

# **Public Problems – Private Solutions?**

Globalizing Cities in the South

*Edited by*

**KLAUS SEGBERS**

**SIMON RAISER**

**KRISTER VOLKMANN**



## PUBLIC PROBLEMS – PRIVATE SOLUTIONS?



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Globalizing Cities in the South

*Edited by*  
KLAUS SEGBERS,  
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*Freie Universität Berlin, Germany*

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The students of a seminar held in the summer of 2003 at the Free University Berlin both confronted and supported us with fresh views on the issues discussed in this book.

Sincere thanks to all of you.

Klaus Segbers  
Simon Raiser  
Krister Volkmann

## Chapter 1

# City Regions Between Global Competitiveness and Internal Viability – The Difficult Road Toward New Forms of Governance

Klaus Segbers

### INTRODUCTION

Classical political entities and agencies are in the midst of a process of fundamental change. Many tasks traditionally associated with state regulation and public action, first of all the provision of goods that were considered as public goods like public and social security, infrastructure and basic services, education and rule enforcement are increasingly being transferred to non-state agencies, to private provisions and to individual actors. This means that the classical function of governments is at least in crisis. This, obviously, is true both for the OECD world and for countries in the Southern hemisphere.

Against this background, administrations of big, global or globalizing cities are experiencing a double challenge. On the one hand, they have to make their city interesting for transnational interaction, usually in the form of flows of capital, content, and people (human capital). At the same time, they have to avoid an outcome that would leave significant segments of their citizens too far behind. This double task defines the agenda of this book.

While this de-etatization trend seems to be closely associated with globalization as a causing factor, and while it is materializing quite unevenly from region to region and even from society to society, it is the subject of often heated political debates and of conflicts. As with other objects of political contestation, value judgments tend to be quite emotional, and they differ greatly. Also, the well-known catchwords for these trends of de-etatization are in many instances problematic: Privatization, deregulation, neoliberal agendas etc. are both too politicized to be used as a scientific concept, and too narrow to cover the substance of the phenomena addressed in this book.

For our purposes, we understand the trends of de-etatization as

- primarily the result of global trends and structural shifts in capitalism, of new technological advancements and of the increasing compression of time and space, rather than of neoliberal agents and political programmes;
- uneven in geographical distribution and functional/sectoral



- leading to mixed results regarding the efficiency and problem-solving performance of the old and new actors involved.

One of the expected outcomes of effective decentralization are increasing capital inflows. The autonomous political units are becoming more attractive for investors, specialized services, administrations/bureaucracies and different social groups involved or concerned. The degree of attractiveness also co-determines directions and intensities of peoples' flows. Migration movements – one of the most important flows in our times – increasingly shape and challenge the internal viability of cities.

Again, these developments are global. Yet the focus of this book is not: We will look at a particular set of units of analysis, namely non-OECD city regions as sites for shifting modes of governance.

Before we turn in more detail to concrete forms and patterns of privatization and decentralization in our four selected cases Johannesburg, Mumbai/Bombay, São Paulo, and Shanghai, the general context of this topic will be briefly sketched out.

Today, states and national governments are experiencing significant changes; they are less able to 'do' and to control events and processes. It seems obvious that formulas and concepts that were developed after the Second World War and that indicated, or called for a significant role of national governments in economic regulation and (re)distribution are under serious pressure. Instead, we are observing a retreat, if not eclipse of the nation state from formerly central tasks: The public sector is becoming weaker. There are several reasons for these developments.

First, the processes labeled as globalization are leading to the appearance of more actors (state and non-state, public and private, sub- and supranational) relevant for global and regional politics. The relative balance between those actors is permanently shifting, but the formerly central role of the national state is evaporating. Consequently, the relevance of other actors, including city regions, is increasing. Responsibilities for public goods are frequently overlapping and confused.

Second, the financial potential, the regulatory capabilities, and the redistributive power of governments on all levels are under heavy pressure, and they are mostly declining. The combination of more intense competition on a regional and global level, declining demographic trends, and groups reproducing social identities combined with rising rather than diminishing expectations produces a particularly odd situation where governments and states are often the object of increasing desires and, at the same time, decreasing potentials to deliver.

Third, national states are losing their traditional role of making and keeping a nation by generating and protecting a rather homogeneous space for national economies. They are being opened up and exposed to a new global playground. Consequently, actors are now competing globally, but without a global 'nationalizer' and, therefore, with high degrees of uncertainty.

One of the central effects is that there is a heightened, and a 'renewed questioning of not only the practices of government but its structures, processes, and service delivery mechanisms'. In addition, the 'very roles and responsibilities of government are being opened up.'<sup>1</sup>

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<sup>1</sup> Whitfield (2001), p. 3.

The discussion about the current and future role of the state originated in the OECD world and, still, is basically led and developed there.<sup>2</sup> However, it increasingly concerns non-OECD spaces as well. Although the phenomenon of failing, or failed, states is quite well known by now, the parallel processes of less spectacular forms of de-etatization in the Southern hemisphere is not covered sufficiently.

## THE NEW GLOBAL ARCHITECTURE

For more than 2000 years, the inter- and transnational context was characterized by states and by their interaction. More recently, for almost 50 years after the end of World War II, the international landscape was coded in a bipolar narrative. Only recently, it became obvious for most of the current students of world affairs that we are observing a landslide change of both configurations.

This traditional international macrostructure was basically stable, contrary to the expectations and predictions of many observers of the Cold War. Next to the bipolar structure itself, the relative stability was also related to the increasing role of international institutions – the Bretton Woods system, the United Nations and its Security Council, the Conference on Security and Cooperation in Europe (CSCE) mechanisms, arms control and trade regimes and, more recently, norms for preserving the environment and protecting human rights.

However, today this macrostructure is undergoing significant changes. The Westphalian system is no longer in place, even when formal relicts are still around. The binaric Cold War system crumbled – or has been overcome. States and governments do not effectively organize many processes of global politics anymore. They may be formally in charge, but obviously not in real control. The basic activities are represented by and best described in flows (of capital, communication, entertainment, goods and services, people) rather than in organized exchanges.<sup>3</sup> National governments can hardly control those flows, at least not alone.<sup>4</sup> The black-boxed container state is still around, but the containers themselves have lost many or most of their closed attributes. This means that ‘politics by design’, produced as a concept and as an expectation by modernity and leading to politico-managerial phantasies of looking at tasks as being basically doable, is not viable anymore – if it ever was.

The dynamics and the effects of globalization will not be addressed separately because there is sufficient literature doing this.<sup>5</sup> It is common sense that globalization is a highly contested concept with many connotations and meanings. For the purpose of this book, we understand globalization as a process fueled by the world wide interplay of increasingly dense capital and communication flows enabled by new technologies. These flows connect (and disconnect) countries, societies, cities, firms and individuals. While perceptions and interpretations of these trends and the capabilities to cope with them differ, it becomes ever more difficult, if not impossible to ‘opt out’. Globalization apparently is all-encompassing.

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<sup>2</sup> See Naschold and Bogumil (1998).

<sup>3</sup> See Appadurai (1995), Castells (1996), Sassen (1996).

<sup>4</sup> Shah, Thompson (2004), p. 5.

<sup>5</sup> Albrow (1996); Scholte (2000); Giddens (2001); Baylis, Smith (1997).

