogan 1990, p. 273). The years of war and opposing ideologies strongly affected the development of the Vietnamese cities, especially that of the two capital cities – communist Hanoi and pro-West Saigon.

The wounds inflicted by the civil war have still not healed and are of primary significance for the assessment of urban planning and development progress and potential. It was not only the material consequence of the war that affected urban development, but also the "human resources" factor. The refugee waves and deportations, particularly of social groups had a strong say in defining the direction of urban development, and set back the socio-geographic and economic development of Hanoi and HCMC.

The emerging effects of the assumption of power of the communist Vietminh in the North and the incipient land reform initiated by Ho Chi Minh resulted in a massive wave of refugees after the Geneva Treaty in July 1954; nearly 1 million people, of which three quarters were Catholic (Chaliand, Jan & Rageau 1994, p. 119; Ansprenger 1966, p. 227), fled to the South, primarily inflicting strain upon the urban structures, and in particular Saigon. In 1953, North Vietnam underwent agricultural reform; at the same time, a decree was issued to rebuild industries that had been destroyed by the French (Trân 1996, p. 160). Industries that extracted and processed raw materials (coal, phosphates, tin) were given priority, the majority of which lay outside large cities. The industrial and economic redevelopment followed guerrilla tactics, trade and small industries being encouraged in villages as well as in provincial cities as these were to be responsible for producing food, weapons and other items essential for defence in times of war. That explains why, in the early 70s, the USA bombed not only 11 provincial and 51 small towns but also 30 villages (Trân 1996, p. 181). The number of rural inhabitants who had to flee to the cities because of the destruction of their villages or because the front line ran through their fields, is unknown (Guglielmo 1996, p. 92).

In December 1966, the USA bombed the residential areas of Hanoi for the first time; in 1972, they intensified the bombing of that city and of her seaport Haiphong. By the time the USA was defeated in 1975, all industrial complexes and bridges in the north were destroyed and Haiphong harbour was totally mined (Trân 1996, p. 181). Contrary to the situation in Cambodia, the triumph of the North Vietnamese communists did not lead to a bloodbath in Saigon and in other cities in the South; critics, intellectuals, students, monks and those who sympathised with the "wrong" communism, i.e. the South Vietnamese communism, were generally sent away to "re-education camps" for many years. According to reliable estimates, between 500,000 and one million people were arrested (Margolin 1998, p. 637), of which the majority came from cities, in particular from Saigon. Many were able to flee. More than 240,000 people fled to Malaysia, taking the risk of an excruciating crossing of the South China Sea, a voyage which gave them the name of the "boat people" (Chaliand, Jan & Rageau 1994, p. 119).

The series of conflicts in Vietnam was however still not over, two further events delaying the general economic and social development of the country: the Vietnamese invasion of Cambodia in 1978 and the Chinese–Vietnamese war in 1979 (*Far Eastern Economic Review* 1980, p. 43ff).

The decreed expropriation of private companies in April 1978 affected in particular the Chinese population groups in urban centres, as many Chinese owned shops or ran workshops. The threat of resettlement into "new economic zones", in reality camps in peripheral areas, as well as the financial misery in general resulted in a new wave of refugees in 1978/79 (NZZ 1978; cf. Table 11.1: Third wave of refugees). The flight of some of the "Minderheit verhasster Tüchtiger" (despised minority of good workers) (NZZ 1979) was a further barrier to development, particularly in HCMC.

In 1988, more people attempted to leave Vietnam as a result of famine caused by a series of poor harvests and mismanagement of the agricultural sector by the communists. In contrast to the previous waves of refugees, Southeast and East Asia as well as Europe were less helpful to the emigrants from Vietnam than before.

It is estimated that since 1975 about one million people have fled the country (Brogan 1990, p. 273). Primarily the urban population packed their bags. The estimated number of internal refugees lies between 3 and 4 million people. The internal resettlement of ethnic groups from North Vietnam in the South also affected the rural population (Jan, Chaliand & Rageau 1997, p. 63). To what degree civil servants were consciously transferred from the North to Saigon is difficult to prove.

It should be emphasised that the material cost of war was also high for the rural regions: 140,000 ha of agricultural land could no longer be cultivated, and the irrigation of 200,000 ha made impossible, because dams and canals had been destroyed (Trân 1996, p. 164–165). Without a doubt, the desolate condition of the rice fields that had been carefully cultivated for so many centuries encouraged urban flight and aggravated the precarious food situation.

11.2.4 Foreign aid and urban planning

Following the war, both power blocs considered Vietnam to be one of their most important outposts. Accordingly, North Vietnam and later the Socialist Republic of Vietnam was heavily supported by the Eastern Bloc, South Vietnam on the other hand by the USA. From 1946 to 1966, South Vietnam received over 3 billion USD financial aid from the USA; the military support was most likely just as high (Goetz & Gunzert 1971, p. 25). Western circles estimate that North Vietnam received between 700 million and 1 billion USD from the USSR and between 300 and 500 million USD financial aid from China over the same period. From 1946 to

1966, North and South Vietnam received in total 49.3% of all financial aid that was transferred to Southeast Asia (excluding British aid in Malaysia and Singapore!). Not included is the supply of weapons from particularly the USSR. Although reliable and detailed information is lacking, it appears as if the government in Hanoi was able to keep its military budget very small, due to massive military aid from the former Soviet Union (Cambessé dès Olivier: Atlaséco 1984, p. 282). According to the Chinese, they themselves invested 20 billion USD in Vietnam during the years of crisis – an amount that probably greatly affected the economic and social development of the donor country (Brogan 1990, p. 274).

Foreign aid and credit between 1966 and 1975 was considerable. From 1966 to 1970, it exceeded the gross domestic product by 200% and covered 67% of the current national budget (Trân 1996, p. 181). However, very little seems to have been invested either directly or indirectly into the development of the cities.

Vietnam's aggressive behaviour toward her neighbour Cambodia was also mainly financed from abroad. A Vietnamese government spokesman explained in 1980: "Arms and ammunition don't cost us a penny. Our Soviet friends supply all that" (Pike 1982, p. 84). The value of the former Russian military aid is estimated at 3 to 6 million USD per day (Armitage 1982, p. 71)!

If one considers the huge amount of financial aid that flowed into Vietnam during the civil war and the subsequent wars against Cambodia, Laos and China, then one cannot help but be amazed at how little was done to improve urban areas. In Hanoi sections of various urban districts were redesigned on the drawing board by the former Soviet Union, although not all projects were carried through in the end (Fig. 11.2). The planning proposals of the former Soviet Union were based on their own national urban planning philosophy. However, due to the build up of these areas in later years, it is difficult to make any comments on the quality of the Soviet programme. Large amounts of money were invested into the reconstruction of the destroyed infrastructure and into the agricultural sector and heavy industries during and after the war. Industrialisation topped the priority list with regard to national investment. The monies received from communist brother states by the SRV [Socialist Republic of Vietnam] is also primarily used to this aid (Seydewitz & Zeller 1980, p. 697). "... the many hundreds of industrial plants, power stations, bridges and other objects...are proof of this".

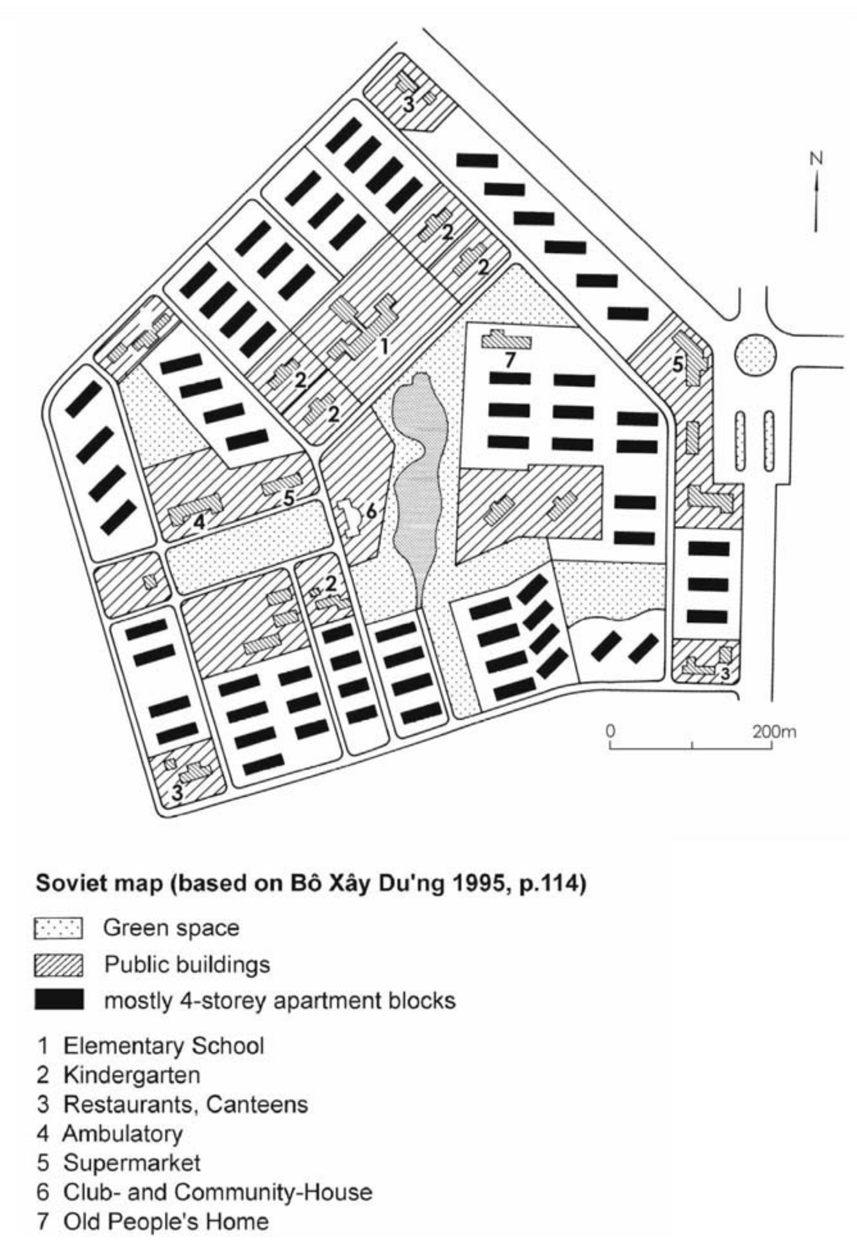

Fig. 11.2a Kim Liên – an example of a residential area designed and built in 1957 with Russian aid: the Russian plans (by Bô Xây Du'ng 1995, p. 114)

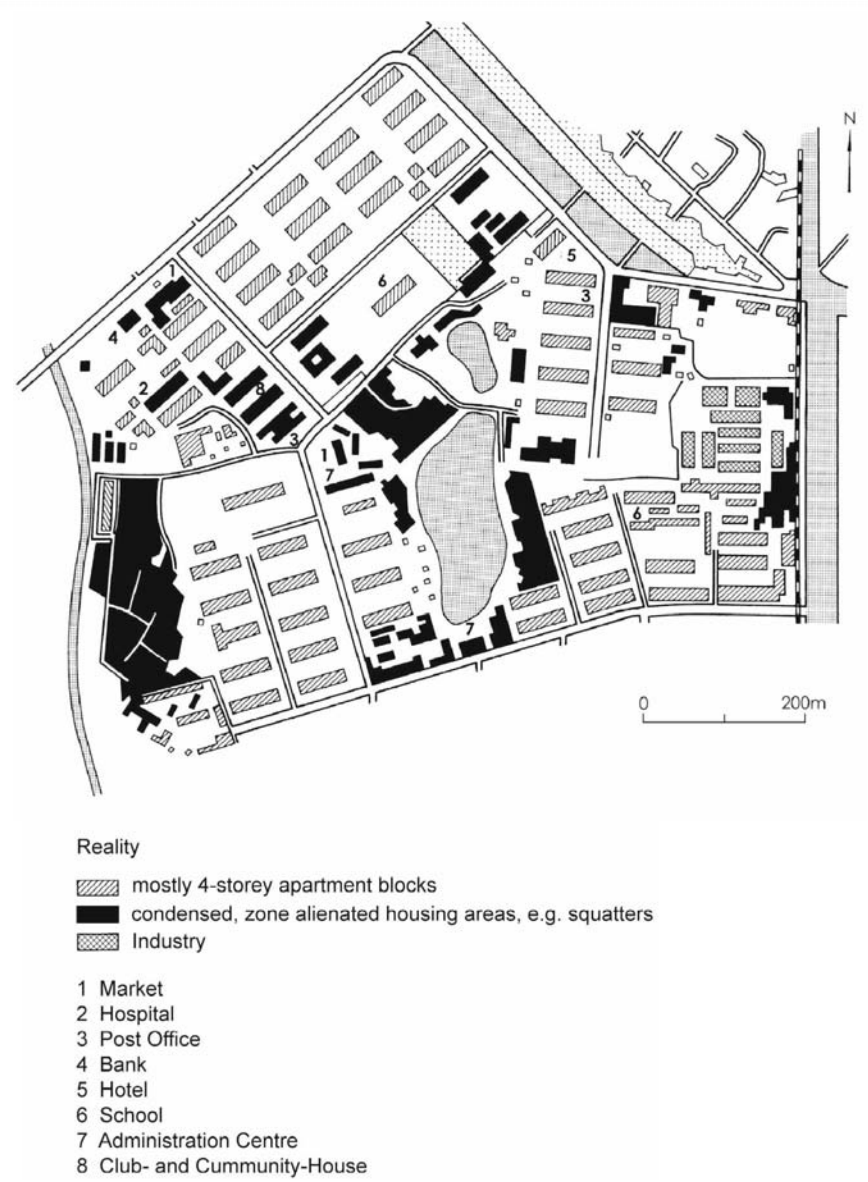

Fig. 11.2b Kim Liên – an example of a residential area designed and built in 1957 with Russian aid: the reality (according to Trân Viêt Anh 1996, p. 30; own map)

In 1996, Vietnam received public foreign aid to the extent of 4.0% of her gross national product (World Bank 1999, p. 275). Trade and services balance sheets are negative and the currency reserves are limited. Private credit flow and long-term investments are however relatively high. The net contributions of the DAC member states, the Arabic countries and international institutions rose from 258 million USD in 1993 to 927 million USD in 1996 (OECD 1998, p. A47)! As such, Vietnam is one of the top recipients of financial aid in the world. This money is to be used mainly to combat poverty – "... a central goal of the Vietnamese government since unification..." (World Bank 1995, p. i) – especially in rural areas, and correctly so, as the living conditions there are worse than in urban areas.

