A Comparative Study of Local Autonomy Levels of Global/World Cities in Developing Economies — Cases from China, India and Vietnam

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Abstract

This dissertation studies local autonomy levels of leading global/world cities (GWC) in major developing economies. Four cities in three countries are selected: Shanghai and Guangzhou, China; Mumbai, India; Ho Chi Minh City, Vietnam. These countries are either of significant size or occupy unique positions in the world's shifting economic landscape. They embarked on economic liberalization and started to actively integrate into global economy at least since the early 1990s, when the observation starts. During this period, their national economies integrated into global economy to different extents, strengthening their comprehensive national power while shifting the world's economic center of gravity. In this process, the four cities not only acted as leading GWCs critical to their national economies, but also as important nodes in the world GWC network, articulating their national economy with world economy. Against similar domestic and international backgrounds, however, the four cities' local autonomy level have changed very differently through more than two decades. This research investigates causes for this puzzle.

GWCs need territorial states to fully function, while territorial states (especially less-developed ones) tend to use GWCs as a platform to attract investment, accumulate resources, and strengthen national power—creating a mutuality between the territorial state and the GWC. On the other hand, as a GWC becomes more global, it faces conditions and generates demands quite different from ordinary cities. The territorial state also needs to ensure a balanced development across the country, rather than spoiling certain cities. This generates contradictions between the two parties. The level of local autonomy is a settlement on power allocation between the central (territorial state) and the local (GWCs) levels of government. Whether a GWC gets more or less local autonomy is determined by whether mutuality or contradiction between the territorial state and the GWC prevails.

Three sets of relations are identified, each generating one independent variable and a corresponding hypothesis. First, between global economy and the territorial state (IV-1: the GWC's national economy's global integration); second, between global economy and a certain GWC in a territorial state (IV-2: inter-city competition in a GWC's neighborhood); third, the GWC's position inside its own territorial state (IV-3: how concentrated in a GWC

a territorial state's foreign economic activities are). The three hypotheses are therefore: a) the more globally integrated a national economy is, its leading GWC would enjoy greater local autonomy; b) the more intense competition a GWC faces from its neighbors, this city is more likely to get greater local autonomy; c) if a territorial state's foreign economic activities are more concentrated in a GWC, this city would enjoy greater local autonomy.

Using a most-similar research design, this dissertation produces three findings: first, global integration of national economy does not have a strong relation with a GWC's local autonomy level. It may need to pass a certain limit before it starts to make an effect. Otherwise, it has limited impact. Specifically, FDI flow, especially outflow, are of higher relevance than goods and service flows. Neither mutuality or contradiction between the territorial state and the GWC clearly prevails. The relation is an intricate one.

Second, competition among neighboring GWCs are omnipresent, but at different intensities. More intense competitions usually lead to a higher likelihood of power transition from the territorial state to its leading GWC. This confirms mainstream GWC scholarship's claims on intercity competitions. The territorial state and the GWC find a mutuality in helping the GWC win the competition. However, if a GWC is situated in a highly integrated city-region, the response to competition would be different.

Third, if a territorial state's foreign economic activities are more concentrated in a GWC, it would transit more power to that GWC, because doing so benefits the overall national growth and development. But the territorial state should take caution not to excessively invest in a single GWC, in order to avoid an overly unbalanced national urban system.

Altogether, emerging developing countries tend to use their leading GWCs as a tool for national growth. They usually find more mutuality than contradictions with its home-grown GWCs. In fostering their champion cities, developing countries expect their national economy to benefit as a whole. The extent of such dynamics depends on how the territorial state and its GWC are situated globally, and how are they situated vis-à-vis each other.

This research aims at contributing to the political aspect of GWC formation, especially GWCs in countries that are more dynamically integrating into world economy. By studying cases from three important developing economies, it brings new insights into the territorial state's response to globalization with regard to its home-grown GWCs, as well as GWCs' reactions to their situations in the global city network, and whether and under what circumstance that leads to power transition to the local level.

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List of Abbreviations

ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China, and South Africa
CBD	Central Business District
CNY	Chinese Yuan
FDI	Foreign Direct Investment
GFC	Global Financial Center
GWC	Global/World City
GaWC	The Globalization and World Cities Research Network
GoI	Government of India
GoM	Government of Maharashtra
GNI	Gross National Income
HCMC	Ho Chi Minh City
H.K.	Hong Kong
HKMT	Hong Kong, Macao and Taiwan
HQ	Headquarter
IFC	International Financial Center
INR	Indian Rupee
IR	International Relations
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MCGM	Municipal Corporation of Greater Mumbai
MMR	Mumbai Metropolitan Region
MMRDA	Mumbai Metropolitan Region Development Authority
MNC	Multinational Company
NIDL	New International Division of Labor
PPP	Purchasing Power Parity
PRDR	Pearl River Delta Region
RBI	Reserve Bank of India
SAR	Special Administrative Region
SOE	State-Owned Enterprise
TNC	Transnational Company
TNI	Transnationality Index
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WCN	World City Network

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Chapter 1: Introduction

1.1 Background

This thesis compares the autonomy levels of global/world cities (GWC)[1] in three developing countries: China (Shanghai and Guangzhou), India (Mumbai) and Vietnam (Ho Chi Minh City, HCMC). By studying these cities' local autonomy vis-à-vis their central governments in the context of globalization and these countries' internationalization, I unpack the macro rhetoric of globalization and inquire how such trend is affecting actors on different scales—the territorial state and GWCs, and on the power relations between them.

As central economic cities in their countries, Mumbai, Shanghai, Guangzhou and HCMC have displayed sharply different levels of local autonomy in reaction to globalization—and with varying levels of success in building up their GWC capability. Shanghai has made considerable progress in improving its infrastructures, public service, and investment environment, etc. It has risen fast as a prominent GWC in Asia. While Mumbai's progress, despite its (perhaps) most favorable position in India and South Asia, has been less prominent. Guangzhou, another major GWC in South China, is faring less successfully than Shanghai but better than Mumbai. In Vietnam, HCMC is also showing signs of expedited GWC formation[2]. Since the four cities all play a central role domestically, all come from a major globalizing economy, they should exhibit similar traits on local autonomy. Taking polity structures into consideration, even if their status vs.

1 Unless specified, concepts of "global city", "world city" and "global city region" are considered interchangeable in this dissertation and substituted with "GWC" (global/world city). I am aware of the nuances among them (see Table 1.1).

2 "Ho Chi Minh City overtakes Silicon Valley in global ranking of city momentum", JLL, Jan. 20, 2017, <http://www.ap.jll.com/asia-pacific/en-gb/news/378/ho-chi-minh-city-overtakes-silicon-valley-in-global-ranking-of-city-momentum>, last access Aug. 20, 2018.

territorial state is bound by systemic differences therefore non-comparable horizontally, their trajectories of change should be similar. This does not seem to be the case. Why?

Against the globalization background and large-scale industrialization and economic deregulation especially since the late 1980s and early 1990s, China, India and Vietnam have embarked on a new phase of economic liberalization and political reform. Globally, trade and economy are getting increasingly internationalized and even globalized in the post-Cold War world. The case countries' domestic reforms and societal changes largely echoed such trend. In 1990, China reaffirmed its commitment to open up and established the Pudong New Area in Shanghai, which has since become a showcase for the country's achievements in economic modernization; while India revised its constitution at the same time and lifted a great number of restrictions on economic freedom. Vietnam's *Doi Moi* (reformation) started in the mid 1980's and in the 1990s it started to show meaningful effects on modernization and internationalization of its national economy. Now China and India are the two fastest-growing mega economies in the world, while Vietnam is widely considered a regional growth engine in Southeast Asia (see figure 1.4).

In terms of national transformation, all countries are evolving from a rural to an urban society (see figure 2.2). In this process, the importance of central cities becomes increasingly crucial—especially their functions of articulating national economy with world economy and promote overall growth. China made the development of Shanghai's Pudong New Area—together with nineteen other national new (urban) areas[3] established afterwards—its national strategy and requires central revision and approval of master plans for all important cities and urban clusters; India rolled out the Mega City Scheme in 1993-2007 (Ministry of Urban Affairs and Employment 1993), the Jawaharlal Nehru National

[3] The other nineteen new areas are (in order of date of establishment): Binghai New Area (Tianjin), Hengqin New Area (Zhuhai), Liangjiang New Area (Chongqing), Zhoushan Archipelago New Area (Zhoushan), Lanzhou New Area (Lanzhou), Nansha New Area (Guangzhou), Xixian New Area (Shaanxi), Gui'an New Area (Guizhou), West Coast New Area (Qingdao), Jinpu New Area (Dalian), Tianfu New Area (Sichuan), Xiangjiang New Area (Changsha), Jiangbei New Area (Nanjing), Fuzhou New Area (Fuzhou), Dianzhong New Area (Kunming), Harbin New Area (Harbin), Changchun New Area (Changchun), Ganjiang New Area (Jiangxi), Xiong'an New Area (Hebei).

Urban Renewal Mission (JNNURM) in 2014, and the Smart Cities program since Modi took office (Hoelscher 2016). It also evinced interest in transforming Mumbai into a more successful economic center[4]. Being the capital and the largest city of Maharashtra, Mumbai also receives special state-level attention. In mid 1990s, HCMC's prominence as Vietnam's economic hub and "reform leader" was clearly acknowledged in Vietnamese official documents (Gainsborough 2003, 7). These all manifest the territorial state's interest in utilizing key urban engines to propel national growth.

The nearly three decades since 1990 also saw the Chinese, Indian and Vietnamese economies boom. As of 2017, China and India have become world's 2nd and 7th largest economy[5], topping many OECD countries. Their economies' level of internationalization also rose evidently, with China's international trade as share of GDP climbed from 24.68% in 1990 to 37.06% in 2016, with a peak of 65.62% in 2006. That of India also rose from 1990's 15.67% to 2016's 39.81%, with a peak of 55.79% in 2012—both exceeding that of the United States[6]. Nowadays, they are heavy-weight players in terms of not only size but also depth of integration into the capitalist world economy. Although significantly smaller, Vietnam is a major ASEAN member, and one of the fastest-growing country in Southeast Asia (see Figure 7.1). The smaller size does not diminish its value for research. After all, most economies would seem light-weighted in front of China and India (see figure 1.1).

However, this does not mean they will soon parallel developed countries—mostly in the Western world—as equivalent powers. Growth speed and size of economy are just two aspects of comprehensive national power, not directly translatable into quality of development or citizen welfare, where the three countries are still lagging. Individual-based measurements often depict a different picture. These countries' GNI per capita have been well below the world average, with China only starting to catch up. India and Vietnam just reached the world's 1990 average (Figure 1.2). Their human development indexes (HDI),

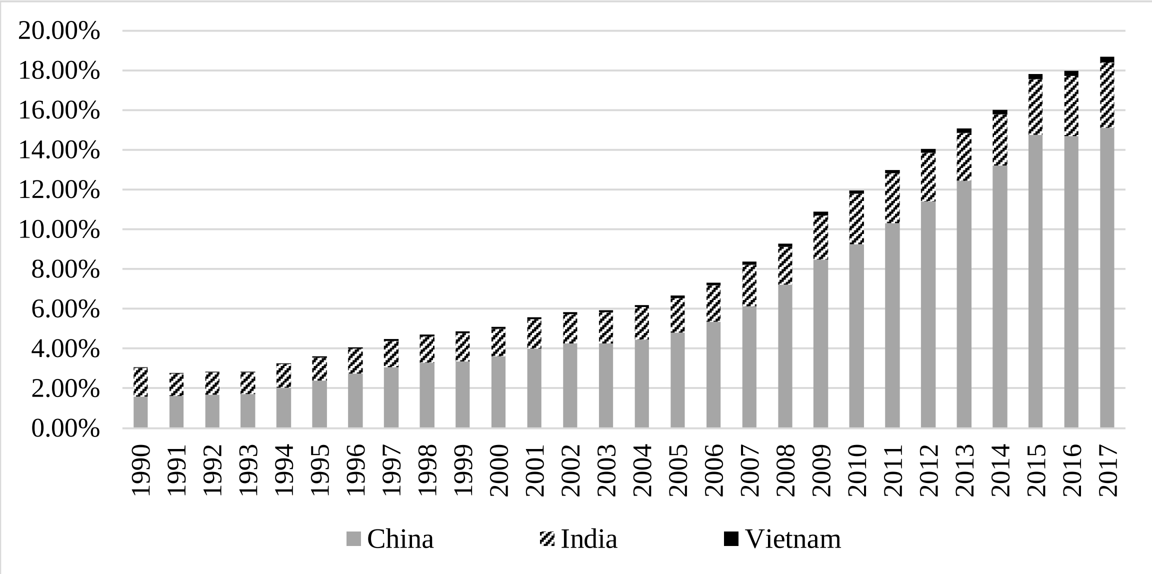
4 "Manmohan keen on making Mumbai a Shanghai", *Financial Express*, 2004-10-17, New Delhi, last access 2017-11-10, <http://www.financialexpress.com/archive/manmohan-keen-on-making-mumbai-a-shanghai/117071/>

5 "GDP (current US$)", *World Development Indicators*, World Bank, last access 2018-03-18.

6 "Trade as Share of GDP", *World Development Indicators*, World Bank, last access 2018-04-10.

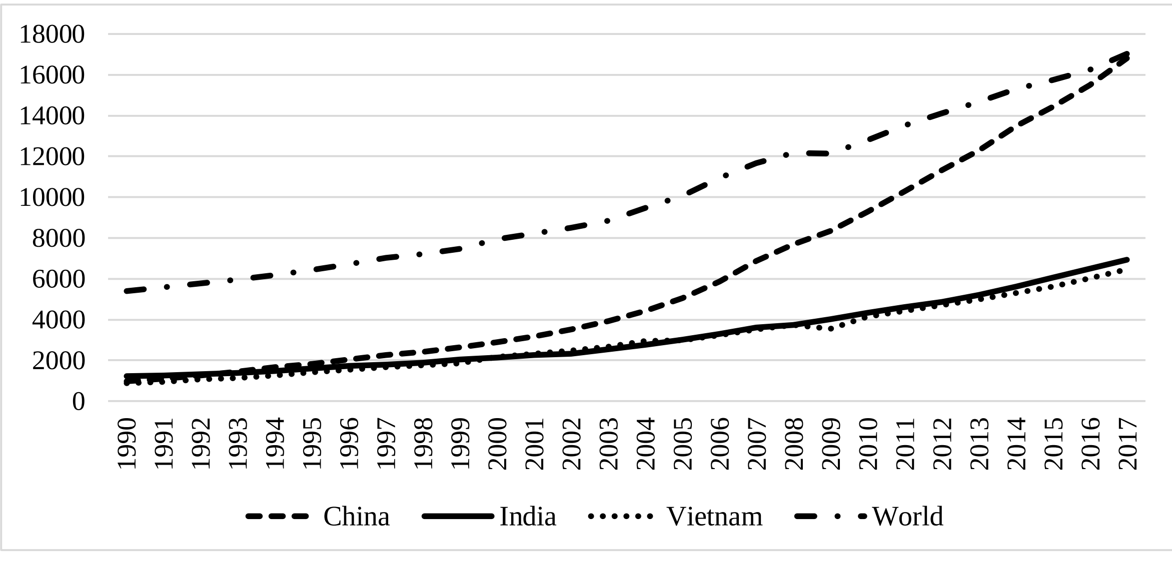
reflecting people's life quality and expectancy, are also well below developed countries (Figure 1.3). And yet, backwardness in these aspects also implies great future potentials, if these countries can manage to follow a proper and steady development track. At the moment the they look well posited to keep up their growth momentum, if no major domestic or international turmoil hits. This gives us even stronger reasons to pay closer attention to them.

Figure 1.1: Case Countries' GDP Share of the World (Current US$)



Source: World Development Indicators, World Bank.

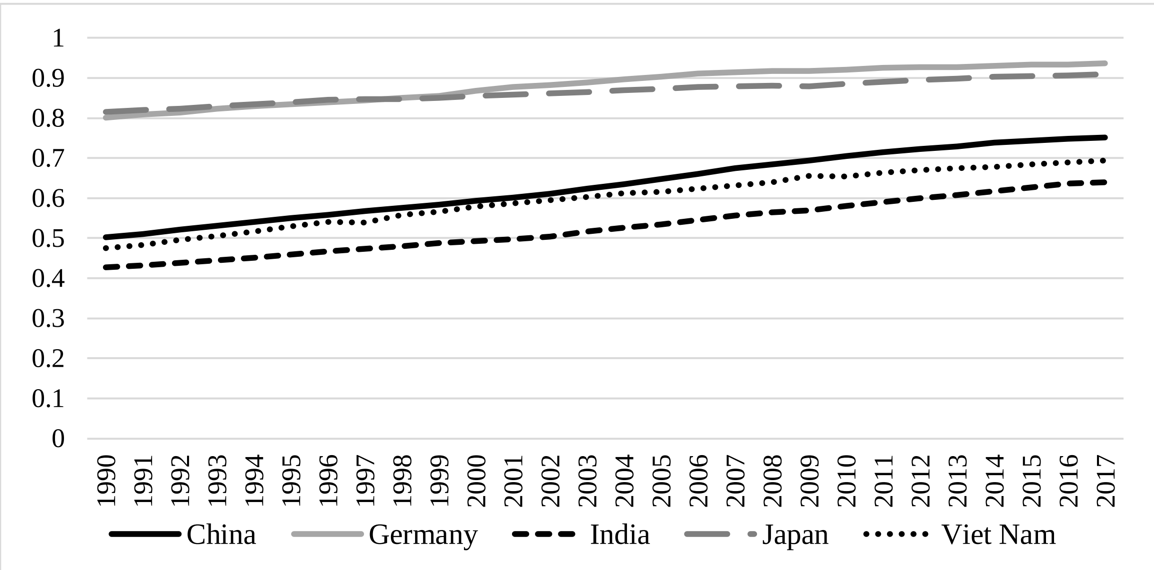
Figure 1.2: Case Countries' and World's GNI per capita, PPP (current int'l $)



Source: World Development Indicators, World Bank.

As centers for “command and control” in world economy (Sassen 1991a), this period also saw Shanghai, Guangzhou, Mumbai and HCMC becoming hot-spots for investment into the three booming economies (and on a much smaller scale, emanating from them). The four cities’ GWC functions have been receiving more attention and strengthening, as international capital looking for ways to tap opportunities in these new territories. According to the Globalization and World Cities (GaWC) research network, both Shanghai and Mumbai are ranked “Alpha-” level in 2000[7]. In 2018, Shanghai has progressed to the “Alpha+” level, with Mumbai to the “Alpha” level[8]. It means both cities’ international connections and interactions have greatly intensified. Guangzhou and HCMC are also ascending. Guangzhou almost rocketed from “Gamma-” in 2000 to “Alpha” in 2018; while HCMC mounted from “Gamma” in 2000 to “Beta+” in 2018[9].

Figure 1.3: Case Countries’ HDI Compared with Germany and Japan (1990-2017)



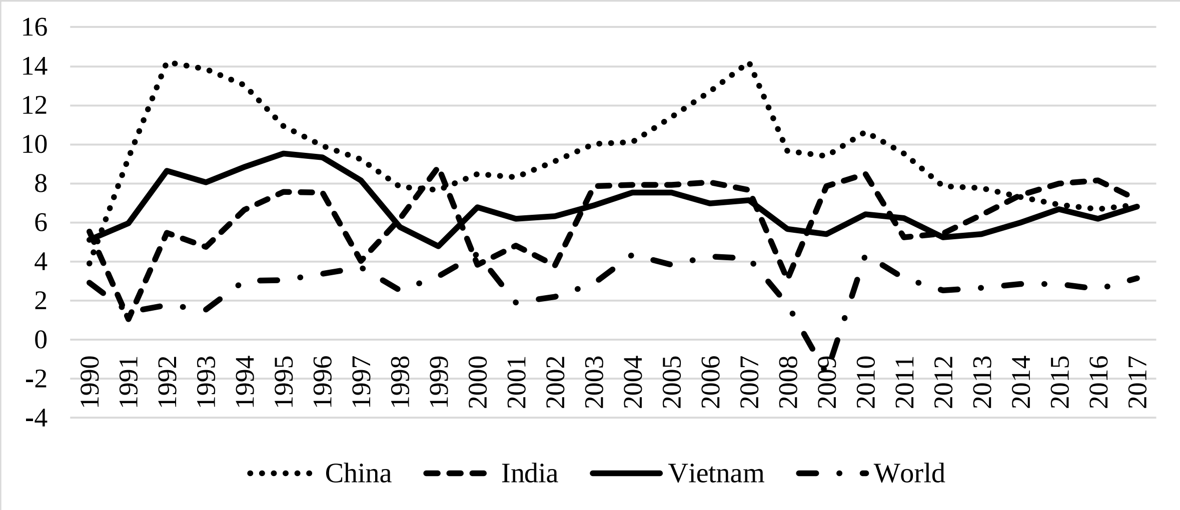
7 “The world according to GaWC 2000”, *Globalization and World Cities Research Network*, 2009-02-20, last access 2018-01-10, <http://www.lboro.ac.uk/gawc/world2000.html>.

8 “The world according to GaWC 2016”, *Globalization and World Cities Research Network*, 2017-04-24, last access 2018-01-10, <http://www.lboro.ac.uk/gawc/world2016.html>.

9 See the intercity competition analysis of each case for detailed rankings in GaWC publications.

Source: Human Development Reports, UNDP.

Figure 1.4 Case Countries' GDP Growth Rate (Annual %)



Source: World Development Indicators, World Bank.

However, stark contrasts exist. It has become increasingly evident that they have achieved different levels of success in terms of becoming a stronger GWC[10]. Until the early 1990s, Shanghai had been a crumbling industrial center with little change since the communist rule (1949). Since 1990, the city underwent a massive, comprehensive urban renewal. China's central policymakers continuously endorsed the city's aim to turn itself into an international center for economy, finance, trade and shipping[11]. In India, Mumbai started a similar restructuring project to elevate itself to a "world-class" city and an emergent international financial center. However, those plans have made little progress (Chattaraj 2012, 1). The city is still lagging behind in areas like local governance and

[10] Although their ranks all see apparent ascent, their local momentum and agency in promoting such change are different—which is what this dissertation tries to understand. Ascending position of a GWC can be simply attributed to the growth of the national or regional economy they articulate, in which process the city itself could as well (intentionally or unintentionally) choose to do little. However, if cities act, their local momentum and agency would definitely stimulate faster (or better) growth and development.

[11] Shanghai Municipal Government, *Municipal Masterplan for Shanghai 2017-2035 (上海市城市总体规划 2017-2035)* (approved by China State Council), Jan. 2018, in Chinese, <http://www.shanghai.gov.cn/newshanghai/xxgkfj/2035002.pdf> , last access Jun. 6, 2019.

business-friendliness building. Shanghai has clearly achieved more tasks than Mumbai, and obtained better results in terms of GWC formation. As a municipality, it shows more willingness, vision, and capability to build up its GWC muscles as well as to negotiate with Beijing. Mumbai, on the other hand, shows very modest ambition and activeness to further increase its prominence in front of the Indian central government. The talk of "Shanghai Dreams" (Chattaraj 2012) or "Shanghai-zation of Mumbai" (Ghadge 2013) is a telltale sign of the gap between them, and the notion in India that Mumbai should strive harder to become a more successful GWC.

Another Chinese GWC, Guangzhou, has been much less ambitious and lower-profile than Shanghai in promoting itself. It only obtained Beijing's endorsement of the establishment of the Nansha New Area (南沙新区), another national-level new urban area administratively equivalent to Pudong, in 2012—two decades after Pudong took off. Even its priority in Guangdong, where the city serves as the provincial capital, has been seriously challenged by Shenzhen. Until recently, Chinese officials have been highly sensitive to their localities' GDP output—a heavily-used indicator in officials' performance evaluation. With a GDP size only after Shanghai and Beijing, and on a par with Shenzhen, favorable policies for Guangzhou is surprisingly scarce, not to mention GWC-related policies and measures the city takes. This is apparently not because the city is unimportant—some other factors are at work.

HCMC, the Vietnamese central metropolis besides Hanoi, has managed to increase its level of autonomy (Gainsborough 2003), but has never officially labeled itself as a GWC. Its status in Vietnam seems stable, and there are signs Hanoi is consciously re-balancing the central-local power relations to equip HCMC with more administrative freedom. Vietnam has been further integrating into global commodity chains. It is especially trying to capitalize on its demographic resource and take over labor-intensive industries leaving advanced countries and even China due to rising costs[12]. It is logically expected that advanced producer services and TNC branches (or even headquarters) would follow the

12 See "Vietnam offers companies China alternative", *Financial Times*, March 14, 2012, <https://www.ft.com/content/46d052b8-6446-11e1-b30e-00144feabdc0>, last access Nov. 8, 2018.

capital's footstep and cluster on a good platform in Vietnam—most likely HCMC. Thus, the city and the territorial state would adopt a more favorable or even accommodating stance to ensure this to happen. The reality seems so.

Clearly, similar situations did not lead to similar responds, and this triggers us to wonder why.

1.2 Research puzzle

Against similar globalization and national backdrops, Shanghai, Mumbai, Guangzhou and HCMC have demonstrated considerably different levels of autonomy vis-à-vis central government, and such difference has caused their varied levels of efforts at GWC capacity building. Why?

This puzzle touches upon an important issue in GWC research: a GWC's relations with its territorial state, here indicated by the city's autonomy level. Being an independent sovereign, a territorial state retains the formal right to all final decisions within its territory[13]. By constitution, laws, verdicts, or informal conventions, etc., power is divided among tiers of government, and statehood is therefore actualized in administrative practices carried out according to such division. How power is divided defines the boundaries among tiers of government. What a city can or cannot do consequently depends on how its boundary is set. Therefore, a GWC's autonomy or capacity should and must be viewed together with the territorial state (especially its central government)—how boundaries are drawn between them—and should not be viewed in isolation.

13 A distinction should be made between national sovereignty and central government. To say a territorial state enjoys exclusive sovereignty does not mean its central government controls all aspects of governmental activities on all tiers of government. There is always some level of division of responsibility between the central and local government, i.e. certain room of local autonomy is always in place, be it a unitary or a federal system.

This would appear unorthodox to people too attuned to the globalization hype, which often belittle the role of territorial states, if not ignore it in total (e.g. Ohmae 1996). The territorial state is also sidelined in much of the early discussions of GWC. Friedmann and Sassen were more interested in the overarching structure of the capitalist world economy and its bearing on cities, than in the territorial state's role in it. Only recently have scholars come to realize that the territorial state has never been totally absent, rather, it has played a more significant role than previously assumed (e.g. Hill and Kim 2000; Tsukamoto and Vogel 2007; Ma 2009; G. Clark and Moonen 2017). It has always been the "host" that all GWCs reside in, and the material base that enables all forms of "flows" to take place. By taking territorial state and its relations with its GWC into consideration, I expect to expand the horizon of current GWC research and generate new meaningful insights.

The four chosen cities find themselves in similar positions both internationally as GWCs and domestically as their country's champion city. They share similar needs to transform themselves into better GWCs. In this regard, these cities and their territorial states find mutual policy targets. Cities aim at higher GWC prominence, while their territorial states see their own interest in facilitating these cities' vitality.

However, similar conditions did not translate into similar levels of local autonomy, or even a similar trend in local autonomy change. It means other factors are at work, and beg investigation. Is it because of the city's weight in its national economy? Does its centrality in world economy really has an effect on its territorial state? Or some factors not on the international or the national scale, but on the regional scale, should receive closer attention? This is the main puzzle this research tries to explain: despite similar international and domestic positions, why GWCs in major emerging economies have very different levels of local autonomy?

It is apparent that each GWC, however "global" it is, is always embedded in and bound by its territorial state. To achieve a GWC's development goals, especially those tailor-made for GWC functions, it necessitates more power on the local level, which needs to be created in one way or another. The power for autonomy can be transferred from the central authority, meaning shifting the responsibility from higher to lower level; it can also be created from below, meaning local governments obtaining new resources and rights and eventually become stronger in relation to the central government. It is in this sense that we use "local autonomy" to denote the power balance between a city and its higher governments.

1.3 Main points of the Global/World City research

The GWC scholarship dates back to the early works of Geddes (1924) and Hall (1966) on "world cities". A common feature between them is to view the city as the site of formal political power control, especially power control by the territorial states. Today's conceptualization of GWC, as will be elaborated later, shares the same notion of the city as a site of central control, yet more in terms of economics than politics.

The version of GWC we use today stems from Friedmann and Wolff (1982; also Friedmann 1986). They envisaged a class of cities with the power of controlling the capitalist world economy. The power comes from the city's position (strongly affected by the economy it articulates) in the ever-changing international division of labor or the New International Division of Labor (NIDL) (Fröbel, Heinrichs, and Kreye 1980). The position is changeable, largely determined by the number and power of multinational corporations headquartered in the city. The more TNCs in a city, the more decisions are made and directives issued from there, therefore the city's position is more central, and accordingly, the more powerful the city is. A distinction between Friedmann and Wolff's world city hypothesis and the older view lies in the interpretation of power. Friedmann and Wolff focused on the aspect of economic decisions. This is natural, given their theoretical foundation being Wallerstein's world-systems theory (Wallerstein 1979); while the older view emphasized formal political ruling.