These briefly sketched out changes in and, more important, of the global architecture cannot but lead to a new debate on what states reasonably can be expected to do in terms of delivering social services.

## **GLOBAL CITY REGIONS AS ACTORS IN THE NEW GLOBAL CONTEXT**

After the general mechanisms and dynamics of globalization in the field of international relations were outlined, and before we turn in more detail to the question of expectations toward the public sector, we should briefly look into why studies on globalization and its effects have concentrated mostly on states, and partly on enterprises, but not much on other units. This points to a static discourse in political science, where the 'Westphalian Order' of organized politics in and among territorial states often seems to be basically unquestioned.<sup>6</sup>

Yet, this is not a productive conceptual procedure. The old political headquarters, located in 'governments', are shrinking if not in size, but in relevance. At the same time, new spaces of influences and 'new centralities'<sup>7</sup> are emerging and establishing themselves rapidly. While many forms of interaction are decisively less dependent on 'places' as they used to be, it would be wrong to assume that places are irrelevant altogether. Face-to-face interactions remain important, and they require certain non-virtual places. Cities are prime examples of the thesis that in the times of networks, there must be some space for place and not only of flows. This constitutes a patchwork scheme of virtual and 'real' places.<sup>8</sup>

Cities, and especially world cities or megacities are an ever more important level of action and, consequently, of analysis. Yet the relationship between states and cities (or similar entities) is a complex one. While some observers describe – correctly – the 'release of cities towards a more global destiny', this does not automatically indicate the 'end of the state'. Rather, 'the dialectical relation between states and cities seems to shift in favour of the latter, which underpins that we may enhance insight into the spatialities of globalization through the depiction of a new and detailed geography of a global urban network.'<sup>9</sup>

Research from neighboring disciplines such as geography and sociology has recently demonstrated how the dynamics of globalization tend to crystallize not only in states, but in specific city regions as well.<sup>10</sup> Metropolitan areas function as the centres and gateways of global business, culture, and social relations. Global flows need to originate, to be channelled, and to arrive somewhere. City regions are the nodes and hubs of these flows.<sup>11</sup> They constitute an 'extended archipelago or mosaic of large city-regions which are now beginning to function as the spatial foundations of the new world system.'<sup>12</sup> Cities are partly functioning in the framework of regional

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<sup>6</sup> See Krasner (1999) and Ruggie (1993) for discussions of the 'Westphalian Order', Agnew (1994), Robinson (1998) and Taylor (1996) for critiques of 'embedded statism'.

<sup>7</sup> Sassen (2001).

<sup>8</sup> See Sassen (2001; 2002).

<sup>9</sup> Derrida et al. (2003).

<sup>10</sup> See Knox/Taylor (1995); Sassen (1991); Sassen (1994); Scott (2001).

<sup>11</sup> Hall (1999), p. 38.

<sup>12</sup> Scott (2001), p. 1.

or global networks where they fulfill specialized roles and are executing divisions of functions. At the same time, they are competing with each other for revenues, i.e. for Foreign Direct Investments (FDI), headquarters, functional elites and attractive leisure opportunities.

These and related developments raise serious 'level of analysis' questions with regard to the location and the opportunities of politics under conditions of contemporary globalization. Instead of being exposed to neatly separated layers of institutions and decision-makers, social and political scientists are now exposed to a diversity of political actors and institutions that compose a patchwork of politics rather than clear-cut hierarchies.

In the context of this study, the authors of this book shift attention from the national state level downwards. Here, one can observe a microcosm of 'patchwork politics' at work on the level of locally, nationally and globally active city regions. Their political affairs usually consist of a plurality of interdependent actors and politics that are better described by the notion of 'governance' – however defect – than by 'government'.

These global, or globalizing city actors and all the social groups living and working in cities and city regions are exposed to some common challenges that have to be dealt with. To some extent, these challenges are different from those in the OECD world. First of all, developing cities are experiencing a massive influx of people. In-migration continues to be a major and, so far, apparently unchanged trend in most major and emerging cities in the Southern hemisphere. Most of these cities are 'growing five times faster than urban areas in the developed world'.<sup>13</sup> The tremendous growth of Southern cities produces significant political challenges and a potential for social tensions. In any case, the city administrations have to cope with this major task. The effects of this rapid influx of people on the provision of basic services, like water, electricity, health care, housing, transport, education and the labor market are extraordinary. Hence, it comes as no surprise that at least some of the elites in those cities, but also inter- and transnational agencies who support cities suggest new forms of running those cities, leading to 'the emergence of new protocols of governance and municipal management at the local level'.<sup>14</sup>

## **THE DEBATE ON PUBLIC AND PRIVATE FORMS OF OWNERSHIP**

There is an increasingly sophisticated literature on the relative pros and cons of public and private forms of ownership.<sup>15</sup> The new leading question is 'whether or not the public sector needs to produce the full range of services itself, as it has done in the past'.<sup>16</sup>

As noted above, we have to realize that the discussion on the topic of economic de-etatization suffers from multiple and partly competing definitions of the term and the concept 'privatization'.<sup>17</sup> For our purposes, let us define privatization as a process

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<sup>13</sup> Stren (2003), p. 2.

<sup>14</sup> Ibid., p. 1

<sup>15</sup> Shirley (2004).

<sup>16</sup> Whitfield (2000), p. 6.

<sup>17</sup> Cf. *ibid.* (2000), pp. 14.

reducing the role of a central or regional government in real terms and, at the same time, increasing the role of non-state agents involved. This has to go hand in hand with the shift of property rights in favour of the latter.

The reasons for governments' decisions to transfer responsibilities and assets may differ.<sup>18</sup> Two fiscal aspects range prominently: Either to reduce financial obligations related to certain functions, or to raise revenues by selling state assets, or both. For the non-OECD countries, an additional motive may be the aim of catching-up with the OECD standards of development.

It should be mentioned that the trend toward privatization has been additionally fuelled by a changed context of 'big narratives'. Parallel to the industrialization as a core component of modernization, there was a powerful counter-narrative, namely socialism. This concept was closely related to a decisive role of the state, particularly in running economic affairs. After the collapse of almost all existing examples of 'socialism in practice', the attractiveness of economic systems run and economic institutions shaped by states is declining significantly. This is visible globally. The few remaining examples of attempts to realize exit-strategies from the global market will rather falter soon than develop new vigor.

In connection with this new context of the political regulation of economies, there is a growing popularity of theories suggesting that de-etatization is less an unavoidable historical accident than a promising opportunity. Especially public choice and property rights theories and parts of the governance discussion support an increasing, though not exclusive role of individual, basically rational decision-makers and of market regulation.<sup>19</sup>

## **THE TREND TOWARD ECONOMIC DECENTRALIZATION**

The decentralization of economic decision-making in the framework of (formerly) national economies is a phenomenon related to, but not identical with privatization. The difference is that it does not necessarily imply to formally give up responsibilities, and may be compatible with state-related property rights.

Also, there are different forms of economic decentralization. Administrative devolution can be seen independent from fiscal decentralization, and both may differ from political evolutions downwards. Shah and Thompson produce useful charts demonstrating that these tendencies are not necessarily related to or conditioned by each other.<sup>20</sup>

The academic literature presents different forms of decentralization reaching from fiscal decentralization over the devolution of public management of public assets to mixed forms of public/private funding and contracting and even bringing in private agencies as decision-makers.<sup>21</sup> Looking at decentralization from a different angle, namely the form of its implementation, differentiations can be made regard-

<sup>18</sup> Ibid. (2000), Table 2.2, pp. 18–19 and Table 2.3, p. 22–23.