11.2.5 Economic renewal (*doi moi*) and urban development

The first signs of economic political transformation were to be seen in 1981, when the agricultural sector was given more freedom of decision within the corset of planned economy; however this appears less to have been the result of a conscious decision to support new trends than the legalisation of activities that had existed for many years despite the laws (Trân 1996, p. 209). The real economic and political renewal process outside of the primary sector began in 1986; a process known as *doi moi* in Vietnam. In particular the tourist sector, which was tolerated from 1988 onwards, profited from these processes. At the same time, the first foreign investments were made. One year later, the practice of fixed prices was dropped. In 1992, *joint ventures* were legally recognised, improving the investment climate. In the same year, the USA relinquished its resistance against international loans for Vietnam. In 1994, the USA finally withdrew its trade embargo and established diplomatic ties with Vietnam once again (Yeung 1998, p. 436ff; Schätzl 1997, p. 80ff). Attracted by the benefits of comparative costs, especially low wages and low property values "plus perhaps a willingness by its workers to work hard" (Yeung 1998, p. 437), a considerable amount of foreign capital poured into the country. This reflects clear parallels to past events in other ASEAN countries, especially in connection with the spatial distribution of the investors in terms of region and investment plan.

How did *doi moi* affect the development of Vietnamese cities? All existing indicators say "that poverty has been reduced substantially since the launching of the *doi moi* economic reform process in 1986" (UNPD/UNFRA/UNICEF 1995, S. XV). Without a doubt, the cities benefited from the relatively high percentage of capital pouring into urban areas, in particular Hanoi and HCMC (UNPD/UNFRA/UNICEF 1995, p. 71–74). That *doi moi*, so to speak, inspired city planning cannot be proved. Characteristic of Hanoi are the multi-storey buildings on generally small lots, which tower over the older low-rise buildings in the area. Similar buildings are also to be found on the fringe of the city, surrounded still by agricultural land. Sampling proved that the majority of these buildings were speculation objects. Individuals or families who were able to amass a small fortune invested in such buildings. It is not possible to determine whether planning permissions was issued, or what type was issued, but it is obvious that the individual objects often did not comply with higher district planning.

According to a survey held by Transparency International (NGO) amongst business people in 1997, Vietnam was considered to be one of the countries with excessive corruption. This is nothing new for the South at least: looking back over the past 20 years, rampant corruption in the 70s in Saigon in particular was considered one of the three main problems in South Vietnam (Goetz & Gunzert 1971, p. 21). One should remember however, that corruption in developing countries generally only occurs with the considerable participation of industrial countries (Klitgaard 1998, p. 3). Because the construction branch and land speculation are particularly susceptible to corruption, one presumes that certain freedoms resulting from *doi moi* are not beneficial to future city planning.

The long-term consequences of the monetary crisis that badly affected numerous Southeast Asian countries, are still unknown with regards to the situation in Vietnam. While signs of recovery are visible in Malaysia and Thailand, reform, investment and economic growth in Vietnam have slowed down. Whether this country will become a new "tiger" (Schätzl 1997) with positive influences on city planning, is still open.

11.3 Endogenous factors affecting structural development and applicable processes

11.3.1 The lethargic effect of poverty on urban development

Despite economic reform and rapid growth, Vietnam is considered to be one of the poorest countries in the world, according to Atlaséco 2000 (Bertrand 1999), which bases its calculations on a gross domestic product per capita adjusted according to buying power. Thus Vietnam ranks with Haiti, Bangladesh and Sudan. The average monthly income is about 15,000 VND (Dongs). A dozen eggs cost 2,000 VND and 1 kg rice 900 VND. A pair of trousers cost about 25,000 VND (Frémy & Frémy 1998, p. 1220). According to the *Human Development Index* (HDI), which is published annually by the UNDP (United Nations Development Program 1999, p. 170) Vietnam is listed in the lower half of the category *medium human development*, below Algeria and Indonesia but above Guatemala and Egypt. Due to the good results of the indicator adult literacy, Vietnam's ranking in the HDI statistics differs by 23 places to the GDP/C (gross domestic product per capita) ranking of the World Bank (World Bank 1999, p. 191). Finally, the Development Assistance Committee (DAC) of OECD also rates Vietnam as a low-income country, while countries like Thailand or the Philippines, for example appear in a higher group (OECD 1998, p. A83).

The prevailing poverty is clearly a result of the post-colonial war period in Vietnam, a period in which Vietnam was victim and aggressor: in 1985, Vietnam used 19.4% of its gross domestic product for military expenditure (UNDP 1997, p. 219), and even the 4.3% registered for 1995 is well above average military expenditure in both developing and industrial countries.

Table 11.2 Access to drinking water and sanitary facilities in the cities of Southeast Asia in 1980 and 1990 (in % of urban population) (Source: UN-Habitat 1996, p. 515)

Access	*Drinking water*		*Sanitary facilities*	
	1980	*1990*	*1980*	*1990*
Vietnam	70	39	23	34
Thailand	65	89	64	80
Malaysia	90	96	100	94
Indonesia	35	68	29	64
Philippines	65	85	81	78

"Access" means that a tap or a toilet is located within the house or "within close reach". The definition of the terms applied here varies from country to country.

In this typical poor developing country, the old spatial structures of the big cities of Hanoi and Ho Chi Minh City and thus also the planning processes, are fundamentally different to those in the metropolises of industrial or transitional countries. As the percentage of people who live in poverty and degrading conditions is proportionally higher than elsewhere, combating urban poverty must become first priority.

A central question is whether the endogenous factor of poverty has influenced urban development in Vietnam over the past four decades quantitatively and qualitatively more significantly than the exogenous factors disturbing economic growth. According to the limited information available (Table 11.2), it is possible to determine that the exogenous factors rather than the endogenous factor of poverty are primarily responsible for limiting the development of Vietnam's urban system: in Vietnamese cities the accessibility of drinking water was reduced by half from 1980 to 1990, although it increased significantly in four other Southeast Asian cities. Also, in comparison to Thailand and Indonesia, the number of toilet facilities increased only slightly (diverging tendencies in Malaysia and the Philippines can be attributed to other factors). Because the focus of development at present should be on alleviating poverty, further redevelopment in urban regions is not realisable in the short- to medium-term. Poverty thus has a lethargic effect on urban development in Hanoi and HCMC.

11.3.2
The ideology of the conqueror as an endogenous factor

As a result of colonisation, Japanese occupation and civil war, the continual relocation of central capital city functions became characteristic of Vietnam's urban history. The process of urbanisation that is generally reinforced by the function of the capital city was constantly interrupted in the three most important Vietnamese cities Hanoi, Hué and Saigon (Fig. 11.3). The end of civil war was thus only one of many turning points in the varied history of the urban centres of Vietnam.

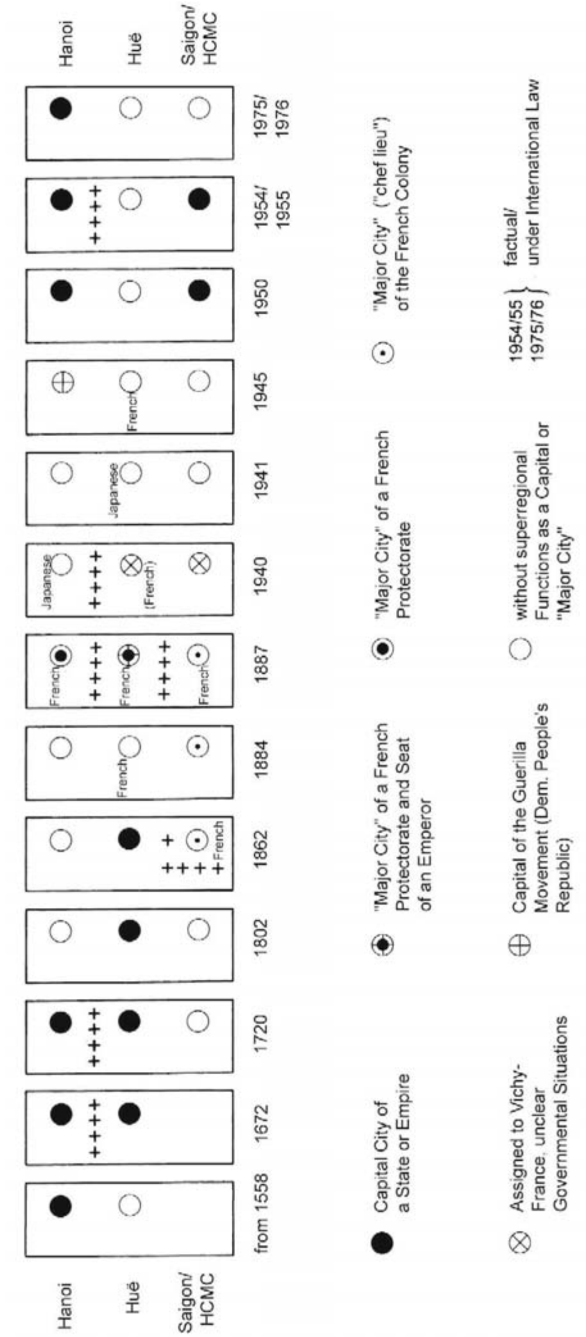

Fig. 11.3 The relocation of capital city functions in the area of present-day Vietnam (Orig. R.L. Marr)

Continued Fig. 11.3 1558 first independent kingdom within the territory of present-day Vietnam with Hanoi as capital city; 1672 effective division into the kingdoms of the Trinh with Hanoi as capital, and the Nguyên with present-day Huế as capital; 1790 construction of the citadel which marked the birth of Saigon; 1802 reunification; 1862 French troops conquer Saigon; 1884 whole of Vietnam under French rule; 1887, 1898 and 1899 different decrees lead to above-depicted situation; 1940 Japanese occupation of Tonkin including Hanoi; 1941 occupation of the whole of Vietnam; 1945 proclamation of Democratic Republic of Vietnam by communist guerillas; 1950 effective division due to the diplomatic recognition of Hanoi by the USSR and China; 20.7.1954 Geneva Treaty: South Vietnam's "effective independence" (Matz 1992, p. 111); 1955 proclamation of the "Republic of Vietnam" (South Vietnam) with Saigon as capital city; 10.4.1975 Saigon surrenders to North Vietnam; 1976 proclamation of the Socialist Republic of Vietnam.

The conquerors viewed Saigon, the capital city of the enemy, as a Chinese city, an image that corresponded with the ideological social criticism of the "Western" (or here the "Westernised") city (Short 1996, p. 416), and which, if the city is evaluated at face value only is possibly true. A relocation of the capital city – be it as a gesture of goodwill towards the South or be it for regional planning reasons – was never considered, although Hué, for example, a centrally located city with a long tradition, would have been just as suitable. On the contrary, the position of Hanoi in the nationwide system of cities was to be strengthened and the prevailing differences to Ho Chi Minh City accentuated: Hanoi is not only focal point of political power, but also that of culture, science and technology. Thus plans were made to elevate Hanoi to a national centre of commerce and finance, its status as capital symbolical of more or less the whole country (OPVH 1996, p. 1).

The motives for the new orientation in urban planning and the core goals in creating a Greater Hanoi were defined accordingly. Planning authorities and government orientated themselves according to the models of developed industrial and service-oriented countries. However, a clear declaration of intent that refers to an improvement of living conditions of the urban population is lacking in the official documents of Hanoi. Instead, Hanoi's planners have stepped onto the bandwagon of modernisation, declaring that Hanoi is to be developed in such a way as to be worthy of a nation of 100 million people (OPVH 1996, p. 3). Hanoi thus differs only partially from other capital cities in Southeast Asian countries (Kuala Lumpur/Putrajaya, Jakarta and Bandar Seri Begawan). Ho Chi Minh City on the other hand has declared its intention of improving urban living conditions, although even here the primary focus of official urban planning is to mobilise capital and attract investors. At the same time, the following was declared: "Ho Chi Minh City is the most important centre of economics, culture, sciences and technics in Vietnam, with ... favourable geographical conditions" (Vo Viet Thanh 1994a, p. 351, 353).

With reference to the slums, it should be clearly stated that HCMC and Hanoi differ greatly from each other. The empirical study of Parenteau brought to light that urban poverty is not perceived the same way in the two cities (1997, p. 295). Although large sections of the Old City of Hanoi have become slums, there are nevertheless fewer squatters in the city than in HCMC (cp. paragraph 11.4.2 and 11.5.2). The reason for this is that state housing was an important aspect of the ideology in Northern Vietnam and thus financially supported by Eastern Bloc countries. Efforts were made to offer the large corps of civil servants sufficient housing facilities. The image of poverty did not suit the ideology and was thus marginalised. Those affected were illegal immigrants, orphans, prostitutes of both sexes and lately drug addicts (Parenteau 1997, p. 295). The "ideology of the conqueror" was at least a positive factor in the struggle against urban poverty.

11.3.3 Spatial disparities as factor for differences between Hanoi and HCMC

Hanoi and HCMC differ in their structure not only because urban development took a different course, but also because the exogenous factors had a different impact on urban development phases. However, the main reason for differing development can be found in the spatial disparity between both cities: because of the natural potential of its hinterland and the geographically strategic position of HCMC, this city is in a better position than Hanoi.

Although Hanoi and HCMC are neither very central, the geographic position of Ho Chi Minh City is comparatively more favourable. For seafaring activities it is better located and as a result of its location, the underwater fibre-optic cables which were laid in 1995 from Hong Kong to Bangkok, passed through HCMC (Jan, Chaliand & Rageau 1997, p. 184). Vietnam's admission into ASEAN (1995) improved the locational advantage of Ho Chi Minh City, as a triangle of economic growth between Kuala Lumpur–Bangkok–HCMC was established. Not even the proximity of Hanoi to the Chinese border can compensate for the favourable location of HCMC.

The locational advantage of HCMC is reflected by its position in the international air traffic network: 20 foreign destinations with 167 direct flights per week are offered by HCMC; Hanoi in contrast serves 10 foreign cities with 58 flights per week (Autumn 1999). The capital market also reflects the differences: at the beginning of 1995, 368 projects handed in by foreign investors were registered in HCMC, to the value of 3.337 million USD (Table 11.3), while only 172 projects were registered in Hanoi to the value of 2.365 million USD (Nguyên 1995, p. 187). It is clear that urban functions are also adapting to the situation: for example in terms of total retail turnover of both cities, Hanoi contributes barely 19%, HCMC over 81% (1992; Dang 1995, p. 219).

The diverging economic geographical significance of these two cities, including the seaport Haiphong, had already taken shape during colonial times. The annual tonnage of the harbours during both World Wars supports this observation: in 1927, Saigon transhipped about 3 million tons of goods, twice the amount recorded for Haiphong. The 819 miles difference between Saigon and Haiphong to the motherland were not decisive. Further, one should not have a wrong impression of the destination of trade: although half of the imports came from France, she was the destination of only 20% of the exports.

Table 11.3 Comparison of Hanoi and Ho Chi Minh City (the figures refer to the urban provinces) (Source: Trân 1996)

	Hanoi		*Ho Chi Minh City*	
	1991	*1994*	*1991*	*1994*
Population		2,194,400		4,391,900
Area (in km^2)		921		2,090
Telephone connection	18,572	80,003	41,520	138,111
Monthly income per person (in VND, 1993)	-	163.41	-	315.60
Monthly expenditure (as above)	-	155.77	-	293.89
Industrial production (Mia VND)	940.4	1,706.7	4,298.6	6,539.4
Volume of foreign investment (total until 1994 in million USD)		2,573		3,959
Number of foreign investment projects		194		432
Students at universities/colleges		40,424		36,402
Number elem. schools		440		559
Number sec. schools		51		53

The principal export partner at that time was China. 64% of all exports was rice, of which the largest load came from the about 300,000 km^2 large hinterland of Saigon. An important raw material such as rubber amounted to only 6% of all exports (Pollacchi 1929, map 29ter and p. 215) – barely more than dried fish (about 5%). Even today, the yield of rice (respectively rice equivalents) in the delta of the Red River, in the region of Hanoi, amounts to only 346.4 kg/person, while in the Mekong Delta near HCMC more than double the quantity (1992: 727.3 kg/person; Dang 1995, p. 194) is harvested.