Friedmann and Wolff's conceptualization is a pioneering effort to interpret new patterns of world economy from a non-state-centered perspective. They rightly draw people's attention to the practices of world economy—the large transnational corporations (TNC) rather than territorial states. These TNCs, in their endless pursuit to maximize profits, boast powers to organize and shape the international commodity chain, which is continuously expanding into previously unconnected territories. Being platforms where those TNCs operate, world cities are the basing points where the expansion into and integration of these territories take place.

However, this hypothesis is not without criticisms. A major one is the lack of empirical evidence that certain cities are indeed more central and powerful. This deficiency was even acknowledged by Friedmann and Wolff themselves: "To label them world cities is a matter of convenience. In each and every instance, their specific role must be determined through empirical research (1982: 310)". They jumped from certain cities being basing points of TNCs directly to those cities' stronger power to command and control world economy. The mechanism in between is not clearly shown, which raises doubts.

Subsequent works devised empirical indicators to validate the conceptualization. These indicators include: air traffic network and flows (Derudder and Witlox 2008), migration of higher-skilled and -educated talents (e.g. W. Shen 2009), world city network and city centrality and intercity connectivity (P. J. Taylor 2004; P. J. Taylor et al. 2002). Empirical evidences gradually reveal a worldwide grid with cities as central nodes. Various flows connect those nodes and form a coherent web encompassing the whole capitalist world economy. These efforts certainly carried the world city agenda one substantial step forward. Cities are no longer simply seen as largely self-contained built-up environments; rather, they constitute a platform for a series of activities pertaining global capitalist accumulation to happen. However, paucity of high quality data confirming such relations still persists (see §1.4.2).

The aim of this thesis is not to solve the data problem. In fact, another important scholar in the GWC research, Saskia Sassen has tried to address this issue, although not entirely successfully. Her contributions (Sassen 1991a, 2000a, 2001a, 2002) can be partly seen as a response to the lack of empirical evidence in Friedmann and Wolff's theory, as well as a follow-up on Cohen's (1981) theory that specialized corporate functions have become crucial to business operations in a globalized economy. Sassen knowingly chose the term "global city" to differ from "world city", because her main attention is on these cities' “capacity to produce” advanced producer services, other than being basing points of TNCs. Like Friedmann and Wolff, Sassen’s model also stresses agglomeration of TNC headquarters (among other things), usually clustering at downtown areas called CBDs (central business district). Sassen’s diversion from Friedmann and Wolff, which is also her main contribution, is on how the *practice* of central control is realized.

She starts from the assumption that geographical dispersal of economic activities and the simultaneous integration of such geographically dispersed activities necessitate stronger and more coordinated central corporate functions (concurring with the world city hypothesis). And, that the central functions are becoming so complex and myriad that TNCs have to outsource them to advanced producer services specialized in accounting, legal affairs, public relations, etc (some of them collectively abbreviated as FIRE). These service providers are equally subject to the agglomeration effect and follow TNCs’ footsteps to cluster in central cities, forming a global cross-border intercity network of TNCs and advanced service industries (Sassen 2001: Preface). This is, in a way, an effort to provide more empirical evidence, especially in relation to the missing mechanism between TNC headquarters and power of command and control in the world city hypothesis. Advanced producer services and their grouping around TNC headquarters and branches are in essence to aid TNCs in performing their commanding roles[14].

Later, regionalism in economic geography started to flourish. Scholars gradually realized that GWCs are always embedded in specific milieus—most immediately the city-regions embracing them. New York not only functions on itself, it also functions together with urban centers around it as a coherent whole. Similarly, Shanghai’s economic and social functions are shared and mutually strengthened by smaller cities around it, including Suzhou, Hangzhou, Nantong, etc. To fully understand this mechanism, one’s scope must expand to cover the entire urban sprawl. Thus, the so-called “global city-region” (Scott 2001b, 2001a; Segbers 2007; Vogel et al. 2010, etc.) approach bloomed. These regions constitute “dense polarized masses of capital, labor, and social life that are bound up in intricate ways... they represent an outgrowth of large

[14] Also see (Lin, 2016) for a concise review of Sassen’s works on global city.

metropolitan areas—or contiguous sets of metropolitan areas—together with surrounding hinterlands... (Scott 2001b, 814)" They extend a GWC's geographical span beyond the its own administrative boundary. This move is timely and necessary because even supplementing the territorial state perspective with a GWC perspective has become insufficient to fully make sense of today's world. The urban level itself needs consolidation.

The global city-region approach is more about supra-urban governance and integration than about the changing structure of world economic geography. Ramifications of globalization penetrate not only national borders but also city boundaries into surrounding areas and therefore beg combined efforts between cities as well as between public and private sectors (Segbers 2005). It contributes to the theoretical framework of this dissertation in emphasizing the importance of metropolitan areas in a territorial state, and the demanding governance burdens these city-regions take on. To efficiently relieve those burdens requires additional resources—part of which would come from negotiations between the urban area and its higher authorities (Scott 2001b, 820–23; Henton 2001).

Table 1.1: Main theoretical approaches in GWC research

	Global cities	***World cities***	***Global city-regions***
Key thinker	Sassen	Friedmann	Scott
Function	Advanced producer service	Power	Firms embedded in post-Fordist production networks
Structure of network	New geography of centrality that surpasses existing territorial states' boundaries	Reproduces spatial inequality in the capitalist world-system	Archipelago structure replacing existing core/periphery patterns
Territorial basis	Traditional CBD, or agglomeration of intense business activity in a city	Metropolis in a territorial state	mega-urban regions that may transcend municipal or even territorial state boundaries

Source: (Derudder 2007, 266), with author's amendments.

The aforesaid ascent of emerging economies and their GWCs bring an important development to world economy and the world GWC network. This development also has two implications for GWC studies. As a research agenda intrinsically worldwide in scope, the GWC radar must follow the footsteps of global capital and continuously explore new territories. This is the primary function of a GWC: to provide speedy and highly professional central control of geographically dispersed economic activities. It is also the key factor feeding the growth of central corporate functions in GWCs (Sassen 2001: xix). Certain advanced producer services are always expected to be available where TNCs venture. TNCs' failure to synchronize control with their geographic span inevitably leads to malfunctioning and eventually profit loss. As for world cities, deemed to be TNCs' commanding posts, their distribution is equally in tune with the changing patterns of the world's uneven development. In the capitalist world-system, there are always regions more advanced and commanding, regions less advanced and influential, and regions subject to the former two. The regions' levels of development and the world city hierarchy mostly overlap. If a territorial state somehow lifts itself from periphery to semi-periphery level, it naturally receives more external "command and control" and meanwhile generates its own "command and control", with its TNCs venturing abroad by profit motives. It intensifies connections with the core region and creates new connections with periphery regions. Thus, presence of the world city system also rises in that area (see Friedmann and Wolff 1982; Friedmann 1986).

Two, as both a requisite and a result of the above dynamic, some cities in these regions take on increasing GWC functions, articulating and controlling their specific national or regional economies, while establishing tighter connections with other GWCs (or the WCN). They don't enjoy the stature of mature GWCs like New York, London or Paris yet, but they are basing points of control in their respective areas and global capital's top choice when tapping that area. Several such cities have ascended evidently in the GWC network, including Shanghai and Guangzhou in East Asia, Mumbai in South Asia, and HCMC in Southeast Asia (see IV2 of each city). These cities, especially Shanghai and Mumbai, have the potential to meaningfully change the world GWC landscape (Chen 2009).

On the other hand, high levels of independence and affluent resources to run the city are not a guarantee of the city's success as a GWC. The two distinct attributes of a same GWC—the attributes of its GWC-ness and the attributes of being a sub-national administration body—is crucial to understanding the main puzzle of this research. The former reflects a centrality in world economy, the latter reflects the status of being subject to a territorial state—the traditional form of centrality on the world stage.

1.4 Criticisms / shortcomings of GWC research

1.4.1 Ontological vagueness

From an ontological point of view, whether the so-called "global/world city theory" is a theory about city at all is sometimes called into question. The concept "city" has seldom been clearly defined. This problem also plagues urban studies in general: "the term 'city' is much overused and is often merely a shorthand designation for these massive areas of continuous urbanization (Gottdiener and Budd 2005, 4)". But this problem is more conspicuous and troubling against the background of globalization, in which people, goods and information are much less place-bound and much more mobile, often moving in "flows" across places, forming their own "spaces" (Castells 2010), constituting a network or a "space" of their own, rendering the "place-ness" of their territorial base porous, thus making the definition of the city even more problematic. Not to mention the above-said "global city-regions", which defies reading urbanity on a city-basis.

In her seminal works, Sassen is more interested in the functioning of global economy than in the city *per se*. Friedmann's world city hypothesis and the subsequent interlocking "world city network" (WCN) proposed by Taylor (2004) are highly structure-deterministic. A city's status as a primary or secondary world city is dependent on how the city and its national economy fits into the capitalist world-system—it is impossible for a peripheral or semi-peripheral economy to nurture a top-level world city, unless that economy somehow joins the core zone. In both approaches, the term "city" is a tool for expression rather than a meaningful concept in itself. Sassen uses "city" more as a convenient term to denote an unpacked set of relations and events taking place among advanced service producers and between those advanced service producers and TNCs; for Friedmann and Taylor, the city is somewhat reduced to a “place-less container” (see R. G. Smith 2014), a node in the network, leaving the complicated processes and interactions therein unexamined. It was only in the emerging field of the “global city-region” that scholars started to discuss on-the-ground mechanisms. But such endeavors are still in the nascent stage and are plagued by methodology and data difficulties (see below). Truly, taking “city-region” as the key unit of analysis is better than just the “city”, but again, such attempts face the same logical dilemma of “sorites paradox” that Taylor faces in his interlocking network model (P. J. Taylor 2004, see R. G. Smith 2014), i.e. where to draw the proper boundary of a city-region. Not to mention the lack of high-quality data on intra-city-region activities.

1.4.2 Empirical weakness

Scholars widely acknowledge GWC research’s defect in empirical validation. As Taylor pointed out, “world city research is strong on idea, but weak on evidence. (P. J. Taylor 2000, 7)” Some even claim the whole body of research following the world city hypothesis is merely a neo-Marxist myth (R. G. Smith 2014). For those doing GWC research, lack of high-quality comparative data is an enduring pain. “Common hypotheses are repeated rather than tested and most draw upon the assumptions of previous papers. The dominance of London, New York and Tokyo, for example, is more often asserted than demonstrated. (Short et al. 1996, 698)” Such situation is caused by two problems.

One, too much attributional data but too little relational data is used[15]. We need relational data on the intercity basis, i.e. how and how much these cities are interacting, commanding, and cooperating with each other, thus forming a world-wide network. Such data should take GWCs, rather than TNCs, regions, or nation states as points of departure and destination. Unfortunately, this kind of statistics rarely exist, not to mention being easily accessible. What abounds is attributional data on the corporate basis, the city basis, the industry basis, and the territorial state basis. They are readily accessible and easily

15 See (Hoornweg 2011) for a review of often-used indicators in GWC rankings.

readable because there is a clear body of responsibility behind each of them to collect and publish such data. But for intercity relational data, especially those pertaining to GWCs, there is no direct stakeholder in charge. Therefore, unless scholars in this field miraculously obtain significantly more resources to collect it, such lack of intercity relational data would probably persist.

Two, even when relational data among GWCs is available, the data validity is often questionable. They do not always reflect the real or truthful status of the research object (King, Keohane, and Verba 1994, 25). For example, an often-used indicator for intercity networks among GWCs is the volumes of air traffic among these cities' airports (e.g. Rimmer 1996; Derudder et al. 2008; Derudder and Witlox 2008; Ma and Timberlake 2008) Such data, although helpful in illustrating the network, is seriously flawed and has limited referential value. It neither differentiates O&D (origin and destination) flows from connecting flows[16], nor distinguishes first and business class passengers (more likely related to "command and control functions") from leisure passengers flying economy class. At least the statistics that are publicly accessible fail to provide specifications, which are critical for gaining a truthful picture of intercity flows of higher-level TNC executives. Taylor's use of intra-firm intercity statistics is also criticized for failing to accurately reflect his WCN (R. G. Smith 2014).

1.4.3 "Political deficit"

An enduring "political deficit" (Ancien 2011) has long plagued the GWC research. It started to receive serious academic amendments only recently. All too often, political structures of the city "are either taken as a 'given', or are ignored altogether", and we need to "put politics and government back into the world city agenda" (Ward 1995, 298). This is

16 For example, such data gives disproportional weight to cities with operational hubs of major airlines that adopt a hub-and-spoke network strategy, e.g. Atlanta (Delta), Dubai (The Emirates), Doha (Qatar Airways), and Istanbul (Turkish Airlines). Although many of them are GWCs on their own right, their importance will very likely drop if the aviation factor is excluded.

partly because the tacit assumption in GWC research that these cities function in a world-wide economy transcending national boundaries (therefore uncontrollable by national governments). In this vein, the territorial state is deemed on the wane, if not becoming irrelevant at all. This echoes the economism mentality and the "retreat of the state" (Strange 1996) rhetoric in much of the globalization studies (see Ohmae 1996 for a somewhat extreme version). It rightly acknowledges the challenges the territorial state is facing—many of which are unprecedented in the history of the modern state. However, this notion fails to recognize the territorial state's flexibility and the fact that many underlying mechanisms of globalization are maintained by the territorial state.

Another possible reason is that GWC research was never fully embraced in the political science realm. An interdisciplinary creation that brings together political science, economic geography, sociology and even cultural studies, GWC research does not fully belong to any of them. Papers on GWC can be found in journals of all these subjects, and from all these subjects they often carelessly borrow concepts or words. More often than not, a same term is used differently. Interdisciplinary conversations are confusing, sometimes not on the same page[17]. This makes it difficult for its theories to attract sympathy from political science, or for political scientists to join the discussion. Luckily, we are witnessing more and more works touching upon the political aspect of GWC (e.g. Brenner 1998; Segbers 2007; G. Clark and Moonen 2017). There has been a wave of efforts to make up the "political deficit". However, most of such works are produced by scholars already in the GWC research (many of them geographers), while political scientists entering the GWC research are still less-seen (Some rare examples include: Alger 1990; Segbers 2007; Therborn 2011; Curtis 2008, 2011, 2016b).

17 For example, in GWC research, "deterritorialization" means the process that as a city gets globalized, it is more connected with the global economy and other global cities, whereas its connections with its national urban system is weakened, making it "de-coupled" or "detached" from its territorial state (Sassen 1991a, 8; Ma and Timberlake 2013). But in traditional urban studies, "deterritorialization" means the process of migrant people (for example refugees) getting separated from their cultural roots and original places of living (Gottdiener and Budd 2005, 19–21). In political science, governing a clearly demarcated "territory" is a hallmark of the modern state, the concept of "deterritorialization" is hardly comprehensible.

1.4.4 Unsettled incorporation into IR studies

Globalization—its origin, dynamics, and effects on nation states and global politics—has been a flourishing sub-field in IR studies. Non-state actors have also received increasing attention. Then, the GWC, an important non-state actor, center of command and control of global economy, has no reason to be absent from the IR radar. It certainly is a component of the comprehensive national power, and sometimes events in New York, Washington D.C., London, or Beijing may cause disruptions in world economic, financial and political orders. Unfortunately, until now, the IR community has been generally blind to the existence and relevance of GWC. Efforts to incorporate the GWC into IR discussions have been rare (Curtis 2011, 2016a, 2016b; Amen et al. 2011; Acuto 2013; Nijman 2016; Herrschel and Newman 2017), nascent, and yet to enter mainstream IR debates.

This situation cannot be explained away by saying (especially by hardcore Realists) that IR (international relations) should only be inter-“national”, and that the state is *the* legitimate player in world affairs. In fact, it was only after the formation of the Westphalia system (1648) that nation states took a dominating position. Historically, cities played a bigger role than states did to organize political and social affairs, drive growth and nurture scientific and technological innovations. For example, from 13^{th} to 14^{th} century, some cities in the Baltic and North Sea region formed the Hanseatic League. It is a commercial confederation made up of cities largely autonomous from their feudal affiliations. They handled diplomatic affairs by themselves and even maintained their own military force. In mankind history, there had been cities long before there were states.

In IR theories, tools to incorporate cities have long existed. One perspective is how domestic politics influence IR, on which abundant research has been done. But they mainly look at effects of domestic institutions, interest groups, media, public attitudes, etc., before ultimately returning to the nation’s foreign behavior. So they are still highly state-centric and rarely analyze the role of the city. How the city influences the nation state’s behavior on the world stage (“second image”), and how a nation state’s foreign environment influences the cities within its territory (“second image reversed” (Gourevitch 1978)), is scarcely considered, not to mention how cities across nations are affected by interactions between these nations ("two-level games" (Putnam 1988)).

Another perspective treats the city as a type of international actor, conducting intercity diplomacy (Pluijm and Melissen 2007; Nijman 2016) and (actively) coping with governance challenges induced by globalization in parallel to the territorial state (Acuto 2013). The term "para-diplomacy" is often used here to describe actions by sub-national governments on the international stage to promote trade, investment, cooperation, and partnership (Aldecoa and Keating 1999; Tavares 2016; Kuznetsov 2015). These governments also share authority with national governments or international governmental organizations to deliver governance or public goods.

Despite these theoretical tools—among other tools—at hand, the GWC is still largely absent from the IR horizon. It is disappointing and in fact a loss for IR studies in general, because GWCs experience the dynamics of world politics and economy in a much higher intensity and urgency than ordinary cities do. They are also much more visible and responsible than ordinary cities in confronting issues like climate change, civil movement, refugee, epidemics, etc. Except for very rare cases, all major events in the media take place in GWCs or highly-internationalized cities. Just consider, how often do journalists use the name of a city (Washington D.C., Berlin, Moscow, Beijing, Brussels, etc.) to denote world powers?[18] GWCs have provided and will continue to provide platform for international politics and economy to play out. The explanatory power of IR theories would be weakened if such blind spot on GWCs remains.

[18] These cities' names are used because they are the capitals of major international powers, not directly because they are GWCs (in the concept's original sense). But in actuality, most (if not all) capital cities of world powers are at the same time important GWCs. The overlap is wide and apparent.

1.5 Basic Arguments and Explaining Variables

"... The combination of spatial dispersal and global integration has created a new strategic role for major cities (Sassen 1991a, 1)". As a new form of centrality playing the "command and control" role in world economy, GWCs are critical joints where influences from and on multiple scales meet and intertwine. Underlying economic dynamics induce political adjustments, which could take place either on the national or the local level, or both. The result depends on how authorities on each level perceive of their best reaction. Their reactions sometimes agree with, and sometimes contradict each other. Agreements indicate a mutuality between the territorial state and the GWC, leading to a higher level of local autonomy and capacity at the GWC, so that locally-targeted measures could be taken to benefit both the city and the nation. Contradiction leads to a need of negotiation or struggle between the two levels that would also lead to a change (or not) in local autonomy.

Basing on current explanations on GWC and on local/city autonomy, independent variables are to be selected. Since we are interested in GWCs in major emerging economies in globalization, variables should reflect two salient characteristics: the dynamics of GWC formation and the situations territorial states face in globalization. Methodologically, we must ensure variables offer a contrast in value across cases, so that it is possible to establish the effect of a study variable (Gerring 2007, 97–101).

In this thesis, three variables are selected: level of the national economy's integration into world economy, intercity competition from neighboring GWCs, and concentration of a territorial state's foreign economy in a GWC. Many studies, both those on GWC and those on local autonomy in general, have alluded to the effects of the said factors on the autonomy and capacity level of a locality, but except for very few researches (e.g. G. Clark and Moonen 2017), these factors have not been fully explored and discussed in GWC researches.

The following part briefly introduces the three independent variables and corresponding hypotheses. Afterwards, I explain why this study is relevant.

1.5.1 IV1: Global integration of the national economy

As a central theorem in both the world city hypothesis and the global city model, articulating national economy with world economy is one of the fundamental functions of a GWC. After all, the global economy is still made up of some two hundred national economies. Although they participate in globalization to different degrees, they remain one of the fundamental—and occasionally the only[19]—lens to study world economy. When we speak of globalization and global economy, it is impossible to ignore territorial states. The performance of some major economies (or disputes/conflicts between major economies) can potentially disrupt or uphold world economy—this is seldom said of any single company or organization.

Developing economies of China, India and Vietnam are integrating into the world economy at a fast pace. GWCs found in these countries are mostly secondary ones below full-fledged GWCs in the Global North. Their spheres of influence are more national and regional than global, meaning they function more as a gateway for various flows through their territorial state and region, as well as TNCs' basing points of controlling and commanding that area. For these cities, "their relative importance for international capital depends very much on the strength and vitality of the national economy which these cities articulate (Friedmann 1986, 71)." Since their national economy is part of the world economy, then articulating the national economy is essentially a part of articulating world economy (Ma and Timberlake 2013).

This creates a mutuality of interest between the GWC and its territorial state. Therefore, it is hypothesized here that the more globally integrated a national economy is, it is more likely that its GWC would have a higher level of autonomy.

[19] For example, "World Development Indicators" (WDI), a highly helpful and welcome dataset maintained by the World Bank, still categorizes data items on a national basis.
< https://datacatalog.worldbank.org/dataset/world-development-indicators>, last access May 29, 2019.

1.5.2 IV2: Intercity competition from neighboring GWCs

It is widely acknowledged that cities compete with each other. Cities use a variety of policy tools from low entrance barriers to tax cuts to attract investment and specialists (Begg 1999; Camagni 2002a). A city left behind in competition or fails to be "competitive" would miss opportunities and eventually, its economy would stagnate or even deteriorate (this is more so in a highly mobile world where all factors of production are freer to relocate). All would in the end take a toll on its own economic and societal well-being. For a GWC, it means losing central control functions to other GWCs (R. Lee and Schmidt-Marwede 1993).

Emerging GWCs in China, India and Vietnam function more on a regional scale, articulating mostly their territorial state's and their region's economic activities. With continuous growth, GWCs in the same country or region would inevitably find themselves striving for the same kinds of business. This motivates them to adopt individualized measures tailored to the local context and capable of enhancing local advantages. Many of the measures require additional resources—political or financial. These resources can be obtained either by devolution from above or by activeness from below. In the end they are all reflected in a heightened level of local autonomy.

Regionally (above national and below global) speaking, developing countries, especially those in similar positions in NIDL, also compete for the similar kinds of investment and market. In order for investments to be carried out and markets to open, TNC facilitations and advanced producer services are required. They are primarily found in GWCs. In this sense, a successful GWC not only articulates a national economy, but also determines whether that national economy can distinguish itself from its neighbors, get hold of more resources and achieve a higher level of development. Therefore, to aid its champion GWC's growth become a viable and even desirable solution for aspiring developing countries.

Here, we find a potential mutuality of interest between the territorial state and its GWC, and expect a higher level of GWC autonomy, if competition intensifies in a GWC's neighborhood.

1.5.3 IV3: Concentration of the territorial state’s foreign economy in a GWC

A large proportion of TNCs, together with advanced service sectors, are clustered in GWCs. They generate and command a variety of flows. Flows constitute their own space, a space not necessarily coterminous with any territorial state (which has a defined geographical boundary) or TNC. GWCs, as central nodes in the network, usually conduct a substantial part of the flows, compared to “ordinary cities” in the national urban system (Borja et al. 1997; Castells 2010). In this sense, GWCs gain importance in their territorial state as “flow conductors” or “flow processors”. A large part of “flows” pertaining to economic functions and prosperity of a territorial state go through there; it also gains importance in the world network of cities, with its role of channeling “flows” between a national economy and the globe. If the territorial state concerns itself with these flows (in our research they all do), and if global capital concern itself with those territorial states (in our research it is), flow-conducting GWCs in these territorial states are required and should be strengthened.

In a more traditional view, cities themselves derive importance from their own size and concentration of people, assets, knowledge, and information. Even without much connections elsewhere, a large, thriving metropolis is still a national government’s treasure in its own right. The more resources and activities of a territorial state are clustered in that metropolis, its weight in the eye of the central ruler is heavier, therefore it is more likely to gain privileges and favorable treatment.

Here, we posit the territorial state – GWC mutuality trumps their contradiction, especially when the former aims to utilize the GWC to propel overall national growth. Therefore, a higher or lower concentration level of a territorial state’s foreign economy in a GWC should induce that territorial state and the city itself to make room for larger local autonomy.

The three independent variables are conceptualized and operationalized in detailed in Chapter 3. This selection moves beyond the orthodox approach that treats local autonomy only from a domestic point of view (which has become insufficient), and expands the horizon to non-domestic factors. GWCs simultaneously connect and face pressures from the national, regional (above national and below global), and global levels. The territorial state, besides coping with domestic demands, also has to respond to ramifications of globalization. IV1 (the territorial economy's global integration) reflects forces on the global scale; IV2 (neighborhood competition) reflects forces from the regional scale; and IV3 (concentration of foreign economy in a GWC) reflects factors on a national scale.

1.6 Relevance of the research

Being a research connecting political science and GWC, my original contribution is threefold.

First and foremost, I bring two new insights into a GWC's relations with its territorial state. One, I place the relation in a more specific context, rather than in a generalized global or domestic framework. In the past decade, GWC researches have largely adopted a relational or network approach (albeit data problems), stressing how those cities derive their importance from their positions in the network (Alderson and Beckfield 2004; Jonathan V. Beaverstock, Smith, and Taylor 2000; D. A. Smith and Timberlake 2001). I knowingly disregard this kind of power, which has already received extensive attention. Instead, I look at different scales or levels relevant to a GWC. Each GWC, besides being linked with other global cities, is also dependent on its position in national economy, in regional interurban dynamics, as well as its national economy's position in globalization. These factors profoundly affect urban politics and inter-governmental interactions—how the city globalizes, how it negotiates or struggles with its territorial state. They certainly deserve more scholarly attention. Loosely said, it is such numerous instances of "actually existing neoliberalism" (Brenner and Theodore 2002) that make up the grand picture of global economy. Each city is unique in its location, history, socio- and economic background, and domestic status. Although it is helpful and necessary to generalize, cities also deserve to be investigated individually and more closely.

Two, instead of studying how the city's level of autonomy or "activeness", affects its GWC capabilities and prospects, I follow the reverse direction and inquire whether a GWC's autonomy level, or its local momentum vis-à-vis national authority, is affected by globalization. I think this is a helpful contribution to the current GWC discourse, which has just begun to unravel the intricacies between GWC and territorial states (e.g. Tsukamoto and Vogel 2007; G. Clark and Moonen 2017). Secondly, by investigating central-local intergovernmental relations, my work attempts to bring to the GWC research a political science perspective. Scholars have pointed out that urban studies have been marginalized from mainstream political science (Judd 2005), and that there has been a "political deficit" to overcome, especially in GWC studies (see §1.4.3), which "produces a very limited understanding of the processes and conditions that underlie, enable and constrain the production and reproduction of global cities" (Ancien 2011, 2477). I wish to increase our understanding of these dynamics by studying some rising GWCs and their inter-governmental relations.

Given that the GWC concept evolves around discussions of globalization and its implications, emphasis has been dominantly placed on economic factors, stressing the city's role of "commanding and controlling" world economy. Sassen's global city model highlights clustering of advanced producer services that facilitate TNCs' highly complex global productions. It is concerned more with "*practice* of global control" (Sassen 1991a, 6, original emphasis) than with the city itself, where those practices take place, not to mention the territorial state behind the city[20]. Friedmann and Wolff envision the world city as geographical emanations of the command posts of the capitalist world economy especially against the NIDL background, their effort is to demonstrate an alternative centrality of world economy, rather than replicating a world map of nations or in-depth examination of certain cities. The political perspective in their discussions has been relatively weak. Even weaker is the treatment of central-local intergovernmental relations. Sassen predicted a "systematic discontinuity" between global city growth and its national economy (Sassen 1991a, 8), but she did not go deeper on how such "discontinuity" would affect the city's

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20 Although Sassen does acknowledge the territorial state's importance in the formation of Tokyo as a global city.

status vs. its central government. Just a few scholars (Brenner 1998; P. J. Taylor 2007) made theoretical endeavors to incorporate GWC formation into state theory. Hill and Kim (2000) also made an attempt to bring the territorial state into the debate, but only as an additional type of GWC formation, rather than a generic argument that can be widely applied and tested. In this study, by studying the GWC's local autonomy level, the territorial state is brought back in, which I hope would further the understanding of how GWCs and territorial states behave in globalization.

Lastly, my work adds to the ongoing efforts of extending GWC research into developing economies. Theoretically, neither the global city or the world city conceptualization is exclusive of cities in the Global South. GWCs carry out management and coordination functions of world economy—much of which take place in the increasingly internationalizing less-developed world. A central assumption of Sassen's global city concept is the geographical dispersal of economic activities. Obviously, developing economies are a major frontier of such dispersal, and stronger "command and control" functions are needed for such dispersal. The world city hypothesis, in line with Wallerstein's world-systems theory (Wallerstein 1979), puts developing economies in either the "semi-peripheral" or the "peripheral" zone in the world capitalist system, and treats them as territorial bases for semi-peripheral world cities. This leaves the door open for developing countries. If a semi-peripheral region intensifies its connection with the core and the peripheral regions, or strengthens its own economic might, it naturally demands a stronger "world city". Similarly, if a periphery region integrates more deeply into world economy or rises to a higher rank, a suitable "world city" articulating that region is also needed.

Sadly, neither the global city or the world city approach has a historical interest in the developing world[21]. All prototype GWCs like New York, London, Tokyo, Paris etc. are located in highly developed economies, or "cores" of the world-system. Cities in developing economies, despite fast ascent, seldom receive in-depth treatment until recently.