<sup>19</sup> Ibid. (2000), p. 35.

<sup>20</sup> Shah, Thompson (2004), appendices pp. 36–37.

<sup>21</sup> Mackintosh, Roy (1999), p. 2.

ing big push vs. small steps, bottom-up vs. top-down, and uniform vs. asymmetric decentralization.<sup>22</sup>

The reasons and arguments for decentralizing tendencies can be summarized as follows. First, the decline of attractiveness of the Keynesian model for economic regulation (related to the above mentioned change of narratives). Second, the increasing fragmentation of governments who rarely resemble unitary actors Third, the classical assumption that the state was not only a homogeneous, but also a benevolent actor pursuing the best interests of society has become more questionable. Fourth, and this point is related to the tendencies in non-OECD countries, inter- and transnational donor organizations and also some non-governmental organizations (NGOs) suggest or insist that the allocation of funds to non-state or, at least, decentralized actors is beneficial for the development of civil society and should therefore be preferred. Finally, the renewed attention on institutional frameworks rather than organizations, formal entitlements, and procedures invites a fresh look at the real managerial capabilities of states and bureaucracies and suggests that they are actually more modest than it was often assumed.<sup>23</sup>

## SHIFTING GOVERNANCE PATTERNS

The process of political devolution in city regions addressed in this book is part of a shifting mode of governance. The move from state regulation to broader patterns of organizing politics, and the increasing role cities and city regions play as hubs and nodes indicates that something important is happening with regard to core elements of politics, as well as political science.

In today's reality, we have a patchwork of parallel, co-existing and competing norms, tools and systems of governance. The very concept of 'organizing politics' in the classical understanding is in crisis.<sup>24</sup> What is needed is thinking about other concepts, more appropriate for the early 21st century – concepts of, may be, moderating and of navigating. To moderate processes is not trying to change their direction, but to influence the intensity and tempo of their development. To navigate trends and currents is even less of an 'engineering' concept: one rather tries to move in and between the currents of processes whose sources and forces are beyond ones control.

In our context, governance is understood as a specific form of doing politics in a particular context. It is broader than and partly distinct from government. It includes processes and forms of formal as well as of informal decision-making. It aims at norm-setting, regulation and, provision of services. It involves a multitude of actors and signifies the interplay between different political levels. Finally, it is – at least for our purposes – an empirical, and not a normative concept.

There are at least three factors that can cause changes in city governance patterns. First, the specific role of a given city in the global architecture of flows may co-determine changing modes of political regulation. Second, changes in the national context may require a repositioning of a city in the architecture of political units. Finally, local contexts and legacies may produce path dependencies. All three components

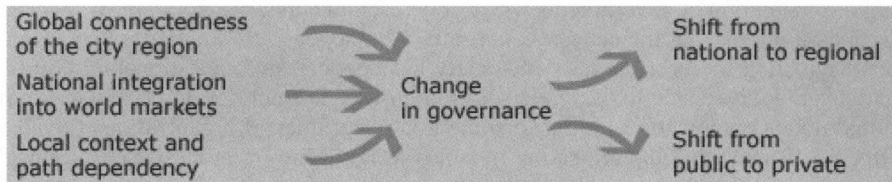
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<sup>22</sup> Shah, Thompson (2004), p. 18.

<sup>23</sup> For these points, see Mackintosh, Roy (1999), p. 13, and Shah, Thompson (2004), p. 3.

<sup>24</sup> For a good overview, see McCarney (2003), p. 33.

together may, and most probably will, lead to different forms of governance. This, in turn, causes an increasing autonomization of cities as well as the transfer of tasks from the public sector to the private sphere.



**Figure 1.1 Change in governance: Causes and effects**

The concrete and changing forms of city governance are described and analyzed in the framework of our four selected city regions in each of the following chapters, and particularly in chapter 6 ‘The Public Response: From Local Government to Urban Governance’. With very few exceptions there is a broad tendency toward economic decentralization. This is not always accompanied by the same pace of a corresponding devolution of political decision-making (Shanghai). However, the general picture is clear: Many formerly public responsibilities and tasks are currently subject to a broad trend of de-etatization.

A rather difficult question is that of how to assess the established real trends toward decentralization. Those assessments vary, also in the following texts, sometimes significantly. This is not surprising given the global debates on the question of de-etatization. Depending on the political mind-sets and the individual values of the authors and their relative position in the social contexts of their respective societies, judgements are different.

Even beyond individual preferences, it is in general a highly demanding task to assess these trends of devolution of power, because there are at least two possible criteria – namely efficiency in providing goods like basic services and security, and the aspect of just distribution. Depending on how we rate these two goals, our assessments may differ.

In all of our cases, there are contributors who are advocates of decentralization, and there are those who oppose it. It is not our, the editors’, task to judge who is right here. Rather, we want to make the processes somewhat more transparent in order to make it possible for interested readers to come up with their own conclusions. We hope that by offering a grid of different city regions, policy fields and perspectives, organized by a joint comparative research structure and by common questions, we are making a contribution to solving this task.

## **SELECTING FOUR CITY REGIONS: THE SAMPLE**

Research projects for the processes of political and economic decentralization in Southern cities are, thus far, a rare exception. Even a focus on (global) city regions is

not too common yet, especially when those cities are located in the South.<sup>25</sup> So this book is both – a contribution to fill the gap of research on big cities in the South, and an attempt to cover decentralization in those same units of analysis. It should be said right at the start that while there are some convergencies, the concrete problem-solving strategies of city regional elites are as diverse as their cities, with different legacies, resources and national contexts.

The four city regions chosen for this project are Johannesburg (South Africa), Mumbai/Bombay<sup>26</sup> (India), São Paulo (Brazil), and Shanghai (China). Looking at these less-explored city regions might offer new insights not only for the field of global city research.

The regions selected here play only a minor role in the global economy – at least so far. Yet they occupy ‘dominant positions at the regional level or within very large countries such as China and India’.<sup>27</sup> Also, they ‘function as regional or global node in the world economy’, in the sense as defined by Sassen.<sup>28</sup> They serve in any case as gateways for their macro-regions. At the same time, we find the metropolitan regions of the ‘developing’ world are at least partially decoupling themselves from their past and their national ‘fate’. They establish themselves strategically as driving forces for creating city region hubs – in short, they have started to ‘make’ their places global.

While the selected city regions are located in four countries on different continents we are keen to keep certain factors constant to ensure comparability. There are several common features the four cities share which can be more or less controlled for the following detailed studies. All four cities

- belong to non-OECD countries;
- are no capital cities;
- experienced massive urbanization over the last decades;
- are important regional hubs;
- were opened up to the global economy and liberalized internally in the 1990s;
- show significant social disparities;
- underwent political decentralization.

The observed phenomenon of effective decentralization – be it intentionally or not – is the starting point here. And, at the same time, decentralization is something to be explained. This is the task of the studies produced for this book.

The time period to be covered by the papers in this book is from the early 1990s until today. We consider this to be a period in time during which Brazil, India, China, and South Africa opened up to the global economy and underwent significant transformations with regard to political decentralization.