The geo-strategic advantage, the fertile hinterland and the general economic situation are all reasons why the future development of HCMC is seen more positively than that of Hanoi. It also seems more likely that in the medium-term, HCMC will be able to realise its urban planning schemes before Hanoi. The preference given to Hanoi by the authorities generally does not affect this trend. The large-scale regionalisation by ASEAN and the decision of investors will no doubt have more influence on the urban development of these two cities than current national policies.

11.3.4
Lack of public participation in the planning process – An endogenous hindrance to urban development?

The self-image of national, regional and urban planning in Vietnam is not well-developed at the legislative level nor among the respective population groups, although different attempts at incorporating the population in the planning process were evident during the colonial period. The structure of municipal authorities in the French colonies is for the most part based on the French Law of 1884, which laid the foundation for grass-root participation in essential decision processes. The transition of the Francophone countries of Africa from a colonial to post-colonial system is an example of the continuous decentralisation of central government to local municipal authority (UN Habitat 1996, pp. 170–172). Following the decolonisation period, decentralisation became part of the general financial aid strategy of the French government.

During the colonial era in Hanoi and Saigon, the members of the municipal councils were voted in, of which one half was to be French and the other half natives (Teston & Percheron 1931, p. 96). Until the Second World War, the city council of Hanoi autonomously handled administration (Naval Intelligence Division 1943, p. 473). That Saigon harbour, as the first harbour in France and the French colonies, was at all able to function administratively and financially autonomously (already) in 1914 (Pollacchi 1929, p. 215), is thanks to the early decentralisation tendencies prevailing in "démocratie coloniale" (colonial democracy) (Hémery 1994, p. 163) in Vietnam. As such, a good foundation had been laid for population participation in planning concerns of post-colonial Vietnam. The civil wars and in particular the introduction of communism essentially eroded the good foundation for de-concentration in the direction of devolution.

The lack of de-concentration and devolution with regard to urban planning seems more marked in Ho Chi Minh City than in Hanoi. Several indicators point to the occupation of numerous central administrative positions in the field of planning by officials "from the North" (a common definition used in interviews). Whether this situation is the product of the so-called conqueror mentality of the governing body of Hanoi, and as such a conscious strategy of the government or rather a fiction of the oversensitive native population cannot be quantitatively established, although a noticeable number of officials originating from the North were found amongst the planning authorities of HCMC. A matter that cannot be disputed is the fact that the local residents in HCMC are impeded in participating in decision making and that in comparable planning institutions in Hanoi, there are no representatives from the South.

In Vietnam, where the authorities are still strongly influenced by the philosophy of planned economy and where an ideological mentality is widespread, research of spatial and economic geographic planning processes faces resistance or is treated with scepticism. The inadequate transparency of the decision-making process and lacking commitment of national committees to publish resolutions make it difficult for the citizens to contribute to planning. Important decrees and plans, including those which concern the basic process of planning development in Greater Hanoi are only available as manuscripts, although there is no lack of the latest evaluations and research papers from international organisations covering various themes.

The unresolved relationship between administration and the population (Kultermann 1980, p. 42) is not specific to Vietnam, but rather a characteristic of developing countries. Governments, bureaucracies, law and order and military are of necessity based on power and subordination, yet problems in the Third World can only be solved on the basis of humane systems (Kultermann 1980, p. 10). In this light, the lack of public participation in the planning process will be in the medium-term an important endogenous hindrance to development in both cities, in particular however in HCMC.

11.4 The consequences of exogenous and endogenous disturbance in Hanoi

11.4.1 The colonial urban structure of Hanoi

Although from an archaeological and art-historical angle ever-more reference is made today to specific Vietnamese components, the ancient cities of Vietnam were nevertheless influenced by China and under the control of feudal aristocrats who were more or less dependent on China. The first major impulse for changing the traditional urban structure and processes of Greater Hanoi came only about 120 years ago from the colonial power France.

Although France had signed a contract with the King of Annam in 1874 to open the river port of Hanoi and the seaport of Haiphong to the Europeans, the troops of Annam, as well as China and *un chef de pirates* (a Pirate leader) prevented the realisation of this plan (Pollacchi 1929, p. 209; cf. also Borgé & Viasnoff 1995, p. 67ff.). It was only ten years later, in 1884, that France was able to sign an agreement with China, giving them the right to occupy Vietnamese territory. The first major project was initiated in 1890: the harbour of Haiphong was to be made better accessible for large ships (Pollacchi 1929, p. 214).

In general, the French colonial authorities built their “City for the Europeans” more or less bordering an existing settlement of indigenous people. This was also the case in Hanoi, where the multifunctional Old City (“36 streets”, named after the 36 guilds in the 16th Century) was complemented by a new French district to the south (Fig. 11.4). However, in the process of building the European district, known as *la Ville*, the French planners levelled off a couple of religious monuments and filled up watercourses. It is presumed that the reason for the latter was the wish to secure a flood-free area during the monsoon and to eradicate breeding grounds of anopheles mosquitoes.


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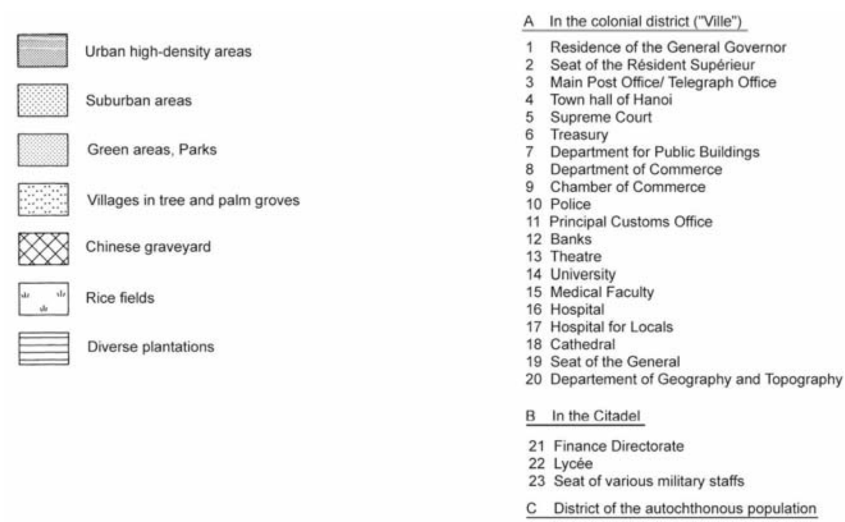
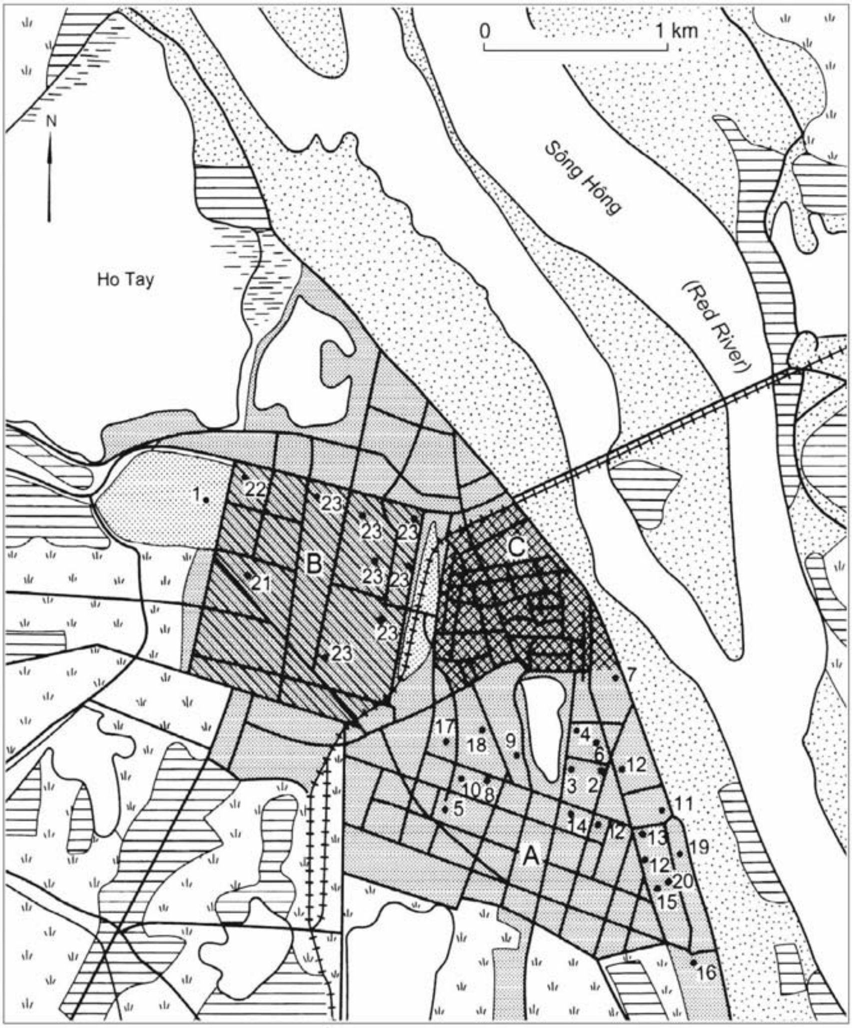
Fig. 11.4a Saigon/Cholon (today known as Ho Chi Minh City) during the colonial period (Orig. R.L. Marr according to *Service Géographique de l'Indochine* 1928)

Fig. 11.4b Hanoi during the colonial period (Orig. R.L. Marr according to *Service Géographique de l'Indochine* 1928) – see next page





The statement "With its shady boulevards, numerous squares and imposing public buildings, Hanoi resembles the towns of France" (Naval Intelligence Division 1943, p. 473) refers only to the "European district" of the city, which was understood as a functional whole. According to Kostof (1992, p. 217), the colonists were essentially interested in highlighting the differences between the two cultures, in the belief that a "grand style" was the most effective way of making imperialism popular amongst local inhabitants in colonised regions. Hanoi is amongst the examples of such cities he refers to. These maxims do not apply to Hanoi, if one considers contemporary descriptions and visual material of the in part very simple living spaces of the French colonial population in Hanoi (Masson 1929, p. 86). The French colonial urban planning placed at least as much emphasis on traffic control, light military defence and healthier living conditions outside the narrow Old City.

What the French colonists in Hanoi enjoyed most in terms of "grand style" was the luxury of space rather than magnificent buildings. The population density of the districts inhabited by the autochthonous population (Old City and a few centrally located village settlements) was possibly 50 times less than the density in European cities. It should be noted that before the First World War, only 2.9% of the population of Hanoi was European (Petit o.J., p. 516). This open settlement is not a specific feature of the French colonial city, similar conditions could be shown for cities in British colonies, such as Delhi (Correa 1985, p. 37). Credner (1937, p. 447) noted of Hanoi that this city with its magnificent facilities has the aura of a capital. However, he was taking into consideration primarily only one part of the centrally located function, namely that of the administration and colonial trade, while industry and a large sector of the retail trade remained concentrated in the narrow Old City. A tramline connected the functionally different districts (Service Géographique 1928, Map 47), as France did not recognise a "'divide and rule' policy" (Chua 1990, p. 1) unlike the British colonial administration's practice between different migrant groups in cities under their rule.

Unlike other French colonial cities (such as Pondicherry on the Coromandel Coast), the colonial planners of Hanoi did not leave the Old City untouched: the physiognomy of the Old City of today is based on plans from 1883 (Trân and Nguyên 1995, pp. 58–59). The colonists wanted to improve the entire city and built new streets with pavements that were later tarred. One notices the firm hand of the colonial administration that operated here (Credner 1937, p. 447). Even the citadel was soon given a new function; since the French period it has accommodated administration and military.

Irrigated rice fields surrounded the sprawling urban built-up area. The unusual amount of villages in the vicinity guaranteed the supply of vegetables and fruit. This spatial and functional situation remained more or less constant until after the Second World War; the then urban built-up area today forms the core of the city.

In conclusion it may be said that the structure of the French colonial district, in terms of today's urban geographic requirements of living standard, can be valued as positive: old aerial photographs (Robequain 1930, p. 153) reveal the difference between the narrow blocks of the Old City, lightened up by alleys of trees planted by the French planners, and the more loosely built-up colonial district with its abundant vegetation and ameliorated Ho Hoan Kiem Lake.

11.4.2
The future of the Old City and the colonial district

The Old City of "36 streets" and the French district cover in total 4.5 km^2 and, according to the census taken on 1.4.1989, have a population of 162,847 people (Trân & Nguyên 1995, p. 252), reflecting a density of nearly 36,200 inhabitants/km^2. Today the population numbers exceed 250,000 and the population density is over 60,000 inhabitants/km^2. The increase of population density in the centre of Hanoi did not result from squatters settling on undeveloped land, but came rather from the increasing number of residents in existing buildings: dividing walls, new small extensions and superstructures were added and the conversion of former storage rooms in the basements of buildings for business and residential space led to the deterioration of parts of the Old City.

The deterioration of the district built by the former French colonial power resulted primarily from the over-development of formerly free courtyards. Here too, basements and cellars were turned into residential or commercial space although they were unsuitable for hygienic reasons.

The short- to medium-term goal of urban planning is the reduction of the population density in both districts to below 60,000 inhabitants/km^2 (OPVH 1996, p. 5). These plans do not seem to make provision for the preservation of the Old City. The physiognomy of the district (Fig. 11.5) is typical of ancient South Chinese cities: the façades are very narrow, the individual plots in relation too long. The area is covered by buildings of different heights, often of a hut-like construction, between which small yards or light shafts are found. The 114 plots of the 2.17 ha large Old City, of which a section is depicted in Fig. 11.5, are on average only 5.12 m wide but 37.21 m long. The floor plan, the type of construction and the multifunctional use are without a doubt of Chinese origin. The old planning corresponds with that of the Chinatowns in Kuala Lumpur, Penang or Singapore (Marr 1986, p. 138ff; Marr 1981, p. 13). Unlike the "shop houses" there, the buildings of Hanoi are missing only the extending upper level, here being replaced by a stable roof extension without pillars which fulfils the same function.

In the majority of buildings there is no flowing water and no sanitary installation (Parenteau 1997, p. 11; about the occupation of night-soil carriers cf. Chua, Loy & Pang 1990, p. 94). In addition, the residents suffer from rat and vermin plagues. The district in general does not comply with even minimal hygienic requirements and is extremely neglected. It has happened that in the case of fire, whole rows of houses have burned down. The Old City is thus rightly referred to as a slum area. Non-Asian tourist programmes include this slum as a "must" in their itinerary because of the much appreciated multifunctional character of the "36 streets", in which the indigenous people live, eat, produce goods in the traditional manner, offer them for sale and transport them with a typical shoulder stick construction. The Vietnamese planning authorities consider the lifestyle of the residents in this area as typical signs of backwardness. As a result, an association in Australia and not in Vietnam itself, has been formed with the purpose of preserving the Old City of Hanoi.