21 Friedmann shifted his interest toward the restructuring of the state about ten years after formulating the world city hypothesis (Friedmann 1996, 128).

This is understandable because studying model cases helps theory-building, yet it is insufficient because a theory needs to be continuously applied to and tested on not-so-typical cases. Globalization has brought profound changes to world economy and GWCs. Old hierarchies are reshuffling. Some formerly critical cities are losing relevance; some formerly insignificant cities are gaining attention; and some cities who successfully intensified links with new frontiers are retaining their position. Therefore, it is increasingly imperative to include more cities into GWC research. Some early works have been produced (Hill and Kim 2000; Olds and Yeung 2004; Gugler 2004; Segbers 2007, etc). My work is dedicated to this continuous effort. Furthermore, China and India are two giant countries on a scale of their own, (re-)emerging at a fast pace, meaningfully changing the world economic pattern (Winters and Yusuf 2007; Sankhe, Vittal, and Mohan 2011). Vietnam, on the other hand, represents a vibrant ASEAN with a considerable population and market size. It is therefore even more compelling to comprehend their leading GWCs.

Chapter 2: Theoretical framework

This research tries to explain why leading GWCs in major emerging economies have acquired very different levels of local (city) autonomy. It focuses on the world's largest two developing countries, China and India, as well as a fast-ascending ASEAN country of Vietnam. In this sense, this research is naturally related to the general scholarship of globalization. More specifically, by comparing case countries' leading international cities, or GWCs, it is situated in GWC research, which has drawn increasing attention since the 1990s—approximately when China, India and Vietnam engaged in or renewed major liberalization reforms to further integrate into the world economy. The GWC is starting to manifest their role as a new form of centrality in globalization. This analysis is to unravel pressures on both the territorial state and the GWC. The international, regional, and national levels are studied individually.

This chapter establishes the theoretical framework of the dissertation. As said above, given the hybrid nature of the GWC scholarship and the complexity of political- and economic- changes induced by globalization, it is unnecessary and infeasible to stick to a single overarching theory. Although frequently referring to seminal GWC works, especially those by Friedmann and Sassen, I try not to be confined by them and resort to other theoretical inspirations when needed. For example, I also borrow from Taylor's thoughts on state-city relations (P. J. Taylor 1995, 2000), Brenner's ideas on re-scaling of the territorial state (Brenner 1998, 2004), etc. Clark and Moonen's work on GWC-state relations (2017) are also highly relevant here. The explanation is by no means intended to be conclusive or exhaustive. Rather, it is an attempt at further understanding of the diverse external pressures of globalization upon the territorial state and the GWC.

2.1 The territorial state and the GWC

In urban studies, the importance of cities for economic growth has long been widely acknowledged and empirically supported (see Polèse 2005 for a review). Jane Jacobs, a pioneering urban scholar, refers to the city as “primary economic organs” (Jacobs 1970, 6). It is suggested that the nation state should treat their central cities more as “wealth of nations” (Jacobs 1984), instead of merely a branch of the administrative organization, or a force of decentralization working against central authority. Cities concretely carry out many state functions and are the immediate interface between the territorial state and (the majority of) its people. It is even more so in GWCs. GWCs do not simply “hollow out” nation states by hosting forces that may appear unruly to territorial states, they are also coherent parts of the national politics, economy, and society. They are places where a considerable part of the population lives and dies, and platforms where much of the territorial state’s functions take place.

National interests of the territorial state where a particular GWC is situated are simultaneously compatible with and opposed to the interests of TNCs—principals of world economy. This grants GWC (where most TNCs operate from) dual but contradictory roles, “as they are integrated along both functional and territorial lines” (Friedmann and Wolff 1982: 329). The functional line is controlling the capitalist world production and market expansion; the territorial line is to serve national welfare and articulate their national economy with world economy.

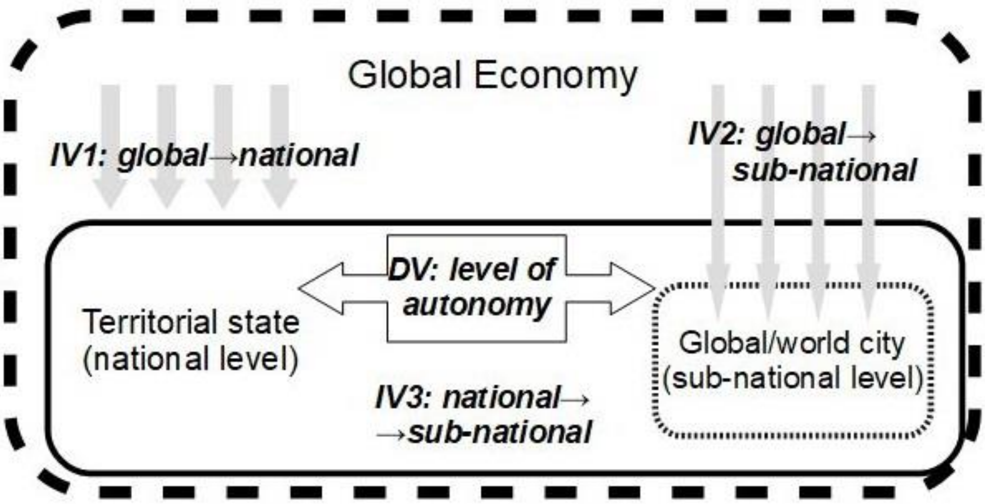
Therefore, there is a possibility of systemic discontinuity between national prosperity and GWC formation in that national economy. Factors that stimulate growth in one may not stimulate growth in the other (Sassen 2001: 8-9). In the meantime, GWCs articulate national economy with world markets. The bulking-up and internationalization of national economy also enhances that GWC’s status. So there are instances that both sides share prospects and cross-benefit.

This contradiction is more evident in young globalizing cities, especially those in emerging economies like China, India and Vietnam, where national economies are transitioning from peripheral to semi-peripheral positions, in parallel with global forces penetrating into these previously less-integrated areas—areas where huge potentials are waiting to be unlocked. The two trends combine to make GWCs in emerging economies unique cases with high academic value: transitions are faster and more drastic in these cities.

In addition to commanding and controlling world economy, GWCs also face non-economic restrictions on multiple dimensions. It is important to draw a distinction between a GWC's power in the geographically dispersed world economy, and the city's power as a branch of its territorial state's administrative organ. The most powerful GWCs including New York, London, and Tokyo are not always municipalities with the strongest administrative power in their territorial states. Economic might is not fully translatable into domestic political influence or financial resources. In many cases, a GWC's urban sprawl is not even coterminous with its jurisdictional boundary. Collaborations with neighboring towns and higher tiers of governments are needed and sometimes necessary (e.g. for global city-regions). More often than not, the bigger and more influential a city becomes, its governance difficulties and challenges intensify too, demanding changes or innovations in its external relations.

Practically, city governments are able to use special decrees, regulations or public spending as incentives to attract capital, talents, events, etc. to encourage local growth. However, bounded in a territorial state, room for a city to do so is limited and must be negotiated with political bodies with superior and additional resources, namely the national government. Luckily for a GWC, its function of articulating national economy is important not only for TNCs and world economy, but also catches its territorial state's interest in stimulating overall national growth and strengthening state power. In this way, the GWC is a component of comprehensive national power. It is hard to envision the U.S., without New York as its economic and financial center, to wield the same level of authority in world economy; or the U.K. without London, or Japan without Tokyo. This point has been quite often ignored since most discussions situate the GWC in a network of global cities, diminishing the national dimension. But Friedmann and Wolff have long pointed out that in order to make the world safer for footloose capital, GWCs also articulate given national economies with world economy (1982: 312)—suggesting the world city is in the meantime an asset for the nation, if that nation is to benefit from participation in world economy.

Figure 2.1: Theoretical Structure



Source: author.

2.2 The territorial state in globalization

"GWC formation cannot be adequately understood without an examination of the matrices of state territorial organization within and through which it occurs. (Brenner 1998, 27)" Although some hyper-globalists allege the territorial state is no longer relevant in globalization, the reality is the contrary. Well into the 2010s, the territorial state not only persists, but also remains a critical category of actor and shaper of the world order. A more balanced and realistic assessment should be that the territorial state is under profound self-restructuring and self-reinvention (Brenner 1998, 2004), to counter the complex and ever-changing dynamics of globalization. The self-restructuring and -reinvention are sometimes pro-actively taken by the territorial state with a relatively sensible assessment and goals in mind, but perhaps more often passively taken to adapt to changes, without a complete, thorough understanding of the situation. Whether the responds are pro-actively or passively taken is determined by various factors and their countless combinations, and can only be fully appreciated on a case-by-case basis. However, economic factors should never be ignored, because economic stability and prosperity directly affects the quality of national power, people's attitude towards the government and eventually the stability of polity.

With the exception of very few autarkic countries, most countries in the world have become a part of globalization, finding their positions in various world commodity chains. This process is fundamentally determined by the intrinsic logic of world capitalism, i.e. to ceaselessly maximize profit. To do so, ever more labor, resources, and markets must be found, accessed, and exploited. In this process, some territorial states are partial enablers with a self-implemented strategy to actively take advantage of globalization and strengthen their national economic (and further) powers. This strategy is most evident in the Asian "developmental states" (Hill and Kim 2000; Saito 2003; Olds and Yeung 2004). First in Japan, then adopted by an array of East- and Southeast Asian economies including South Korea, Singapore, and Taiwan, such strategy places great emphasis on the national authority's role in identifying a "right" path and enhance its national comparative and competitive advantages. Policies and measures are specifically—sometimes aggressively—taken for that goal. With a combination of political will and organizing power of the territorial state, these formerly less-developed areas have successfully jumped to a higher level of development, and their overall power expanded vastly (see Coe, Kelly, and Yeung 2013, 104–5).

The tenet of the "developmental state" model is to use national political power and economic organs to facilitate and stimulate growth, which eventually translates into more general prosperity and stronger national power. Although it is not identified in every country, or specifically labeled as a national strategy, its underlying reasoning find wide sympathy across the Global South, including massive emerging economies like China, India, as well as the mid-sized Vietnam.

However, the other side of the coin is, with deepening involvement in world economy, the territorial state's power is being eroded by the market forces that it invites and a stronger society that feeds on the market (Strange 2004). The territorial state inevitably tries to stay in control. Some functions are kept by the state and even bolstered, some are transferred to international organizations and institutions, and some are devolved to sub-national actors like the city. It is important to understand that those transferred power do not disappear. Rather, they are relocated from the territorial state to other bodies to execute. Fundamentally, such transfers are temporary and subject to the territorial state's ratification. The territorial state can withdraw such power when absolutely necessary, although at considerable costs. What one witnesses in this process is a reshuffling of functions and responsibilities of the territorial state. Innovative forms and arrangements are improvised. It is in this sense that the territorial state is in a process of "restructuring" and "re-invention".

The gist is: all territorial states strive to cling on to ultimate sovereignty over its territory. Profound economic and social changes have made many of its previous functions harder and costlier to maintain, while emerging challenges are pressing for new functions. The way they protect their sovereignty is in need of change. Such need is arguably more compelling for less-developed countries, whose overall state capacity is relatively weaker than developed societies with a robust governance system. On the one hand, they struggle to reap benefits from globalization and to spur economic prosperity, for which multiple strategies, including the developmental state model, are adopted. On the other hand, such process brings various challenges, and a profound restructuring of state functions are being carried out, either pro-actively or passively. Because of the power reshuffling, new centralities of power emerge, including supra-national organizations and institutions, and sub-national entities. Among the sub-national entities, the GWC is of special importance. It is an emerging form of centrality encased within the territorial state.

2.3 The GWC in globalization

GWCs are where the "command and control" functions of the world economy are performed (Sassen 1991a; Friedmann and Wolff 1982; Friedmann 1986). Aided by breakthroughs in telecommunication and transportation technologies, economic activities are more widely dispersed, embracing farther territories into global circuits. To ensure effective and efficient functioning of the TNCs that have now been engaged in more places and markets, enhanced central command and control are required.

It is in this sense that GWCs play a significant role in the globalizing world economy. It is also in this sense that GWCs are considered a form of "centrality" in world economy, because the majority of TNCs are located in these cities, the majority of decisions—big or small—are made and sent out from these cities. With TNCs' global explorations, these cities are also increasingly connected to farther frontiers and to each other, constituting a coherent and highly mutually-dependent network of cities (WCN) (P. J. Taylor 2004).

Moreover, some cities take on important political, social and cultural roles. These forms of activities also require global connections. Cities like New York, London and Paris, besides being economic giants, also seat prominent international organizations—adding to their clout. Smaller cities like Washington D.C., Geneva and Brussels also appear on the GWC map because of their political weight.

What follows is that many (if not most) world-shaping events take place in GWCs. Such intense clustering of activities attracts—and are meanwhile enabled by—an extensive pool of diverse, affluent, well-educated specialists. These people further add to the dynamics and diversity of the city, giving the city a unique international metropolitan atmosphere.

"The global city generates extreme needs. (Sassen 2016, 98)". To accommodate these talents, many basic service laborers (incl. public hygiene, household maintenance, public transportations, logistics) are also recruited. These basic laborers' income level and living conditions contrast sharply with their clients, creating a gap in welfare and living expectations. "The global city generates a sharp rise in the demand for both high-level talent and masses of low-wage workers. (Sassen 2016, 98)" One may identify "dual-service sectors" in one GWC (Abrahamson 2004, 99–100). In the end, the two groups may find themselves experiencing two completely different urban lives, even though they reside in the same GWC. Surely such gap and the tension it generates are not peculiar to the GWC, yet it is in GWCs that they are most striking and risk-prone.

Increased movement and relocation of people is a major feature of a territorial state's internationalization, and globalization of the world as a whole. Such flows are often disproportionately concentrated in a few central cities, or GWCs. "World cities are points of destination for large numbers of both domestic and/or international migrants (Friedmann 1986, 75)", this may create unique challenges and requires new measures of inclusion and governance at the local level (Gross 2007). Such challenges are seldom experienced as much by ordinary cities in the same country.

Altogether, in addition to being a form of centrality in world capitalism, the GWC also faces unique challenges—some of which may undermine the political or economic mechanisms predating them—and potential social costs caused by the rich-poor, local-foreign splits. These are problems no GWC could avoid.

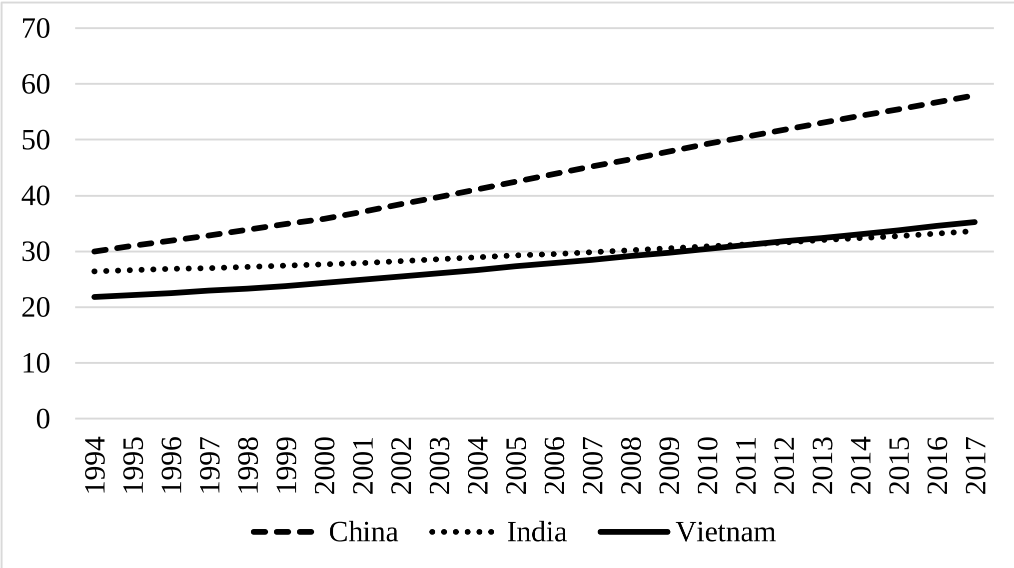
2.4 Mutuality between GWC and territorial state

At the most basic level, the mutuality between GWCs and territorial states is the "accumulation of capital as a taxable resource for the state in return for the provision of basic physical security for the city and its capitalists." (P. J. Taylor 1995, 49). It is the minimal sense that GWCs (or more generally, all cities) and territorial states need each other.

To survive and grow, the territorial state financially depends on a solid taxable base. Such base consists of not only domestic actors and activities, but also foreign actors operating within its territory, and domestic actors with overseas operations. The more energetic these activities are, the more revenue the territorial state can accrue, and the more resources are at its disposal. Nowadays, most of such activities are found in cities. Even in developing countries like China, India and Vietnam, urbanization has become a salient economic and social trend (see Figure 2.2). Resources and human activities are increasingly concentrated in urban areas. A largely balanced and prosperous urban system (including GWCs in it) is self-evidently in the interest of the territorial state.

On the other hand, for cities to thrive, some indispensable basic services and conditions are sustained mainly by the territorial state, including national security, diplomacy, nationwide infrastructure, and most importantly, a stable and vital national economy and society. Even the most prominent cities in modern times meaningfully depend on their territorial states in various aspects. Needless to say, state policies affect cities in both direct and indirect ways. Most cities are first and foremost part of their national urban system, before catering to overseas functions. A coherent, strong national economy is an advantage for cities to flourish. Some international or regional arrangements with urban effects are also made by territorial states, rather than by cities themselves. These include free trade agreements, visa policies, tariff settlements, etc.

Figure 2.2 China's, India's and Vietnam's Urbanization Rates, 1994-2017



Source: World Development Indicators, World Bank.

In this sense, both the territorial state and the GWC are crucial to each other. This form of mutuality can be traced back to at least the start of the nation state as the primary component of the international system, or the "nationalization of territoriality" (P. J. Taylor 1995, 54–55). Although globalization caused a relative decrease of the territorial state's irreplaceability in organizing political and economic affairs, it does not declare the outdated-ness of the territorial state. Rather, it means understanding and navigating our world solely through the national lens has become insufficient and sometimes misleading. Highly mobile capital flowing across countries and the people, goods, information flows it enables are making territorial boundaries more permeable, sensitive and vulnerable to the volatility of world trade and finance. Essentially, it means states are releasing some of their power to the world capitalist system, a system organized not around nation-states and has its own working logic. To fully grasp the picture, more scales (sub-national, supra-national, global), mechanisms (between companies, between sub-national units, between individuals, non-governmental, etc.) and organizing centralities (organizations, online platforms, religions, etc.) should be taken into consideration.

The global/world city (GWC) is one of the new forms of centrality deserving closer investigation—not only because they constitute a unique form of centrality in their own right, but also because an array of other centralities is situated in and depend on GWCs.

The term "global/world city" should not be taken at face value and assume they are equally "global". Some have farther global reach, while others less so. Some young GWCs merely have relatively more international connections than its domestic peers. GWCs' different levels of globalizing form a "hierarchy" of global cities (Derudder et al. 2003; D. A. Smith and Timberlake 2001). However, despite this hierarchy, each and every GWC is embedded in a specific territorial state and therefore highly shaped by and depend on its national political, social, cultural and geographical environment[22]. Indeed, globalization has a unifying power and has made GWCs more like each other, yet each GWC still and will always retain strong idiosyncrasies of itself and its territorial state, which are not found elsewhere. The territorial state has left a permanent mark on each GWC.

With their global reach, GWCs help their territorial states connect with the globalizing world economy, and in return, help the latter tap a specific country or region for new resources and markets. In this way, GWCs "articulate" their national economies with world economy (Friedmann 1986). On the other hand, the stronger the national economy a GWC articulates, the more "turf", or larger market that GWC represents. It means more profits in the eye of capital. This GWC therefore gains attraction and stands out in the GWC network.

22 There is a special type of GWC whose geographical span is coterminous with the territorial state that holds it, for example Singapore and Hong Kong, SAR. In this case the GWC is the territorial state itself. Although Hong Kong is under the Chinese sovereignty, it retains a distinct executive and judicial system, and is usually treated separately from Chinese mainland. However, this is a very rare kind. Most GWCs are located in a territorial state that is much larger and contains other cities (see G. Clark and Moonen 2017, 11).

In this sense, there is a tendency of common ascent and decline between the GWC and its national economy (P. J. Taylor 1995). Most full-fledged GWCs (New York, Tokyo, London, etc.) have either a vast or a thriving economy behind its back. The success of Hong Kong and Singapore is also due to their capability of openly articulating a larger regional (East- and Southeast Asia) economy. They actually take pride in their role of connecting the vast East- and Southeast Asian markets with the world. It is hard—and strange—to envision a prominent GWC solely operating on its own, serving only overseas economic activities.

This mutuality necessitates the territorial state giving its GWC certain preferential treatment—ones with national implications and ones locally-targeted. In reality, such responds can be seen worldwide. Even top-level GWCs like Tokyo has benefited from a variety of aids and supports from the Japanese government (Sassen 1991a; Hill and Kim 2000; Saito 2003). Spurring own GWCs would bring national economy competitive advantages in the global economy. Likewise, a GWC is not expected to (and should not) adopt measures that would downright undermine its national welfare in the long run. Unless with compelling reasons, neither should pursue policies that directly contradict the interests of the other, as that would eventually turn out to be self-defeating.

2.5 Contradictions between GWC and territorial state

The deepening and expansion of globalization also bring changes to the happy mutuality between the territorial state and its GWC. The "waning" of the nation-state has become a major theory strand of globalization research (see Held and McGrew 2003). People argue the territorial state is no longer as coherent as before, and has to relinquish some of its power and negotiate with the market, the society, and other forms of actors on multiple levels (Strange 2004). Statecraft is less centered and more pervasive, involving new elements and begging integration with additional actors. Such situation can be better understood without the taken-for-granted view of a coherent statehood. No state, however centralized, authoritarian, or well-organized it may be, can be governed in a perfectly homogeneous manner—not to mention in the modern world, the majority of states have initiated certain forms of decentralization. The waning of Keynesian economy and the ascent of neo-liberalism mindsets call for less government intervention and more market freedom. Territorial states are at pains to treat its sub-divisions the same way, i.e. simply as bureaucratic agents truthfully, routinely and unimaginatively carrying out orders.

Fundamentally, this is a contradiction of interests on different levels. Globalization itself, as a supra-national structure and process, needs infrastructure and regulations on various levels. Supra-nationally, there are IOs dedicated to international trade, finance, transportation and telecommunication. But they can only partly solve disputes and provide public goods. Nationally, territorial states still play significant roles. Of equal importance is the wide varieties of functions carried out sub-nationally, or on the local level of government—in most cases cities. It is in cities that the abstract notion and grand rhetoric of globalization become concrete and actualize on the ground (Sassen 2000b). Goods are manufactured, sold and bought; resources are traded, transported and used; services are demanded, provided, and enjoyed. These activities—activities that actually constitute globalization—are mostly taking place in cities, especially GWCs. For these to happen, basic infrastructures, social security, and public services are must-have. They are either provided by the territorial state through local authority, or directly by the local authority.

In this process, nations, used to be *the* relevant level of analysis, no longer manifest themselves solely in old-fashioned ways. Rather, some powers are lent upwards to international arrangements and downwards to sub-national authorities—levels the state cannot fully control. Supra-national arrangements like WTO, World Bank, ASEAN, the European Union, etc., and private organizations and actors are not the focus of this study—although their relevance cannot be emphasized enough. Here we are only interested in one sub-national actor—the city.

Cities have identities and interests of their own. They react to globalization differently than territorial states. The same as a territorial state, cities may choose to embrace, resist, or cautiously accept globalization. The actual response is highly shaped by their unique history, culture, and socio-economic heritages. A reserved or isolated city usually resists changes and evades challenges brought by globalization; an outward and highly developed city would understandably be more sensitive and active in seizing or creating opportunities.

Globalization treats different parts of a territorial state differently. A special kind of city, GWCs are where globalization is most instantly experienced and directly processed—much more so than other parts of the same country. The territorial state's considerations are not always in line with the interest of a GWC, because state territory stretches far beyond. It must keep the overall balance and growth of the national economy in mind when devising policy and introducing regulations. In other words, the state cares not only about its GWC, and it cannot afford so, no matter how important that GWC is.

This makes the state's and the GWC's attitudes and policies toward globalization often contradictory. They may pursue conflicting agendas when chasing after footloose capital and addressing ramifications of globalization. For examples, financial sectors of a GWC demand less regulations and easier access, so that capital can enjoy greater flexibility. But for a territorial state, a barrier-free financial market and unchecked flow of capital put the national monetary stability at the risk of unexpected volatility (e.g. Thailand in the 1998 Financial Crises). If cross-boundary flows are not handled timely and properly, national economic stability and even government credibility would be put in danger. The territorial state would understandably seek to retain—if not to enhance—its control of flows through its boundary. This is apparently not in the best interest of GWC growth. Here, a dilemma between the territorial state and the GWC is obvious: each, as a scale of their own, responds to globalization differently, and produces policies and strategies that are often incompatible to each other.

At the same time, GWCs obtained additional leverage vis-a-vis the state from their position in globalization and its professionalism with international economy. They are no longer in the same position as other ordinary cities in the national urban system. Rather, they acquired certain "power" of connecting, negotiating, and cooperating with world capital, and with other cities, TNCs, and actors. With this "power", and to sustain such power, GWCs generate special demands—demands tailored to its own needs. This "power" lends GWCs a stronger voice on the national level: they are serious players internationally, important to the national economy, therefore their needs should be given careful consideration, even though catering to these needs sometimes contradicts national plans.

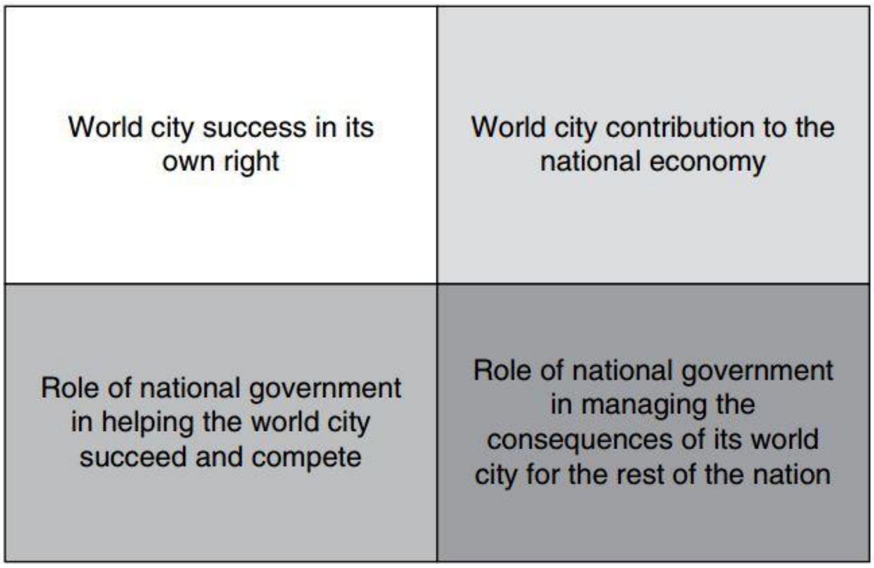
Moreover, besides positive effects like connecting national hinterland with global economy, GWCs also bring negative externalities to its territorial state. These include within-country brain drain from ordinary cities to the few GWCs, over-concentration of financial, and industrial assets in the GWC at the expense of other regions, high exposure to fluctuation on the world markets that may cause national disturbances, etc. (G. Clark and Moonen 2017, 227–29). These are not necessarily due to divergent interests between the territorial state and the GWC, but they do exist and cause troubles. This need to be squarely confronted by both the territorial state and the GWC together.

2.6 Mutuality or contradiction?

What follows the mutuality and contradiction scenarios is in effect a reshuffling of the territorial state's old-fashioned hierarchy of control. What was supposed to be a coherent alignment of the local scales under and within the national scale is challenged by the capitalist world economy's global expansion and its implications on the territorial states and bodies within them. The top-down alignment of international→national→local needs revision and expansion. A parallel global/international→local channel is taking shape. The more globalized a GWC and a national economy is, the faster a GWC and its territorial state is internationalizing, it is more so.

Clark and Moonen (2017) provide a very helpful categorization on scenarios of territorial state—GWC relations (see figure below). It describes "successful" relationships between the two, or how the two sides may find mutuality. However, what they missed is the possibility of contradiction. I argue here, that between the territorial state and the GWC, two kinds of relations are both possible: mutuality and contradiction. When the two's interests are identical or compatible, or the well-being of one reinforces the well-being of the other, a mutuality is found. In this case, the territorial state would accept a more locally autonomous GWC. On the other hand, when the two have different, incompatible, and even conflicting objectives, and the further growing in one undermines the other, a contradiction is formed. In this case, the territorial state would be less inclined to accept a more locally autonomous GWC. When the territorial state finds more mutuality with the GWC, more power is likely to be obtained by the latter—leading to higher local autonomy. When the territorial state finds more contradiction than mutuality with the GWC, the latter is less likely to obtain higher autonomy.

Figure 2.3 Four successful relations between national government and world city



Source: G. Clark and Moonen 2017, 8.