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<sup>25</sup> The term ‘South’ is used here not literally but rather in the sense of non-OECD.

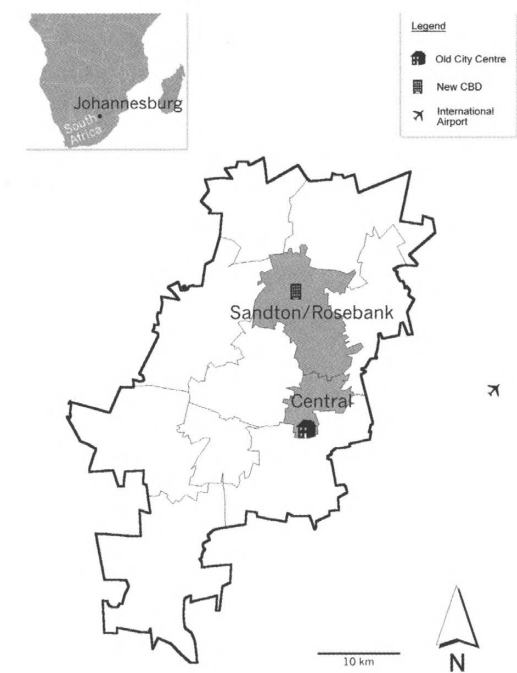
<sup>26</sup> In 1995 the city has officially been renamed into Mumbai, deriving from the name of the local dominant deity, the goddess Mumbadevi. Nevertheless, Bombay is still being used by great parts of the population. We are aware of the meaning of competing labeling strategies regarding this city. Therefore, in the introduction and conclusion of this book we will name the entity Mumbai/Bombay.

<sup>27</sup> Gugler (2004).

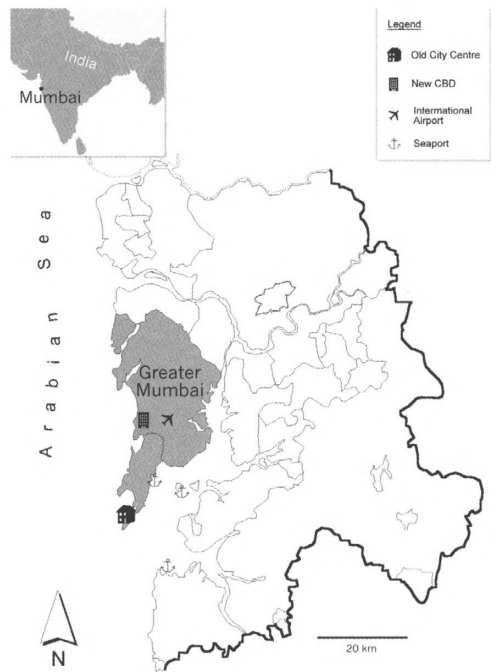
<sup>28</sup> Sassen (2000), p. 4, p. 59.

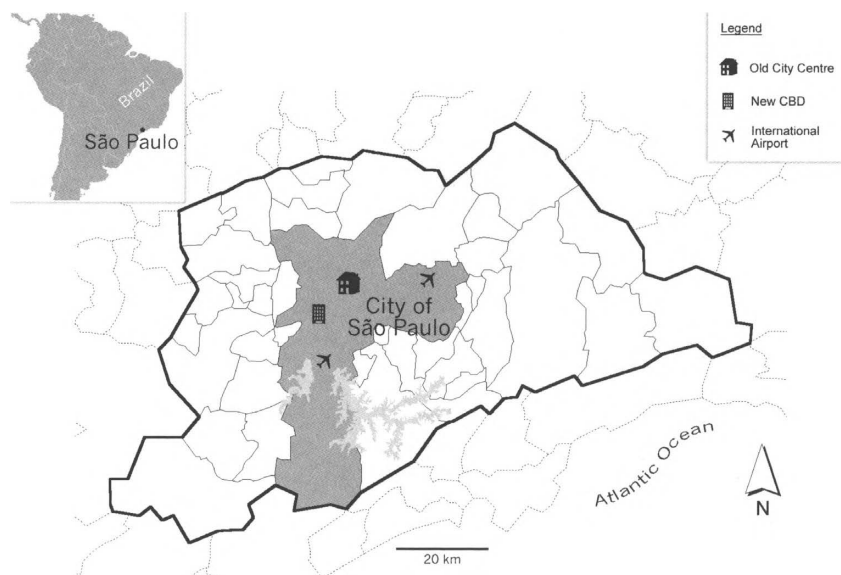


Map 1.1 Map of Johannesburg



Map 1.2 Map of Mumbai/Bombay



**Map 1.3 Map of São Paulo**

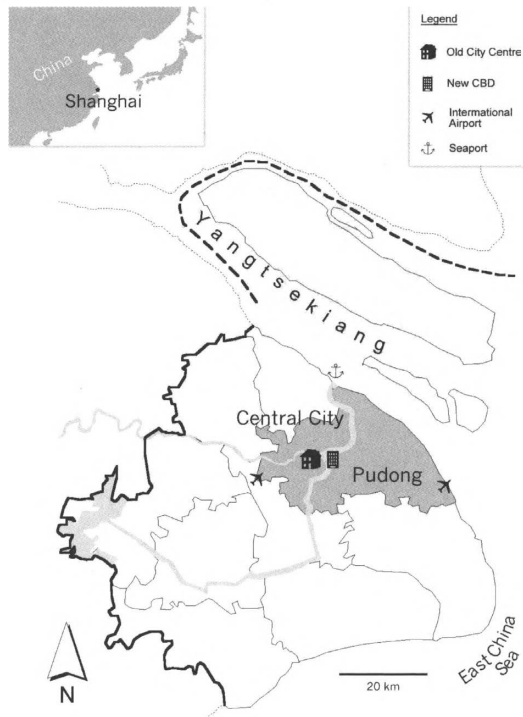
## STRUCTURE OF THE BOOK

This book includes studies from 24 writers and covers 20 detailed studies on decentralization and privatization in selected Southern city regions. The entire research project was realized in cooperation with local partners in the respective city regions. The questions raised call for an transdisciplinary approach. Thus we have incorporated different academic backgrounds such as political science, urban studies, economics, sociology, and geography. Most of these disciplines have dealt with cities as entities and objects of academic interest for a long time.

There are seven sections in this book. This introduction is followed by a chapter offering the background for the respective cities' economic restructuring since the early 1990s. Christian Rogerson (Johannesburg), Kedar Ghorpade (Mumbai/Bombay), Álvaro Comin and Cláudio Amitrano (São Paulo) and Xuejin Zuo with Jianfu Huang (Shanghai) describe and discuss the effects of the economic opening-up to the global economy and of the significant reduction of the central state interventions in economic affairs for their respective cities.

Chapter 3 looks into changes in the institutional setting, especially with regard to shifting property rights. Mzwanele Mayekiso writes on Johannesburg, Sudha and Lalit Deshpande on Mumbai/Bombay, Renato Cymbalista and Paula Santoro on São Paulo and Ling Hin Li on Shanghai.

Chapter 4 is about the highly contested question of the provision of basic services. Patrick Bond, Sudha Mohan, again Renato Cymbalista and Paula Santoro and Jinzhou Song demonstrate how different the perspectives on this issue can be.