Two obstacles hinder this outer-Asian architectural heritage for Hanoi, a mental and a financial one: as in other East and Southeast Asian countries the population and authorities view the preservation of buildings and monuments fundamentally differently to Central Europe, at least at present.

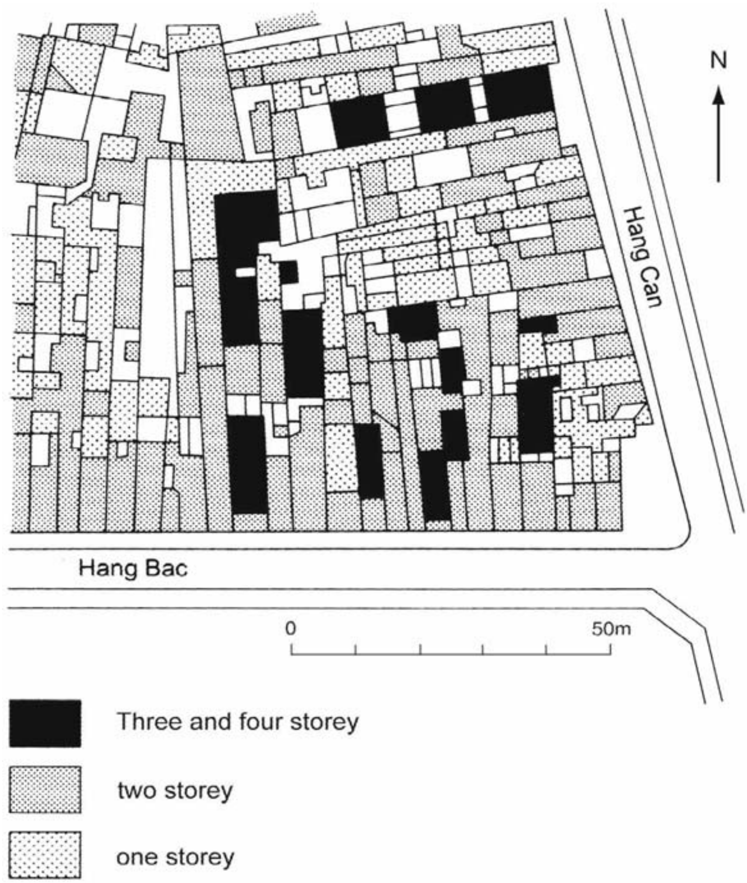


Fig.11.5 Section of the allotment plan of the Old City of Hanoi (according to Trân & Nguyên 1995, p. 112)

The quality of an artwork (and thus also of a building) in cultures influenced by China is not primarily in the originality of a newly created style, but rather the accomplished technical repetition and resulting mental understanding. Thus there will be no large effort to preserve the "36 streets" in Hanoi.

The narrow plots in the Old City with the interlocking buildings that were usually only makeshift, lacking all form of sanitary installation, are suitable neither for modern residential buildings nor for office space. Attempts at urban redevelopment in similar areas in Kuala Lumpur and especially in Singapore confirm this. In the end, the expansive Chinatowns of these cities were knocked down and new lots were allocated. Of the few rows of houses and the old *shop houses* that were preserved, usually only the façade remained intact, while the rest of the building was replaced by modern structures. The restoration created high investment costs that resulted in sky-rocketing rentals and could only be amortised by altered usage: the typical multifunctional purpose of these Chinatowns was replaced by the functional features of a museum district: luxurious restaurants or fast-food chains with high turnover and shops that offered expensive brands or over-priced souvenirs, increased the real estate value of the area. In Singapore, where private persons have renovated their buildings, there has been a noticeable concentration of dealers in antiquities.

Based on financial, building and hygienic criteria, one can assume that the structure of the Old City of Hanoi will soon disappear. The planning authorities have made alternate provision: to the south of the Old City, on the east bank of the Great Lake (Hô Tây) and on the landfills north of the Tay-Ho-Pagoda, a new centre of cultural activity, leisure and tourism is to be established (cf. Fig. 11.6, OPVH 1996, p. 2; detailed map in Trân & Nguyên 1995, p. 245).

According to the planning documents available, the district designed by French architects during colonisation is also to be thoroughly renovated. As previously mentioned, the intensification of usage over time resulted in an obvious deterioration of the district. Buildings or parts of buildings are to be knocked down, thus creating new open spaces and offering more green areas. Small industries and business enterprises with a high level of air pollution are to be relocated, while buildings of architectural significance are to be preserved. The number of floors in new buildings is to be reduced to a maximum of 4 in order to maintain the original visual impression. In addition, traffic congestion is to be counteracted by transferring administration, schools and clinics from the inner-city to the outer suburbs.

The factor of use intensity is to be between 1 and 1.5, i.e. the total area of housing, shops, offices and businesses may not exceed the undeveloped area by more than 50%. If one compares the current structural fabric with the redevelopment plans, one notices that the planned measures will also have a far-reaching impact on the colonial district. By no means are all projects necessary, and one wonders if the redevelopment programmes reflect an unconscious aversion towards the former French colonial power, particularly when that district, which physiognomically reminds the observer most of the former colonial period, is fundamentally changed. Or does a young nation, for prestige purposes want to create a separate district in the "grand style" centrally located in the capital city? If the most representative buildings from the French colonial period and a number of pagodas in Hanoi are preserved, then this is to a large degree the result of the demands of tourism.

The planning authorities of Hanoi are struggling to deal with the consequences of the exogenous factors of colonisation on the urban structure of the city, and all the more so due to the lack of necessary capital to complete many projects.

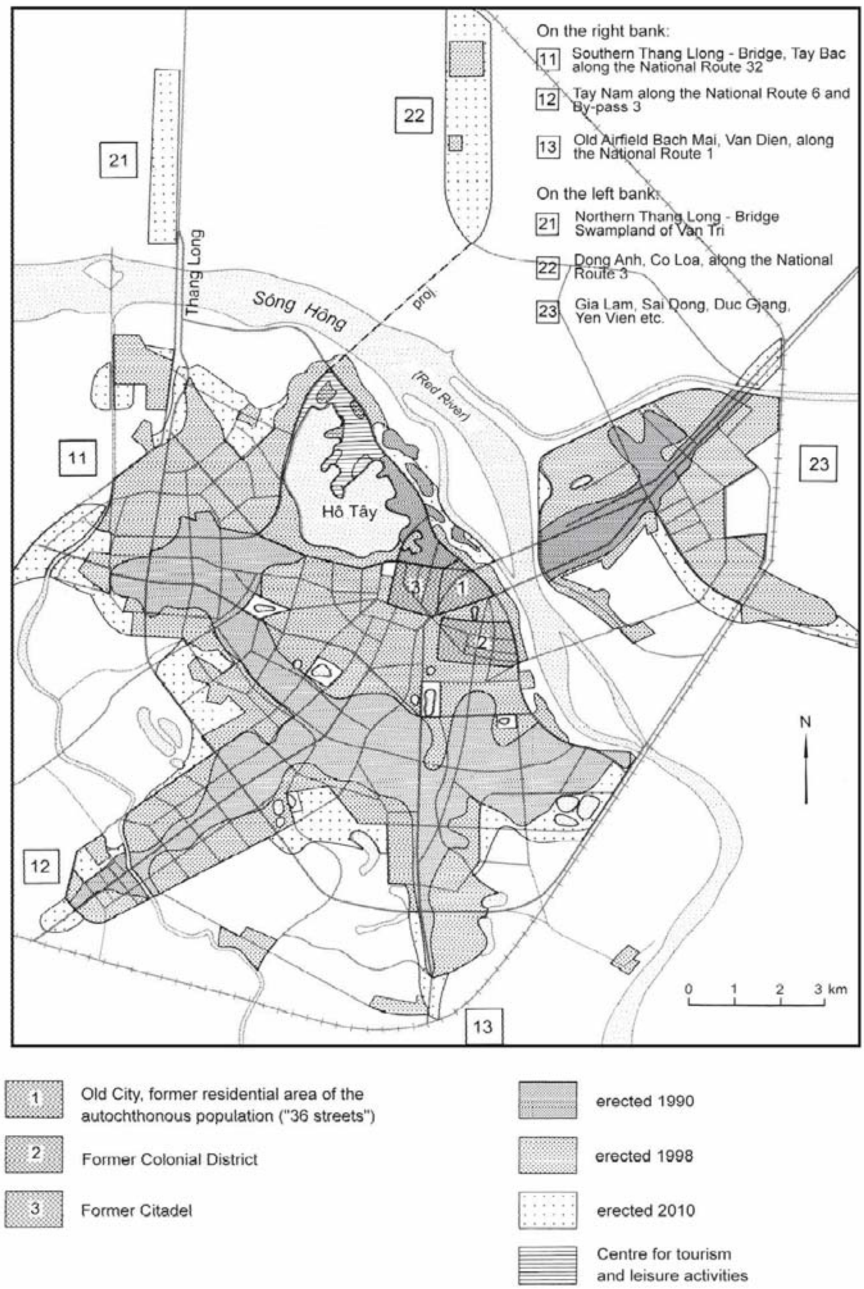


Fig. 11.6 Core of Hanoi and the adjoining central districts 1990 until 2010 (Orig. R.L. Marr)

From the point of view of development geography the redevelopment of the Old City should be prioritised. Even the requirements of tourism will not be able to prevent the extensive renewal of the district, whereas redevelopment in the former French colonial district is possible without a total demolition of the basic structures.

11.4.3 Suburban belt, radial districts and satellite towns

The area bordering the city centre (Old City of “36 streets” and colonial district) in a single sector from West to South East (Fig. 11.6), was built-up before the end of the Second World War and renewed in later years. This sector includes the districts erected with Soviet aid or with support from the German Democratic Republic, who had defined Vietnam as a focal point of their foreign financial aid. The residential complexes with two- to five-storey apartment blocks were originally planned to be serviced with numerous facilities such as kindergartens, primary schools, communal restaurants, a club and old aged home. However, the latter were never built (Fig. 11.2). Further, it appears as if the Soviet planners were not able to renew all of the older districts as originally foreseen; on the contrary it seems that new sport facilities were erected on areas originally defined as non-development areas in the Soviet and GDR districts.

As plans to essentially redesign or redevelop the suburban belt do not seem to exist today, it may be presumed that not much will change in these districts in the near future.

Since independence, agricultural land adjoining the most important arterial roads exiting the city, is being rezoned for urban development (Fig. 11.6). Small car repair workshops, shops with everyday essentials, furniture shops and construction material traders have settled along these roads. In between these commercial buildings, residential blocks have been erected, their physiognomy and outfitting reflecting the different income levels of the investors: large two- to three-storey fenced-in detached houses alternate with smaller apartment blocks or hut-like buildings. Multi-storey buildings that accommodate small industries or business enterprises are often set back. “Urban sprawl” is a term that refers to the spontaneous and uncontrolled growth at the edge of the city in the USA, but it can also be applied to describe the situation in Hanoi. Although the arterial and important secondary roads are tarred, the majority of access roads to manufacturing enterprises, residential and commercial buildings are still unsealed. In general, the zone between the streets and buildings has also not been sealed.

Contemporary planning proposes to change the current diversity of utilisation along these axes and to build new residential housing that meets the expectations of the rapidly growing population in the capital city (Table 11.4). Only along two arterial axes will the further transformation of agricultural land into development land be permitted, thus legalising the *de facto* situation.

Long-term urban planning until 2020 has made provision for a further accentuation of the already implemented development of the radial districts: where currently over half a million people live, a population of 1.7 people has been targeted.

Table 11.4 Population of Hanoi and Ho Chi Minh City in 1,000s with average annual growth rate (AGR Annual Growth Rate) (Source: UN Habitat 1996 p. 453; various other sources and personal calculations; the population figures before 1980 are only rough estimates).

	1901	1911	1924
Hanoi	103	103	81
Saigon/Cholon	181	238	305

	1943	1948	1953	1960	1965	AGR	1970	1975
Hanoi		237	297	415				816
HCMC				-	-	-	-	2,353
Saigon+Cholon	492	1,180			1,483	*3.48 %*	1760	-

	AGR	1980	AGR	1985	AGR	1990	AGR	1995
Hanoi	*2.23%*	911	*2.06%*	1,009	*2.05%*	1,117	*2.23%*	1,247
HCMC	*3.05%*	2,735	*1.70%*	2,975	*1.70%*	3,237	*1.89%*	3,555

	AGR	2000	AGR	2005	AGR	2010	AGR	2015
Hanoi	*2.62%*	1,419	*3.15%*	1,657	*3.55%*	1,973	*3.67%*	2,363
HCMC	*2.35%*	3,992	*2.91%*	4,608	*3.33%*	5,430	*3.47%*	6,439

Table 11.5 Projected population growth in millions in the urban area of Hanoi until 2020 (according to OPVH 1996, pp. 4–5)

	Core Area Hanoi			*Suburban Area*				*Urban area*
	Core city	Extended Area	Core area Total	Right bank[a]	Left bank[b]	Satellite cities	Suburban Area Total	Total
2000	0.85	0.65	1.50	0.13	0.06	0.30	0.50	2.00
2010	0.80	1.20	2.00	0.60	0.15	0.41	1.16	3.16
2020	0.80	1.70	2.50	1.00	0.50	0.50	2.00	4.50

[a)] small cities on the right bank of the Red River: Son Tay, Hoa Lac and Xuan Mai (cf. Fig. 11.7)
[b)] small cities and villages on the left bank of the Red River: Phuc Yen, Xuan Hoa and Soc Son (cf. Fig. 11.7)

As such, the radial districts would thus house nearly two-thirds of the projected population of Hanoi (Table 11.5). Planning foresees a developed area of 214.8 km^2, the average population density thus being 7,914 inhabitants/km^2. A basic area of $20m^2$ to $24m^2$ per person is allowed for, and buildings may not exceed five storeys. Hanoi, which is situated on the alluvial plain of the Red River will thus remain a city without skyscrapers.

Within a radius of 30km, the six existing small cities (provincial capitals, Nguyên 1992, p. 116) Soc Son, Xuan Hoa, Phuc Yen, Son Tay, Hoa Lac and Xuan Mai are to be urbanised and classified as satellite cities (Fig. 11.7 and Table 11.5).