It should be clear by now that whether the territorial state and the GWC could come to an agreement on more local autonomy depends on pressures from globalization they face, and how they perceive their responses to be. They are both essential for the other, yet employ partially different reasoning. “World cities and nation states appear to address development problems more effectively when there is a culture of partnership rather than partition between them. (G. Clark and Moonen 2017, 238)” More autonomy at the local GWC is a reflection of “partnership”, in which the central authority entrusts its GWCs with more tasks and functions. Whether that would happen depends on the convergence or divergence of interests between the territorial state and the GWC. Which are more relevant for them, and which are not? Where do they find more mutuality than contradiction, and where do they find more contradiction than mutuality? That is what the rest of the dissertation tries to answer.

Chapter 3: Variables and methodology

This chapter explains variables identified and methodology applied in this dissertation, as a road-map of the research. First, the dependent (DV) and independent variables (IVs) are conceptualized and operationalized. Afterwards, I briefly explain case selection criteria, principles for Small-N studies, and time scope of observation. The chapter is wrapped up with an introduction to data sources used.

3.1 Dependent variable: Local autonomy level of GWC

GWC is a concept studied more in economic geography and sociology than in political science; while the level of autonomy is more often discussed in political science. To talk about a GWC's autonomy is in essence to talk about local autonomy of a municipal government in a territorial state. It is also closely connected with the concept of decentralization, as without some form of decentralization of power, there would exist little local autonomy, in a modern territorial state.

For Shanghai and HCMC, municipalities directly responsible to central authority, autonomy is decided between the city and the top government. An observation of two domestic levels is sufficient. In Mumbai and Guangzhou cases, responsibilities of the urban region are more complicated and fragmented. For Mumbai, it largely rests with the municipal corporate and various branches of the Maharashtra state, complemented by some central-government programs. Therefore, its autonomy is a mixture of the Mumbai-Maharashtra relation, the Maharashtra-New Delhi relation, and the Mumbai-New Delhi relation. Guangzhou is a municipality under Guangdong Province, yet being a "sub-provincial level city"[23] in China, it retains higher administrative autonomy (one above normal municipalities but below a province), meaning we cannot observe it the same way as ordinary Chinese cities. In this study, we are mainly interested in central-local relations, because the territorial state embodies the traditional form of centrality, facing the emerging significance of GWCs as a new form of centrality. So the primary concern here

[23] This concept is explained in the Guangzhou case (Chapter 6).

is globalization's impacts on the city and the national levels, and the combined outcome of such impacts. Province/state is less relevant. Therefore, provincial/state-level data is used only when necessary.

3.1.1 Conceptualization of local autonomy

The concept of autonomy originates from the notion of an individual's ability to act according to his/her own will, free from higher directives. Used in discussions of tiers of government, it is applicable not only to federal, but also to unitary polities. In reality, autonomy is indispensable to all political systems—all localities in any country enjoy some level of autonomy. Even in the most autocratic polities, the central authority has neither the time or knowledge to monopolize decision-making—most of which trivial and repetitious routines. The central government must relinquish such power to lower, more appropriate levels of authority. The main difference between federal local autonomy and unitary local autonomy is perhaps whether such autonomy is achieved mainly through cross-level interaction and negotiation, or through unilateral dictation. Most countries find themselves somewhere between the two extremes.

In political science, the traditional and most accepted definition of local autonomy is a locality's ability to act according to its independent will without interference from external forces—a concept closely resembling lawful individual power, established through public-private struggle. If both or either party feels necessary, it can propose changing the division of power, therefore change the realm of its rights and responsibilities and accordingly, the other party's rights and responsibilities. Early attempts to conceptualize local autonomy stem from the same rationale.

Clark conceptualizes local autonomy as a quality with two dimensions of power: the power of initiative and the power of immunity (G. L. Clark 1984). The former is a locality's ability to carry out its rightful duties; the latter is the locality's ability, when performing its functions, to act without the fear of higher oversight. The two dimensions combined is local autonomy. The combination can take multiple forms, which Clark summarizes into a fourfold typology, each representing a distinct pair of initiative and immunity dimensions to different extremes (ibid., 199-201).

Table 3.1 Clark's four types of local autonomy

Type 1 Initiative, immunity	Type 2 Initiative, no immunity
Type 3 No initiative, immunity	Type 4 No initiative, no immunity

Source: ibid.

Each type is an ideal form for analytic purposes, and in reality every instance of local autonomy, especially when seen issue-specifically, has characteristics of some types. The Type 1 autonomy enjoys both the power of initiative and the power of immunity. It could be summarily labeled as an "autonomous city-state" as found in Singapore and in a way, Hong Kong. They are entitled to full discretion on how to act; higher governments are mostly irrelevant. In direct contrast to it, there is Type 4, in which a locality is deprived of both the power of initiative and the power of immunity. It "must be described as have no autonomy. (ibid., 200)" This conforms to a "Weberian image of a rationalized, bureaucratic, rule-oriented instrument. (ibid.)" The locality is expected to faithfully and uncreatively carry out instructions passed down from its superior.

Real-world variations mostly fall into Type 2 or Type 3. Type 3 bears some similarity to Type 1, only a Type 3 locality cannot choose what to do but can choose how to do one task. Task-setting is done by higher authorities. When a task is set, the locality is free to decide how it fulfills that task. Type 2 is described as "decentralized liberalism" by Clark (ibid., 201). A locality of this type can decide on its own tasks and priorities, but its decisions are scrutinized and may be negated by higher authority. Its room and resource to achieve its goals are limited and subject to superior governments.

Clark's contribution is a substantive step toward local autonomy theorization and categorization. Its main merit is defining local autonomy positively (power of initiative), in addition to merely negatively as being immune to higher authority. This makes it possible to include many local actions that are meaningfully shaping the locality, but neither dictated nor delegated by higher authorities. To admit the local power of initiative allows one to recognize those actions and thereby get a fuller picture of local autonomy.

However, the initiative-immunity division is not without its problems. There are functions that demand neither, e.g. new kinds of instances under an existing item of government function. The locality need not take an initiative because resources to solve the novelty are already in place, making it unnecessary to declare new responsibilities; and because of this, no additional higher review is demanded. Clearly, this is a scenario totally different from Type 4 (no initiative, no immunity). There are also functions that demand both powers, e.g. functions with nation-wide implications and carried out by central-local collaborations. Custom-houses and border controls are of this sort. Their front-line staff needs some level of discretion to decide upon each case. They rely on locally-provided facilities and resources. Yet they meanwhile receive directions from their own superior on a level higher than the locality they work in. There are also issues, especially those brought by deepening globalization and societal change, that would temporarily stay optional for localities to address. A proactive local government may choose to act and therefore "create" new spaces for its local autonomy; a lethargic local government may turn a blind eye until it (or the higher authority) feels compelled to tackle the problem. This scenario cannot be comfortably placed in any of Clark's categorization.

Wolman and Goldsmith (1990) takes one step further from Clark by asking about the outcome of local autonomy, or, in what sense is local autonomy important and therefore a meaningful concept? They listed a variety of constrains on local governments and argued that local autonomy is "the ability of local governments to have an independent impact on the well-being of their citizens" through taxation arrangements, public services, and stimulating external demand for local products, etc. They take the pursuit of "well-being" or "welfare" of local people as the objective of local autonomy. With diverse constraints imposed upon the local government, the room left for their autonomy is *residual* and rather limited. However, it is only in this limited scope that a locality can make a real difference on their own, promote their residents' welfare, and thereby realize its autonomy. And it is only in this sense can people discuss local autonomy meaningfully, because it is the actions a locality takes to promote its well-being in spite of all constrains that make the locality unique. It creates its own subjectivity in this process and therefore forms its own autonomy.

Wolman and Goldsmith's theorization is important for our inquiry because it recognizes, in addition to a polity's political structure, economic and societal factors also influence local autonomy—a point that informed some of our crucial hypotheses.

Although they explored to understand local autonomy's meaningfulness (which is certainly helpful in defending the utility of this often-used concept), some questions remain not fully answered, and some new questions are begged. First, even though promoting local well-being is a reasonable cause for local autonomy, how a locality perceives its well-being, and how researchers evaluate a locality's well-being, are still influenced by all the constrains surrounding that locality (and surrounding the researcher). In this sense, there is no pure "residuals" left for the local authority. Everything about it—not only what is doable but also how one thinks about what is doable—is always inevitably bound and shaped by other factors. Second, their analysis falls short on the length a locality should go: in promoting local welfare, how much a local government should do, before one can say it has fulfilled its autonomy, or its autonomy has qualified as "meaningful"? To call attention to an issue and to take the trouble to allocate resources and tackle that issue are certainly two levels of effort. They both point to better well-being, but which one is more autonomous? Which one is more "meaningful"?

Implicit in Clark's and Wolman and Goldsmith's theorizations of local autonomy is that it must be viewed against the higher or central government. Clark's "power of immunity" is a locality's ability to act free from *higher authorities'* intervention; while Wolman and Goldsmith see the *residuals* left for local governments as the room for their autonomy. Both theorizations treat autonomy as an entity or commodity that can be obtained, held, and used. Brown (1993) however, takes Foucault's relational view of power and argues that autonomy is not something a political actor can "have" or "hold". Instead, it is better understood as the way "a social object is linked to other objects in enabling or constraining ways (ibid., 263)." Local political bodies "must be viewed as a socially reified object that is constituted through social relations saturated with power (ibid.)", or loci of power exercises, and autonomy is accordingly the codification of all power relations emanating from it. Autonomy is thus the institutional expression of temporary trade-offs of central-local relations. With any change to the constrains, the central-local balance shifts, so will the local autonomy level. Brown's relational view of power on understanding autonomy is another substantive step forward, and is highly important to this research, as the level of autonomy of a GWC is now theoretically made possible to change over time. Changeability is much less possible to fit into conceptualizations and theorizations by Clark, Wolman and Goldsmith. With Brown's theorization, higher tiers of government are now included in the analysis framework, rather than being just the "opposite side" to local autonomy. Nonetheless, this relational understanding of power does not distinguish among the other parties: one cannot safely tell higher tiers of government apart from other political bodies, since they are all intertwined in a net of power relations. This makes it tricky to measure, or even to delineate the level or scope of local autonomy, which brings us back to the question Wolman and Goldsmith posed: in what way is local autonomy a meaningful concept?

Lake (1994) takes a more constructive, bottom-up approach. He suggests local autonomy is not simply the freedom to act without external directives, it is also the capacity to define and express local identity through political activities. While not denying the significance of other factors in shaping local autonomy, he emphasizes that practices and activities within a locality also define that locality's identity. Local autonomy can only be realized through interactions with non-local social, economic, and political forces. "When understood as a continuing and constitutive relation between the local and the non-local, autonomy that is blocked by truncated negotiations finds expression through other means (ibid., 439)." Therefore, the degree of local autonomy depends on what the locality is striving for and trying to identify itself as in the long process of its interactions with external forces. In other words, it is formed by the local and non-local negotiations. Neither is more decisive than the other.

Lake's effort renewed Brown's conceptualization and continued to open the chance of differentiating between localities, providing a complementary perspective that enables us to treat the varied levels of autonomy from a more contextual perspective. This is important for our research because in addition to a relational view of autonomy, locality's self-identity and pursuit is also acknowledged.

3.1.2 Current Explanations on Level of Autonomy

Scholars have identified a wide array of factors relevant to the level of local autonomy. This part goes them through and identifies those most pertinent to our research question.

Local governments on all levels operate within its country's political framework. A country's constitution and fundamental laws spell out how power is divided among tiers of government (like which functions should be performed by which tier, which resources belong to which level of authority, etc.). These delimitations together decide the institutional aspect of autonomy a local (including city) government can have. How the constitution is written, and accordingly, how each tiers' power is delimited is beyond our research, but it is necessary to state here that local autonomy, even its institutional aspect, should not be considered a unilateral decision by higher authorities, upon which localities have little say. Active power devolution by higher governments is indeed one form of giving/taking autonomy, yet devolution also takes place as a response to local requests, or as a response to need of change felt by both the central and the local authorities (a mutuality scenario).

Local governments also operate under a variety of non-institutional constraints. Gurr and King provided a helpful classification dividing those factors into two categories: those imposed by local economic and social conditions (Type I) and those imposed by higher tiers of government (Type II) (Gurr and King 1987, 57–58). These constrains affect local autonomy to different degrees. Each local government faces a combination of these constrains, and its local autonomy is formed through different historical periods.

The Type I economic and social constraints mainly include revenue raised at the local level, important economic actors and powerful social forces able to influence local political agendas. Revenue determines a local authority's financial capacity to fulfil its functions. It is fundamentally limited by the size of economy and population, which determines the size of the taxable base. Dominant local economic or social groups may seek specific labor, religious or environmental interests, etc., but usually those pursuing business interests are more powerful. They are able to substantially influence local authority's consideration and decisions on certain agendas. Local authority's preference may sometimes accord with that of local business elites, forming a local growth-machine (Molotch 1976a; Logan and

Molotch 1987). This way, the local autonomy condition is changed. Other factors of this type include the structure of local government, e.g. fragmented or consolidated; demographic factors, e.g. size and composition of population (Boaden 1971; T. N. Clark 1968); and socio-economic factors, e.g. local citizen's engagement level and willingness (Boaden 1971; T. N. Clark 1974).

Type II constraints are those imposed by higher governments. Page and Goldsmith (1987) provided a good account of these factors. Firstly, they include, as just aforementioned, the constitutional/legal position of municipalities and the way constitutions affect opportunities for local autonomy, e.g., local autonomy in a unitary system is usually less than in a federal system. Localities in a federal system can formally retain certain powers that cannot be deprived of by higher authorities. So are the difference caused by division of functions, by the legal basis of such functions, etc. (Page & Goldsmith 1987, Pierre 1990, Page 1991). Second, the kinds of services higher governments expect of local governments, and the way they oversee the local governments' performance. Lastly, the locality's autonomy is fiscally constrained by the types and levels of taxation allowed for it, and their legitimacy to issue local public debt or loans. Obviously, the more types of tax a locality is allowed to collect, the more revenue it generates. Also, the higher level of taxation, the more revenue it generates. Public debt a locality borrows also adds to its fiscal budget, although only temporarily, because it has to be paid off in the future. Taxation largely constitute a locality's endogenous fiscal capacity. Debts, loans, and transfer payments from other tiers of government are a locality's exogenous fiscal capacity. Fiscal capacity is often deemed the most important, since all forms of autonomy would be meaningless without resources (money) to carry them out. For this reason, it is frequently used as an indicator of local autonomy or capacity. This research also greatly relies on GWCs' local fiscal figures to assess their autonomy levels.

Gurr and King's categorization is helpful to identify main relevant factors. It clearly distinguishes between the local and the central elements, echoing the nature of local autonomy as the institutionalized central-local power relations.

Another often-used theoretic tool, the Leviathan hypothesis, discusses the inter-locality dimension of local autonomy level. In a closed environment, a local government is in essence similar to private sector monopolies (Brennan and Buchanan 2000). It always tends to maximize taxation, rent-seeking, and chooses to slack whenever possible (Niskanen 1971). This is a simplified personalization of local government. The extent to which a local government can acts in this way varies, and is greatly dependent on the number and type of competing jurisdictions surrounding it (Schneider 1989). The Leviathan hypothesis posits that competition from peer local governments reduces this tendency, because citizens are free to choose among localities, and they tend to opt for the place offering the most favorable taxation, welfare, and public policies (Tiebout 1956). It is in one way an application of economic theory in political science. The more competition a locality faces, the better governance and self-improvement it will produce. There has been no consensus to date on the validity of the hypothesis (Craw 2008, 665), but its applications abound. And although it originated as a description of inter-jurisdictional competition within a federal system, the Leviathan hypothesis can also shed light on other polities, as well as on cross-country inter-locality dynamics. For example, there is a wide body of research on intercity competition for investment, talents and tourists enhancing a local government's provision of favorable policies, tax incentives, and other of measures to meet the challenge (Duffy 1995; Organization for Economic Co-operation and Development 2006; Anholt 2007; Kuptsch and Pang 2006; Musterd and Kovács 2013, etc.). By including capital, talents, etc. into consideration, scholars are able to analyze not only intercity movement of citizens, but also the movement of "flows", which are certainly more salient in a more globalizing world. These are not exact applications of the Leviathan hypothesis, but they to a large extent share the same mindset and all point to the notion that intercity dynamics also contribute to a city's autonomy. In this study, I borrow the idea of the Leviathan hypothesis, and look at intercity competition's effects on the case cities' local autonomy levels.

In a similar vein, competitions among territorial states can also affect autonomy levels of their cities. Cities, especially big ones are important growth poles in a national economy. Territorial states increasingly deem big cities as major centers of national development and competitiveness (Crouch and Le Galès 2012). These "national champions" are given high status and favorable resources to compete internationally on behalf of the nation. Their international success or prominence is seen partly translatable into their territorial states' success or prominence. The territorial state's investment in these cities—in order to secure more footloose capital in global economy and thus advance national prosperity—would make already-successful cities even more successful, but may worsen regional disparity. Facing competitions, territorial states often choose locally-targeted policies to strengthen their champion cities, rather than re-distributive measures to alleviate inequalities between advanced and backward regions (Brenner 2004). The U.K. and French governments' support for London and Paris is a telling example of how international competition induces state-level policy changes that bring more autonomy to national champion cities (Crouch and Le Galès 2012, 415–17). Scholars also noted how the Chinese government has intentionally invested in Shanghai as a national strategy to spur up national growth (e.g. L.-Y. Zhang 2014). In this sense, there is a possible mutuality between GWCs and their territorial states. Both may find common ground in creating more local power at the GWC to promote that city's competitiveness.

3.1.3 GWC scholarship on local autonomy

Current GWC scholarship does not provide a coherent explanation on a GWC's autonomy or initiation. It could be because local autonomy belongs to the realm of political science, while most GWC research are conducted through the lenses of economic geography or sociology. To be sure, even though knowledge on a nation's domestic politics is helpful to understand a GWC's local autonomy, additional attention to globalization, to the city's and the territorial state's positions in globalization, is necessary to develop a more thorough appreciation. The GWC is under heavy influence of the world economy—much more so than ordinary cities. The territorial state, especially those trying to benefit from integration into world economy, also tends to treat their GWCs in a certain special way.

Brenner (1998) argues that the role of the territorial state must be taken into consideration in GWC formation. No GWC grows in a vacuum. They are always embedded in and subject to a territorial state. In globalization, the state undergoes a rescaling and restructuring process at the local level of the GWC—a new form of centrality in world economy. During this process, one witnesses not a "zero-sum" game between an expanding global scale and a shrinking national scale. Rather, territorial states are finding new ways to re-express or re-articulate their power on both the supra- and the sub-national levels, forming a "glocal" state. The sub-national level would be the GWC (among other entities).

The territorial state can make use of its GWC as a new tool for national interests. As a corollary, it would try to allocate more power to its GWC to promote national competitive advantages. This is also of great value to this thesis, not only because it is one of the earliest discussions on the central-local relations between territorial state and GWC, but also it is possible to draw out testable hypotheses from it. The notion that the territorial state may use GWCs as a restructuring and rescaling platform to compete in the world economy leads to two of the main hypotheses in this thesis: one about the territorial state's integration into global economy, the other about the competition a GWC faces. Although Brenner's original text is based on contemporary Europe, I borrow his ideas for my cases as well.

A widely cited GWC typology proposed by developmentalists (Hill and Kim 2000; Hill and Fujita 2003) dichotomizes global cities into bourgeois world cities and state-centered political bureaucratic world cities. The latter mostly adopts a developmentalist ideology and highly feeds on the recognition and support from state bureaucratic elites and a wide array of central support. State-centered GWCs are different from market-centered ones by reflecting more national idiosyncrasies in a globalizing economy, than reflecting increasing convergence in spatial and social structure of GWCs. The territorial state—from institutional setting to development strategy—influences GWCs strongly, sometimes decisively. This widens the theoretical possibility of addressing the relations between a GWC's status and its central-local balance, including its autonomy level. Hill and Kim's contribution can be seen as a complement to foundational writings by Friedmann and Sassen. They timely point out the need to identify alternative types of GWC formation with more awareness of the city-state relations. Global cities "differ from one another in many salient respects because they are lodged within a non-hegemonic and interdependent world political economy divided among differently organized national systems and regional alliances. (Hill and Kim 2000, 2167)" Some cities are strongly dependent on the national base, spurred and also utilized by their territorial states. Hill and Fujita (2003) later proposed a "nested city" concept, in which they reaffirmed the role of the territorial state in a GWC's autonomy level: "Cities are embedded in multilevel spatial and institutional configurations... The whole multilevel configuration in which the city is nested, including, most especially, the nation-state and region of the world, must be taken into account (ibid., 207)." Clearly, the territorial state has a strong influence on the autonomy level of a city, including GWCs. Supra-national level factors put additional weight on their politics, but the traditional territorial state is and will never be absent. In this regard, they allegedly differ from the globalist view-holders like Sassen and Friedmann—as Hill and Kim label them (2000, 2167)[24].

Later, Olds and Yeung (2004) identified three types of global cities: the hyper global city, the emerging global city, and the global city-state. They, echoing Robingson (2002), appealed for better understanding of the "come(-ing) into being" (Olds and Yeung 2004, 492) of GWCs, and proposed three pathways a GWC could be formed. Each pathway represents a divergent role taken by the territorial state, and accordingly, different possible levels of city autonomy. Hyper global cities such as New York and London are comprehensively integrated via thick networks into a nested hierarchy of regional, national, and global economies, although "they have no formal and particularly coherent political presence on the national or international level, especially in the U.S. (p. 503)." Emerging global cities are those that strive to become truly prominent global cities. They coordinate /control on a relatively more regional level, have limited linkages with global economy compared to hyper global cities, and depend much more on inward flow of capital, talents, goods, and services. The third type, global city-states such as Singapore and Hong Kong, is where "the state[25] is contained within a fully urbanized and spatially constrained territorial unit (p. 507)". It is in emerging global cities and global city-regions that the territorial state plays a profound, sometimes decisive role. Emerging global cities depend significantly on resources and linkages to its hinterland, as well as political fabrics within which they situate. "They must have institutional will... and political legitimacy to initiate and sustain it through material and discursive practices. (p. 493)" This clearly points to intergovernmental relations between the territorial state and the GWC. The institutional will can be the local urge or perception about its own prospect as an (emerging) GWC, while political legitimacy is strongly shaped by its relations with higher-tier governments, from whom a considerable part of power is derived. Their GWC vision predicts a high level of national

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[24] Although to the author's understanding, neither Sassen or Friedmann had dismissed national backgrounds of GWCs. They concentrated their focus on global forces and dynamics mainly for the sake of theory conciseness. See Sassen's response to Hill and Kim (Sassen 2001b).

25 In Hong Kong's case, a highly autonomous political and economic entity that resembles a sovereign state.

awareness of the significance of GWC, if the nation adopts a developmentalist strategy. This leads to a raised level of autonomy and of GWCs in these nations.

To sum up, three categories of determinants of local autonomy are identified. First, institutional configurations that delimit the boundaries of power and responsibility among tiers of government, and among same-level bodies. In this group, what is relevant to our study is the boundary between the central (the territorial state) and the local government (the GWC). We know that these boundaries are not rigid or constant. They are subject to change depending on different circumstances that local and/or central authorities face.

Second, extra-governmental factors including social, economic and demographic forces. Business circles in a city can exert influence on a city’s autonomy and capability level. It can also lobby higher governments for the city’s sake. Meanwhile, the size of urban economy and its share in national economy also affect that city’s fiscal power and weight in the national system. I draw on this notion in the formulation of IV3 (concentration of a territorial state’s foreign economic activities in a GWC).

Third, inter-locality competitions also affect a GWC’s autonomy level. Competitions take place among cities as well as among territorial states. Competitions intensify when actors adopt competitive growth strategies to attract footloose capital and other factors of production. When a territorial state implements a developmentalist strategy, it is more likely to encourage and facilitate its key cities as central agents. This branch of literature points to the intensity of competition as a stimulus of local autonomy. This notion is used in my second hypothesis.

3.1.4 Measuring local autonomy level

Since local autonomy means the local capability and freedom to pursue aims and make decisions free from higher supervision, it is the flip side of decentralization. Despite different definitions, they all share the notion that it “includes the transfer of power and resources away from the central government (A. Schneider 2003, 33).” And decentralization and local autonomy are often used interchangeably (Fleurke and Willemse 2006). They both mean a state in which central authority loses some power to lower governments, while lower governments obtain power and expand liberty to perform its own tasks. Viewing a political system as a whole, it is undergoing a “decentralization” process; while localities within this system are enjoying more local autonomy. In this research, I also treat the two as the same.

A centralized political system (low local autonomy) is one in which local governments enjoy very limited discretion, all of their fiscal power is subject to central allocation and most of their decisions are merely carrying out superior intentions. It is more likely to be found in unitary states. A decentralized political system (high local autonomy) is one in which local governments enjoy a large amount of fiscal and political power. They are seldom constrained by upper authorities, and can independently decide on most of their policies. It is more likely to be found in federal states. Decentralization is the process of the former taking on more features of the latter. The outcome of such process is increased local autonomy.

GWC’s local autonomy level, by our definition, is a status of power allocation between a territorial state’s central authority and its leading GWC’s local municipal government. Therefore, it is in essence an inter-governmental relation. To measure it involves at least two levels: the sub-national or local (GWC) level and the national level.

Table 3.2: Decentralization dimensions and indicators

Dimension	**Indicator**
Fiscal decentralization	Subnational expenditure as percentage of total expenditure
	Subnational revenues as percentage of total revenues
Administrative decentralization	Taxation as a percentage of subnational grants and revenues
	Transfers as a percentage of subnational grants and revenues
Political decentralization	Municipal elections
	State elections

Source: (A. Schneider 2003, 41).

Schneider (2003) usefully categorized three spheres of decentralization and how to measure them. For our study, the focus is on the fiscal and administrative sphere. It is the most direct reflection of central-local relations. Schneider argues “the best indicator for the level of fiscal centralization or decentralization is the share of subnational expenditures and revenues. (ibid., 36)” It is also where reliable data can be found. Political decentralization, measured by election, is indeed used in some researches (e.g. Mueller 2011), but for our cases, political election data is difficult to find, and elections at least in China are not a good indicator of power relations. Therefore, it is not used.

Other studies (e.g. Page and Goldsmith 1987) use division of governmental functions to assess central-local relations. They suggest local autonomy can be understood in terms of how tasks are distributed between different levels of government, the discretion each level has in performing its tasks, and their access to and influence in the center. This is not a feasible choice for our study because a) the different types of polity (unitary/federal) make cross-country comparison of division of functions intrinsically problematic (Page and Goldsmith’s study cases were all European unitary states). b) our time span may not be long enough to observe sufficient changes in division of functions to generate meaningful conclusions. c) discretion can take numerous forms and is difficult to identify and measure (Goldsmith 2012, 137).

3.1.5 Indicators of local autonomy level

In this research, due to the said difficulties in accessing comparable cross-country data, and the somewhat arbitrary nature of interpreting policies and government papers, I choose to mainly rely on fiscal data. It is in accordance with most scholarly works on local autonomy and decentralization. “Despite several shortcomings, the share of sub-national government expenditure or revenue in consolidated general government expenditure or revenue is widely used as a proxy for the degree of decentralization of the public sector. (Stegarescu 2004, 1)” Such figures are also used to assess the overall decentralization of the territorial states of China, India and Vietnam[26], in order to control for national backgrounds.

26 At the time of writing I do not have access to Vietnam’s national fiscal statistics. Assessments of the Vietnamese situation is obtained from other scholars’ works.

For the city level of GWCs, “one way to measure levels of local administrative autonomy is by examining the control exercised over local revenue (A. Schneider 2003, 38)”. For example, Lijphart used this measurement in 1984 (1984). Similarly, I look at how much revenues or expenditures the city spends and their percentages in the city’s total revenue and expenditure. This is a good indicator of the degree to which municipals control over financial resources. If a city collects or spends more money on its own, we can reasonably say it has a higher level of autonomy. If only a small percentage of fiscal resource is collected and used by the city, then it has a lower level of autonomy.

In the meantime, I also look at, data permitting, grants and transfers from higher governments (in our study, from central government). Ideally, we should distinguish between grants and transfers, but not all case city’s public fiscal data provide such specification. Therefore, it is only measured in certain GWCs. There are disputes on whether relying on grants or transfers implies higher or lower autonomy level (Stegarescu 2004, 5). Generally, the outcome is the local government having more fiscal capability to carry out tasks (although sometimes grants and transfers come with strings attached), so I deem them both suggesting higher local autonomy. Since the gist of our study is on mutuality or contradiction of between the territorial state and GWCs, not on assessing local autonomy in detail, we include grants and transfers into local autonomy as well—because after all, the eventual effect is more power and resources vested in the locality.

Lastly, if data permits, I observe the GWC’s local loans. To independently issue loans and owe debts is a sign of local government’s own financial power. It means it can generate additional source of power without being subject to central restraints. To issue more loans means the local government is actively performing its tasks and pursuing its objectives. Of course, debt ceilings are in place in many countries. *Ceteris paribus*, a higher ceiling suggests more local autonomy; while a lower ceiling (or inability to issue loans) suggests less local autonomy.

Due to the complexity of inter-governmental relations and difficulty in cross-country comparison, measuring decentralization or local autonomy “can hardly be accomplished by using a single quantitative measure. (Stegarescu 2004, 2)” Our measurement for this variable is by no means satisfactory or adequate. But it is the most solid source at hand. It is also the kind most immune to analyzer’s interpretation. In the future, supplementary data like alternative off-budget financing, public-private coordination on public service provision, details of local initiatives[27] on GWC formation should also be considered and assessed, if time and resources permit. For more in-depth studies, decision-making processes of local policies and central-local bargains can also bring meaningful insights.