**Map 1.4 Map of Shanghai**

Chapter 5 delves into a specific and quite interesting example of re-organizing (formerly) public goods. For this purpose, we look into the problem of organizing public and private security. Charlotte Boisteau analyses the very difficult situation in Johannesburg, Kshitij Prabha writes about the relatively calm security situation in Mumbai/Bombay, Nancy Cardia looks into the equally (compared with Johannesburg) challenging situation in São Paulo, and Huang Li with Jean Carmalt address the puzzling absence of serious security concerns in Shanghai.

The sixth chapter provides insights into changing forms and patterns of urban governance. Richard Tomlinson writes on decentralization in Johannesburg, Marina Pinto on urban reorganizations in Mumbai/Bombay, Celina Souza explains changes in urban governance in São Paulo, and Xiaoyuan Chen presents different institutional arrangements of urban governance in Shanghai.

Finally, Simon Raiser and Krister Volkmann draw some interesting conclusions from the preceding analytical studies. They also prepared the brief introductions to each chapter.

We are convinced that readers will find a lot of interesting, and sometimes stimulating new insights into Southern city regions, all of which are encountering increasing problems with public goods and looking more and more toward private solutions to solve them. In the course of this book, it will become clear that there are no panacea solutions – neither the re-establishment of a strong state, nor the worshipping of private answers. This appears to be an all-encompassing finding – generated from Southern cities, but, at least in this case, easily transferable to the OECD world.

## Chapter 2

# The Economic Restructuring of Globalizing Cities

Cities and city regions are increasingly becoming sites where the structural changes of present-day societies manifest themselves. In times of globalization, they function as hubs of resource flows leading to a significant concentration of power, capital, knowledge, and people. They are the places where global flows connect before they are dispersed again across the globe. Within a service- and information-based economy, cities that offer high-level infrastructure, optimized public services, subsidies, and tax cuts, but also a high standard of living and cultural attractions for residents and tourists alike fare best. As a consequence of this development, competition among cities and city regions has increased in recent years, as cities and city regions strive to attract new investment. The priorities of the new economy have led to the emergence of new economic centres, which partly complement and partly replace older production sites.

The city portraits in the introductory chapter bear witness to the increasingly prominent position – especially in economic terms – of the four city regions in their national and even wider regional context. The city regions are an important motor for

**Table 2.1 Size and population in the four selected city regions**

<b>Data 2001–2003</b>	<b>Area (sq km)</b>	<b>Population</b>	<b>Population Density (persons/sq km)</b>
<b>City of Johannesburg<sup>1</sup></b>	2 300	3 226 000	1 403
<b>Mumbai</b>	4 355	18 893 000	4 338
<b>Metropolitan Region<sup>2</sup></b>			
Greater Mumbai	468	11 914 000	27 715
<b>São Paulo</b>	8 051	18 100 000	2 248
<b>Metropolitan Region<sup>3</sup></b>			
Municipality of São Paulo	1 509	10 489 000	6 951
<b>Shanghai<sup>4</sup></b>	6 340	13 271 000	2 104

<sup>1</sup> Statistics South Africa: Census 2001.

<sup>2</sup> Census of India 2001; MMRDA data.

<sup>3</sup> <http://www.ibge.gov.br>; [www.seade.gov.br](http://www.seade.gov.br) (Accessed on 15 June 2004).

<sup>4</sup> Shanghai Statistical Bureau, 2002; National Bureau of Statistics, 2003.

economic development within their respective countries. They concentrate both productive capacity and wealth and function as gateways through which global actors enter the region and connect the city's hinterland to the world. As a result, much hope is placed in their potential to serve as a catalyst for development within their respective wider regions.

However, the gradual shift from manufacturing towards a business and service-oriented economy has not only brought about a concentration of power and capital. It has also given rise to new urban problems. A radical change in the employment structure since the late 1980s has resulted in the laying off of many thousands of workers as service and increasingly knowledge-based economic activities do not provide as many mid-level jobs as manufacturing once did. As a result, the informal economic sector in all four cities has grown considerably. This development, in turn, has led to increasing social and spatial fragmentation. While a strong professional class pursues the cosmopolitan lifestyle known in other globalized cities, a significant portion of the urban population is excluded from this sphere. Socio-economic polarization is particularly evident in Mumbai/Bombay, where about half of the city's population lives in slums. In Johannesburg, a majority of the urban (black) population still lives under poor conditions in the former townships south of the centre. Similarly, informal settlements have significantly grown at the outskirts of São Paulo in the past two decades. In Shanghai, socio-economic polarization is less pronounced, but the presence of an estimated 4 million migrant workers with a precarious legal status may lead to stronger fragmentation in the future.

In this situation, the city administrations are faced with difficult challenges: How to establish an environment conducive to private engagement, how to provide a sustainable infrastructure and efficient services for a growing population, and how to guarantee a safe public space. They must come to terms with these challenges in the context of sinking tax revenues at the central and local state levels. Sometimes acute financial crises develop, as Chris Rogerson recalls for Johannesburg in 1997. The contributions in this chapter will give an overview on the ongoing economic restructuring processes and provide further insight into resulting challenges.

Although Chris Rogerson calls Johannesburg the 'most isolated world city', it at least functions as the decision-making and financial control centre of South and Southern Africa. In a broader sense it is the economic powerhouse of South Africa, generating 16 per cent of the national GDP. As it has the leading position in the country's IT and service sectors, Rogerson labels today's Johannesburg a 'post-industrial metropolis' spreading into the province of Gauteng. The city administration strongly supports this process and aims at making Johannesburg the 'world-class city' of Africa, as demonstrated by the recent formulation of an ambitious development strategy. However, with a loss of 500,000 jobs (mainly in manufacturing) and an unemployment rate of about 30 per cent, unemployment is one of the most urgent problems in Johannesburg. According to Rogerson, the market has not fully returned the favour done by the city administration when embracing a pro-growth strategy in the mid-1990s.

Mumbai/Bombay, too, can be termed the economic powerhouse or '*urbs prima*' of India. It contributes 15 per cent of the national GDP. Since the early 1980s the city experienced significant shifts in its economic base and employment structure, resulting in the reorganization of the urban spatial pattern. The reasons for this trend

include the dramatic decline of the manufacturing base, the gradual tertiarization of the city's economy, and far-reaching economic reforms implemented by the Indian government in the 1990s. Beyond that, the government of Maharashtra introduced investment opportunities to attract private capital into the state and the city. New figures show that the financial sector in Mumbai/Bombay has grown substantially. Ghorpade sees the potential that the city will emerge as a 'service hub', though in his view a more focussed policy is needed to fulfil this promise. At the same time, authorities must cope with the growing informalization of economic activities, a process which has been accelerated by the decline of the city's textile industry, a main pillar of its identity. In recent years big inner-city mills were shut down and their workers dismissed while small and informal enterprises sprung up in the periphery with people working in shack-homes on their own risk.