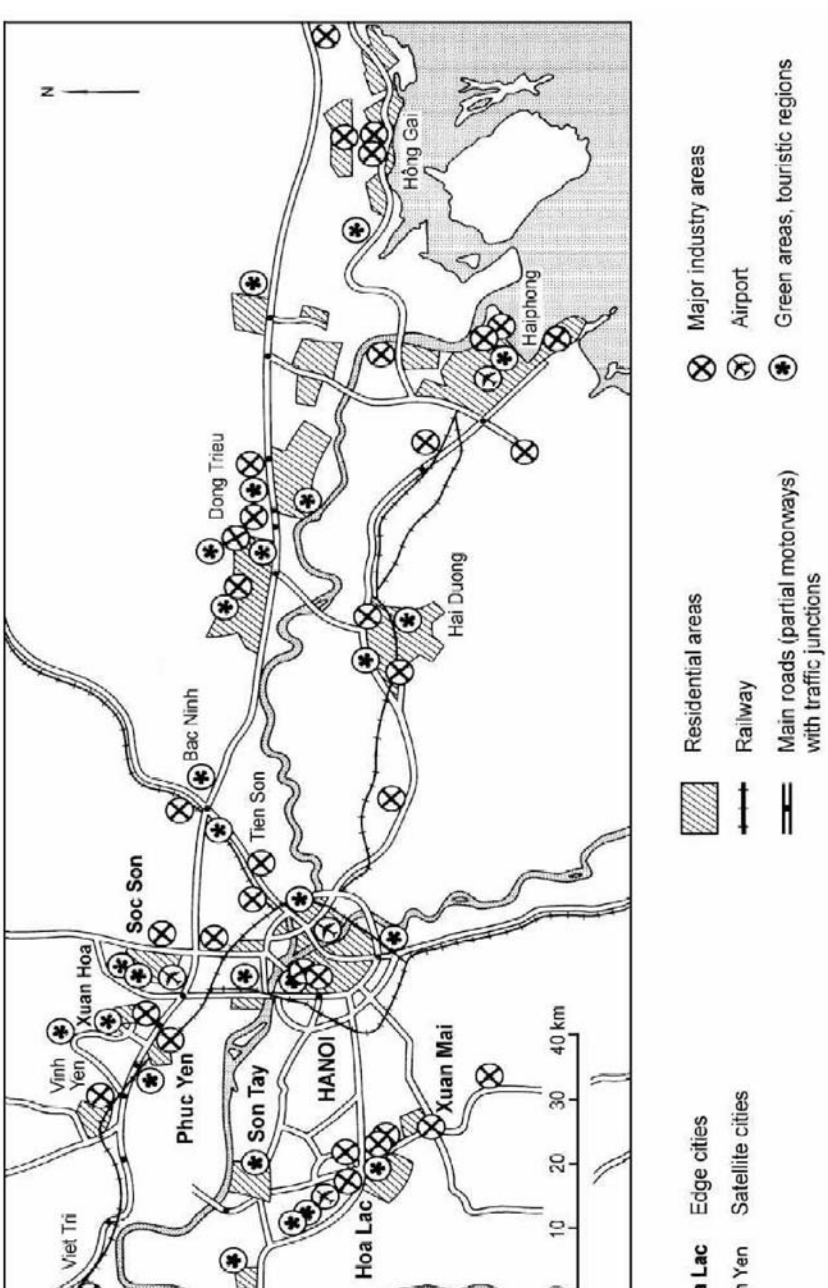


Fig. 11.7 Scenario of the urban area of Hanoi – development programme up until the year 2020 (Orig. R.L. Marr according to OPVH 1996, Map 1:250.000)

Today, these small cities hold populations of between 10,000 and 50,000; in total 200,000 people live in the six urban areas. From the suburban area around Hanoi to the closest satellite city (Xuan Mai) is a mere 17.5 km, while the furthermost city (Son Tay) is 27.5 km away.

Despite the proximity of the international airport and the better railway connections, the development potential of the three cities situated on the right bank and to the west of Hanoi is rated higher than that of the three cities on the other bank of the Red River and to the south of Hanoi.

The cities on the right bank are embedded in a densely populated agricultural area that has always had close economic ties to the capital city. During the post-colonial wars of independence, these small cities were of strategic importance for Hanoi (OPVH 1996, p. 7). The right bank also appears to be less threatened by periodic or episodic flooding. By 2020, Son Tay, Hoa Lac and Xuan Mai, including their sub-centres, are projected to have a population of about 1 million distributed over an area of 10,750 ha (Table 11.5). The population density will probably be over 30% less than in the three cities on the left bank, with expectations that by 2020 between 400,000 and 500,000 people are expected to live in an area totalling 3,600 ha. The integration of the left bank cities into the whole urban system is not only difficult today but will also be so in the future, as the three bridges connecting the two banks will continue to remain a dreaded bottleneck for traffic. Thus, from the point of view of human geography, the Red River continues to be an inland boundary, impeding movement towards the north – at one stage due to the periodic flooding, now because of the inconvenience to traffic flow.

Today a number of smaller provincial cities are situated along an axis from West to East in the direction of Hông Gai on the Golf of Tonkin and the seaport of Haiphong in the south-east. Planning has targeted them as distant satellite cities of Hanoi. Until 2020, the population in these cities is expected to double and about half a million people will have to be accommodated.

In the meantime, the People's Assembly and the responsible ministries of Hanoi have passed additional laws that legally support large-scale regional planning. Besides the laws that affect the way and means of governing existing and future urban districts, other laws determine the transformation of agricultural land into development land and should ensure that construction is in accord with planning norms.

11.5 Positive and negative factors influencing urban development of Ho Chi Minh City (Saigon)

11.5.1 From the *Perle de l'Extrême Orient* to Third World City

Saigon was founded about 300 years ago and in 1850 was still a collection of wooden huts on the right-hand bank of the Saigon river (Egli 1967, p. 235). Three years after French occupation, Saigon was made the administrative centre of Cochinchina (in 1862) (cf. Fig. 11.3). Thus the transformation of the modest market town (de Koninck 1994, S. 283) into the colonial metropolis of Indochina began, a metropolis often referred to as "*La Perle de l'Extrême Orient*"(The pearl of the Far East) in the "*Belle Colonie*" (Beautiful Colony) (cf. also Franchini 1994, p. 26).

The town's layout is based on a simple form of urbanisation (Franchini 1994, p. 31). The layout was defined as a rectangular grid with its main axes running from Northeast to Southwest, although the course of the Saigon River nearby would have allowed for another layout (Fig. 11.4a). The reason for this particular alignment had to do with the ecological and climatic situation. As was the case with other French cities, the residential areas were built on the edge of the city centre. Old maps (Service Géographique de l'Indochine 1928, map 48) show that in only about 10% of the cases all four sides of a street block were built up, thus allowing for good air circulation in the city and giving the impression of a loose development. In addition, the Governor and the colonial botanists (Franchini 1994, p. 35) had integrated part of the original vegetation into the town, and planted over 20,000 trees, thus creating a park-city (Franchini 1994, p. 35).

Cholon, the city of the Chinese population, with its typical narrow but long plots, dense development and multifunctional features was situated about two and a half kilometres away from Saigon and connected by a tramline. The Vietnamese population lived along a number of channels and in small villages in the middle of rice fields surrounding both city centres.

Chinese cemeteries were located between the two city centres somewhat north of the immediate axis Saigon–Cholon. As is typical of the well-developed ancestral worship of the Chinese religion, these burial grounds were extensive. They covered about 3.5 km^2, which meant that they were spatially larger than Cholon (about 2.5 km^2) and more than half the size of Saigon (about 6 km^2).

If one compares the enthusiastic description of Saigon before the Second World War with the condition of the city centre today, one has to ask oneself when and why the system collapsed. Nothing remains of the well-divided, open plan of former Saigon with her green zones and clear division to the surrounding rice paddy landscape. Explanations may be found in the exogenous factors of de-colonisation and civil war that caused much destruction and led to extensive migration (cf. Table 11.1).

Post-colonial de-urbanisation. The phase of orderly urbanisation from the colonial period to the Second World War was followed by a period of de-urbanisation until the abdication of the former colonial power, France. From 1950 to 1975, Saigon was in effect the capital of South Vietnam, a status also recognised internationally from 1954 onwards, and developed into a "garrison town" for US troops with all the benefits and disadvantages that this function entailed. The city offered work and became a magnet for the rural population. Contrary to the situation in Hanoi, the municipal authorities and government of South Vietnam barely took note of the living conditions of the lower class. The city began to deteriorate, squatters settled along the channels and "Bidonvilles" were established. Thus, the second phase of urbanisation in HCMC was uncontrolled.

After the victory of the North Vietnamese troops and the American capitulation on 30th April 1975, the city was restructured and rebuilt (Nguyên 1995, p. 117). The conqueror's policies regarding removals and the resulting wave of refugees led to HCMC's second phase of de-urbanisation. Only about 15 years ago, in particular as a result of the economic opening, the city entered a new phase of urbanisation that, from the perspective of urban geography, was hardly much better organised than the previous phase between 1950 and 1975.

11.5.2
Urban poverty as central problem

Owing to its comparatively favourable locational advantages (cf. paragraph 11.3.3), Ho Chi Minh City (spatially nearly three times larger than former Saigon) is today the economic centre of Vietnam. Over 50% of the total industrial production and 38.9% of exports are manufactured in HCMC; on the other hand 48.8% of the national import goes to HCMC. The gross national product of the city is just as high: it outweighs the national average by 249% (Le 1994a, p. 52).

It is not surprising that this primary financial centre is immensely attractive for the inhabitants of the wider surroundings. The rural area in South Vietnam is characterised by the pull-effect of the city, which by far exceeds the push-effect. The annual growth rate of the urban population of 3.25% (Period 1975–1994, cf. Table 11.4) is to 1.67% a result of rural–urban migration (the remaining 1.58% is based on natural population increase due to a higher birth rate over the death rate; Le 1994a, p. 56). Neither government nor private persons are capable of providing accommodation for the over 50,000 migrants per year, the situation aggravated by an additional 20,000 young urban families who enter the real estate market every year looking for private accommodation. This results in squatter settlements, spontaneous buildings on unused land, of which the residents do not possess land rights, and the deterioration of the existing construction fabric. About 15% of the apartments in HCMC are in squatter areas or slums.

As in the case of other rapidly developing cities in the Third World, squatters have built along railway lines, on unused lots or in a variety of other open spaces in the settlement pattern of HCMC. The majority of the squatters have settled along the channels and river arms that flow through the city (Fig. 11.8), even though the water is extremely polluted (Cao 1995, p. 155ff) and the air pollution is considerable. As the latter form of squatting is practiced by over 130,000 people, the typical structures associated with this way of living have become characteristic of the city.

A small sector of the population lives in river boats while others sleep under the bridges.

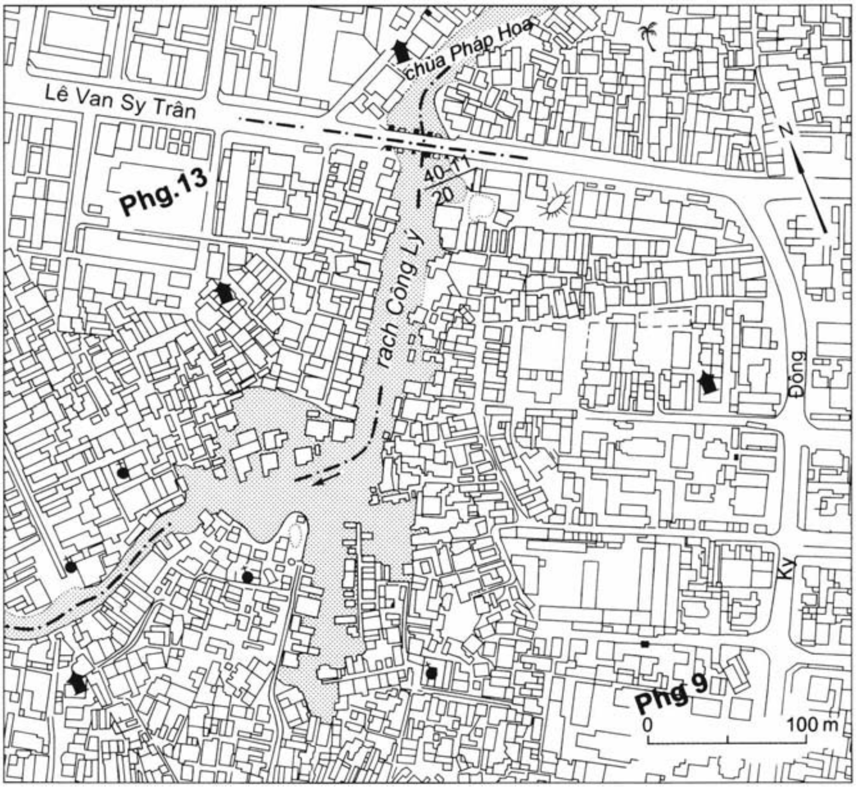


Fig. 11.8 Squatter settlement along the channel and on the water in the 3rd *arrondissement* (district) of HCMC. The orderly development along the main street running from NW to SE, the Lê Van Si Trân, is clearly visible. Rice paddies used to be cultivated along the river course before squatters moved in. Urban planning proposed to relocate the squatters belt along the river course by the year 2000, thus laying the foundation for the development of a green zone through the district. But to date, as the map shows, the situation has not changed much (Phg = Phuong, "district", according to topographical maps and plans).

The centre of Ho Chi Minh City encompasses nowadays only 6.8% of the total city area (2056.5 km^2) but houses about 71% of the population within its 14,000 ha. The current average population density in the city centre is about 25,000 people/km^2, thinning out to about 700 people/km^2 in the suburban belt. It is estimated that in HCMC between 70,000 and 100,000 apartments are substandard, offering shelter for 300,000 people, who live as best they can. In the poorer neighbourhoods, the population density is extreme: a research team under the supervision of René Parenteau estimated for the mid-90s a population density of 87,039 people/km^2 in neighbourhoods of the 1st *arrondissement* (district), which is also the central district of the city on the banks of the Saigon River. In the 4th *arrondissement* (bordering the 1st *arrondissement* to the south) a population density of up to 65,210 people/km^2 was noted (Parenteau 1997, p. 149). In "residential" areas along the channel, one water tap per 20 to 30 families was available; in arrondissements 4 and 8 more than half of the hovels had absolutely no free access to water, the residents being forced to buy unfiltered water from other families. Between 37% to 80% of the families in these areas do not have a private toilet and are dependant on public toilet facilities (Thai, Pham & Ngo 1993, p. 359).

Thus, the slums of HCMC are found in general in the city centre, often along channels or arms of the river, and the residents often lack legal rights to land and property. On the whole the social contact between slum inhabitants is still minimal, as the majority have only recently been drawn to the city from different regions of the country (Nguyên, Le & Vo 1994, p. 58).

The aspect of humane living conditions has been recognised by governmental ministries as fundamental to overcome under-development (Nguyên, Lê & Vo 1994, p. 72). For example, the government of the young nation of Singapore took active measures against further deterioration of its Chinatown at the beginning of the 60s because of the potential political power that could emerge from the slums. In HCMC, not only the authoritarian national system but also the high level of illiteracy has hindered the development of a grass-roots political movement, 28.4% of the family heads in the slums and squatter settlements of the city not being able to read or write (Parenteau 1997, p. 161).

Critical for achieving humane living conditions is the availability of living space. In Vietnam, the space standards lie at 8 m^2/person in urban areas and $10m^2$/person in rural areas (Nguyên, Lê & Vo 1994, p. 72). The current average living space per person in the squatter areas and slums of HCMC is between $4.16m^2$ and $4.75m^2$, depending on the *arrondissement* (district). Without taking extensions for sanitary facilities into consideration, only 18.5% of all habitations offer living space that exceeds $6m^2$/person (Parenteau 1997, p. 189). The situation has become worse and the average living space dropped by about 20% from 1975 to 1993 (Nguyên M.D. 1994, p. 78). Other criteria contributing towards humane living conditions are sufficient daylight and ventilation, a certain level of security and elementary infrastructure, such as electricity and drinking water, as well as sewage disposal. The distance from home to working place or school should also not be too great. At present however, these criterion are not fulfilled in HCMC.