3.2 Independent variable 1: Global integration of the national economy of a GWC

"Commanding and controlling" world economy is the central function of a GWC. Without such function a city is not a GWC in its fundamental sense. The world economy is unevenly developed (N. Smith 2008), with global capital constantly exploring more lucrative areas and leaving unprofitable ones. Areas' relative positions in global production also change constantly. Some are intensifying integration and connection with world commodity chains, while others' integration and connections are in decline. The three case countries in this study, China, India and Vietnam, belong to the former category. Their national economy is rapidly internationalizing, but to a less extent and quality than the Global North. The Vietnamese national economy sees most of its economic activities somehow internationally related, yet obviously this does not indicate the country to be on a par with developed economies in terms of connectedness and centrality. However, it is indisputable that they are increasingly involved in world economy in the post-Cold War era (as shown in IV1 for each case). Since their national economy is more and more part of the world economy, then articulating national economy is part of articulating the world economy (Ma and Timberlake 2013). It has been so in established GWCs and their nations. It is increasingly so for emerging economies rapidly integrating with world economy. China's rise has certainly been aided by Shanghai's "dragonhead" role and Hong Kong's gateway function. A powerful GWC within its territory is an edge for a territorial state's overall growth.

27 There has been some research on GWC-promoting initiatives by the private sector in Mumbai, like "Bombay/Mumbai First". But it is not entirely an inter-governmental mechanism, and its decisions are not accountable to the government, therefore it is not included into discussion in this study.

Faced with this dynamic, the territorial state often finds itself in a paradox between: growth and prosperity of its national economy, and balanced domestic development among each region. If the former is given more weight, the territorial state–GWC mutuality has a bigger effect on inter-governmental relations. In this scenario, the territorial state would opt for national growth before ensuring balanced development (of course it does not mean evenness is not important). If the latter consideration overrides the former, then a GWC growing faster than "ordinary cities" becomes less of an ideal, because it stimulates a "de-territorialization" or "de-nationalization" process that rips the national urban system apart.

Developing countries, especially countries that adopt a "developmental state" strategy like China and Vietnam in our case, tend to take the former strategy. Although overall welfare and balanced growth have been pursued, they tend to attach more importance to national growth than catering to vulnerable regions and groups. For them, a more globally integrated economy is desirable, and it is of great importance that such integration is sustained and deepened, since that would generate more national wealth, leading to stronger national power, helping them move up in the international hierarchy.

3.2.1 Hypothesis 1

With its national economy more integrated into world markets, a territorial state has a stronger incentive to ensure its regulatory power retain control, so as to reap more benefits from the world economy. Therefore, besides what could be done at the national level, it is also necessary to transfer power to GWCs. This strategy is most telling in state-led GWC formation in developmental states, e.g. Japan, South Korea and Singapore. GWCs, on the other hand, more intensely face social and economic implications from globalization, and demand more local power to address those issues. At the same time, GWCs endeavor to perform stronger central functions. A strong presence of local and international business circles in GWC is more willing to influence the government in favor of pro-business policies. To carry out those policies, more power—some of which used to belong to the central authority—is required at the GWC local level. Here, we expect a mutuality between the territorial state and its GWC, when the territorial state's economy is more globally integrated.

Therefore, I hypothesize: if a national economy is more globally integrated, its leading GWC is more likely to obtain a higher level of local autonomy. The two phenomenon should have a positive relation.

3.2.2 Operationalize global integration of national economy

The global integration of a national economy is measured by two indicators. First, a national economy's import and export of goods and services, and its ratio to the country's total GDP. Second, FDI net inflow and outflow and their ratio to the country's total GDP.

The two measurements are widely used by consultancies and academics alike to assess an economy's development and internationalization level. Both should positively indicate the country's global integration. If more good and services are imported or exported, and if more FDI flow in and out of the country, that country's economy is more integrated with world economy, and that country is more globalized.

3.3 Independent variable 2: Intercity competition from neighboring GWCs

"Intercity competition for world city status is keener than ever. Yet this aspect is also under-theorized and poorly related to world city formations." (Douglass 2000a, 46) This variable examines the effects of intercity competition on the GWC's local autonomy.

"Competitive *angst* is built into world city politics (Friedmann 1995, 23, original emphasis)." In academia, there has been a vast and growing literature concerning competition among GWCs, including those in developing economies. Much research has been devoted to understanding cities as a potential agent of economic competition and development (e.g. Camagni 2002b; Kresl and Singh 2012; Lever 1999; Porter 2000, 2003). Such literature can be roughly divided into two groups: on how these cities could imitate and catch up with mature Western global cities, in other words, "the chances for latecomers" (L.-Y. Zhang 2014, 1164–65), and on how cities or city-regions become competitive in general.

The former group is mostly found in discussions on the growing and evolving of prototype global cities like New York, London, Tokyo and Paris, as well as some successful second-tier global cities like Berlin and Seoul. Their ways toward success are generalized into different paths for “emerging global cities” to follow (P. Taylor et al. 2009; Jessop and Sum 2000; Hill and Kim 2000; Olds and Yeung 2004). Although these researches seldom talk about competition directly, but they stress the importance of taking other cities’ positions, strategies, and comparative advantages into consideration, providing a valuable pool of ideas and blueprints for ambitious urban planners as well as national strategists who want to foster global cities of their own.

The other group of literature, discussing how cities can enhance their competitiveness, is much larger and more generic. Such literature saw a boom approaching the late 1980s and 1990s, possibly because deindustrialization and globalization waves disrupted existing urban hierarchy, and previously successful industrial cities suddenly found themselves thrown into world market with their former strong suits no longer as useful. They had to devise new and innovative strategies to improve or secure their positions (see Garcia and Judd 2012 for a more detailed review). Into the new century, more concepts have been advanced to capture the mentality and strategy to enhance urban competitiveness, such as “urban leadership”, which emphasizes the local-level identity in pushing ahead innovation and growth agendas (Beal and Pinson 2014; John and Cole 1999; OECD 2015), “city entrepreneurship”, which stresses the importance of translating urban vision, momentum and creativity into economic growth (T. Hall and Hubbard 1996; Ács 2002; S. Y. Lee, Florida, and Acs 2004; Acs and Armington 2004; S. Y. Lee, Florida, and Acs 2004), “city branding” efforts to promote cities internationally (L. Zhang and Zhao 2009), and so on.

3.3.1 Hypothesis 2

This research hypothesizes that if a GWC is facing more competition from other GWCs, it is more likely to get increased autonomy vis-a-vis its central government.

To respond to competitions requires local resources and freedom to provide better infrastructure, business environment, and financial incentives to attract capital and talents.

Resources and freedom can only be realized with a stronger financial base and enhanced autonomy of the municipal government. Facing the changing status of its rivals, each GWC has a strong impetus to stay ahead of the competition. Therefore, we can expect it to actively seek higher local autonomy, either by devolution from the central authority or through its own efforts.

For major emerging economies who attach more importance to national growth, a more competent and competitive GWC of its own can better facilitate its overall national economy, therefore is a “national treasure” of sorts. A GWC losing the competition means its national economy missing chances in the world economy, which would eventually take a toll on national welfare. Therefore, aiding its own GWC to stay ahead of competition is a feasible and even natural policy choice. This demands re-allocating some state resources and functions down to the local level, at the city’s disposal, so that the city can better respond to intercity competitions. This means less central control. The central authority weakens itself if deciding to do so. But since none of our case country is especially worried about national stability, and economic prosperity remains one of their common policy objectives, we still expect a positive result of this hypothesis.

3.3.2 Operationalize intercity competition

Competition is omnipresent. It happens among individuals, groups, areas, as well as nations. In world economy, competition is increasingly taking place across national borders, between inter-national localities (Jensen-Butler 1999, 865). Such localities include economic clusters, cities, and sometimes city-regions. They all involve the city as the key platform. Such platforms are smaller than nations in terms of size and (perhaps) complexity, but they provide immediate environments for “on-the-ground” economic activities, and meaningfully shape people’s and enterprises’ conceptions and behaviors. Competition among cities can happen in various domains, take diverse forms, and range in intensity. Each city’s unique situation and objective also define its specific targets in competitions. One city can be competing simultaneously for multiple resources or projects, each with a different rival; it also happens that multiple cities compete for an exclusive status or position—any city after the same title is a rival. Despite the myriad forms of intercity competition, there are few scholarly definitions to follow. For example, when Friedmann suggested that world cities compete fiercely in the “hierarchy of spatial articulations” (Friedmann 1995), he did not specify what exactly those cities were doing. The complexity and multiplicity of competition makes it difficult to analyze or compare, e.g. who exactly is competing with whom, and what exactly are they competing for?

To operationalize a comparison, I here define “competition” and explain what to look for as its indicator. In this research, I see intercity competition as activities taken by a GWC with the intention to acquire sought-after exhaustible resources that are generally considered beneficial to a GWC’s development.

Here, I need to emphasize three points. First, such activities should be taken by a (global/world) city. This excludes efforts solely made by civil society operating in the city, or interest groups lobbying in the city’s interest. Surely in reality they cannot be completely separated from urban politics, because they are important local political actors (Stone 1989; Mossberger and Stoker 2001; Molotch 1976b). However, digging into the interaction details among them or including private efforts into discussion risks over-complicating the variable.

Second, the objectives GWCs compete for should be of an exclusive nature. It is not to say global cities never work together or their competition is always zero-sum. Sassen has long suggested that New York, London, and Tokyo “do not simply compete with each other for the same business. They also fulfill distinct roles and functions as a triad” (Sassen 1991a, 327), there is “the possibility of a systematic connection other than competition” (Sassen 1991a, 169). Other scholars found scenarios where during competition, rival cities gradually evolve complementary features, e.g. between London and Frankfurt (Hoyler 2004), or among Beijing, Shanghai, and Hong Kong (Lai 2012). The World City Network model also shows that these cities, while competing with each other, are also interconnected and cooperating within a global network (J. V. Beaverstock et al. 2002; P. J. Taylor et al. 2001). While acknowledging its significance, such dimension is not taken into account in the thesis. What interests us here, is just the local efforts to promote the city’s capability to perform its GWC functions, not the city’s cooperative aspect *as* a GWC.

Third, I only consider competition for objectives generally considered “good” for the growth and development of a GWC. Special attention should be paid to factors enhancing a GWC’s central “command and control” functions. These factors include the city’s investment attraction, business environment, and living amenities for headquarters and advanced service sectors employees, traffic and telecommunications infrastructure, etc.

Competitions vary in extent. One end is zero competition, when two cities are not in any way trying to obtain one resource or opportunity at the cost of the other city. This happens when two GWCs are located very far away, or find themselves on different rungs on the world economy ladder. For example, although both are GWCs, it is hard to imagine Bangkok and Frankfurt to be in any sort of serious competition. The other end is total competition, in which case, in order to acquire one resource or opportunity, two cities are exhausting their toolbox, both municipal governments try the utmost of their power, sparing no efforts. These two extremes only occur in theory. In reality, the majority of competitions fall between the two extremes.

In economic geography, scholars usually measure competition intensity by counting the number of contestants. It is based on the assumption that more contestants intensify the game. For example, in testing the impact of competition of local market on policies adopted by local government, Schneider (1989) measures competition by counting the number of cities within the area, and the number of municipalities bordering the city. There are also studies that treat intercity competitions case by case. But more often, intercity competition is discussed in a sketchy, taken-for-granted fashion, without making any comparison in a strict sense. This leaves most literature on intercity competition mute on how to determine competition intensity. For example, the often-cited OECD report on competitive cities in global economy (2006), despite its vast volume, said nothing on how to tell whether a competition is intense or mild.

This study is mainly concerned with the pressure on the national and the city governments. The territorial state and the GWC are both subject to capital’s insatiable desire for profits. The former tries to take and enjoy a bigger share of global economy; while the latter tries to integrate further into the GWC network and thus better articulate and strengthen its national economy. It is just how much competition they face from peer

GWCs and nations that changes whether they feel compelled to take actions, and how far they should go.

It is possible that some territorial states do not deem economic growth as important, or other aims such as national security or social equality outweigh growth, or have disputes on the effectiveness of GWCs for national prosperity. It is also possible that on the local level, a GWC may be overwhelmed by other functional tasks, or trapped in local politics too fragmented to make important decisions, or simply lacks a governmental organization in charge of contemplating and promoting the city's competitiveness. Even so, the above judgment still holds, although to a lesser extent. Intense competitions still encourage both the national and the local levels to enhance a GWC's competitiveness. It is difficult to envision a territorial state to purposely debilitate its GWC, or a GWC to ignore the competition from a growing rival on its doorstep. That is to say, the subjective nature of competition perception does not invalidate its link with the incentive to take competitiveness-enhancing measures.

To measure the intensity of competition, two indicators are selected. First, the GaWC rankings of world cities. They have been updating the rankings since 2000 until 2018. All important or potential GWCs in the world are monitored and classified. The most prominent two, London and New York, are placed at the "Alpha++" level—a level only of their own. Less prominent ones (incl. Hong Kong, Beijing, Singapore, etc.) are at the "Alpha+" level, and so forth. Some cities do not quite qualify as GWCs but still retain certain international functions are labeled "high sufficiency" (like Dakar, Las Vegas and Lausanne) or "sufficiency" (like Urumqi, Marseille and Nagoya). GaWC has traced the performance of world GWCs for almost two decades. When contrasting neighboring GWCs' ranking changes, one can get a mostly truthful visualization of the competition environment around a certain GWC. As mentioned ahead, a GWC generally cares about its ranking, and it is reasonable to assume ranking changes affect a GWC's willingness to enhance its competitiveness. Second, I look at the size of market capitalization in neighboring countries' stock markets. "The size of the stock market is also a good indicator of a city's financial power and relative position in the global urban hierarchy (Short et al. 1996, 700)."

- *Indicator 1: Neighboring GWCs' rankings as per the World According to GaWC.*

- *Indicator 2: Number and size of market capitalization of stock markets in neighboring GWCs/countries.*

3.3.3 Scope of competition

Since we also consider other GWCs' performance in the rankings, it is necessary to delimit a scope of such observation. I assume a GWC does not compete with any random GWC in the world. It is more attentive and responsive to a) those geographically close and b) those whose national economies are on a similar development level with its own.

Such two conditions are important because A) geographical closeness largely eliminates spatial differences for capital flows. For example, both as emerging GWCs, it is hard to imagine Dubai to be competing with Manila. Rather, Dubai is much more likely to compete with Doha. What distance qualifies as "close" has to be decided case by case, as there are no universal criteria. Conventionally, same-country cities, as well as those in the same commonly-recognized geo-economic region (like Middle East and Southeast Asia) are considered "close". B) More importantly, similar development level of national economy means the hinterlands these GWCs articulate are more likely to compete for the same type of business, and the capital is more inclined to consider all of them as a potential destination.

These two conditions are complied with when defining the scope of competition for each city. Just which rival nations and cities are examined is determined on a case-by-case basis by the author, and can only be done so, since real-world economic geography and capital flows defy a stringent criterion. When selecting potential rivals, caution has been taken to avoid bias, although, some choices may still be debatable. I see it as an invitation to more in-depth researches in the future.

3.4 Independent variable 3: Concentration of a country's foreign economy in the GWC

This part examines the relations between how much a national economy's foreign economy is operated through a GWC and the autonomy level that city obtains. First, the concept of foreign economy concentration is introduced to assess the importance of a GWC to its national. Some similar and related concepts are explored to shed more light. Second, the concept is operationalized by selecting indicators and measurement.

3.4.1 Conceptualize "foreign economy concentration"

I use the concept "foreign economy concentration" to evaluate how important a GWC is for its territorial state in globalization. In other words, how much a national economy's interactions with the global economy take place in/through a GWC.

Friedmann and Wolff see the world city as "the junction between the world economy and the territorial nation state" (Friedmann and Wolff 1982, 312). They *articulate* the national economy with world economy. Sassen also points out that a disproportionate share of producer services cluster in the GWC (Sassen 1991a). This point has two implications. One, the more globalized a national economy becomes, the more crucial a strong GWC is for that national economy and the world economy. I have discussed this notion elsewhere and shall not repeat it here.

Two, not all international elements of a national economy go through a certain GWC. No matter how disproportionately privileged, no GWC could monopolize a country's TNCs, advanced service sectors, and cross-border flows. Rather, it handles a certain share—admittedly, usually a big share—of the country's international economic activities. There are always flows generating from or going to other geographical nodes, i.e. other cities. It is more so in large economies without a dominating city like the USA, China, and India. In the meantime, it is also the token of the development level of a national economy. More-advanced economies tend to rely on service industries rather than traditional manufacturing and agriculture. International trade of manufactures and agricultural products are more dispersed spatially, while service industries are highly concentrated in urban centers (Sassen 2000a). In economies transforming from a primordial growth mode basing on quantitative accumulation of low-end products to a modern growth mode basing on higher-value products subject to agglomeration effects (like those found in China and India), the dynamics of change is more striking.

This leaves one wonder, just how disproportionately concentrated in a GWC a country's international economic activities must be, can it make a difference to the central-local political relations? Or even, does this level of concentration matter at all?

It is for this purpose that the concept "foreign economy concentration in a GWC" is created. It is hereby defined as: the extent to which a national economy's interactions with world economy are conducted through one GWC. It focuses on the international aspect of a national economy with an emphasis on "command and control" functions. It should be distinguished from how much economic weight a city has in a national economy—a similar notion, partly overlaps with my concept, but slightly different. By "foreign economy concentration", emphasis is placed on economic activities with an international nature. It is different than general economic activities—including both international and domestic activities. General economic activities encompass our concept, as well as other contents too broad to be included in our study variable.

The concept of "foreign economy concentration" is partly inspired by the notion that as a city becomes more integrated globally, a "systemic discontinuity" appears between that city and its national urban system (Sassen 1991a; Ma and Timberlake 2013). It means that city develops more connections with international cities (World City Network, WCN) than with its home cities, thus creating a tension between territorial state's ruling power and the city's local governance. Sassen sometimes refers to this notion also as "detachment" or "decouple" of the GWC from its national base. The logic behind it is that the world capital's connections with a nation-state is so disproportionately concentrated in a GWC, that this city derives its functional importance more from its interactions with other GWCs, than from its interactions with "ordinary cities" in its national urban system.

This concept resembles but differs from the first IV. The first IV, a national economy's global integration, measures to what ratio a nation's GDP is related to the globalized world economy. It takes the national-level statistics as the unit of analysis, regardless of where these economic activities take place, or through which cities they are managed. While the third IV, "foreign economy concentration", opens the national "black box", and tries to grasp how much of a national economy's international economic activities are conducted through a specific GWC.

It should also be differentiated from another very close concept of "primate city". The primate city (Jefferson 1939; Gottdiener and Budd 2005, 104–7; Jung 2010) refers to one super large city that accounts for a disproportionate share (over twice the size of the second largest city) of a country's population. It reflects an ill-formed national urban system which lacks second- and lower-tier intermediate cities. It is often associated with underdevelopment, in which "the spatial concentration of resources also creates regional disparities of wealth and income and political influence (Jung 2010, 609)". It differs from our concept in that not all GWCs are primate cities that can be measured in primacy (although some indeed are). Moreover, in urban studies, such concept mainly reflects population distribution, not economic activities.

A country's foreign economic activities can be concentrated in a GWC to different degrees. Total concentration means all such activities are performed in/through one GWC. This is rare in reality, although some city-state-like entities like Singapore or Hong Kong resembles such scenario. The other theoretical extreme is zero concentration, meaning a GWC handles none of its territorial state's foreign economic activities. It is also highly unlikely, because it goes in sharp contradiction with basic assumptions of the whole GWC scholarship[28]. It is evident by definition that GWCs tend to concentrate a substantial share of its national economy's foreign activities. Actually, this notion has been strongly implied in the world city hypothesis (Friedmann and Wolff 1982; Friedmann 1986, 1995). But just how much they concentrate, and does that concentration affect a GWC's central-local relations, is not yet established in literature, and is what I try to find out.

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28 It is theoretically possible for a GWC in a territorial state to have *almost* nothing to do with its national economy, if it engages predominantly in off-shore financial dealings and has placed itself in a critical junction in the world financial system. Such case does not exist yet but it is not precluded by the global city approach. However, the world city hypothesis seems contradictory to such notion.

3.4.2 Hypothesis 3

I hypothesize that the more foreign economic activities of one nation is concentrated in a GWC, the GWC is more likely to have a higher local autonomy. Foreign economy concentration in a GWC is a factor that affects both the territorial state and the city. For the former, both FDI flow and TNCs' expansion (foreign TNCs' entrance and home-grown TNCs' overseas expansion) are important to its national prosperity. The deeper integrated into global economy a country becomes, it is more so. If such activities are highly clustered in one city, the city becomes very "special" in the eye of the nation, urging the nation to guarantee the functionality of its local government to create a pro-business environment and sustain good governance. For the city, intense FDI flow and TNC activities inevitably brings about externalities of globalization—many of which negative and challenging ones. New economic, social and even cultural issues arise and beg addressing. The intensity of which is positively related to the level of concentration. It therefore calls for more resources to be mobilized locally.

Pro-actively thinking, a developmental state should strive to ameliorate its environment for business and global capital for the sake of better national welfare. It should not only recognize the value of GWC as "strategic sites" in world economy, but also look for ways to facilitate and foster its own GWCs, especially the more competitive and promising ones. On the city level, effects of FDI attraction can be enhanced by complementary local measures including labor-market policies, exit and entry policies, trade policies, etc. In the meantime, diverse people, information, and activities can mix and create chemistry in an encouraging and stimulating environment of a GWC, making that city an even more appealing destination.

To achieve this, the territorial state (central government) would be more prone to reallocate some of its function to the GWC (local government); while the city is more inclined to acquire additional resources and freedom to carry out governance functions. The combined outcome of would be an elevated level of autonomy of the GWC.

3.4.3 Operationalize "foreign economy concentration"

Some researchers attempted to measure concentration by looking at international air traffic data (D. A. Smith and Timberlake 2001; Derudder et al. 2008; Derudder and Witlox 2008). They count the air linkages between GWCs and other cities. An evident concentration of traffic in major GWCs is observed. This approach has serious flaws in its failure to exclude non-GWC factors in determining air traffic distribution, e.g. differentiating origin-destination passengers from connecting passengers, differentiating business travelers from leisure travelers, and path dependency in choosing an airline's operational hubs. Some other research, including Sassen's seminal work (1991a), counts the number of service industry companies in a GWC compared to that in a nation-state. It is an aggregate data that partially reflects the weight of a GWC. How big the firms are, or the strength of their connections with other GWC and with their nation-state is still unclear[29].

I mainly rely on two indicators. First, I look at a GWC's share of FDI flowing into its national economy. FDI is investment by one country (usually companies, not government) in another country in forms of establishing business operations or acquiring stakes or assets in existing businesses. Compared to similar measurements like international trade and foreign portfolio investment, FDI strongly implies acquiring or increasing control in a business—a crucial GWC function. Therefore, I deem it a suitable indicator. If more FDI into a national economy concentrates in one GWC, it suggests that city is harboring more command and control functions related to international capital. It is literally what Friedmann (1986) called the "basing points" feature of the GWC.

INDICATOR 1: The GWC's share of its national economy's FDI flow.

The world city hypothesis further adds that "world cities are major sites for the concentration and accumulation of international capital" (Friedmann 1986, 73). It also suggests a "corporate structure of capital accumulation" as a key driver of the expansion of the world economic system. "The transnational corporation is the chief instrument of the globalization of the economy... there is a marked tendency for concentration of capital in corporations... (Friedmann and Wolff 1982, 314)". It implies a tendency of TNCs

29 See (Jon V. Beaverstock et al. 2000) for a critique of several existing measurements.

concentrating in world cities, and that these corporations hold an ever-bigger ratio to a national economy. This echoes the global city approach (Sassen 1991a) that the geographical dispersal of economic activities necessitates stronger centralized control (by TNC headquarters). These centralized control functions are facilitated by advanced producer service providers also clustering in the GWC. TNCs are crucial to global cities because “the behavior of companies in the global marketplace has served to link cities through their role as business centers.” (Sassen 2002, 284)

Counting TNC numbers to reflect a city’s economic power has a long history. Hymer (1982) envisioned a global urban hierarchy according to the hierarchy of TNCs. In framing the world city hypothesis, Friedmann (1986, 72) included “headquarters for TNCs (including regional headquarters)” in the criteria for world city hierarchy. Alderson and Beckfield (2004) counted the world’s 500 largest TNCs’ headquarters and their branches, thereby analyzing the world city system. Although Sassen did not directly use TNC quantity to tell a city’s importance in a country, she often cites numbers of TNCs and their concentration in a certain city or region to help with her arguments (e.g. Sassen 1991a, 170, 178, 2000a, 45, 98).

I also observe how many of a nation-state’s largest home-grown TNCs are located in one GWC. “Home-grown” means the company should have started its business and headquartered in that country. It is self-evident that the headquarter of a TNC “commands and controls” its operations. Given TNCs operate on an international scale and constitute an integral part of the world economy, seating more TNC headquarters means holding more “command and control” functions in the world economy. Seating more home-grown TNC headquarters means playing a bigger role in a country’s foreign economic activities.

I do not count companies of advanced producer service, despite they being an integral feature of the GWC. This is not because they are not important or irrelevant, but because in measuring intercity competition, I already used the GaWC rankings, which are based on such data (P. J. Taylor, Catalano, and Walker 2002). To use it again here would be a repetition. Moreover, most of the firms in GaWC rankings are Western-based. Their clustering in one city should be read more as that city’s strategic position for world (international) capital to enter a national economy, rather than that city’s importance to its national economy. For the same reason, I disregard the concentration of any random company doing business in a GWC—although any GWC would be teeming with such. Home-grown TNC headquarters are more relevant because they also stress the territorial state's importance to the city. The city functions here as an outward window for home-grown capital to reap overseas profits.

INDICATOR 2: The GWC's share of its national economy's largest enterprises.

The shortcoming of this indicator might be the negligence of the size and internationalization level of those TNCs. *Ceteris paribus*, small TNCs are surely less important than large ones, and more internationally oriented TNCs deserve greater attention than less internationally oriented ones. These differences are impossible to be reflected by solely counting the numbers and can only be examined in detail on an individual basis.

The two indicators differ with each other in that the FDI shares measure inward capital movement, while concentration of home-grown TNCs measures outward capital movement. Flows in both directions are commanded and controlled by the GWC, reflecting that city's weight in a territorial state's international economy. Of course, these two indicators are far from being enough to comprehensively capture the very intricate relationship between a territorial state and its GWC. However, I believe they are among the most definite and informative ones that are publicly available.

I also use supplementary sources (when available) to aid observations. For examples, a GWC's share of its territorial state's international travelers, for example, is used for China. It gives a referential piece of information on cross-border people flow. I also used alternative company rankings other than the Forbes500 (e.g. for Vietnam, who does not have any company in the Forbes 500 list). Data on exports and imports are available for Mumbai and Shanghai. With them we can get an idea of goods flow through these two GWCs.

3.5 Case selection

To identify cases worthy of in-depth study, a population of cases needs to be established first. The population should cover cases with theoretical relevance to the study question, i.e.

level of autonomy of GWCs in emerging economies. Here, two selection criteria need to be met.

First, these cities should be relatively globalized or internationalized (i.e. GWCs). They may not enjoy the same worldwide influence like New York, London or Tokyo, but they must be one of the most influential and the most globally-connected city in their respective territorial state and region. This excludes "ordinary cities" in any national urban system, because they lack the dynamics peculiar to GWC; this also excludes non-city actors like neighbourhoods, communities, provinces/states or even city-regions[30]. Any case in this research should be a municipality (city) of critical economic importance to its national economy, and occupy a critical position in that national or regional sphere. It is the city and its relations with the territorial state to be focused on, rather than any other set of inter-governmental relations. This also theoretically excludes countries where no city distinctly stands out as the central or "champion city"—an unlikely scenario in reality but needs to be said.

Two, cases should come from emerging economies/markets. This means we are interested in cities in economies that are of a considerable size, have been growing steadily at a relatively fast pace for a period of time, and considered an attractive destination for global capital. It is the post-Cold War period to be observed, when the global economy as we experience today gradually came into shape and free liberalism became the dominating ideology. Advanced societies in the West (North America, West Europe, Japan, Australia and New Zealand) and the least-developed countries are not brought under examination. Countries growing at an unimpressive pace are not considered either, as the impact of globalization on their national economy or GWCs may not be drastic enough to make an impact on the inter-governmental relations. Last but not least, cases should come from a relatively "large" national economy, for two reasons. One, size does matter for global capital: the larger the market or resource pool, the greater the chances for profits; two, only on a certain scale can the central-local relations of a GWC become a meaningful analytical object: a national system with just one overwhelmingly large metropolis—such as a

[30] Although I acknowledge that city-regions surrounding certain GWCs are organically integrated with the GWC at the core and meaningfully contribute to the GWC's functions (see global city-regions in section 1.3), but that is not the question at hand in this dissertation.

"primate city" scenario—unavoidably tilts the balance towards the city because the territorial state has little alternative.