São Paulo long has been and still is the economic centre of Brazil and even South America, as depicted in the contribution by Álvaro Comin and Cláudio Amitrano. Until the 1980s the economic dominance was the result of industrial growth, but in recent years the service sector has increased in terms of total value added. According to the authors, the impact of global developments has deepened the polarization between rich and poor regions in Brazil, with a great part of the investments flowing into the state of São Paulo, and from there mainly into the core city. Financial services are concentrated there, while other activities, such as commerce, are spreading into the metropolitan region and partly even beyond. However, various data sources suggest that this does not imply a full 'tertiarization' of the metropolitan economy, as stated by one current interpretation, but a dynamic in which the strength of the regional industry determines the growth of an industry-oriented service sector. On the other hand, it should be noted that in the 1990s 600,000 jobs were lost in the industrial sector. The unemployment rate rose from 9 to 18 per cent. Comin and Amitrano conclude by identifying two important trends in the labour market: A decrease of formal employment and an increasing polarization of the occupational structure with a growing number of professionals on the one hand and a proliferation of precarious and poorly-paid jobs on the other hand.

Xuejin Zuo and Jianfu Huang see Shanghai as a pioneer in the process of China's economic opening up since 1990. The explicit official aim is to become a first-rank global city in the near future. In order to achieve this ambitious goal, the central government has strongly supported the economic restructuring process. As a result, the city has witnessed dramatic changes in its industrial and employment structure, marked by a shift towards producer services and new technologies. The exceptional economic growth in the last decade was facilitated by heavy foreign investment. 320 of the 500 largest international enterprises have established a branch office in Shanghai. However, the decline in labour-intensive manufacturing has led to structural unemployment, as state-owned enterprises laid off about one million employees between 1990 and 1998. Between 1990 and 2002 the unemployment rate rose from 1.5 to 4.8 per cent, a figure which does not include the laid-off workers. According to Zuo and Huang, the government's ongoing heavy regulation on the service sector is responsible for the – by international standards – low share of the tertiary sector in total employment in Shanghai. In their conclusion, they argue for closer cooperation among the cities in the Yangtze Delta City Region to augment the city region's competitiveness in the global network of cities.

To sum up, the processes of economic transformation described in the contributions of this chapter outline the new conditions for urban governance in the four selected city regions. Urban governance occurs in the context of a potentially globally-linked service economy and the risk of intensified social fragmentation, a context within which solutions to cope with urban problems must be developed.

## Chapter 2.1

# Globalization, Economic Restructuring and Local Response in Johannesburg – The Most Isolated ‘World City’

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### INTRODUCTION

In one of the most useful recent contributions to economic globalization debates, Grant and Nijman point to the irony of academic debate concerning globalization: It is ‘not nearly as global as it probably should be’.<sup>2</sup> It is evident that the economic globalization and cities literature, typified by the voluminous outpourings of the Loughborough University, the base of the Globalization and World Cities Research Group (GaWC), exhibits a Western bias with the bulk of theorization and empirical research anchored upon the experiences of the developed North.<sup>3</sup> In particular, within the current literature which debates ‘world cities’ the bulk of scholarly writings focus on developed world cities.<sup>4</sup> Only recently has there begun to emerge a critical mass of scholarly engagement with cities in the less developed world in the context of economic globalization issues.<sup>5</sup>

Johannesburg occupies a somewhat unusual position within these growing international debates concerning globalization. In the initial definitions of a hierarchy of world cities undertaken by Friedmann,<sup>6</sup> Johannesburg was classed as a world class city of secondary status. But, in subsequent re-examination Friedmann<sup>7</sup> withdrew his initial world city classification of Johannesburg. The net consequence was that no city in Africa qualified for the world city league-tables. Based upon an analysis of intra-company flows of global service enterprises, in the ‘rosters’ and ‘inventory’ of world cities that has been generated by the works of Beaverstock, Taylor<sup>8</sup> and GaWC, Johannesburg again was recognized and listed as one of the top 55 cities within the so-termed ‘world city network’. Nevertheless, the position of Johannesburg in the world city network was viewed as that of a special case. Indeed,

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<sup>1</sup> Acknowledgements: Thanks go to the research assistance provided by the Johannesburg City Economic Development Unit.

<sup>2</sup> Grant and Nijman (2002), p. 320.

<sup>3</sup> Gugler (2004).

<sup>4</sup> Robinson (2002); Short (2004).

<sup>5</sup> e.g. Gugler (2004); van der Merwe (2004).

<sup>6</sup> See Friedmann (1986).

<sup>7</sup> See Friedmann (1995).

<sup>8</sup> Beaverstock et al. (1999, 2000); Taylor (2003).



Johannesburg was distinguished by the status of being the world's most isolated world city 'in that it has a continent to itself and no clear similarities with other world cities'.<sup>9</sup>

It is within the context of these raging controversies regarding world cities that attention in this essay is focused upon the theme of economic globalization and restructuring in Johannesburg as a world city in the South. At one level, as the leading city of South Africa, economic restructuring and local response in Johannesburg must be understood as part of the wider question and impacts of South Africa's re-insertion into the global economy, a theme which has attracted the attention of many scholars.<sup>10</sup> Since 1994 with the country's progressive re-insertion into the global economy, globalization processes have become more pervasive. It must be understood that whilst the economy of post-apartheid South Africa is rapidly globalizing, Carmody shows that, the nature of globalization differs significantly from that experienced by the rest of the region.<sup>11</sup> Indeed, whilst most countries in southern Africa experienced globalization as something that was externally imposed and mediated by structural adjustment programmes of the World Bank/International Monetary Fund, in South Africa the momentum for globalization has been largely internally generated.

The following chapter is organized into two major sections of material. Firstly, the focus turns to the theme of economic restructuring in Johannesburg, investigating the time period between 1980 to present-day, with a particular focus on structural shifts taking place in the last decade. Secondly, attention shifts to questions of local adjustment and planning responses to globalization and to an analysis of how the trajectory of Johannesburg's local economic development (LED) planning has become oriented towards planning for an African world-class city. Overall, using a synthesis of existing scholarship on the economic trajectory and sectoral development planning, the chapter lays down the economic foundation for understanding a changing urban environment in a globalizing city of the South.

## **THE ECONOMIC RESTRUCTURING OF JOHANNESBURG**

In its economic complexion, contemporary Johannesburg is primarily a post-industrial metropolis and the locus for coordinating South Africa's (and increasingly the sub-continent of Southern Africa's) private sector. Johannesburg is the single largest metropolitan contributor to the national economic product.<sup>12</sup> Although only 7.1 per cent of South Africa's population lives in Johannesburg, the city's net contribution to the national economy is almost 16 per cent with a Gross Geographic Product (GGP) of R86 billion.<sup>13</sup> The economy of Johannesburg is the foundation of the expansion and prosperity of Gauteng province, South Africa's most dynamic economic region. In terms of economic performance over the last decade Johannesburg has experienced growth marginally at an average 2 per cent increase on the national average, which is

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<sup>9</sup> Taylor and Walker (2001), p. 42.

<sup>10</sup> e.g. Bond (2001); Simon (2001).

<sup>11</sup> Carmody (2002).

<sup>12</sup> GJMC (2003).