11.5.3 Possible solutions

Proposed measures to remedy the slum and squatter problems will not be implemented in the medium-term, as intermediate goals have to date clearly not been fulfilled (cf. Fig. 11.8). Although a clear plan for the redevelopment of the city centre and detailed plans for the suburban area are available (Chu Bien 1994, pp. 234–344), both public and private investors are lacking. In summary the following strategies were foreseen (Le 1994b, p. 231ff.; Nguyên 1994 p. 78ff.):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SÔNG NA BE
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TỈNH SÔNG BÉ
THU THÔN
GA PHU XUAM
HUYỆN NHÀ BÈ
GA GO VAP
HUYỆN HOC MÔN
GA GINH ĐIỀM
SÂN BAY TÂN SƠN NHẤT
HUYỆN BINH CHANH
GA TÂN BIN
GA HOC MÔN I
GA HOC MON II
GA PHU LAN II
GA PHU LAM I

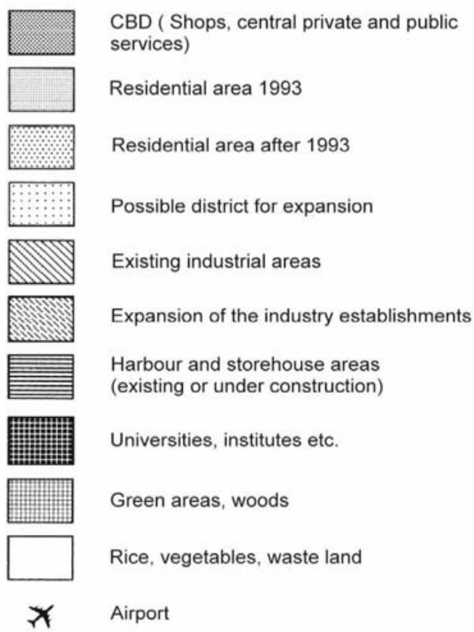

Fig. 11.9 The proposed redevelopment of Ho Chi Minh City (Source: according to Nguyên, Lê & Vo 1994, p. 220)

1. The first step was to remove the inner-city squatter areas along the heavily polluted (rubbish and sewage) channels and river courses. In 1994, six years were allocated to clear the 37km-long problem area. This programme failed to be achieved in such a short period of time and will most likely take a further 20 years. Green zones are foreseen to replace these settlements along the river course (cf. Fig. 11.8 and Abb. 11.9), as the squatters are an eyesore to the financial metropolis. This means that the authorities will probably have to finance the renewal of the 50 to 100ha-large problem zone alone. The slum clearance is aggravated further by the continuous flow of new groups of migrants, who generally tend to settle in zones that have already been cleared. It is questionable whether the total squatter area has actually been reduced in the last five years.
2. Modern buildings were to replace other inner-city squatting camps. The hope was that, as in the case of Singapore, with the upgrading of these lots their land value would increase, yielding greater amounts of taxes to benefit the authorities.
3. The deteriorated buildings were to be renovated. Simultaneously, the development density was to be reduced by compensating with vertical development (current average 1.34 storeys, Le 1994b, p. 231).
4. The business district of the 1st *arrondissement* (of former Saigon) was to be connected with the 5th and 6th *arrondissement* (of former Cholon). The lots in

the 5th *arrondissement* would therefore have increased in value. However, current planning appears to constantly adapt itself to the given situation.

5. New residential areas were to be established in the suburban belt (Table 11.6). In addition, a series of at present smaller settlements were defined as growth points for residential area in the expanding Greater Area of HCMC. However, one question was not adequately dealt with: How were people who have lived up to now in slum or squatter areas supposed to afford a modern apartment? Although between 1990 and 1994, 11,000 houses were built specifically for poorer families, it was exactly this population group who did not have the financial means to access them. And if the houses had been subsidised, then the quantity of housing would have been absolutely insufficient. The reason is obvious: The State has no budget to give for dwellings to house poor people (Vo 1994, p. 39).

Table 11.6 Quantitative figures concerning present and future development, squatters and slums (cf. Site map Fig. 11.10, according to Nguyên, Lê & Vo 1994)

Arrondissement (District)	*Developed (1994 in ha)*	*Slums (ha)*	*Squatters along channels (ha)*	*Newly developed area 1994–2005 (ha)*
1st	375	10.0	10.0	at least -10
3rd	255	6.0	15.0	at least -15
4th	144	19.0	6.0	about -10
5th	280	4.5	4.0	0
6th	220	6.0	10.0	220
8th	205	6.0	6.0	80
10th	216	6.0	-	
11th	229	14.5	1.5	30
Go Vap	130	18.0		50
Tan Binh	350	13.2	3.6	220
Binh Thanh	305	20.0	7.5	160
Phu Nhuan	169	9.0	4.5	
Hoc Mon	110			
Thu Duc	245			1,250
Binh Chanh	80			220
Cu Chi	110			
Nha Be	60			600
Can Gio	20			
Total	3,504	132.2	68.6	2,850/-35

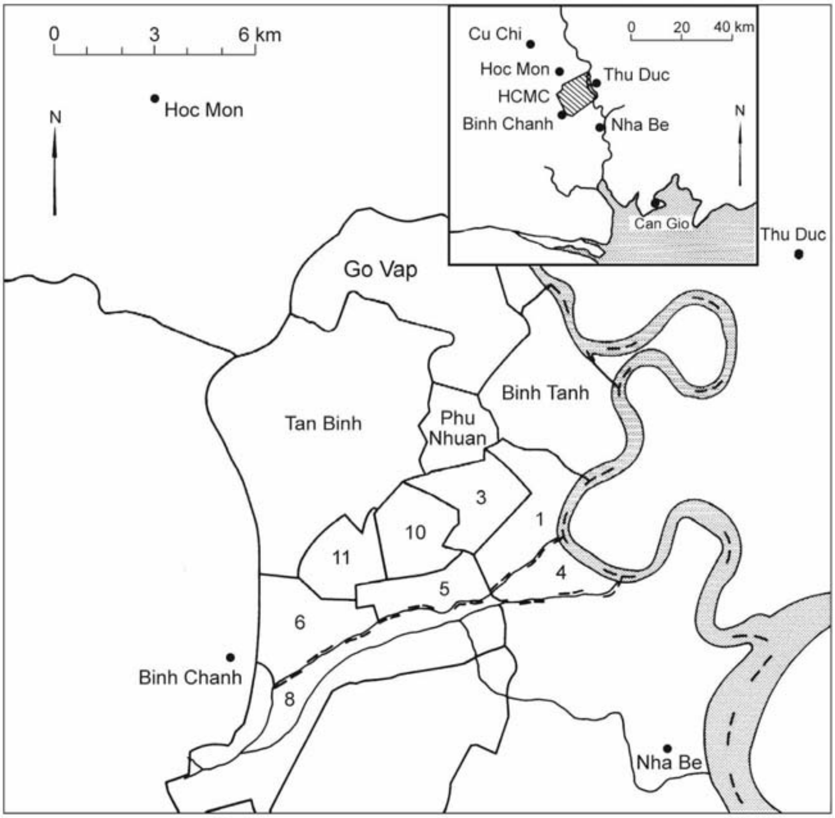

Fig. 11.10 Site map

In general, a deposit of 20% of the market value and an annual mortgage of 8% to 10% is expected, a financial burden which can only be carried by those integrated in the regular work process. Furthermore, newly erected housing can only successfully be rented to the poor if they have a job and a regular salary. In a squatter settlement, the "rental" costs burden the family budget minimally, i.e. by only 0.5% (Parenteau 1997, p. 179).

6. Simultaneously, the authorities of HCMC hoped to improve the traffic infrastructure. Some secondary roads are not yet tarred and many main streets are narrow and in need of repair. The public transport network has to be developed if one is to avoid new squatter settlements closer to the working place. In many districts, the supply of drinking water is insufficient and a canalisation system lacking (cf. also SRV/SCS 1991, p. 69ff). The electricity supply must also be improved. In addition, there are generally too few schools and hospitals.

The above list of development priorities highlights yet again that not only is personal poverty a feature of developing countries, but that national poverty is just as serious: where tax revenue is low, social networks and housing and the urban infrastructure suffer. The foreseen expansion of the suburban area will not solve the housing problem of HCMC in the short- to medium-term.

11.6 Summary of urban development and look to the future/perspectives

11.6.1 De-colonisation and civil war as most important negative factor/hindrance to progress/development

It is characteristic in developing countries that de-colonisation is accompanied by a period of local political instability, economic setbacks and the non-fulfilment of socio-geographic postulates in the short-term. Unlike other developing countries, the de-colonisation period in Vietnam resulted in an extended and bloody civil war, in which the social and the capitalistic social systems with their respective planned market and free market systems opposed each other. During this period, urban development in both Hanoi and Ho Chi Minh City (HCMC) was constantly interrupted.

In Hanoi the consequences of bombardments had to be attended to, absorbing enormous amounts of money that could have been invested elsewhere. Because of air attacks, factories were moved from the city to villages, inevitably resulting in structural changes in Hanoi and in migration.

Former Saigon became the garrison of a foreign army. New urban functions promised work for those living in the country, resulting in rural exodus. The defeat of South Vietnam and her ally, the USA, and the victory of the communist North led to various waves of migration, which strongly affected the cities, in particular Saigon, the later HCMC. Today one can say that the combination of the proxy war and the civil war led to the stagnation of urban development in Hanoi and the step back of urban development in HCMC. These incidents, caused largely by exogenous factors, are essentially responsible for the qualitatively totally insufficient urban condition of both cities and also for the widespread urban poverty (Fig. 11.11). Whereas for more than a quarter of a century, metropolises in other Southeast Asian countries, such as Kuala Lumpur, Singapore, Bangkok, Jakarta or Bandar Seri Begawan have been redeveloped and urban living space successfully restructured, the development of Hanoi and Saigon was severely hindered and delayed not only by the civil war that followed de-colonisation, but also by the involvement of the USA in internal politics and by the inhumane decisions made on the basis of the then dominant communist ideology.

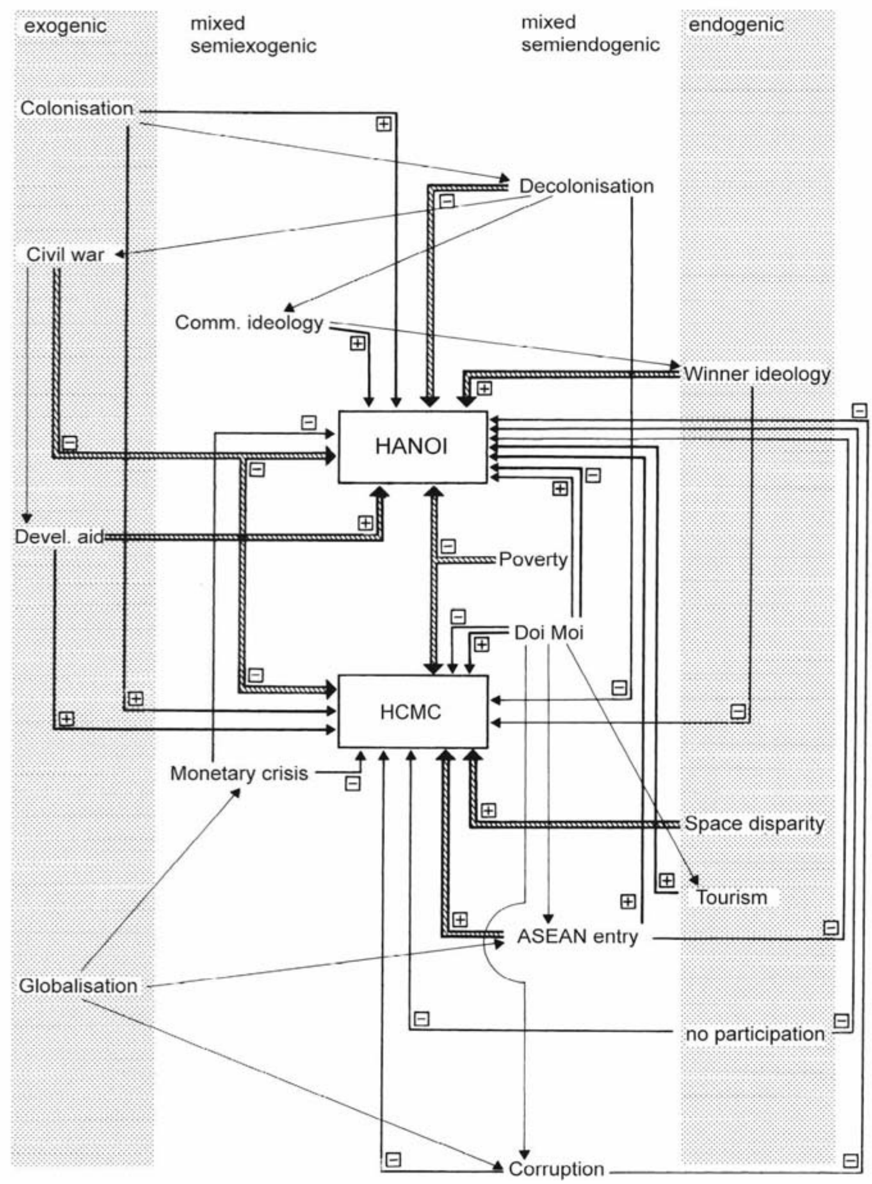

Fig. 11.11 The process between exogenous, quasi-exogenous, quasi-endogenous and endogenous factors and urban development of Hanoi and HCMC (Orig. R.L. Marr)
+ positive effect
- negative effect

Although the development of both centres was largely disrupted by the war, there remain considerable differences between Hanoi and Saigon. In many ways, ideology enabled an improvement of the urban situation in Hanoi. Until recently, the authorities in Hanoi had the influx of people from rural to urban areas much more under control, in particular as the income difference between the two population groups was noticeably smaller during communist rule In addition, social housing was prioritised more in Hanoi than in the South. Squatter camps are typical of modern Ho Chi Minh City, but not of Hanoi. Further, during the Civil War, the allies of North Vietnam helped erect new residential districts in the capital city.

A certain degree of rivalry has always existed between Hanoi and Saigon/HCMC (Fisher 1971, p. 549). After the Civil War, the dominant "ideology of the conqueror" obviously brought advantages for Hanoi, at least until the economic opening in 1986. However, with regards to efforts to improve the urban infrastructure, Hanoi seems to be favoured even today. Many of the decisions that affect HCMC are made in Hanoi or by North Vietnamese decision-makers placed in HCMC. Thus for example, a general, large-scale development plan exists for the whole of Greater Hanoi including Haiphong, while the one for HCMC only deals with a narrow suburban belt.