With the above criteria, a population of possible cases is derived as below:

Table 3.3: Population of cases

Asia			
China's Mainland	Beijing, Shanghai, Guangzhou, Shenzhen	*Thailand*[31]	Bangkok, Nakhon Ratchasima, Chiang Mai
Israel	Tel Aviv, Jerusalem	*Malaysia*[32]	Kuala Lumpur, George Town
Vietnam	Hanoi, HCMC, Hai Phong	*Indonesia*	Jakarta, Surabaya, Medan
Taiwan	Taipei, Kaohsiung	*India*	Mumbai, New Delhi, Chennai, Bangalore, Hyderabad, Ahmedabad
Saudi Arabia	Riyadh, Jeddah	*UAE*	Dubai, Abu Dhabi
Qatar	Doha	*Philippines*	Manila, Davao, Cebu
Pakistan	Karachi, Lahore	*Bangladesh*	Dhaka
Kazakhstan	Almaty, Astana	*Myanmar*	Yangon, Mandalay
Cambodia	Phnom Penh		
Europe[33]			
Russia	Moscow, Novosibirsk, St. Petersburg	*Turkey*	Istanbul, Ankara
Romania	Bucharest	*Ukraine*	Kiev
Africa			
South Africa	Johannesburg, Cape Town, Durban	*Egypt*	Cairo, Alexandria
Nigeria	Lagos	*Algeria*	Algiers
Ethiopia	Addis Ababa	*Morocco*	Casablanca

[31] Nonthaburi is considered part of the Bangkok metropolitan region and not listed here.

[32] Quezon City is considered part of the Manila metropolitan region and not listed here.

[33] Russia and Turkey are both considered European countries here.

The Americas[34]			
Mexico[35]	Mexico City, Guadalajara	*Brazil*	Sao Paulo, Rio de Janeiro, Brasilia, Salvador
Colombia	Bogota	*Chile*	Santiago
Peru	Lima	*Venezuela*	Caracas, Maracaibo

Source: author.

From the above population of cases, four cities are selected: Shanghai and Guangzhou in China, Mumbai in India, and Ho Chi Minh City in Vietnam. The reasons for the selection are as follows.

First, altogether, they cover the high and the low values of each independent variable. To truly test each hypothesis, it is critical to make sure that the IVs vary among cases. To have an IV staying at a constant value or vary insignificantly weakens any conclusion drawn from it. This means, although the three IVs are derived from relevant theories on GWC and globalization, and are expected to comply with hypotheses in all cases, we still need to ensure our cases display different values on each of them. By so doing, we do not predetermine the outcome of the research, because cases are not selected on the dependent variable, therefore the variation of the dependent variable is not restricted, this way an inference bias is avoided (King, Keohane, and Verba 1994, 137–38).

India and Vietnam represent the lowest and the highest level of global dependency of national economy, sitting Mumbai and HCMC at the two extremes of the first IV. China finds itself somewhere in between. On the second IV, the intercity competition, Guangzhou faces the fiercest GWC competition, with Shenzhen and Hong Kong right on its doorstep. Mumbai, on the other hand, is troubled by a much lower intensity of competition, with (a) few true rivals on the sub-continent. HCMC seems to compete only with Hanoi, the Vietnamese capital, and it does not place much emphasis on gaining an upper hand over

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[34] Argentina is excluded because its economy has been faring poorly with occasional recessions, so it is no longer considered “emerging”.

[35] Ecatepec is considered part of the Mexico City metropolitan region and not listed here.

other global cities. Regarding the third IV, concentration of foreign economic activity in the GWC, we find HCMC taking the lion's share of its country's foreign-related economic activities; Mumbai also takes up a big share of India; Shanghai, and especially Guangzhou, although being mega international cities in their own right, count for much lower shares of China's foreign economic activities. In all, the selection of these four cities can cover both the high and low values of each IV (see below).

Table 3.4: The four cases' values on each IV

	IV1: national economy's global integration	IV2: intercity competition	IV3: concentration of nation's foreign economic activity in the city
Shanghai	mid	high	mid
Guangzhou	mid	very high	low
Mumbai	below mid	low	mid
HCMC	high	mid	high

Source: author.

Two, they are all their country's leading GWCs. Mumbai's status as India's most internationalized city and economic center dates back at least to the British colonial rule. "Historically, Mumbai has been a focus for global trade around the Arabian Sea and beyond, owing in large part to its endowment with one of the largest natural harbors in South Asia. (McFarlane 2010, 530)". Today, it is still a major financial, economic, and cultural urban center of India and South Asia, and counts for a large share of India's economy and global connections.

Shanghai is mainland China's most globalized city and the undisputed economic and financial center of East China and beyond. As early as the Song Dynasty (A.D. 960-1279), Shanghai had been designated as a market city (Wu 2010). After the signing of the 1812 Treaty of Nanking (Nanjing), Shanghai became a major treaty port in Asia and "played a metaphorical role of the ‘bridgehead’ – a channel through which foreign products were distributed to the Yangtze River region and domestic agricultural and mineral products processed and exported. (Wu 2010, 704)” Guangzhou has been popularly considered one of the three “first-tier cities” of China[36]. In South China, it is the largest city in terms of population, and the third largest in terms of economic size (after Hong Kong and marginally, Shenzhen). It is listed as an “Alpha-” GWC by the GaWC in 2016[37]. The city has been China’s major seaport since the Qin Dynasty (221-207 B.C.), and was the starting point of the world’s then longest sea route in the Tang Dynasty (A.D. 618-907)[38]. Since 1957, Guangzhou has been holding the biannual China Import and Export Fair, or the Canton Fair, further establishing itself as a center of China’s foreign trade and commerce.

Ho Chi Minh City, formerly known as Saigon, is the largest city and the industrial, commercial and financial center of Vietnam. The city grew from a small village to a modern city under the French rule. After the Vietnamese independence in 1945, growth was disturbed due to warfare and the newly-established Communist government curtailing foreign investment and tightening social control. In the 1980s and 1990s, with deregulation and globalization, the city began to revitalize as a vibrant urban center. With the ascending of the Vietnamese economy, HCMC also gained weight in the GWC network, ranking the 74th in A.T. Kearney’s 2017 list (A.T. Kearney 2017), and became the leader city of FDI inflow by metric (A.T. Kearney 2017, 5). HCMC is important to watch as the window to a mid-sized populous country’s integration into global economy in an intense environment—many of its neighbors like China, Manila, Cambodia, and Thailand have either been newly industrialized or compete for the same kinds of investment and market.

In the four chosen cities, two (Shanghai and Guangzhou) are from the same country. But they are located in two distinct economic regions. Shanghai leads the Yangtze River

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36 The other two are Beijing and Shanghai. A later variant is the “four first-tier cities”, with the inclusion of Shenzhen. Recently there has been a hype of so-called “new first-tier cities (新一线城市)”, alleging cities like Chengdu or Hangzhou have risen to a comparable level to old first-tier cities. None of the new variation has underwent serious verification or official endorsement and should not be taken seriously.

37 GaWC, *The world according to GaWC 2016*, <http://www.lboro.ac.uk/gawc/world2016t.html>, last access Jun. 15, 2018.

38 Guangzhou Municipal Government, 《历史沿革》 (in Chinese), <http://www.gz.gov.cn/gzgov/s2774/sq_tt.shtml>, last access Jun. 15, 2018.

Delta region or the Huninghang Triangle[39]; while Guangzhou is the northern center of the Pearl River Delta region, which also consists of Hong Kong, Shenzhen, Macao, and other smaller municipalities. The two regions are more than 1000 km apart, and have grown into relatively separate systems. Therefore, although they are both Chinese cities, they are considered two different GWCs unrelated to each other.

Third, none of them is the capital city of the country. The capital city, in most cases the seat of the national government, has the closest access to the central authority and legislature, both in terms of spatial closeness and convenience of contact and interaction. The city's challenges are more exposed to the ruler, and its pleas much easier to reach persons on higher levels. The capital city is also the immediate living space of the people performing central functions of the territorial state. "National political authority emanates from them, and they are home to the most important elites. What happens in these locations not only orients local politics, economics, and culture, but it also sets national trends and standards. (Myers 2002, 7)" Moreover, mayoralty of the capital city is usually a valuable political credential, and capital city mayors/mayoresses are more likely to proceed to prominent positions in the central administration. Therefore, capital cities presumably would receive some level of special treatment (Goldsmith 2012, 146). This is a factor irrelevant to our study, which mainly focuses on the nation's economic globalization and economic geography. For this reason, all capital cities in the population are omitted.

Besides, all over the world, the capital city is frequently also the largest and most-developed city of the country (see Kim and Short 2008, chap. 9). Especially in less developed countries which lack a balanced urban system, the capital city is regularly the primate city. They are *the* urban focal points of political, social, cultural, and even tribal tensions brought by rapid transformations of the economy and society. Such tensions are not experienced elsewhere in the country. Administrations have to devise special mechanisms or institutions for these cities, often resulting in changes in those cities' autonomy level (e.g. Gore and Muwanga 2014). This is also an unwanted intervening

39 Hu=Shanghai; Ning=Nanjing; Hang=Hangzhou. The three cities constitute the three poles of the Yangtze River Delta region.

factor. Therefore, to ensure our study variables are not eclipsed by it, no capital city is selected, although I admit some of them are also prominent GWCs.

Fourth, they represent major developing economies in globalization. China and India are the two largest developing countries, both in terms of population and economy size (translatable into potential human resource and market). Per the World Bank, in 2016, China and India combined account for a quarter (24.94%) of the world's total GDP (PPP, current international $)[40]. Since the GWC concept is only made possible by the geographical dispersal of economic activities from the Western hemisphere to the rest of the world, and the world city hypothesis itself is about the new pattern of international economic order, it is imperative that China and India be brought into the debate, otherwise the picture is incomplete. Both countries are playing bigger roles in the global market (and world politics), able to exert strong influence in certain economic sectors (e.g. India's IT and outsourcing industries and China's electronic manufacturing) and in their own region (e.g. China in East and Southeast Asia and India in South Asia). Both countries are among the top destinations for international TNCs' expansion; their home-grown TNCs such as Tata, Lenovo and HNA, are also in the process of international expansion and integration into the world capitalist system. In 2015, these companies are respectively the 29th, the 47th, and the 98th largest TNCs in terms of TNI in all developing countries, according to UNCTAD[41]. It is highly likely that these two economies' future advancing (or not) will bring profound changes to the world power landscape. This is a trend neither the GWC research or the world city hypothesis can afford to omit.

Vietnam, on the other hand, is a key member of ASEAN, one of the fastest growing economies in the world. Both Vietnam's GDP growth rate and level of involvement in NIDL are relatively high, compared to other Southeastern countries (see figures 7.1, 7.2). With a population of close to 100 million, the country has attracted increasing attention from both international capital and the academic circle. It seems to have the potential to become another noteworthy force in world economy in the next two decades or less, and to

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40 World Bank, *World Development Indicators*, <http://databank.worldbank.org>, last access Jun. 18, 2018. Calculated by author.

41 UNCTAD, *the top 100 non-financial MNEs from developing and transition economies, ranked by foreign assets, 2015.*

consequently bring changes to the GWC map. HCMC, its undisputed financial center at Southeast Asia's geographical center, merits the attention from GWC observers.

3.6 Small-N study

This is a small-n comparative study of four GWCs in three countries. The aim is to explain why the four cities show different levels of local autonomy. All being the leading GWC in major developing economies, these cities are selected on three independent variables derived from relevant theories on GWC, globalization, and local autonomy. They share similar macro-backgrounds except on the three IVs. Since the objective is to find out causes of different outcomes in DV, i.e. the level of city autonomy, a most similar research design is produced following Mill's method of difference (Mill 1895). The four cases are considered being "resembling one another in every other respect, but differing in the presence or absence of the phenomenon we wish to study. (Mill 1895, 255)" Therefore, changing values on IVs are expected to be accountable for different value of the DV.

The number of cases, four, is not ideal, since one needs at least six cases to ensure the two extreme (high and low) values of each IV are present and can be contrasted with the other two IVs. However, suitable cities, as they must fulfill the foregoing case selection criteria, are not sufficient in the world. To include not-so-suitable cases weakens our conclusion. Limited time and language barrier further restrain the number of studiable cases.

However, the deficiency of inadequate case number can be partly compensated for the long time span of each cases. To look at one case "across-time" is a useful remedy for case inadequacy in small-n studies (King, Keohane, and Verba 1994, 219–23). As Lijphart put it, "an alternative way of maximizing comparability is to analyze a single country diachronically. Such comparison of the same unit at different times generally offers a better solution to the control problem…" (1971, 689). For each of the four cities, at least ten years' span (the HCMC case) is observed. This guarantees at least two instances in one city, thus multiplying the observation. It is important that all instances "must indeed contain an observable implication of the theory (King, Keohane, and Verba 1994, 221)", so that such observations can add leverage to causal inferences. For the reasons stated in the next section, only the period after the end of the Cold War until now is examined, so all the instances observed in each case should bear the same theoretical implications.

3.7 Time span

Overall time span of this research is from the early 1990s to 2017/18, for the following reasons.

First, the early 1990s, with the end of the Cold War, marks the start of a profound worldwide trend toward economic liberalization and globalization. It is at this time globalization as we talk about it today started to pick up speed in a meaningful way. Prior to this, there was no coherent “global economy” to talk about, because political divisions and tension hindered capital’s expansion. Since the concept of the GWC is based on an integrated world economy, and must be viewed on such, it is reasonable to start the observation at when political divisions ended and globalization started a new wave of geographic expansion. The geographic dispersal of economic activities “is a key factor feeding the growth and importance of central corporate functions (Sassen 2001a, xix–xx)”, which is essential to the GWC. To start our analysis from when such dispersal was made possible is the logical choice. Also, it was since the early 1990s that China, India and Vietnam further committed to global capital and established themselves as desirable destinations for international investment. Inclusion of such huge pools of factors of production and markets rebooted a potential shuffling of the international division of labor. The classification of core, semi-core, and periphery regions (especially the latter two) started a renewed wave of reconfiguration. This is critical to the formation and decline of world cities. As Friedmann put it, “the world city hypothesis is about the spatial organization of the new international division of labor (1986, 69)”.

Second, the early 1990s is when all the three countries started to, or have been in the process of liberalization and globalization. Baskets of policies and revisions were taken to ensure effective liberalization and connection with world capital. China faced a period of international boycott and pressure after 1989, which stimulated some domestic debate, but it eventually sustained domestic reforms and kept integrating into global economy. The then retired Deng Xiaoping's South Tour to southern coastal cities in 1992 reasserted reform and opening-up as the country's development guidelines. This keystone was later endorsed by China's central authority (see Zhao 1993). India faced rising inflation and a financial crisis (balance of payment trouble) about the same time. Internationally, disturbances caused by the Gulf War, the collapse of the Soviet Union, and a fast advancing Chinese economy together prompted the country to adopt policy measures "as close to the Washington Consensus as permitted by domestic conditions" (Nagaraj 1997, 2869). Such measures had profound impacts on the Indian economy and its international performance. In Vietnam, the 1986 Renovation (*Doi Moi*) and especially market-oriented reforms in 1989 was considered a turning point in the Vietnamese economic history. Those changes led to "remarkable achievements in terms of GDP growth, macroeconomic stabilization, export expansion, foreign direct investment (FDI) attraction, and poverty reduction" (Thanh 2005, 75). Which nation-wide policies and measures exactly were taken or should have been taken is not the focus of this research. What is important here is that on the national level, these countries, at least from this period on, have been officially trying to be part of the world economy. This makes it possible to talk about changes in their central cities' local autonomy as a response to globalization impacts.

Three, data availability. As all data used for this research are official publications by government and scholarly groups (e.g. GaWC). As yet, digitalization and online publishing of governmental statistics is still work-in-progress in all case countries. The early 1990s is when some most relevant data became accessible online. The author, short of time or financial support, cannot personally conduct field trips to those cities and collect data on paper storage, therefore relies heavily on Internet, i.e. governmental and international organization's websites. This does not miss important periods, because as explained above, before the 1990s, the importance of the GWC was not nearly as high as they are today to these countries.

The latest figures, i.e. measurements of 2017/18 are seldom available yet. Some are simply unpublished; some have not been digitalized and made open to public. However, changes of local autonomy, which is to be determined by central-local interactions, takes time to be implemented. A trend, if there is one, also takes more than one year to be discerned. Therefore, lack of the latest figures or figures for certain year does not compromise our conclusions. Admittedly, being restrained by data availability poses the danger of investigator-induced selection bias (King, Keohane, and Verba 1994, 132–34). That danger is not serious here, because suitable cases are still investigated. No cases are excluded solely on the basis of data availability.

3.8 Data source

To ensure the same statistical methodology is applied in all measurements of an indicator, governmental statistical yearbooks and governmental international organization datasets are usually referred to. Although they do change gauges occasionally, but they are mostly consistent in the methods employed. And public statistics is usually trustworthy source of openly available data. Statistic yearbooks of India (Economic Surveys), China, and Vietnam, as well as World Bank database are frequently used for national indicators like national finance, export and import, FDI, etc.

For the cities themselves, all municipal governments (for Mumbai, the municipal corporate) have published their statistics (or at least part of them) on their websites. These sources are heavily used for the statistics of their year-by-year public revenue and expenditure—a critical indicator of local autonomy level. Although openly accessible, the city-level data is still less complete than the national level. Occasionally, years of one measurement is missing or not digitalized. For example, the HCMC government only publicizes about five issues of statistical yearbook, covering only one decade, thus limiting the time span we can observe.

Occasionally, like for Mumbai, state- or other level figures are used. Because of the political and financial structure of the country, certain statistics are not maintained on the city basis. For example, there is no FDI statistics for Mumbai, because it is simply not monitored (Ghorpade 2005, 47). In this case, statistics on the closest level, if available, is used. When doing so, caveat is added about the limited validity of the measurement.

For national figures, if not available from the national platform, governmental international organization datasets are utilized, e.g. those maintained by the World Bank and the United Nations. Because of their governmental background, we deem their figures mostly trustworthy. Their datasets also provide certain aggregate data that are not available from national platforms, e.g. the human development index and the national decentralization index. They are used to aid relevant arguments.

This is not a content-analysis research, but when necessary, governmental documents, policy papers and consultancy reports are cited to aid arguments.

One scholarly data is intensely utilized: the world according to GaWC[42] maintained by the Geography Department at Loughborough University, mainly to measure IV2 (intercity competition). Because it has made its methodology and coverage open (P. J. Taylor 2004; P. J. Taylor, Catalano, and Walker 2002), and they highly match the need of our study, it is used without additional processing.

To determine each city's weight in their national economy, the number of the largest TNCs or corporations headquartered in that city is counted. Such data comes from the Forbes 500 list, which is widely cited and generally trusted. However, as yet, not a single Vietnamese company has made the list, making the same measurement inapplicable to HCMC. Alternative sources have to be found. The VNR 500 list is used instead. It only ranks the largest companies doing business in Vietnam.

All sources used are open to public, so the data collection and processing are verifiable and replicable.

42 GaWC Research Network, <http://www.lboro.ac.uk/gawc/group.html>, last access Apr. 17, 2019.

Chapter 4: Case of Mumbai, India

4.1 Introduction

From now on I move to the empirical part and study the four chosen cases. This chapter examines Mumbai. Besides being the economic, financial, and industrial center of the largest country in South Asia, Mumbai also sits at the regional geographical center, embraced by the sub-continent in the east and facing the Middle East and Arab World in the west with a fine natural harbor which easily connects it with East Africa and beyond.

In GWC studies, Mumbai is a frequent topic. Laurenceson and Kamalakanthan (2004) find both Mumbai and Shanghai are highly interested in becoming IFCs, yet their prospects are bleak compared to established western IFCs, and that some fatal hindrances can only be fundamentally removed on the national level; Ghadge suggests the notion of "Shanghaization of Mumbai" misplaces emphasis merely on economic growth. Rather, Mumbai's more inclusive mode of governance has a higher potential in the long run (Ghadge 2013); Harris uses the assemblage theory and studies transportation infrastructure's role in sustaining and boosting Mumbai's global relations and GWC profile (Harris 2013); Phadke investigates urban restructuring during MMR's ascent as a GWC and how it affects the peri-urban areas of the Mumbai city region socioeconomically, politically and culturally (Phadke 2014). Clark and Moonen recently provided a thorough analysis on Mumbai's strength, challenges and hindrances on GWC formation (G. Clark and Moonen 2014). A large part of GWC attention to Mumbai focus on local inclusive governance rather than economic or financial aspects of the city, or the city's relations with the territorial state of India.

The chapter is organized as follows. First, a short introduction is made on Mumbai's urban policy and political structure changes. Second, India's history of decentralization and its effects on local autonomy is briefly reviewed. Third, I go through Mumbai's local autonomy change since the early 1990s to 2016 based on the city's fiscal data, supplemented by that of Maharashtra. The fourth to six sections are devoted respectively to the three IVs. A conclusion wraps up the chapter.

4.2 Mumbai's urban structure and politics

Unlike Shanghai or HCMC, Mumbai is not directly under the Indian central authority, but mediated by the state (provincial) government of Maharashtra. This means the city's autonomy level should be understood with respect to the city's position in the state, in the country, and also with reference to the state's position in the country. Analysis is thus complicated, as there is one more tier involved. However, the three IVs are still theoretically feasible here. As even with an additional layer of authority, the territorial state of India still needs a strong and vibrant GWC to articulate its national economy.

The following table represents the division of major public service providers for Mumbai.

Table 4.1: Levels, actors and their role in the provision of basic services in Mumbai

Set-up level	**Actors/organization**	**Sectoral relation**	**Role**
Central government	Ministry of Urban Development Planning commission	Overall urban development	Oversee implementation of urban objectives into policy and action
Maharashtra state government	Urban development	Urban development - state subject, hence direct role	Direct management, planning and development of urban development in the state
Statutory authorities			
a) water	MMRDA; MWSSB	Metropolitan planning water supply and sewerage	Preparation of local and regional level urban development plans and water distribution
b) housing	MHADA; CIDCO	Poor/power middle class urban population	Social housing/affordable dwelling
c) health	Municipal hospitals	Poor/lower middle class	Free/subsidized health care
	Private clinics	Upper middle and affluent sections	Emergency and quality health care
	Super specialty hospitals	Affluent customers	Advanced and high-cost health care

d) transport	MSRDC railways (central gov.)	Road development catering to a majority of commuters	Catalyst for public and private transport augmenting rail services through MU; MUTP initiative
Municipal/local government	Local authorities, BMC, municipal councils	Urban local areas	City administration and development
International agencies	UNDP, WB, ADB, etc.	Transportation, slum redevelopment, etc.	varied
Non-governmental organizations (NGOs) – state/local	SPARC; YUVA; CEHAT	Housing and health	Persuasive, collaborative and advocacy role
Private sector enterprises / corporate sector and MNC	Tata, Birla, Mahindra, Bajaj, etc.	Transportation, health, education, housing	Fulfilling corporate, social and community responsibility (?)

Source: (Mohan 2005, 194–95), with author's alterations.

Central, state and local levels of government all take part in Mumbai's municipal governance, but few future-oriented decisions are made at the local level—this already implies an intrinsic lower level of autonomy. For example, the Indian central government is in charge of overseeing implementation of urban tasks and objectives, placing the municipal government in its subordination. Moreover, services highly pertinent to the city's future growth (e.g. railway transportation and aviation) are not assigned to the local level. Moreover, the Indian central government is in charge of overall urban planning of the territorial state, while the Maharashtra state in charge of state projects, therefore adopts a more direct role. Much urban-related tasks and measures are carried out by the state. The city itself holds the Mumbai Metropolitan Region Development Authority (MMRDA). Other functions are spread among different bodies, including governmental and non-governmental organizations and private enterprises. The United Nations, World Bank, and Asian Development Bank have devoted much efforts in slum redevelopment, an enduring problem plaguing the city; and home-grown enterprises like Tata Group also partake in health and educational sectors, etc.

In sum, the highest-level urban development planning is performed at the national and the state level. Although Mumbai retains its own agency of development planning pertaining to GWC growth, its efficacy, however, has been low (Chattaraj 2012). Other daily services are shared between public and private sectors. These services affect the city's image as India's leading GWC, but are not directly linked to the city's local autonomy level, so they are not discussed here. The framework set for Mumbai is a strong-center, stronger-state, weak-local one. This gives the territorial state more leeway to decide whether and how much power to devolve; even larger leeway is contained at the Maharashtra state level. This makes it theoretically more possible to test our hypotheses.

4.3 India's decentralization and local autonomy

With a federal structure, India inherently has a relatively higher degree of decentralization, or local autonomy. This is partly a major legacy of British colonial rule, in which colonists "tried to rule with the minimum necessary use of force, honoring local customs, accommodating local rulers and transforming local and regional power into props of imperial rule (Mitra 2011, 35–37)". Local forces and self-identities are thus partly recognized and kept until today.

Before the constitutional amendment in 1992, India formally had a two-level government: the central level and the state level. Local (sub-state) level government merely existed *ad hoc*. They were only created in rural areas by state governments and acted as their agencies. In urban areas, some state governments created urban corporates or municipalities granted with certain level of power to run local public services. But "the framework was not adequate and the system was not congenial for the development of local self-government in most of the States (Rao 2001, 5)". In this structure, cities had little local autonomy to speak of: "local government was a state subject and its administration was entirely left in the control of the state legislature (Aijaz 2008, 150)". Most local governments were unable to provide public services adequately and sufficiently, not to mention devise own development plans. Such plans, if any, were to be devised and carried out by the state-, cross-state, or higher levels.

Local-level government was officially recognized in the 74th constitutional amendment in 1992, which stipulates states to pass legislation for local *panchayat raj* institutions and municipal acts within a certain period. 37 activities are assigned to urban local governments (Rao 2001, 6). Cities also became able to set up own agencies for some public services.

Contrary to usual expectation of a federal political system, India's decentralization below the state level came from the central rather than the local (Rao 2001, 6). This centralized feature is partly because India's high level of diversity necessitates central authority to allow localized treatments, and partly because of the legacy of the colonist rule. The Indian political system "has attempted to combine elements of a modern state with the historical legacies of the pre-modern past. (Mitra 2011, 93)" Generally, the constitutional amendment gives official recognition to more local autonomy. Local powers are formally expanded and integrated into the constitutional framework. "Municipalities in India are being slowly empowered to emerge as viable units of governance at the local level and to be able to discharge their duties and powers in an efficient manner. (Aijaz 2008, 150)" However, the autonomy is still heavily subject to higher authorities' discretion. And of course, each states and centrally controlled territories fare differently in their local level autonomy.

In terms of division of responsibilities, functions with significant nationwide ramifications are naturally ascribed to the central authority. These include money supply, external borrowing, diplomacy, national defense, national transportation systems, etc. Some functions with implications across states or with certain national importance (preventive detention, bankruptcy, economic and social planning, etc.) are concurrently ascribed to states and the center—this is a special feature of Indian federalism (Mitra 2011, 91). Functions with state-wide implications are ascribed to the states. These include land revenue, certain taxes, stamp duties, registration fees, etc. Residual functions and tax powers belong to the center (Rao 2001, 8). Still, the sub-state level of government has no legal right to exclusive fiscal power. Their power to levy taxes and fees and to invest in public services are granted by the state government. State governments also transfer resources or grants-in-aid to local governments.

What is highly relevant to our study is, with the new constitutional amendment that came into effect in 1992, "the basic objective of an urban local government has changed from the maintenance of law and order in the early years to the promotion of the welfare of the community..." (Aijaz 2008, 139). Furthermore, the 74th amendment act also grants new functions to municipalities (through state acts), one of which being "planning for economic and social development", enabling local municipalities to tailor-make growth plans and policies. Also, in 2005, India initiated the Jawaharlal Nehru National Urban Renewal Mission (JNNURM)[43], a massive urban-modernization plan to help Indian cities "to realize their full potential and become true engines of growth" (JNNURM Directorate, n.d., 1), yet the program has made little impact (Chattaraj 2012, 28). Ten years later, the program was updated and renamed as Atal Mission for Rejuvenation and Urban Transformation (AMRUT)[44], and its efficacy remains unclear as yet.

In general, in India, although local autonomy has a long history and has been constitutionally recognized since the 1990s, unlike conventional federal systems, it is still strongly influenced by higher authorities. This is also important for our study as such system plays up the territorial state's role, partly compensating for a federal system's inherently higher levels of local autonomy.

Table 4.2: Indian General Governments' Consumption, 1993-2013 (Rs. crore)

Year	Central government	Central %	State governments	State %	Local authorities	Local %	Total final consumption
1993-1994	34624	40.29%	42035	48.91%	9278	10.80%	85937
1997-1998	45789	41.82%	50893	46.48%	12807	11.70%	109489
1998-1999	52723	42.48%	57648	46.45%	13740	11.07%	124111
1999-2000	88847	40.12%	105449	47.62%	27143	12.26%	221439
2000-2001	85673	38.44%	109232	49.01%	27955	12.54%	222860
2001-2002	88423	38.94%	109885	48.39%	28756	12.66%	227064
2002-2003	88353	39.36%	106347	47.38%	29749	13.25%	224449
2003-2004	83159	36.49%	114479	50.23%	30281	13.29%	227919
2004-2005	90552	28.03%	144752	44.82%	62331	19.30%	322997
2005-2006	96330	27.35%	157847	44.81%	67285	19.10%	352237
2006-2007	96728	26.52%	168313	46.15%	68496	18.78%	364720
2007-2008	107986	26.99%	189451	47.35%	71758	17.94%	400094
2008-2009	124976	28.16%	205179	46.22%	72716	16.38%	443876
2009-2010	158059	31.04%	233015	45.76%	77448	15.21%	509186
2010-2011	158280	29.38%	256361	47.58%	85394	15.85%	538807
2011-2012	162460	28.21%	277596	48.20%	95679	16.61%	575954

43 Www.jnnurm.gov.in

44 "JNNURM 2.0 to be named after Vajpayee", *The Times of India*, Feb. 3, 2015, <https://timesofindia.indiatimes.com/india/JNNURM-2-0-to-be-named-after-Vajpayee/articleshow/46102222.cms>, last access Aug. 1, 2018.