<sup>13</sup> Foreign exchange rate: USD 1 = R 7.50 (July 2003).

estimated at 1.8 per cent growth over the past ten years.<sup>14</sup> It is viewed as 'troubling' however, that Johannesburg's growth of GGP 'has failed to increase as fast as other international cities'.<sup>15</sup> As a whole, the urban economy is viewed as mirroring 'strongly successive waves of development and decline, which have seen the City move away from mining and industrial production towards an economy fundamentally based on services and trade as well as some high value manufacturing'.<sup>16</sup>

The city offers 12 per cent of all national employment opportunities in South Africa, a total of 840,000 jobs.<sup>17</sup> Nevertheless, another worrying feature is that employment growth in Johannesburg has averaged a meagre 1 per cent expansion over the past ten years. Total unemployment in Johannesburg escalated from 351,000 people in 1996 to 410,000 in 1999, which translates into a 30 per cent rate of unemployment.<sup>18</sup> This admittedly 'very high' level of unemployment is thought to be 'still on the increase'.<sup>19</sup> In part, this poor labour absorptive performance of the formal economy is explained by the restructuring of the city's economic base from manufacturing to services and increasingly to knowledge-based economic activities (such as IT service activities), which do not employ as many lower skilled workers as manufacturing.<sup>20</sup> New data released on unemployment trends for Gauteng province in the period 2000–2002 signals, however, an improvement in rates of labour absorption and correspondingly, in terms of estimated rates of unemployment. Indeed, it is suggested that 'the unemployment percentage dropped a full one per cent in the 18 months ending September 2002'.<sup>21</sup>

## **A SIMPLE STORY... BUT NOT SO CLEAR**

At one level, the story of the restructuring of Johannesburg's economic base is relatively straightforward. In its broadest sense, it is another case of an urban transition from a manufacturing-led to a new service-based economy not unlike that which occurred in many cities of North America and Western Europe and was linked to the economic impacts of globalization. During the first three decades of apartheid rule, from 1948 to 1980, strong growth occurred across most sectors of economic activity in Johannesburg and the only sector that confronted economic decline during this period was the city's traditional activity of gold mining 'which saw its share of total employment within Johannesburg fall from 23 per cent in 1946 to only 1 per cent by 1996'.<sup>22</sup>

Since 1980 most observers agree that the process of restructuring of the urban economy has been proceeding at an especially rapid pace.<sup>23</sup> The contours of change

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<sup>14</sup> Monitor (2000).

<sup>15</sup> Gerater Johannesburg Metropolitan Council (GJMC) (2002), p. 12.

<sup>16</sup> GJMC (2002), p. 25.

<sup>17</sup> GJMC (2003), p. 18.

<sup>18</sup> Monitor (2000).

<sup>19</sup> GJMC (2003), p. 18.

<sup>20</sup> Beall et al. (2002); GJMC (2002, 2003).

<sup>21</sup> Moleketi (2003).

<sup>22</sup> Beall et al. (2002), p. 33.

<sup>23</sup> Chandra et al. (2001a); Beall et al. (2002).

are clear once again in that there has occurred a relative downturn in the significance of manufacturing as compared to the strong growth recorded in the service sector. Of significance has been the rise since 1991 of employment in Johannesburg's financial services, insurance, real estate and business services economy.<sup>24</sup> As the location for nearly three-quarters of national corporate headquarter offices in South Africa, Johannesburg is established firmly as the decision-making and financial control centre of South and southern Africa. Therefore, in a recent analysis Johannesburg was overall styled as South Africa's quintessential professional, private sector city.<sup>25</sup> A 2003 report produced by the Metropolitan Council of Johannesburg observed that the city's economy is dominated by four sectors, three of which are service sectors. As indexed both by their contribution to total formal employment and contribution to total GGP in 1999 (Figure 2.1.1), the two leading sectors of activity in the city's economy are financial/business services and the retail/wholesale trade sector. By far the most important is financial and business services which was responsible for 22.6 per cent of total formal employment and 31.7 per cent of contribution to GGP.<sup>26</sup>

Although the broad picture and trends of change are undisputed, what is far less clear is the *specific details* and *dynamics* of Johannesburg's transition in the formal economy from manufacturing-led to service-driven. Indeed, considerable discrepancies emerge from the weak and inconsistent data bases that exist to track the economy of South Africa's largest city.<sup>27</sup> This regrettable situation regarding inadequate data to monitor Johannesburg's economy – especially as compared to other world cities – is in the process of being addressed by the operations of the City's recently constituted Economic Development Unit.<sup>28</sup>

In light of the existing poor state of official data on Johannesburg's economy, an understanding of the dynamics of change from 1990–2002 can only be pieced together from other research. As compared to a rich vein of local scholarship on issues of racial segregation, governance or literary contributions concerning identity, Johannesburg has attracted only a limited amount of research and writings on economic restructuring.<sup>29</sup> Attention turns now to synthesize the existing fragmentary material concerning three important themes: (a) the dynamics of change in the manufacturing economy; (b) the accompanying rise of service-based and knowledge-based enterprises; and (c) the changing small enterprise and informal sector economy of Johannesburg.

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<sup>24</sup> Beall et al. (2002).

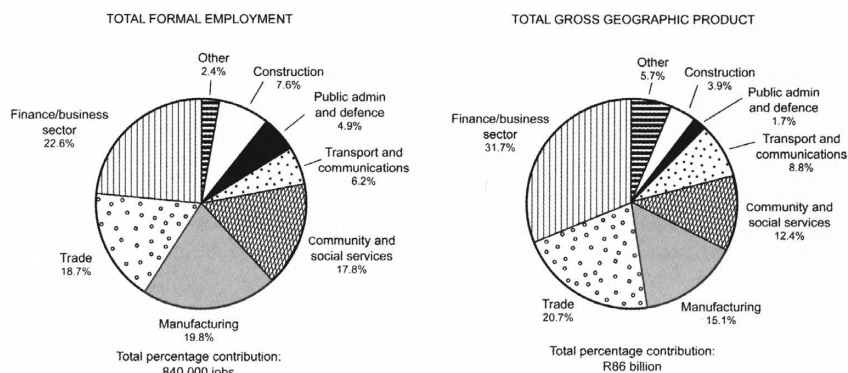
<sup>25</sup> Centre for Development and Enterprise (CDE) (2002).

<sup>26</sup> GJMC (2003), p. 18.

<sup>27</sup> The relative contribution of manufacturing to the urban economy shows the poor state of economic data. Beall et al. (2002) record that from 1980 a marked downturn occurred in manufacturing employment which between 1980–96 is shown as falling from 24 to 13 per cent of total employment. In a report issued on the developmental challenges facing Johannesburg this downturn was confirmed for the period 1996–99 with estimates of an annual erosion of 0.3 per cent of manufacturing employment. Yet, in the most recent data produced by the City Economic Development Unit and published in the 2003/04 Integrated Development Plan, it is shown that manufacturing's share of total formal employment is 19.8 per cent.

<sup>28</sup> D. Van Niekerk, Project Manager, City Economic Development Unit of Johannesburg, interview by author, 11 July 2003 and L. Bethlehem, Director of Economic Development, City of Johannesburg, 11 July 2003, interview by author.

<sup>29</sup> Mabin (2003).