11.6.2
Hanoi and HCMC – Paradigms of Third World cities?

The basic elements of colonial urban planning in Hanoi and Saigon/HCMC were not based on traditional values but they did serve the purpose of supraregional and spatial demands. The colonial districts of both cities were spaciously designed, although the area had to be ameliorated with much effort and protected against periodic flooding. Green parks and alleys were to ensure a comfortable stay in particular in tropical Saigon but also during the hot summers in Hanoi. The withdrawal of colonial power resulted in functional transformation of these districts and a massive increase of population density. Inner courtyards and other free spaces were built-up and cellar-like basements were converted into living spaces that were often combined with a workshop. This led to the deterioration of the colonial settlement structure in both cities.

The process of urbanisation which set in in the area surrounding Saigon/HCMC has far-reaching consequences today. With the help of maps, it is possible to identify the different steps taken: at first, urban expansion was limited to the area bordering the main roads to Cholon and along other arterial streets. The banks of the numerous channels and river arms remained uninhabited; as before, they were partially cultivated, and partially left marshy or silted up. During the economic peak of the city as capital of South Vietnam, not enough accommodation was provided for the influx of poor rural migrants. Squatters took possession of the undeveloped areas along river courses and channels, thus creating a situation which today the authorities of HCMC find difficult to solve. Plans to create green parks along the river courses have been proposed, but the question remains as to where the squatters will move to, when they cannot afford a newly erected apartment in the suburban area or are not prepared to take on the financial burden of property. Will prevailing squatter islands be forcefully moved, thus resulting in the destruction of a modest wealth accumulation, and causing understandable resistance from the lower class?

Ho Chi Minh City in general does not differ in either its slum and squatter problem nor in its possible solutions and urban renewal models (Fig. 11.12) from other metropolises in poor countries or countries of the Third World. Where the poverty issue pervades all political discussion, and rightly so, any redevelopment schemes that tackle more than alleviating poverty are doomed to fail in the short- or medium-term. Poverty thus has a strong and lethargic effect on urban development in Ho Chi Minh City.

Hanoi, on the other hand, is not a paradigm of a Third World City. There are a number of reasons why this is not the case: the "mentality of the conqueror" which favours Hanoi has already been mentioned. Because of spatial disparities that make Hanoi less attractive than HCMC, there will most likely be no phases of rapid economic growth in the capital city, thus keeping planning controllable. Hanoi's main problem is the old district of the autochthonous population ("36 streets"). No acceptable proposals have been put forward for redevelopment. The benefits of multifunctional use and market concentration in limited space make the resulting resistance totally understandable. Furthermore, the value of the area for tourist groups makes redevelopment problematic. Similar problems in cities of other Southeast Asian countries (including Kuala Lumpur and Singapore) could only be solved with the destruction of such areas and the drawing up of new allotments. As a form of compromise, particularly for the tourism branch, a number of blocks could be preserved and renovated at high costs for the investors. This would however result in a conversion of use, the present dominance of skilled trade and shabby apartments not being profitable enough for covering the costs of the investment.

11.6.3
Economic liberalisation and globalisation as factors of future urban progress?

In Vietnam today, as in the case of some countries of the former Eastern Bloc, the transition from planned to market economy is neither complete nor possesses a clear mission statement (cf. Gamblin 1998, p. 292). After barely a decade of cautious liberalisation it is difficult not to make decisions based on the ideological doctrine of Marxism/Leninism, but rather in accordance with free enterprise norms that are not strictly defined. This is also the case of urban planning processes, in which a certain lack of restraint is to be observed. The construction of many smaller and larger blocks in Hanoi and especially in HCMC is hardly the result of new economic freedom, but rather of uncontrolled speculation and possibly also of corruption. It is essential that planning authorities of both cities act in accordance with urban planning regulations.

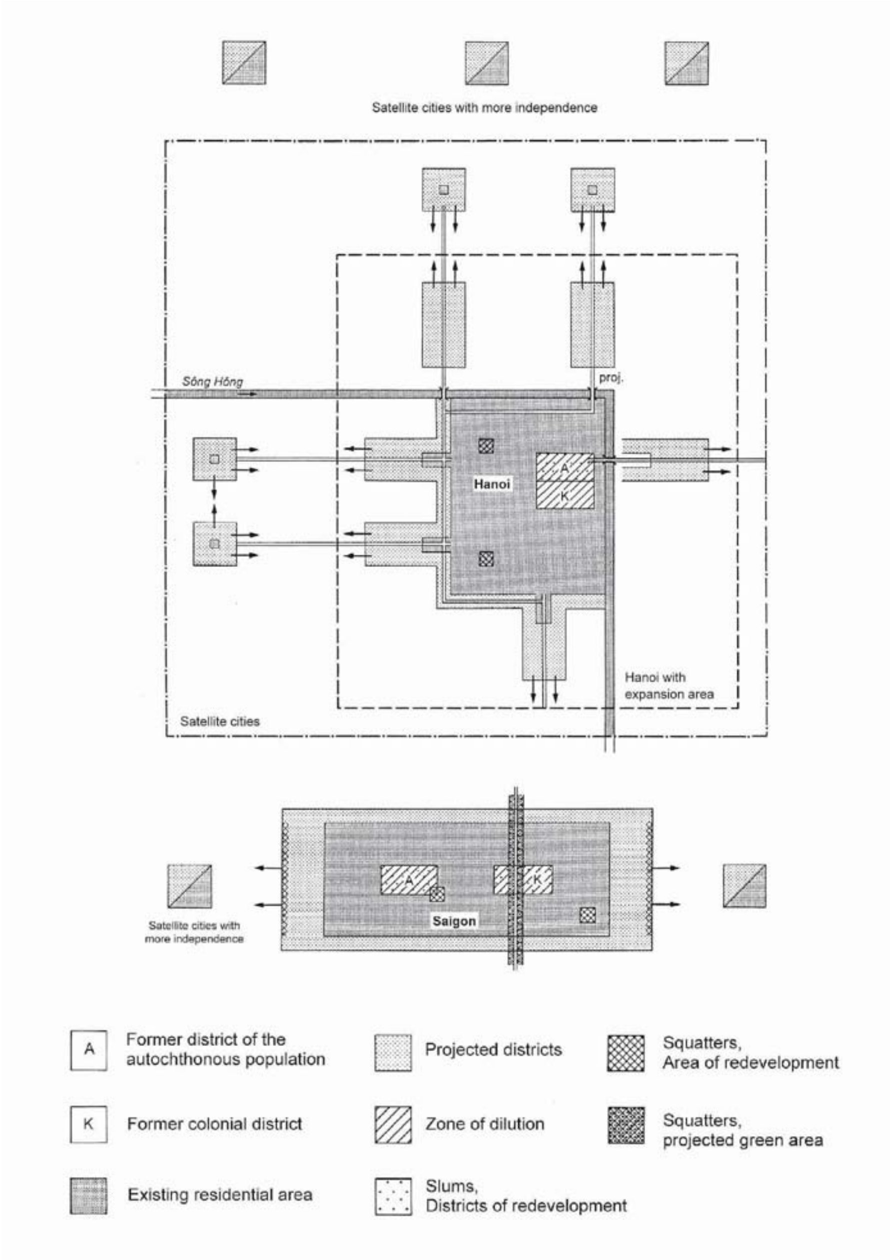

Fig. 11.12 The different urban development models of Hanoi and Ho Chi Minh City (Orig. R.L. Marr).
Unlike other urban models, in particular from industrial countries, the social structures (income classes) are not reflected in the spatial structures.

The fundamental conflict between urban planning and economic freedom has yet to be resolved in Vietnam. From the perspective of urban geography, planning strategies such as those in Greater Hanoi can only be achieved with rigid development regulations. However, those groups who would like to profit from the new market economy by investing in the speculative real estate markets of the city centre and in the suburbs do not welcome municipal control of development.

The new exogenous controlled impulse of globalisation in Vietnam, in comparison to other countries in Southeast Asia, is not very strong. Vietnam, with over 70% of its labour force still active in the agricultural sector, with its passive trade and payments balance, as well as an expenditure surplus in the national budget, has not yet found her place in the world economic system. One could rightly presume that globalisation would not have had an impact on urban planning, had Vietnam not been included in ASEAN in 1995. From the point of view of economic geography, the unification of countries into supranational units is a direct result of globalisation and in particular an answer to the demands globalisation places on economically relatively weak developing countries.

By joining ASEAN, Vietnam orientated herself geo-politically and economically towards the south and turned her back on China. Older spatial models that lay more emphasis on the region of Hanoi/Haiphong (Vu & Taillard 1994, p. 405) should thus be revised. Even though ASEAN, in comparison to the EU, is at present a weak economic union, with even less political thrust, it has set the long-term goal of establishing itself as an independent power between the two superpowers of the future, India and China. Within the sphere of influence of ASEAN, Hanoi lies very much on the periphery. Although the seat of government is located there, the South with Ho Chi Minh City (Gamblin 1998, S. 293) is developing into an economic centre. The bipolarity within Vietnam will thus be reinforced.

Hanoi will remain the centre of power of Vietnam. Due to the absence of public resources, the ambitious urban planning of the whole region (Fig. 11.6, 11.7 and 11.12) will develop slower than expected. Although many schemes may be privatised, the nation is still faced with the costs of widespread amelioration, and is solely responsible for financing the construction of new streets and railway lines in order to connect satellite cities to each other and to the city centre, as well as for financing numerous new bridges and for improving the supply of electricity. The backlog in health care and education have to be dealt with and the rural areas also have to be developed, as poverty is greater there than in the cities (UNDP 1995).

The backlog of HCMC in the renovation of the construction fabric and the completion of adequate infrastructure is, in comparison to other cities of Southeast Asia, immense. For this reason, it is likely that Ho Chi Minh City will in the long-term remain a paradigmatic city of the Third World (Fig. 11.9 and 11.12). Although – as in the case of some Indian cities – sections of urban districts will be modernised, the goals of squatter and slum eradication and the alleviation of poverty will not be achieved as quickly as would be economically useful.

Vietnam is still a rural country. Only one fifth of the population lives in the cities. Thus it is to be expected that the pressure exerted on the cities with regards to rural exodus will increase over the next few years.

The growth rates of Hanoi and Ho Chi Minh City are predicted to exceed current figures in Asia (Table 11.7) and in fact are likely to top global figures. Whether the authorities of both cities and the national government will be able to deal with the future challenge of providing living space and adequate infrastructure for the growing urban population is questionable. Exogenous and partially exogenous factors have hindered and set back the development of both capital cities in Vietnam by twenty years.

Table 11.7 The average annual growth rate (in %) of Hanoi and HCMC in comparison to selected capital cities of Southeast Asia and South Asia (estimates and projection) (Source: UN-Habitat 1996, p. 451ff.)

		1995–2005	2005–2015
Vietnam	Hanoi	2.84	3.55
	Ho Chi Minh City	2.59	3.35
Thailand	Bangkok	2.23	2.51
Myanmar	Yangon	3.24	3.30
Malaysia	Kuala Lumpur	2.26	2.09
Philippines	Manila	2.86	1.75
Indonesia	Jakarta	3.76	2.34
	Surabaya	3.06	2.46
Bangladesh	Dacca	5.03	3.81
	Chittagong	3.90	3.81
India	Bombay/Mumbay	3.40	2.55
	Calcutta	1.79	2.33
	Madras	2.20	2.50

Poverty appears to have a central influence on urban development. During the period of strong exogenous influence the situation of the low-income groups was ignored and even aggravated. Now it appears as if the social structures will have to be tackled in both Hanoi and Ho Chi Minh City before the spatial structures can be dealt with adequately.

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SYNOPSIS

12 Global change and local reality

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This book assumes that globalisation does not predetermine the outcome of development processes for every city. The way global processes manifest themselves at the local level strongly depends on the forces and processes in operation or initiated to deal with new global market and social conditions. The strength of these local forces in "glocal" relations (see Cox 1997 and Swyngedouw 1997) is demonstrated by cities that underwent political change which set free a high potential for new economic development possibilities, local initiative, as well as the revival of cultural characteristics and the courage to try out new forms of urban structure. The particular focus lies on local contexts, developments and conditions that could either serve, delay or hinder the integration of a city into the global market system.

Urban development as the product of "glocal" forces takes on a different form in every one of the political scenarios described here. Some of the cities referred to have succeeded in activating new regional market potentials and are profiting from global trends. Other cities appear to be "losers", not due to globalisation, but because their local circumstances hinder participation in potential development chances arising from globalisation. Tertiarisation focusing on the world market is advancing everywhere except where political, ethnical or cultural conflict is apparent or where capital, availability of a trained workforce (as absorbed with the consequences of war) or the availability of local, regional and international networks in the tertiary sector are in shortage. The spectrum of urban development processes may be seen, amongst others, in tertiarisation reflecting different degrees of specialisation and value-added levels, in the types of planning policies, and in new socio-spatial structures. The different urban development processes and patterns range from peripheral urbanisation to ex-urbanisation and capitalistic urban development ribbons, as in Johannesburg, where such ribbons are financed directly through foreign investments to the detriment of the inner-city, to hindered metropolitan development in Jerusalem, a divided city reflecting very different worlds.

1. The re-establishment of hegemony, a process common to both **Berlin** and **Jerusalem**, does not prove to be the most significant factor for a successful participation in the global tertiarisation process. Far more important are the efforts made at the local, i.e. metropolitan level, to meet the new challenges and to ensure the future of the location. It is essential that endogenic forces are mobilised to deal with problems caused from without. Where this does not happen,

R. Schneider-Sliwa (ed.), Cities in Transition: Globalization, Political Change and Urban Development, 321–329.

the potential which was laid open by a political change-over cannot be put to use optimally to expand on global functions.

Not globalisation, but a twofold political change (incorporation into the socialistic system and separation therefrom) leading to the loss of functions and consequent restructuring, influenced and still influence urban development in **Berlin**. Its current development is still marked by the division of Germany that robbed the city of its hinterland and thereby of its central position in Germany and in Europe. It is evident that the structural and adaptation problems apparent today are the product of forty years of separation and different social and political frameworks. Although the city is trying to make its mark as a European metropolis with mediator functions between the EU and Eastern Europe and has taken on selected planning projects of macro-regional importance, the economic and social division remains: the living circumstances of the people in the East and the West are not adjusting to the fast tempo of the capital's and metropolitan planning. Some of the reasons for this are the selective manner in which projects have been planned, i.e. strongly dependent on external financial support, and minimum use of endogenic potential, in particular public participation. Berlin may possibly be seen as a "global city of the first generation," destroyed by political events and struggling today to at least be recognised as a "European regional centre". Top-down infrastructural development and investments in all areas, from the market economy to transport and living areas, are the first steps towards overcoming this dissatisfactory status. Structural elements of a global city are apparent in part, but these have come about more by chance, are only found in certain urban districts and appear to neglect large parts of the population and the region.