* 1993-1999 figures are at 1993-94 price; 1999-2004 figures are at 1999-2000 price; other figures are at 2004-05 price.

Source: Indian National Accounts Statistics, various years, compiled and calculated by author.

4.4 Mumbai's local autonomy level, the early 1990s to 2016

This section goes over Mumbai's local autonomy level from the early 1990s, when India embarked on a new phase of liberalization and adopted a revised constitution that enhanced the local-level legitimacy, to 2016, the latest year with available data. Data is mainly derived from the Municipal Corporation of Greater Mumbai (MCGM), the governing civic body of the city and its surrounding areas.

Table 4.3: Mumbai public income 1993-2016 (Rs. crore)

year	city income	growth %	general tax	octroi	grants & other sources	growth %	grants & other sources % city total	net loan / debt
1993-1994	9696.5		1065.5	6454.8	2176.2		22.40%	6516.7
1994-1995	11275	16.30%	1203.4	7644.5	2427.1	11.50%	21.50%	7102.8
1995-1996	12817.3	13.70%	1400	8548.8	2868.5	18.20%	22.40%	6608.6
1996-1997	14007.8	9.30%	1470	9166	3371.8	17.50%	24.10%	6516.7
1997-1998	14508.3	3.60%	1691.4	9615.1	3201.8	-5.00%	22.10%	8074.2
1998-1999	17191.5	18.50%	1809.3	11251.7	4130.5	29.00%	24.00%	10799
1999-2000	19462.1	13.20%	1946.9	12930.1	6337.3	53.40%	32.60%	13281.2
2000-2001	23950.5	23.10%	2216.3	15929.1	5805	-8.40%	24.20%	12948.2
2001-2002	24822.9	3.60%	2455.1	15051.9	7315.9	26.00%	29.50%	13538
2002-2003	30540.5	23.00%	2981.5	19474.2	8054.8	10.10%	26.40%	12103.9
2003-2004	32802.6	7.40%	3138.2	21349.3	8315.1	3.20%	25.30%	10155.6
2004-2005	32802.6	0.00%	2981.5	19474.2	8054.8	-3.10%	24.60%	12103.9
2005-2006	37738.2	15.00%	3457.6	24122.8	10157.8	26.10%	26.90%	9461.8
2006-2007	53617.1	42.10%	4352.8	33979.4	15284.8	50.50%	28.50%	6601.9
2007-2008		-100.00%				-100.00%	#DIV/0!	
2008-2009		#DIV/0!				#DIV/0!	#DIV/0!	
2009-2010		#DIV/0!				#DIV/0!	#DIV/0!	
2010-2011		#DIV/0!				#DIV/0!	#DIV/0!	
2011-2012		#DIV/0!				#DIV/0!	#DIV/0!	
2012-2013	206916.5	#DIV/0!	99606.8	36997.3	30226.5	#DIV/0!	14.60%	8298.7
2013-2014	232323.9	12.30%	102363.5	44547.2	30423.1	0.70%	13.10%	7526.5
2014-2015	257234.6	10.70%	107522.2	49074.1	30805.4	1.30%	12.00%	6643.2
2015-2016	271070	5.40%	115185.4	45476.3	30970.4	0.50%	11.40%	5268.5

Source: Municipal Corporation of Greater Mumbai, author's calculations.

Since local government was officially recognized in 1992, MCGM only started to provide public fiscal data since 1993. As per Table 4.3, Mumbai's municipal income today is 28 times that of 1993. This means the MCGM's financial power has grown significantly during the past two decades. However, we also witness pronounced turbulence in the trajectory. The author cannot adequately explain this turbulence. Facing such great rises and falls in the income, an average does not seem necessary or meaningful. What can be safely drawn is that municipal income has risen significantly through the last two decades, and that in each fiscal year the city collects more (or relatively the same) revenue than the last year. There is no income drop during this period[45].

One possible cause of such fluctuation is the changes in octroi, a tax levied by a locality on articles entering its jurisdiction for consumption. It is a tax abandoned by most countries and regions, but still used in Pakistan, Ethiopia, and the Maharashtra State of India. Octroi is the main source of revenue (MCGM 2007, 1) and accounts for more than half of MCGM's municipal income, and there is a high relevance between Mumbai's octroi and fiscal income. E.g. the aforementioned 42.1% income growth in 2016-17 is accompanied by a 40.9% growth in octroi, while the 3.6% income growth in 2001-02 is accompanied by a 5.5% fall in octroi. The state of Maharashtra once temporarily replaced octroi with local body tax (LBT) in 2013[46], only to reverse the decision the next year, finding the LBT cannot make up the gap[47]. The decision to abolish and reinstall octroi is made at the Maharashtra State level, further illustrating that in some critical areas, Mumbai is still subject to higher authorities about two decades after the constitutional recognition of local governments.

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45 Except the fiscal years between 2007-2012. Details for these years are not readily readable from the MCGM fiscal publications.

46 Press Trust of India, "Maha to scrap octroi this year, expand ambit of LBT: Chavan", *Business Standard*, March 18, 2013 <https://www.business-standard.com/article/pti-stories/maha-to-scrap-octroi-this-year-expand-ambit-of-lbt-chavan-113031800340_1.html>, last access Jul. 20, 2018.

47 Ashish Roy, "Octroi to replace local body tax next week", *The Times of India*, Jun 9, 2014 <https://timesofindia.indiatimes.com/city/nagpur/Octroi-to-replace-local-body-tax-next-week/articleshow/36262057.cms>, last access Jul. 20, 2018.

We also observe grants and other sources. This is a part of fiscal transfer from the state and the national levels to the municipal corporation to carry out tasks and plans made by the state or the nation. In 1993-1994, the share was 22.4% of total income. The figure stayed relatively stable until 2006-07, when it read 28.5%. During these 15 years, it fluctuated between a third (32.6% in 1999-2000) and a fifth (21.5% in 1994-95), but the change was not as radical as that of the total city income. Exact figures for 2007-2012 is not available, and in the 2012-13 fiscal year, grants were almost cut in half, dropping to 14.6%. The later years all saw a gradual decline, which ended at merely a tenth (11.4%) of city income in 2015-16. Through the years, we see the first peak of governmental grants from 1998 to 2002. Another peak is seen three years later.

Grants and other sources' share in the city's total income is more stable. This is because this sector only accounts for a quarter of the total, and is further shrinking. What can be read from it? First, no steady trend in grants reflects a possible lack of long-term state and national level commitment in Mumbai's development. Two, the share of grants increased from a fifth to a third between 1993 and 2007, then dropped to a tenth now. Generally, it means resources transferred from higher levels first rose then fell, so is the local autonomy enabled by this part of income. In the last years, the money MCGM received remained relatively the same and did not increase with economic growth, pointing to a possible shrink of local autonomy.

The third item is the loan or debt the city issues. The power to take out loans and borrow debts is an important aspect of local autonomy. A city freer to get loans and debts is certainly more autonomous than a city who cannot or must require higher approvals to do so. In 1993-94, the city took out 6516.7 crore INR—about 67.2% of its annual income. In the two decades since then, the figure ranged between 13281.2 crore INR in 1999-2000 (68.2% of total public income) and 5268.5 crore INR in 2015-16 (a mere 1.9% of total public income). Again, the fluctuations in this item do not seem to follow any clear pattern. When read together with the city's total public income, no evident relation emerges. Neither is there any visible link between debts and loans and inter-governmental grants.

4.5 Mumbai's local autonomy level from the angle of Maharashtra

Mumbai is not directly positioned under the Indian central government, rather, it is also subordinated to the state of Maharashtra. Therefore, it is also necessary to examine the state's fiscal relations with the center. Due to limitations in data categorization, the fiscal reports by MCGM do not distinguish between grants and transfers from the central government and those from the state government. The relation reflected by the aggregate figure is between the city on one side and both Maharashtra and New Delhi on the other. It renders us unable to tell which level is transferring more power to the city.

To soften the intervening effect, I contrast the grants from central government to the state and the grants from upper governmental levels to Mumbai. If there is a parallel trend of increase or decrease between the two, then maybe it is not because of Mumbai's own faring, rather, the change is taking place on a grander scale. On the contrary, if the figures for Maharashtra and that for Mumbai is displaying different trajectories, then it is more likely that what is happening in Mumbai is not seen elsewhere in the state, and we can draw more meaningful conclusions from it. If the two display similar trends but with different intensities, it is also a sign that the difference is caused by Mumbai's special characteristics.

Due to the availability of the Maharashtra State statistics, we only contrast the state and the city statistics from 2001 until today. When there was a surge of central grant in 2003-04 (a 50.73% increase) to the state government, grants to MCGM dropped by 16.1%. When the central grant to Maharashtra almost doubled (+97.48%) in 2006-07, those sent to Mumbai shrank for 30.2% in the same year. Into the second decade of the century, the divergence continues. The sharp contrast strongly signals that Mumbai is a special case in Maharashtra State. Although the state sits between the GWC of Mumbai and the territorial state of India, Mumbai still retains its special characteristics—at least in terms of fiscal transfer.

Table 4.4: State of Maharashtra revenue and grants from central government, 2001-2017

	Total Revenue	Total Revenue change %	State's own revenue	State's own revenue change %	Central taxes	Central taxes change %	Grants from central gov.	Grants from central gov. change %	Grants % of total revenue
2001-2002	30093	/	21304	/	2452	/	1682	/	5.59%
2002-2003	31103	3.36%	22815	7.09%	2265	-7.63%	1506	-10.46%	4.84%
2003-2004	34371	10.51%	25181	10.37%	3370	48.79%	2270	50.73%	6.60%
2004-2005	41013	19.32%	30605	21.54%	3596	6.71%	2694	18.68%	6.57%
2005-2006	52198	27.27%	37536	22.65%	3596	0.00%	2694	0.00%	5.16%
2006-2007	59146	13.31%	41454	10.44%	5676	57.84%	5320	97.48%	8.99%
2007-2008	79583	34.55%	47528	14.65%	7598	33.86%	7509	41.15%	9.44%
2008-2009	81271	2.12%	52031	9.47%	8018	5.53%	11432	52.24%	14.07%
2009-2010	88498	8.89%	55711	7.07%	8248	2.87%	17484	52.94%	19.76%
2010-2011	97044	9.66%	63838	14.59%	10884	31.96%	12106	-30.76%	12.47%
2011-2012	121286	24.98%	87648	37.30%	13304	22.23%	12166	0.50%	10.03%
2012-2013	142947	17.86%	103448	18.03%	15192	14.19%	14322	17.72%	10.02%
2013-2014	149822	4.81%	108641	5.02%	16588	9.19%	13241	-7.55%	8.84%
2014-2015	165415	10.41%	115090	5.94%	17604	6.12%	20141	52.11%	12.18%
2015-2016	185036	11.86%	126628	10.03%	28086	59.54%	16899	-16.10%	9.13%
2016-2017	220012	18.90%	131230	3.63%	33715	20.04%	32447	92.01%	14.75%

Source: Annual Fiscal Statement, various years, GoM, calculated by author.

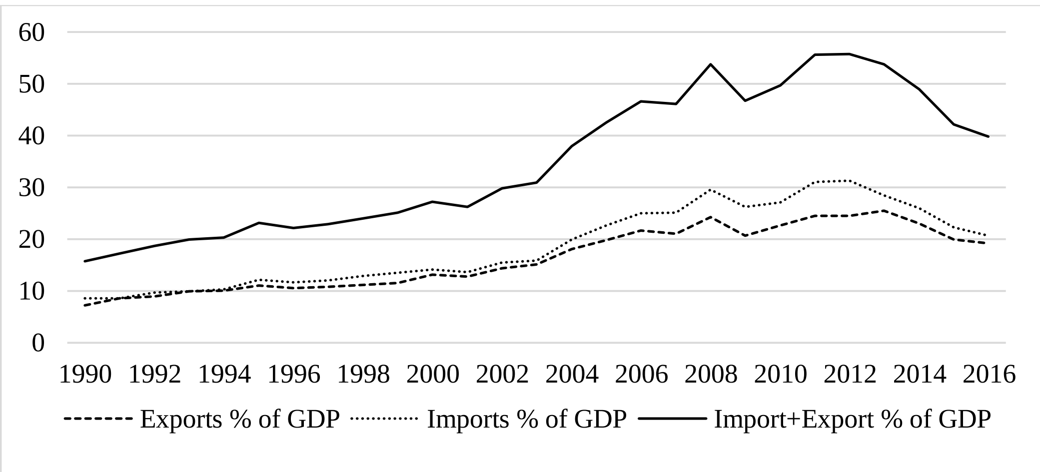
4.6 Indian economy's global integration and Mumbai's local autonomy

This part analyzes whether India's integration into global economy influences Mumbai's local autonomy level as a GWC. The financial crisis that befell India in the early 1990s led to broad reforms with the goal to "spur Indian growth by fostering trade, FDI, and portfolio equity while avoiding debt flows that were perceived as potentially destabilizing (Lane and Schmukler 2007, 117)." By examining the import and export's percentages and foreign direct investment's percentages to India's annual GDP, a picture of how much of India's national economy is integrated in globalization is generated.

4.6.1 Indian import and export's share in its GDP and Mumbai's local autonomy

After independence from the British rule, the Indian economy was largely autarchic. There was no coherent national strategy regarding international trade and commerce. It was only in the early 1990s— when the country encountered a fiscal crisis—that India started a new wave of liberalization and internationalization. In 1990, foreign trade only accounted for 15.7% of GDP. The following decade saw the figure gradually climb to 27.2%—almost doubled. The peak is recorded in 2012 at 55.8%. It means its international trade is more than half of the country's GDP size. The Indian national economy is substantially more sensible and vulnerable to international markets. The percentage then gradually fell to 39.8% in 2016.

Figure 4.1: Indian imports and exports of goods and services, % of GDP

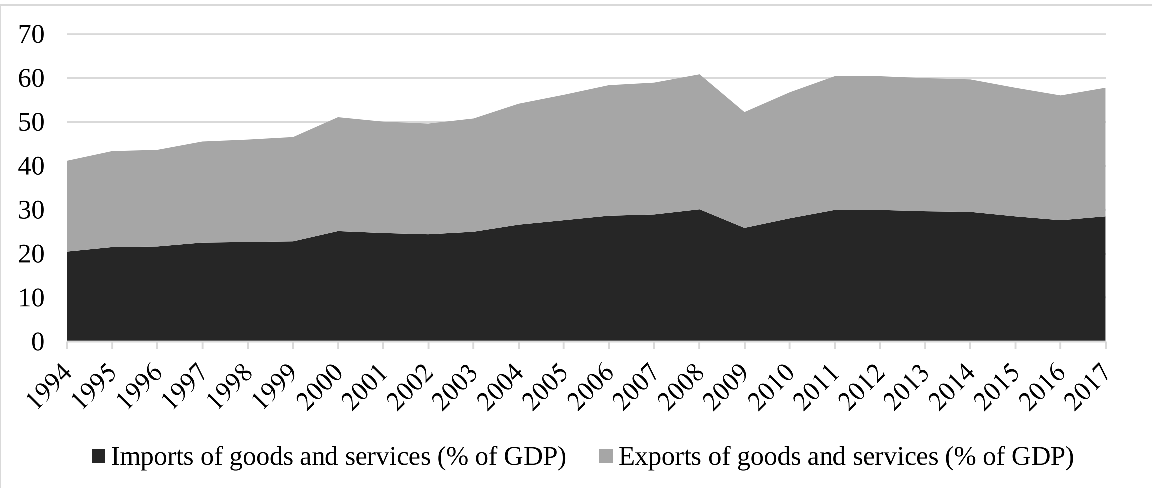


Source: World Development Indicators, World Bank.

Through the 26 years, three phases can be discerned. First, from 1990 to 2003, import and export rose smoothly for more than a decade, from 15.7% to 30.9%. The 1998 Asian financial crisis did not make a visible impact on India. During this phase, Mumbai's fiscal income also saw an upward trend (with occasional dips), with a relative annual growth rate of approx. 10%. Grants from higher levels saw greater expansion. It suggests an intentional devolution of power to the municipal level. However, the percentage of such grant in Mumbai's municipal total did not change that much, meaning its contribution to the whole municipal revenue was limited. The local loans and debt, on the other hand, see expanded less. Nationally, expenditure by local authorities registered a small increase from 10.8% to 13.25% of all governmental expenditure. Read together, there is a slight sign of autonomy expansion in Mumbai faster than other localities in India.

The next phase is from 2004 to 2013, when the percentage stayed relatively high at close to a half. This period echoed the prime time of globalization in the 21st century, when the world's import and export stayed above 25% of the world's total GDP size (see figure 4.2). During this period, not only Mumbai's issuing of local loans descended from 31% of the city's total income to just 3.2%, but also the fiscal resource it received from upper governments fell from 25.3% of the municipal revenue to 13.1%. Both point to absence of local autonomy increase—the city did not take out more loans, nor did it receive more money from higher authorities. It is premature to decide whether the seemingly reverse correlation is the case. But at least there is no convincing evidence of a parallel increase in local autonomy.

Figure 4.2: World's Export and Import of Goods and Services, % of GDP



Source: World Development Indicators, World Bank

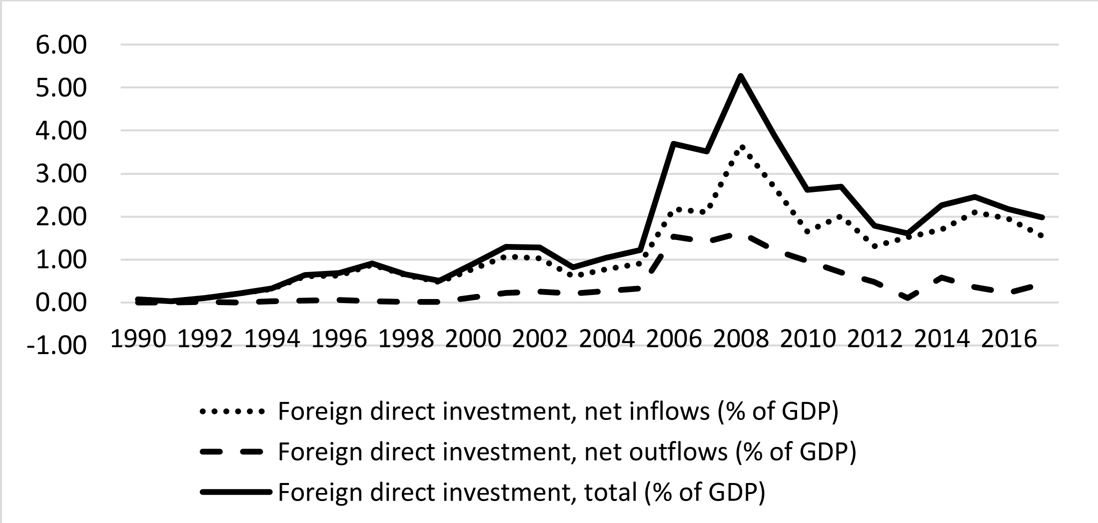
The third phase is from 2013 on, when the percentage slowly fell from approx. 54% in 2013 to approx. 40% in 2016. The world's globalization level did not see a same decline. This means Indian economy's domestic expansion was faster than its international integration. During the last years, increase of Mumbai's municipal income grew at a slower place. Grants from higher levels, on the other hand, stayed relatively the same. Mumbai's local autonomy during this phase still did not increase or decrease fiscally. The city neither obtained more fiscal transfer, nor took out more loans. In the meantime, the state of Maharashtra received much more grants since the 2014-15 fiscal years. This is in contrary to what is happening on the Mumbai city level—further confirming an absence of local autonomy raise.

4.6.2 India's FDI inflow and outflow and Mumbai's local autonomy level

India's FDI increased gradually over the period of observation—its percentage to GDP rose from almost nil to 1.23%. It drastically increased after 2006 and peaked in 2008 to 5.28% of GDP. The percentage then plummeted to 2.62% in 2010 and stayed below 3% ever since. Proponents of FDI is popular among developing countries including India and China, they suggest that "because it embodies technology and know-how as well as foreign capital, FDI can benefit host economies through knowledge spillovers as well as linkages between foreign and domestic firms (Alfaro and Johnson 2013, 300)." The more FDI is flowing to/from a territorial state, its economy is more closely linked with the world.

India discourages external debts. There are barriers to its domestic companies to issue foreign bonds, or foreign investor to enter Indian domestic bond market. Indian banks are not allowed to hold external assets except governmental bonds. However, equity inflow regulations have been loosened significantly since the early 1990s. Restrictions on FDI inflow and outflow are still in place, although being progressively relaxed. Also, the Indian authority tries to stabilize the actual exchange rate of INR against UDS, thus imposing a *de facto* limitation on capital flows (Lane and Schmukler 2007, 117–18). India displays some typical attitudes of a developing country toward FDI: increased interest in reaping its benefits, restrictions abound, yet in a gradual process of relaxation.

Figure 4.3: India's FDI net inflow and outflow (% of GDP), 1990-2017



Source: World Development Indicators, World Bank

As per the figure above, India's FDI flow rose significantly since 2006. Grants from higher levels of government to Mumbai seemed to rise too. Nonetheless, as aforementioned, the percentage of grants in the city's revenue actually fell, as Mumbai was collecting drastically more money. In total, the effects of such devolution were mild. In Maharashtra figures, we also see a great increase in grants. The state's own revenue's percentage in its total revenue decreased significantly, from 22.65% in 2005-06 to 10.44% in 2006-07. This was accompanied by a doubling of central grants, which went from 2694 crore to 5320 crore INR. It echoed Mumbai's situation, meaning the trend is at least state-wide, rather than Mumbai-specific.

After the 2008 financial crisis, FDI flow's percentage to Indian GDP fell to below 3% in 2010 and stayed there afterwards. It is reflected in the grants' share in Mumbai municipal revenue. There probably was a decrease of local programs initiated by the state and national governments. However, grants to Maharashtra after 2008 rose evidently. This is in contrary to Mumbai, confirming our assessment that Mumbai is a special case in Maharashtra.

4.6.3 Summary

In this part, I used two indicators to evaluate Indian economy's global integration: the percentage of import and export to GDP, and the percentage of FDI inflow and outflow to GDP. Indicators show a steady deepening of the global integration of the Indian national economy. However, the integration has gradually declined since the mid-2010s, when import and export, as well as FDI accounted for less and less share of GDP. Whether such decline marks the beginning of a new phase in India's economy, or it is just an occasional descend, is uncertain yet.

Our hypothesis expects a positive relation between a territorial state's global integration and its GWC's local autonomy. Empirical observations fail to suggest a convincing relation. Despite the clear trend of global integration (and its slowing down since the mid-2010s), there was no consistent rise or fall in Mumbai's local autonomy. There might be a link between the rapidly increasing FDI and the rise of fiscal grants to lower levels, yet it does not bear out in all time phases. Moreover, the sum of that increase in grants is insignificant for the total revenue of the city. Therefore, the first hypothesis is not entirely validated.

4.7 Intercity competition and Mumbai's GWC's local autonomy

This part tests the second hypothesis: competition from neighboring GWCs leads to higher level of Mumbai's local autonomy. To determine the level of competition Mumbai faces, I use the *World According to GaWC* rankings. I contrast all major South Asian and Middle Eastern GWCs' positions and changing trajectories to that of Mumbai. If a city gets closer to Mumbai in its ranks, it means it poses stronger competition. Also, if a city ascends fast, it also implies increasing competition from that city.

Since all relevant cities are just GWCs with a regional influence, it is only necessary to consider Mumbai's neighborhood. The scope of competition is delimited to South Asian and Middle Eastern cities. Western African coast cities should also be considered, yet none of them has qualified as a GWC. Indian cities are given higher attention, as they are more likely and easier to become genuine competitors to Mumbai as potential GWCs that articulate the Indian economy. All Indian cities ever made the lists are observed.

To complement GaWC, I also look at stock exchanges in the same region. It reflects the amount of capital circulating in each city's security platform.

4.7.1 Intercity competition as per the World According to GaWC

For Mumbai, I trace 17 cities as potential competitors. Among them, all Indian cities ever made the list are included, but not all of them are traced through the whole period, because many are only rated "S" (sufficient, the lowest level), therefore pose little challenge to Mumbai.

Table 4.5: Mumbai Intercity Competition, GaWC Source, 2000-2018

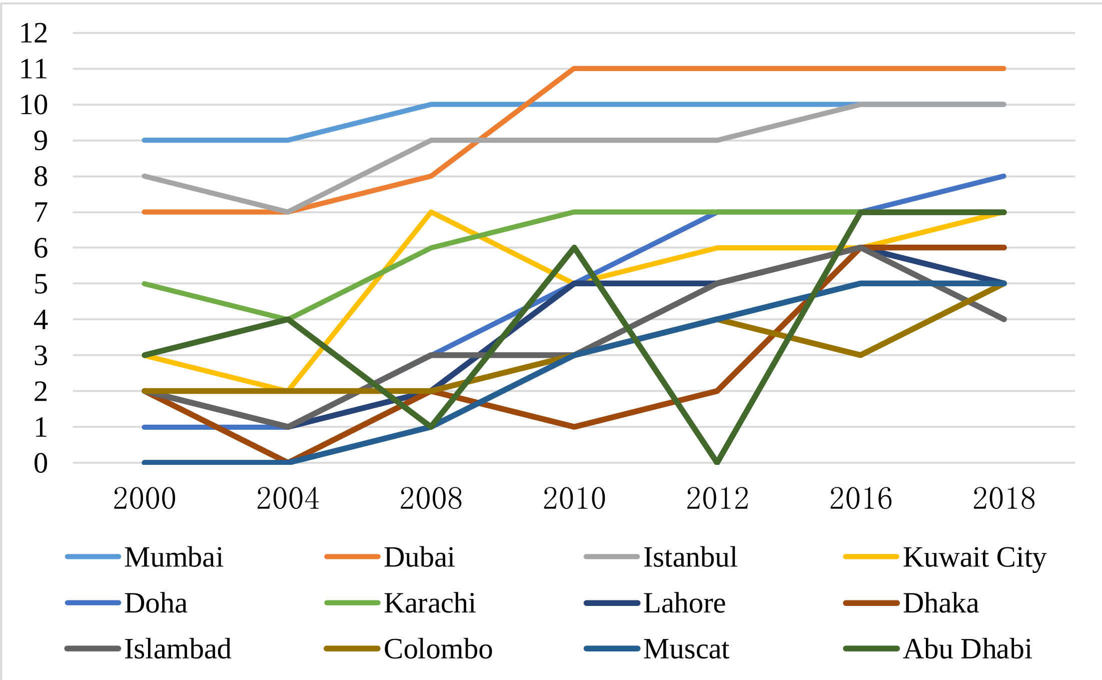
City	Country/Region	2000	2004	2008	2010	2012	2016	2018
Mumbai	India	α-	α-	α	α	α	α	α
Dubai	UAE	β	β	β+	α+	α+	α+	α+
Istanbul	Turkey	β+	β	α-	α-	α-	α	α
New Delhi	India	β	β-	β+	α-	α-	α-	α-
Kuwait City	Kuwait	γ-	HS	β	γ+	β-	β-	β
Bangalore	India	γ+	γ+	β	β+	β+	β+	β+
Doha	Qatar	S	S	γ-	γ+	β	β	β+
Karachi	Pakistan	γ+	γ	β-	β	β	β	β
Chennai	India	γ	γ+	γ+	β	β	β-	β
Lahore	Pakistan	HS	S	HS	γ+	γ+	β-	γ+
Calcutta	India	γ	HS	γ	β-	β-	β-	γ
Hyderabad	India	/	S	HS	γ+	β-	β-	γ+
Dhaka	Bangladesh	HS	/	HS	S	HS	β-	β-
Islamabad	Pakistan	HS	S	γ-	γ-	γ+	β-	γ
Colombo	Sri Lanka	HS	HS	HS	γ-	γ	γ-	γ+
Muscat	Oman	/	/	S	γ-	γ	γ+	γ+
Pune	India	/	/	S	γ-	γ-	γ	γ+
Ahmedabad	India	/	/	/	HS	γ-	γ	γ
Abu Dhabi	UAE	γ-	γ	S	β-	/	β	β
Number of same-country cities in HS level and above		5	5	6	8	8	8	9

Source: The World according to GaWC, various issues, GaWC, calculated by author.

With the exception of Dubai, UAE, Mumbai has always been the leading GWC in the region. Karachi, Pakistan is at least two ranks below Mumbai, not to mention all other competitors. The only real international challenger is Dubai, who started at the beta level and surpassed Mumbai in 2010, then stayed at the "alpha+" level, among the most prominent GWCs. Some Middle Eastern cities like Doha and Abu Dhabi also saw noteworthy rise in the ranks, with Doha steadily climbing from "HS" to "beta+". Abu Dhabi came from "gamma" to "beta" in the latest ranking. There is an evident ascent of Middle Eastern GWCs. Yet most of them are still substantially below Mumbai. The most successful one, and the only real challenger, is Dubai.

Domestically, New Delhi has always tightly followed Mumbai. The Indian capital has been only one tier below Mumbai ever since 2010, posing a strong challenge. Many other Indian cities (e.g. Hyderabad) also rose incrementally. The Telangana state capital grew significantly in finance, information technologies and pharmaceutical production. Together with Bangalore, now the third most "global" city of India, they signal a possible changing pattern of Indian GWCs—the rise of southern metropolises. However, it is still premature to expect them to shake the Mumbai & New Delhi domination.