**Figure 2.1.1 The economic structure of contemporary Johannesburg**

Source: GJMC (2003)

## THE SHIFTING DYNAMICS OF MANUFACTURING

The restructuring and decline of Johannesburg's manufacturing economy commenced during the 1980s and thus significantly prior to the full weight of economic globalization. The era of late apartheid witnessed a stagnation and beginnings of absolute decline in the formal urban manufacturing base with industrial census data recording a net employment loss of 7,294 jobs from 169,159 employment opportunities in 1979 to 161,865 by 1988. Almost the entire downturn in Johannesburg's manufacturing base during this period can be linked to the onset of decline of industrial production in the inner-city.<sup>30</sup> These losses taking place in Johannesburg are explained, to a large extent, by locational decisions made by enterprises in response to changing urban land and industrial property markets.<sup>31</sup> Industrial flight from the inner-city core of the metropolitan region was the result of a combination of factors: 'the unsuitable character for the requirements of modern industrial processes of much of the area's multi-storeyed industrial property; a lack of investment by developers in new forms of industrial space; growing problems of crime and violence in inner-city Johannesburg; and the pull of new industrial townships' in the wider Witwatersrand metropolitan region.<sup>32</sup>

The momentum of industrial decline in Johannesburg, which had been established in the 1980s accelerated during the early 1990s. Once again, the most rapid pace of decline was to be found in the inner-city. The detailed works of Rogerson and Rogerson<sup>33</sup> track the progressive shift in the spatial axis of manufacturing in the Witwatersrand area from the metropolitan core to an 'inner zone' which was experiencing considerable new growth. This inner zone comprised a cluster of commercial and industrial townships which were established only in the 1980s and expanded

<sup>30</sup> Rogerson and Rogerson (1995).

<sup>31</sup> Bloch (1995); Rogerson and Rogerson (1997a).

<sup>32</sup> Rogerson and Rogerson (1999), p. 91.

<sup>33</sup> Rogerson and Rogerson (1995, 1997a, 1999).

greatly into the 1990s. As some of these areas – most notably Midrand – lay beyond the existing boundaries of Johannesburg, the growth of these new suburban industrial nodes was wedded to the early decline and subsequent acceleration of the eroding manufacturing base of Johannesburg. Micro-level research revealed that the growth taking place in the inner zone was linked to factory relocations from the inner-city and the relative attractions of these new property spaces for modern industrial processes as compared to the older and under-invested factory spaces of the inner-city.<sup>34</sup> In the study of Rogerson and Rogerson,<sup>35</sup> it was disclosed that approximately 43 per cent of the losses of industrial employment in the inner-city were to be explained by direct factory relocations and movement to other parts of the metropolitan region, albeit often beyond the defined bounds of the city of Johannesburg. Overall, between 1989–94 four sectors spearheaded the demise of industrial production in Johannesburg inner-city, namely; clothing, printing, jewellery and the food sector. Although short-distance factory relocation was a key element in the overall demise of manufacturing, it should be observed also that in the case of clothing and printing, a factor of growing significance was the trend towards the greater informalization of production activities because of the upcoming of outsourcing and the subcontracting of work to non-registered or informal manufacturing enterprises. The sharp downturn observed in the jewellery and diamond-cutting economy of inner-city was linked to a series of sector specific issues, including the loss of skilled workers, which were causing a national collapse of this production activity during this period.<sup>36</sup>

The sketchy evidence concerning patterns of industrial change in Johannesburg since 1994 confirms that the major declines taking place in the city's manufacturing economy are to be explained largely by a complex of local internal factors rather than as a consequence of the impress of globalization forces. Detailed research on patterns of change is available only for the period 1994–99.<sup>37</sup> During this period a further rapid burst of growth in manufacturing is disclosed in the inner zone townships, most importantly in the area known as Midrand, an expanding suburban 'new' industrial space with a cluster of high technology activities.<sup>38</sup> Other spatial areas of industrial growth outside of Johannesburg's boundaries, albeit still within Gauteng, are recorded in all the newer industrial areas which included property developments designed to accommodate the requirements of high-technology enterprises.<sup>39</sup> The overall picture that emerges is that the spatial balance of manufacturing shifts 'towards the dominance of the newer industrial spaces which have sprung from greenfields industrial property developments over the last fifteen years'.<sup>40</sup> The disintegration of the old industrial spaces of the inner city and of the industrial townships in the south of the city is again confirmed with a considerable flow of plant relocations to newer industrial areas. Printing, the jewellery sector, clothing and fabricated

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<sup>34</sup> Rogerson and Rogerson (1995, 1997a).

<sup>35</sup> Rogerson and Rogerson (1995), p. 40.

<sup>36</sup> da Silva (1999).

<sup>37</sup> Rogerson (2000a).

<sup>38</sup> Hodge (1998); Rogerson (1998a).

<sup>39</sup> It should be noted that these property developments that accommodate high technology manufacturing are not, however, constituted in the form of science parks as occurs in Western Europe or USA. See Bloch (1995); Rogerson (2000a).

<sup>40</sup> Rogerson (2000a), p. 32.

metals were the leading sectors in decline within Johannesburg. By contrast, growth sectors recorded within the manufacturing base of Johannesburg were those such as chemicals, plastics, scientific equipment, and food and beverages.<sup>41</sup>

Beyond 1999, there is no available research or data on the changing manufacturing base of Johannesburg. Although there are statements of further decline in manufacturing, it might be conjectured that the upturn in national manufacturing since 2000 could be reflected in a reversal of a 20 year trend in the declining fortunes of Johannesburg manufacturing, especially as the expansion in city's boundaries now incorporates some of Gauteng's most vibrant industrial areas. Indeed, the growth of more high value added manufacturing and of high technology manufacturing as a whole, has been observed as having significant momentum during the post-1999 period.

## **TOWARDS A SERVICE-BASED ECONOMY**

As compared to the detailed material available for tracking manufacturing change, the rise of the service sector within Johannesburg has been far less researched. Indeed, the overall development of the service sector is an under-researched theme for the South African economy as whole. At the most general level, Beall<sup>42</sup> shows the increased relative significance of service-based as opposed to manufacturing activities within the existing sectoral employment data for Johannesburg. This escalation in the importance of service activities – and especially of the finance and business services sector – is viewed as a post-1991 phenomenon in Johannesburg. Certainly there is evidence that at a national level, the last decade has witnessed a remarkable growth in knowledge-based economic activities (including financial services) and in particular, surrounding the rapidly growing information technology economy.<sup>43</sup> In Gauteng province some estimates are that recent growth has been as high as 17 per cent per annum.<sup>44</sup> This surge in growth of the IT economy is viewed as a mirror of international trends, which one might argue, includes the effects of globalization from new foreign investment as well as from the international expansion of local IT enterprises.<sup>45</sup>

A suggestive shift in the overall trajectory in the economy of Gauteng province (with Johannesburg as its economic anchor) is recorded in the 2003/04 provincial budget. In this speech, the Director of Economic Affairs revealed new data showing tangible progress in meeting the goal of re-orienting the economic trajectory of the province towards a service-led economy.<sup>46</sup> The report disclosed new data for changing sectoral contributions to provincial GGP between 1997–2002; the primary sector falls from 1.8 to 1.3 per cent, the secondary sector (mainly manufacturing) also decreases from 29.2 to 23.9 per cent and the tertiary sector (including tourism, financial services, business services, telecommunications, transport and logistics) moves

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<sup>41</sup> Rogerson (2000a); GJMC (2003), p. 18.

<sup>42</sup> Beall et al., (2002).

<sup>43</sup> Rogerson (2002a).

<sup>44</sup> Rogerson (2002b).

<sup>45</sup> Blueprint Strategy and Policy (2003).

<sup>46</sup> Moleketi (2003).