The starting point of **Jerusalem**'s development is its socio-cultural importance for the world religions of Judaism, Christianity and Islam. The significance of this city for these religions and the endeavours of urban planners to treat each of them fairly are very contradictory. Why this is so has several reasons: historical-religious aspects of Jerusalem and its symbolical importance as a sacred place are given more attention than problems such as the migration of the middle class to Tel Aviv or the growing intra-ethnical (Jewish–Arabic) and intra-Jewish intolerance. Although economic forces and locational advantages led to the creation of a flourishing commercial ribbon between Tel Aviv and Jerusalem, the socio-ethnical and cultural differences that are literally set in concrete with the founding of settlements on the periphery, overpower the potential of the restructuring forces of a united city to significantly contribute towards its integration into the world economy. Despite the physical–functional unification, divergence remains the main survival and identification strategy; the city is *de facto* divided functionally and ethnically into two differently developed worlds. As a dual city that has as yet not found any solutions towards correcting its own development deficits, there is not much chance of a dynamic tertiarisation taking place. The fact that districts and ways of living are consciously kept separate indicates that the establishment of a competitive tertiarisation is hindered primarily by the current internally-driven urban development planning policies. As a religious centre of increasing significance, Jerusalem may be expected to see an increasing entrenchment of the rifts caused by ultra-religious forces. Both the religious–secular internal Jewish conflict and the unsolved Israeli–Palestinian conflict equally fuel the disjunctional character of the city's urban planning. Endogenic problems determine urban development processes in a circular and cumulative manner, further entrenching the standpoints of the socio-cultural fronts. Even though globalisation affects metropolises all over the world, often leading to advantageous tertiarisation, Jerusalem as symbol and source of emotional identification of two bickering parties is too absorbed with itself to allow globalisation or a tertiarisation with worldwide influence to take hold. Jerusalem is thus an impressive example of how local national–ethnical conflict can hinder the development towards a globally significant city.

2. Power transferred as is to be seen in **Hong Kong** and **Sarajevo** also offer a city the chance to expand functions serving a global economy. Of significance is the manner in which change of power took place – structured as for Hong Kong, or suddenly as for Sarajevo, where endogenic forces (e.g., civil war in ex-Yugoslavia) initiated a dismantling of the system that did not abate even after external involvement.

Hong Kong experienced in many aspects a break from the past: political change, structural change, the transition from a Western-oriented global city to a Chinese global city. The diversity of change highlights the significance of local and regional agents in urban, metropolitan and regional planning for the integration and adaptation of the city to new circumstances. The pre-arranged handover proved to be advantageous for Hong Kong, so it was to be expected that the consequences of change would be different here than for the other cities looked at in the book: the historical break was prepared as a gentle transition with the unification of two different systems (capitalism and socialism) in mind. At the same time, the return of the city into its own Chinese cultural context was initiated, a city that for a century had been the product of Western and Chinese influences. The transition to a stronger Chinese identity, i.e. to a re-ethnicised Hong Kong, should thus not be seen as a cultural break with the past, but rather as a re-evaluation of the existing cultural basis. A point in favour for Hong Kong was the trend towards tertiarisation that had already been set in motion during the British administration of the city as a colonial turntable. New and innovative urban planning approaches are being followed to deal with practical problems, such as immigrants from China, growing population pressures, limited living space in the New Territories, as well as partial de-industrialisation. The main foci lie in the gradual transition to normality, infrastructural and service networking with China, the establishment of environmental qualities as positive locational factors and the orientation of planning and economy from a city "with its back to China and its eyes on the sea" towards a city "open to all sides". Thus, pro-active planning at the regional/local level has taken on the challenge to uphold the status of a global city during a period of structural change. Hong Kong is the proof that global cities do not simply exist or come into being, but are made – a fact that has even greater validity in the era of globalisation. Once again, this example shows just how much local and regional forces can leave their mark on global cities despite globalisation, like the local and regional forces that robbed Berlin of its global city status or hinders Jerusalem from becoming one.

Sarajevo was equally affected by internal conflict and the specific intervention of the international community involved in supraregional crisis management. What was special in this case is that the external agents were not only involved in the settlement of the crisis, but also in the reconstruction of the area: due to the lack of local productive forces, global actors, such as the World Bank took over local and regional tasks of reconstruction. Working together with external powers that ensured the integrity of the state, a quasi-institutional body was created. This replaced a local body that showed no initiative to mobilise internal sources of healing, be it from within society, the economy or politics. By allowing global powers such as the military, international development banks or relief organisations to sustain the local economy, maintain stability and replace local productive agents distracted by political events and ethnical conflict, Sarajevo tended to prevent itself from creating economic structures fit for a global economy. Rather the city fell into the classical role of victim, becoming a victim of its own inability to consolidate itself in politics and society in order to be able to lay the basis for higher economic development. The key position of Sarajevo and the results of centuries of development which made it the most important city in the region are thus seriously at risk.

3. Collapse of ideologies. Cities that undergo abrupt political and societal change often have to deal with several problems at the same time: democracy, national markets in transformation and global competition.

After several difficult years of transition, **Moscow**'s present state does not appear to be unfavourable. With respect to financial services, the city has profited greatly from global developments. Further, within the Russian Federation the city is gaining importance as a cultural centre, its long time promotion of cultural activity being an advantage. However, new problems are looming. In a post-socialist era, Moscow does not carry the same significance as it did under a socialist regime. Consequently, the city is in need of repositioning itself economically. To do this it has to tackle an inadequate volume of trade, an unfavourable climate for direct foreign investments, an unprofitable banking sector, security risks and socio-spatial polarisation. New highly specialised, globally-oriented service clusters manifest themselves as a result of the creation of new markets for goods, capital, property and human capital caused by the transition to a different economic and societal form. Of advantage is the fact that companies in Russia that are globally active use the city as a bridgehead for global functions and markets. Thus, although at times still insufficiently, global forces have a considerable influence on the economy and the economic geography of the city, an influence that can be seen in the establishment of a dual economy (e.g., kiosk economy), in the segmentation of the work market, in unemployment, socio-demographic differentiation and segregation in the inner-city and in the emergence of new problem groups. From a geographical point of view, the spatial disparity patterns of the Soviet era have not been dealt with. In fact, they are bound to get worse if nothing is done to combat the problem. Thus, local priority lists are just as much to blame for the polarisation as global trends. The rise of a new power base, growing criminality, as well as regulations detrimental to direct foreign investments indicate that local and global forces in Moscow are not working together well enough to push the city into a leading role in world economy in the near future.

Although **St. Petersburg** has to deal with similar transformation problems as Moscow, it has as a harbour city the advantage that it can establish itself as a maritime metropolis. The re-positioning of the city in the world economy is exemplified by the activities found in the kiosk trade. Taking a background of locational policy not determined by market principles into consideration, it is possible to see local adaptation mechanisms and survival strategies develop when the producers' market is weak, capital is lacking and formal structures are missing. The adaptation to a new market and social system at the same time as to international competition has led to the revival of a pre-socialist model: street trade as dominant trade form, a form of trade that served basic needs for consumer goods before the October Revolution took place. Further, it has also led to the return of trade with market economy character, a form that had already begun to flourish during the "Glasnost" era. Despite the limitations associated with transformational processes, local entrepreneurial potential is being revealed and used: mobile traders are correcting market deficits and locational decisions through their own regulation regimes. The acceptance of private small trade and the institutionalisation of kiosks and kiosk locations in the property market are important steps towards securing the future of this trade form. In this way, a planning structure centred for decades on industrial production rather than the services sector is being corrected at the lowest local level – through the kiosk trade. Kiosk trade is a bottom-up phenomenon that reflects the strength of endogenic potential, entrepreneurial spirit and proven locational knowledge. As such, it will be able to assist in ushering in a new market-controlled urban structure. The expected onset of locational and social structure differentiation is a by-product of a market economy that was around before globalisation was a topic.

Urban structural development in **Johannesburg** shows clear American tendencies: suburbanisation, edge-city development, processes of influx and succession in formerly mono-structured urban areas. Further, the new post-Apartheid ghettoisation of the black population is similar to conditions prevailing in cities in the USA. For those living in the city centre, life after Apartheid has become one associated with the urban underclass, and social problems are the norm. The townships have not turned out to be new places of potential, even though prosperity has partially improved and infrastructural services expanded. Structural weakness remains a characteristic of the townships. The influence of the past may still be seen in the city centre and the townships. Influx, unemployment, criminality, militancy, economic problems, loss of international competitive abilities, uneven development of the different urban districts, white exodus from the city, the greying of former white suburbs, urban district decline, ghetto development within existing ghettos, and a pronounced informal sector of the black population are only a few of the problems to be mentioned.

The urban economy is structurally affected by a bipolar development that makes the restructuring of the urban economy and the consolidation of its finances difficult: the deterioration of the traditional Central Business District (CBD) has an intimidating effect on businesses, and the flight of businesses to locations outside city jurisdiction erodes the city's revenue base. Location decisions by public administration and the transfer of administrative functions from Pretoria to Johannesburg, as well as visible efforts of redevelopment and improving safety are directed at saving the CBD and are meant to create those higher functions not generated by globalisation nor by international and resident enterprises during the post-Apartheid era. Institutional restrictions, such as the redlining of dilapidated urban districts and the financial loss associated with the expansion of infrastructural services in the townships testify to misguided priorities and home-made problems. It is in particular for the above reasons, and less because of global trends, that an urban development according to a perceived global (American) model is able to take root in a segregated and segregating society. The similarities to developments in the USA are not part of an enforced global development, but rather the international answer to priorities set by local policies, as well as the result of problem neglect and social differentiation.

4. Horizons expanded. Few cities are placed by political developments at supranational levels in the favourable position of having the expansion of their economy promoted and in particular, international administrative functions allotted to them. As a consequence of efforts over a decade to promote European integration and the sudden change of wind in Europe, **Vienna** and **Brussels** were given new functions by the international and European Community.

Vienna, once on the outskirts of Europe, now finds itself at its centre, as well as being on the outer border of the European Union and on an income/welfare divide. The responsibility given to the city to set up UNO sub-organisations helped it gain experience with international, integrative functions. The city could therefore focus its expansion on three levels: as a city between East and West, as a European metropolis and as a global city. The global repositioning of the city demanded a closer look at the status of local policy. This included an entrepreneurial location policy aimed at a stronger integration of the city into the world market, causing visible changes in the cityscape. Further, private enterprises needed to adjust to international competition by introducing sleeker production forms, measures of rationalisation and introducing part-time and flexible work forms, in which cheap foreign labour also plays a role. The changes introduced in this manner are helping to consolidate Vienna's role as global city, but they are also accompanied by typical negative global trends, such as loss of work places, increasing long-term unemployment and the establishment of new urban districts with aspects of segregation. Examples are the new ghettos for foreigners in cheaply built tenement areas, the decline of urban areas and the marginalisation of population groups. The new polarisation may be seen, for example, in the segmentation of the labour market. Spatially speaking, a polarisation is taking place between the inner-city and the periphery, in socio-demographic and socio-economic terms, between locals and foreigners, between guest workers of the first generation and new immigrants. Particularly middle class immigrants from Eastern Europe have good chances of being able to integrate and to professionally advance, despite the fact that on arrival they often take on positions in the lower ranks of the labour market. Vienna's special policy on foreigners which is supposed to be especially integrative, is also a hindrance to just that. Even though immigrant-dominated neighbourhoods lose their ethnic ghetto status due to the uncomplicated naturalisation of their residents, the pronounced *Banlieue* problems of second class districts for second class citizens still remain. In these districts there is a spatially great coincidence of social pathologies, multiculturalism and structural deterioration. It is not so much the so-called globalisation, but the conscious focus on global city development and the partial discard of socialism at municipal level that have led to the creation of the negative sides of globalisation as "home-made" problems.

A similar trend may be seen in real estate and urban policy processes and agencies that were involved in building up **Brussels** to an administrative and business centre of world renown: taking advantage of the decision of the European Commission, local priority setting on high-ranking international administrative functions led to the destruction of intact historical districts and thus to part of the valuable urban development and architectural cultural heritage of the city. The creation of a Central Executive District produced winners and losers, the European institutions, business-related services and private enterprise development agencies being the winners and district residents, the immigrant population, as well as small and middle-sized enterprises, being the losers. In a city in which private capital has always played an important role in the conceptualisation and realisation of large-scale projects, it was the weakness of local planning and the uncritical adoption of characterless mega-architectural concepts that allowed the cityscape to be "Americanised" as a basis for international functions. It was not global forces working from afar that changed Brussels and influenced local developments, but local political institutions and business consortiums acting as the proponents of Brussels' "world city strategy". They helped to create a global city with international management and control functions serving business networks, the elitists and foreigners rather than the local population. They are responsible for having ignored the democratic process behind urban (re)development.

5. Development handicaps in the era of globalisation are also to be found in the metropolises of poor countries. Due to their cheap labour structures, these cities could belong to the winners of globalisation but the lethargic character of extreme poverty hinders or delays integration into the global economy, as well as limiting these cities from taking advantage of the chances offered by membership in ASEAN.

The considerable development backlog to be found **in Ho Chi Minh City** and **Hanoi** are the result of a decolonisation war, civil war, the concentration on containing the consequences of war, decline of the planned economy system and geopolitical restructuring of the 1990s taking place all within less that half a century. Thus exogenic and endogenic factors of the past have influenced the urban development of both cities until the present day, even if to different degrees. As a consequence, the material resources of both cities and the country were destroyed, which to this date laboriously need to be rectified with the help of international finances. In particular, human resources are lacking that could mobilise local forces for sustained development and that could form constellations of agents involved in urban planning and in adapting the cities for a global market. Even though the whole country has been concentrating on large-scale economic revival for more than a century, both cities are too absorbed with the fight against poverty to be able to allocate resources towards a future-oriented development. The competition between both cities for supranational functions appears at this time to only partially promise success, despite the fact that modernisation tendencies and planning policies for Hanoi focus on establishing higher functions of national administration. Similar plans for Ho Chi Minh City aim at making it a hub within the South East Asian states and the ASEAN, comparable to Singapore/Kuala Lumpur and Bangkok. Due to its tradition of socialistic planning and preferences, Hanoi has a certain advantage, even though the geostrategic location of Ho Chi Minh City gives the latter better long-term chances of finding its niche in the world market. Globalisation led to Vietnam being accepted within the ASEAN, thus enabling both cities to take part in the positive developments associated with globalisation. However, both will first have to overcome the prevailing extreme poverty.

The eleven case studies exemplify in particular the role of local forces and processes that continue to regulate and determine urban development in the era of globalisation. They show how “the face of globalisation” is manifested locally and that even urban development patterns according to assumed international models are more the result of conscious local policies and priority settings than the product of automatic processes. In terms of a global/local dialectic (cf. Cooke 1990; Cox & Mair 1988, 1989), the “essence of a place”, i.e. its historical, political, geographical and cultural/multicultural context, is as important as are the policies of developing local strengths, security and stability (Becker 1997; Zibell 1993). The cities themselves are the agents (of authority) and the decision-makers (Logon & Molotoch 1987; Cox & Mair 1988, 1991; Leo 1991):

> Localities are not simply places or even communities: they are the sum of social energy and agency resulting from the clustering of diverse individuals, groups, and social interests in space. They are not passive or residual but, in varying ways and degrees, centres of collective consciousness (Cooke 1990, p. 296).

Cities are quite capable of defining whether effects of global processes may be seen and to which degree they manifest themselves locally:

> Globalisation is a highly uneven set of processes whose impact varies over space and time and between social groups. Global forces, then, may bypass some places and people... (M. Pacione 2001, p. 9).

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