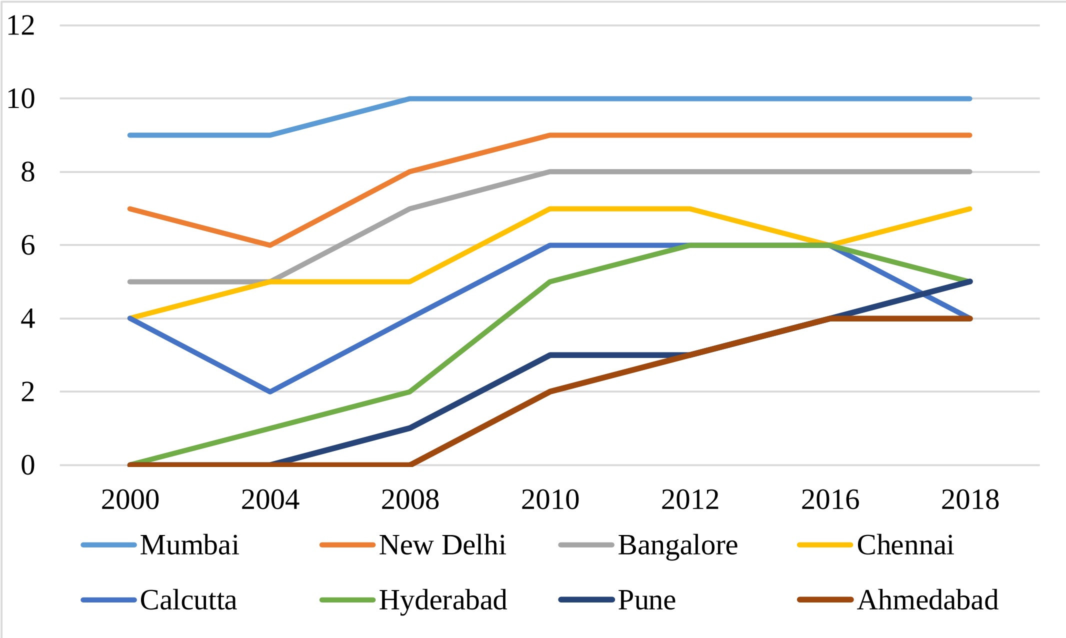
Figure 4.4: Intercity Competition for Mumbai According to GaWC (International)



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World according to GaWC, various issues, GaWC

Figure 4.5: Intercity Competition for Mumbai According to GaWC (Domestic)



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World according to GaWC, various issues, GaWC

In the last two decades, more Indian cities entered the GaWC radar, from only five cities in 2010 to eight in 2016. However, considering the global integration of the Indian national economy (27% in 2000 to 40% in 2016), and the country's share in the world GDP (4.3% in 2000 to 7.2% in 2016), such increase of city number is mostly a reflection of the ascent of the Indian economy, insufficient to indicate intensified domestic competition.

With Dubai as the only genuine international competitor, and a mild domestic playground, intercity competition facing Mumbai is relatively low. It only started to intensify since the second decade of the new century. Such low level of competition, according to HP2, is not as likely to stimulate Mumbai to look for more autonomy to retain an upper hand. The recent rise of Dubai next door may still need time to change Mumbai's and India's perception of the situation. Mumbai has a propensity for juxtaposing itself with top-level GWCs. The GoI report on turning Mumbai into an IFC suggests "creating an IFC in India requires that Mumbai must be viewed as competitive … when compared with alternatives like Singapore or London" (Ministry of Finance 2007, XIII). The report expects that "... Mumbai must develop that capacity to compete with the three established GFCs for *global* IFS business that goes beyond meeting India's needs" (Ministry of Finance 2007, xv, original emphasis). It acknowledges London, New York, and Singapore as the only three GFCs in the world (Ministry of Finance 2007, XIV). Dubai, in the meantime, was only considered a regional center. Clearly, there is very high hope and confidence for Mumbai, and subconsciously Mumbai (and India) may be insensitive to its neighboring cities' potentials and the challenge they pose.

4.7.2 Intercity competition as per stock exchanges

Mumbai is the indisputable center of stock trading in India. India's two largest stock markets, the Bombay (Mumbai) Stock Exchange (BSE), and the Indian National Stock Exchange (NSE) are both located in the city, together with some smaller exchanges (see table below). The Bombay Stock Exchange, set up in 1875, is the oldest in South Asia and Middle East. Together with NSE, they account for a lion's share of market capitalization in all India's stock exchanges. In terms of center for market capitalization, Mumbai faces little domestic challenge.

Table 4.6: Stock Exchanges based in Mumbai as of 2018

Name	Year of founding
Bombay Stock Exchange	1875
Indian National Stock Exchange	1992
Inter-Connected Stock Exchange	1998
MCX Stock Exchange	2008
OTC Exchange of India	1990
United Stock Exchange of India	2010

Source: author.

Regionally, the picture is largely the same. As per table 4.7 and figure 4.6, the two stock exchanges in Mumbai are also the largest in the whole region. Their market capitalization is more than double the total market capitalization of all other markets combined, indicating Mumbai's unshakable position as the regional financial center. If there is any challenge, then it is the United Arab Emirates, who set up two new markets in Abu Dhabi and Dubai in 2000. Shortly prior to that, Qatar set up its own market in Doha in 1995. But the new exchanges are still in a nascent stage, with market capitalization way smaller than that of Mumbai. I do not have statistics of the growth rate of each stock markets, so whether the new competitors are rising faster compared to the two in Mumbai is uncertain. Again, lack of real competition makes Mumbai (and India) relatively insensitive to other cities' performances, and somewhat reluctant to make extra efforts to stay in the lead.

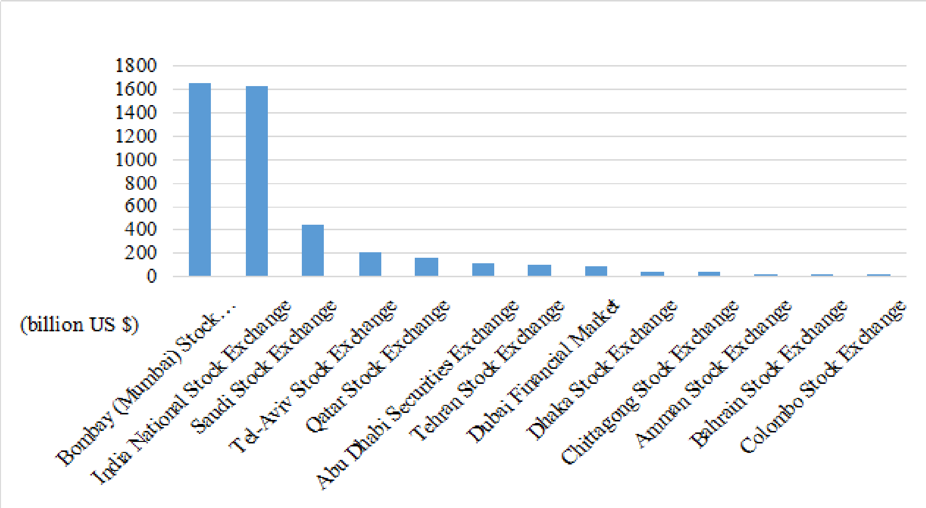
Table 4.7: Largest Stock Exchanges in Mumbai's Neighborhood (billion US$)

Name	Symbol	City	Year of Founding*	Market Capitalization as of May 2018
Bombay (Mumbai) Stock Exchange	BSE	Mumbai	1875	1660
Indian National Stock Exchange	NSE	Mumbai	1992	1630
Saudi Stock Exchange	TADAWUL	Riyadh	1984	442.46
Tel-Aviv Stock Exchange	TASE	Tel-Aviv	1935	212.28
Qatar Stock Exchange	QE	Doha	1995	156.3
Abu Dhabi Securities Exchange	ADX	Abu Dhabi	2000	116.95
Tehran Stock Exchange	TSE	Tehran	1967	98.57
Dubai Financial Market	DFM	Dubai	2000	89.18
Dhaka Stock Exchange	DSE	Dhaka	1954	39.26
Chittagong Stock Exchange	CSE	Chittagong	1995	37.65
Amman Stock Exchange	ASE	Amman	1999	24.71
Bahrain Stock Exchange	BHB	Manama	1989	20.69
Colombo Stock Exchange	CSE	Colombo	1985	18.18

* This indicates the year of actual commencement of operation; if there is a precursor, then it is the year when the precursor started operations.

Source: compiled by author; market capitalization figures from stockmarketclock.com, last access Jun. 9, 2018.

Figure 4.6: Market Capitalization of Stock Markets, Mumbai and Neighboring Cities



Source: compiled by author; market capitalization figures from stockmarketclock.com, last access Jun. 9, 2018.

4.7.3 Summary

This part examined the intensity of intercity competition Mumbai faces, and its relations with Mumbai's local autonomy change.

Competition from Mumbai's neighboring cities are low, and perhaps only started to intensify recently. Competitors are mainly just two cities: New Delhi and Dubai. For almost two decades, Mumbai was the most "global" city in its neighborhood, only to be superseded by Dubai since 2010. No other neighboring city has ever caught up. Domestically, the Indian capital of New Delhi is the biggest rival, but it has never caught up with Mumbai yet. The number of Indian cities that made the list grew mildly, which could be explained away by the growth and opening up of Indian economy, rather than intentional competitive measures adopted by those cities. On stock markets, Mumbai has always been the regional center with a market capitalization disproportionately larger than all of its neighbors combined.

Altogether, with a mild competition scenario, we expect a mild rise in Mumbai's local autonomy, if any change at all. An increase can only be discerned from the sum of grants through the years, which rose steadily. This indicates the higher levels of government, including the territorial state, is possibly transferring more power to the city. Yet after

2010, when competition slightly intensified, the percentage of grants dropped. Also dropped was the amount of loans the city took out.

In all, the hypothesis fares indecisively in this case. Its credibility can only be better assessed in comparison with other cities.

4.8 Concentration of the Indian foreign economy in Mumbai

This part examines the concentration of India's foreign-related economy in Mumbai, and whether it has led to a change in the city's local autonomy level. If more of such economic activities concentrate in one or several central GWCs in a country, the territorial state would be more inclined to reallocate power to those cities. The hypothesis expects a positive relation.

4.8.1 Largest Indian companies' concentration in Mumbai

I first use the Forbes 500 annual lists and count how many of India's largest TNCs are located in Mumbai. As per the table below, until 2017, seven Indian companies have entered the list, of which 5 are headquartered in Mumbai, reflecting Mumbai's dominating position. In 1995, only Indian Oil was among the world's 500 largest, ranking 481. An SOE, it is understandably headquartered in New Delhi, the capital. However, it is worth noting that the company is registered in Mumbai[48]. India's performance in the lists did not change until 2004, when three new TNCs (Bharat Petroleum, Hindustan Petroleum, and Reliance Industries) made the list, all of which headquartered in Mumbai. Afterwards, the figures see gradual rise, and Mumbai-based Indian TNCs account for a steady 70% of the nation's total. It was only in 2016 that a TNC based in a third city (Rajesh Exports, Bangalore) joined the list, ranking the 423rd, ending the Mumbai and New Delhi monopoly.

48 "Our Locations", Indian Oil Corporation Ltd., <https://www.iocl.com/AboutUs/MajorUnits.aspx>, last access Aug. 1, 2018.

Table 4.8: India and Mumbai's Forbes 500 TNCs, 1995-2017

Year	Total number	HQ in Mumbai	Mumbai's % of India	National largest and its ranking	
1995	1	0	0%	Indian Oil	481
1996	1	0	0%	Indian Oil	317
1997	1	0	0%	Indian Oil	257
1998	1	0	0%	Indian Oil	287
1999	1	0	0%	Indian Oil	278
2000	1	0	0%	Indian Oil	232
2001	1	0	0%	Indian Oil	209
2002	1	0	0%	Indian Oil	226
2003	1	0	0%	Indian Oil	191
2004	4	3	75%	Indian Oil	189
2005	5	3	60%	Indian Oil	170
2006	5	4	80%	Indian Oil	153
2007	6	3	50%	Indian Oil	116
2008	7	5	71%	Indian Oil	116
2009	7	5	71%	Indian Oil	105
2010	8	6	75%	Indian Oil	125
2011	8	6	75%	Indian Oil	98
2012	8	6	75%	Indian Oil	83
2013	8	6	75%	Indian Oil	88
2014	8	6	75%	Indian Oil	96
2015	7	5	71%	Indian Oil	119
2016	7	5	71%	Indian Oil	161
2017	7	5	71%	Indian Oil	168

Source: Forbes 500, Forbes, various years, counted by author.

If Forbes 500 is too small to comprehensively reflect reality, it is helpful to also read two other lists compiled by the Indian School of Business (ISB). Per the ISB-VCC ranking of India's top TNCs in 2006 (see table below), two fifth of these companies are headquartered in Mumbai. These companies control 47% of the foreign assets held by all companies in the list. Foreign assets of a TNC is a meaningful indicator of the globalized world economy, and headquarters of a TNC with large foreign assets definitely brings international "command and control" functions to the city. Viewing these companies individually, Mumbai is the only city that seats companies in all industrial sectors, e.g. oil and gas, IT, auto, pharmaceuticals, and conglomerate. This indicates Mumbai economy's high versatility. As per the Top 20 largest Indian companies in terms of foreign assets that published seven years later, half of the companies are headquartered in Mumbai, with Tata Motors and Tata Steel taking the lead. Indian Oil disappeared, indicating the company is more focused on domestic markets now (which leads to lower international "command and control" needs). Of all the foreign assets held by the 20 companies, 58% belong to Mumbai-headquartered ones. Both percentages are higher than the previous one, reflecting Mumbai's dominating position in terms of the Indian TNC center is even strengthened. No city, not even New Delhi, comes close.

Table 4.9: ISB-VCC Ranking of 24 Selected Indian Multinationals, 2006 (million USD)

Rank	Company	Industry	Foreign Assets	Headquarter
1	Oil and Natural Gas Corporation	Oil and gas operations	4724	New Delhi
2	Tata Group of Companies	Conglomerate	4169	Mumbai
3	Videocon Industries Ltd.	Conglomerate	1626	Mumbai
4	Ranbaxy Laboratories Ltd.	Pharmaceuticals	1077	Gurugram
5	Dr. Reddy's Laboratories Ltd.	Pharmaceuticals	869	Hyderabad
6	HCL Technologies Ltd.	IT	777	Noida
7	Hindalco Industries Ltd.	Aluminum manufacturing	581	Mumbai
8	Sun Pharmaceutical Industries Ltd.	Pharmaceuticals	281	Mumbai
9	Reliance Industries Ltd.	Oil and gas operations	250	Mumbai
10	Suzlon Energy Ltd.	Power and energy	135	Pune
11	Larsen & Toubro (L&T) Ltd.	Engineering & construction	130	Mumbai
12	Wipro Technologies	IT	128	Bangalore
13	Bharat Forge Ltd.	Auto component solutions	106	Pune
14	Patni Computer Systems Ltd.	IT	81	Bangalore
15	Hexaware Technologies Ltd.	IT	69	Mumbai
16	Biocon Ltd.	Pharmaceuticals	50	Bangalore
17	i-Gate Global Solutions Ltd.*	IT	49	Pune
18	Max India Ltd.	Conglomerate	37	New Delhi
19	Mahindra & Mahindra Ltd.	Automobile	35	Mumbai
20	NIIT Ltd.	IT	31	Gurugram
21	Piramal Healthcare Ltd.	Pharmaceuticals	26	Mumbai
22	Birlasoft (India) Ltd.	IT	21	Noida
23	Raymond Ltd.	Fabric manufacturing	18	Mumbai
24	Infosys Technologies Ltd.	IT	9	Bangalore
	Number of TNCs headquarterd in Mumbai, % of all list			42%
	Mumbai-based TNCs' foreign assets, % of all list			47%

* Now Capgemini Technology Service India Ltd.

Source: Indian School of Business - Vale Columbia Center ranking of Indian multinationals, 2006. Calculated by author.

Seating more than half of India's largest TNCs and even more of those TNC's foreign assets, Mumbai should be performing the highest level of "command and control". Those TNCs are organs of Indian national economy and agents of Indian home-grown capital's global expansion. Therefore, to successfully and smoothly aid those TNCs is also in the interest of the Indian territorial state. Except for the Forbes 500, we do not have same-methodology TNC statistics covering years before 2006. However, the data at hand suffice to show an upward trajectory of Mumbai-based TNCs. This is in line with more grants from upper government to Mumbai (although such grants account for smaller shares of the city's total revenue, implying local economic growth outruns local autonomy increase).

Table 4.10: Top 20 Indian Companies as per Foreign Assets, 2013 (billion INR)

Rank	Company	Foreign Assets	Foreign Assets % of Total Assets	Headquarter
1	Tata Motors Ltd.	978	57%	Mumbai
2	Tata Steel Ltd.	726	55%	Mumbai
3	Bharti Airtel Ltd.	669	40%	New Delhi
4	ONGC Videsh Ltd.	576	97%	Dehradun
5	Hindalco Industries Ltd.	535	51%	Mumbai
6	Suzlon Energy Ltd.	218	75%	Pune
7	Tata Consultancy Services Ltd.	160	31%	Mumbai
8	Sesa Sterlite Ltd.*	134	6%	Mumbai
9	HCL Technologies Ltd.	118	53%	Noida
10	Tata Chemicals Ltd.	112	55%	Mumbai
11	Motherson Sumi Systems Ltd.	93	72%	Noida
12	Tata Communications Ltd.	89	65%	Pune
13	Punj Lloyd Ltd.	80	49%	Gurgaon
14	Piramal Enterprises Ltd.	60	29%	Mumbai
15	Dr. Reddy's Laboratories Ltd.	56	39%	Hyderabad
16	Tata Global Beverages Ltd.	51	75%	Calcutta
17	Jubilant Life Sciences Ltd.	43	52%	Gajraula
18	Godrej Consumer Products Ltd.	36	47%	Mumbai
19	Core Education & Technologies	34	78%	Mumbai

20	Zee Entertainment Enterprises	19	40%	Mumbai
	Number of TNCs headquarterd in Mumbai, % of all list			50%
	Mumbai-based TNCs' foreign assets, % of all list			58%

* Now Vedanta Limited.

Source: Indian School of Business Transnational Companies Survey 2013-14. Calculated by author.

4.8.2 FDI inflow to India through Mumbai

FDI inflow to India is monitored by the Reserve Bank of India (RBI). Inflow to the city of Mumbai is not monitored individually. Closest to our research need is the inflow through RBI's Mumbai branch, whose jurisdiction includes Maharashtra, Dadra and Nagar Haveli, and Daman and Diu. Considering the marginal size of the two union territories, most of the RBI Mumbai branch's transactions are related to the state of Maharashtra.

As per table 4.11, FDI inflow to India through the Mumbai gateway see tremendous growth since 2000. Mumbai office's share increased from 18.81% to 45.25%—almost a half of all FDI to India in 2016-17 (with a dip to 14% in 2013-14). To better determine how much of those FDI actually went to Mumbai instead of other cities in Maharashtra, I refer to Mumbai's share of Maharashtra State's GDP, to estimate the city's weight in the state. Mumbai accounts for a steady 21-23% of Maharashtra's GDP output from 2004-2014. In the banking and insurance sector, which is more closely linked to FDI, Mumbai's share stayed shockingly constant at just 30%. Therefore, I roughly assume that about a quarter of the FDI inflow through RBI's Mumbai branch eventually go to the city of Mumbai.

Table 4.11: FDI inflow of Mumbai and All-India, 2000-2017 (Rs. Crore)

Year		Communi-cation	Trade, Hotel & Restaurant	Banking & Insurance	Service Sector	GDP
2004-2005	Mumbai	2756	17775	14406	66493	93590
	Maharashtra	8229	67156	47426	247531	415480
2005-2006	Mumbai	3322	19274	16721	74894	105849
	Maharashtra	10020	72688	55049	275559	470929
2006-2007	Mumbai	3173	24763	18107	90363	126044
	Maharashtra	9819	93154	59612	330342	584498
2007-2008	Mumbai	3545	28190	21121	104974	147662
	Maharashtra	11121	105793	69535	382576	684817
2008-2009	Mumbai	3328	28209	24907	112624	151479
	Maharashtra	10566	108140	81999	409386	677781
2009-2010	Mumbai	4609	34660	27127	139994	190153
	Maharashtra	14847	129620	89306	512065	855751
2010-2011	Mumbai	4485	40997	33233	165215	223768
	Maharashtra	14640	152871	109408	608223	1049150
2011-2012	Mumbai	5094	46130	38391	191966	252672
	Maharashtra	16781	171281	126391	704710	1170121
2012-2013	Mumbai	5857	51937	42666	220919	287796
	Maharashtra	19418	192523	140465	805534	1322222
2013-2014	Mumbai	6401	56263	49316	255129	334421

* RBI Mumbai Office is responsible for Maharashtra, Dadra & Nagar Haveli, and Daman & Diu.

Source: Annual Report, various issues, Department of Industrial Policy and Promition, GoI; calculated by author.

Table 4.12: Mumbai's and Maharashtra's GDP in selected industries

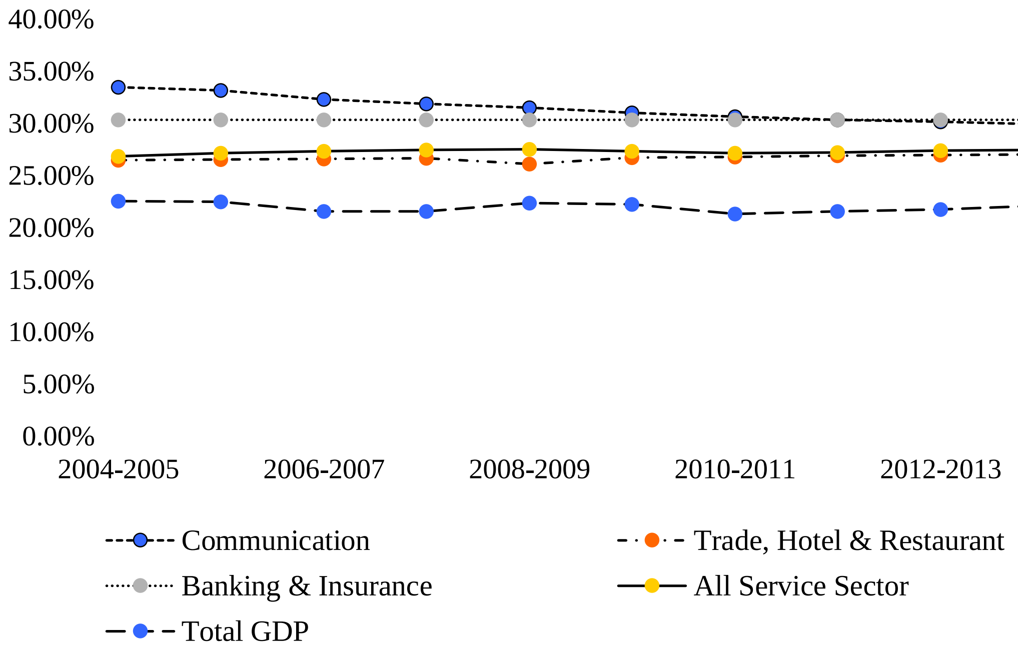
(at current prices, Rs. crore)

Time Span	RBI Mumbai Office*	All-India	Mumbai office's % of All-India	Mumbai's % of All India, author's estimation
Jan. 2000 - Dec. 2005	3956.7	21031.3	18.81%	4.70%
Jan. 2000 - Dec. 2006	7045	32152.2	21.91%	5.48%
Apr. 2000 - Dec. 2007	11811.2	50628.2	23.33%	5.83%
Apr. 2000 - Dec. 2008	26676.5	83662.5	31.89%	7.97%
Apr. 2000 - Dec. 2009	37803.12	110760.76	34.13%	8.53%
2008-2009	57066	123025	46.39%	11.60%
2009-2010	39409	123120	32.01%	8.00%
2010-2011	27669	88520	31.26%	7.81%
2011-2012	44644	165146	27.03%	6.76%
2012-2013	47359	121907	38.85%	9.71%
2013-2014	20595	147518	13.96%	3.49%
2014-2015	38933	189107	20.59%	5.15%
2015-2016	62731	262322	23.91%	5.98%
2016-2017	131980	291696	45.25%	11.31%

Source: District Domestic Product of Maharashtra 2004-2005 to 2013-2014 (Base Year 2004-2005), issued by Directorate of Economic and Statistics, Planning Department, GoM, Mumbai.

This estimation suggests that Mumbai's share of all India's FDI inflow doubled from 4.7% in 2000-2005 to 11.3% in 2016-2017. It peaked at 11.6% in 2008-09, then dipped to 3.5% in 2013-14, before eventually rebounded. Now, more than a tenth of India's FDI inflow goes to Mumbai. The city is definitely among the most popular destinations for foreign investment in India.

Figure 4.7: Mumbai's Share of Maharashtra, 2004-2014

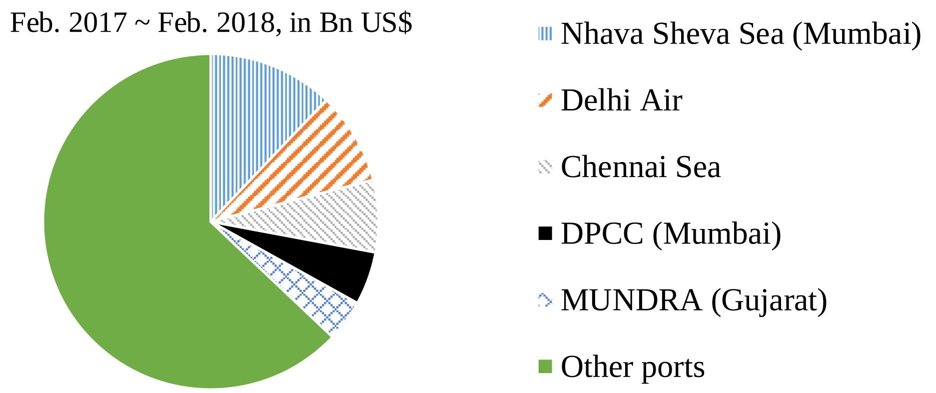


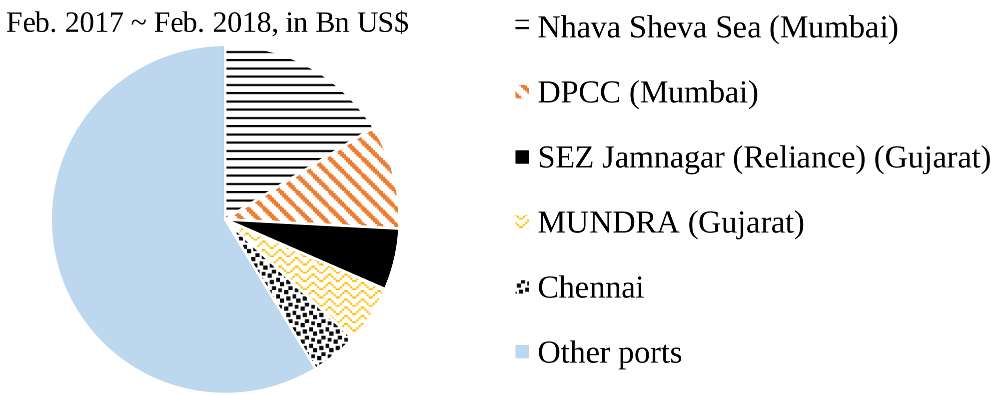
Source: District Domestic Product of Maharashtra 2004-2005 to 2013-2014 (Base Year 2004-2005), issued by Directorate of Economic and Statistics, Planning Department, GoM, Mumbai; calculated by author.

4.8.3 India's export and import through Mumbai

Database of the Department of Commerce, Ministry of Commerce and Industry of GoI is used here. As per figures 4.8 and 4.9, Mumbai processes a lion's share of India's total import and export. The Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai, formerly known as Nhava Sheva Port, is India's largest container port. It is planned as the satellite port of the Mumbai Port, plagued by traffic overload and deteriorating, out-of-date infrastructure[49]. The two ports together account for approx. a quarter of India's export, followed by New Delhi and Gujarat. They account for about a third of India's import, followed by New Delhi and Chennai. Again, Mumbai is in a dominating position. Yet, such data is only of Feb. 2017 to Feb. 2018. If statistics of previous years are available, a better picture could be drawn.

Figure 4.8, 4.9: Mumbai ports' share of Indian imports and exports





49 "The birth of JNPT", Jawaharlal Nehru Port Trust, <http://www.jnport.gov.in/History.aspx>, last access Aug. 1, 2018.

Source: Database of Department of Commerce, Ministry of Commerce and Industry, GoI, last access Jun. 5, 2018, calculated by author.

As there is incomplete data for each indicator, some indicator is one-off, only a fragmented picture could be generated. But the picture is revealing enough: Mumbai's share of India's foreign economy is substantial, and may still be increasing. Especially in terms of TNCs, there is an evident polarizing tendency. Mumbai almost enjoys the privilege of a primate city, totally eclipsing other cities including the Indian capital. HP3 expects a positive relation between this and the local autonomy Mumbai gets from the territorial state. The gradually increasing grants seem to confirm this prediction. The gradual rise until at least 2007 is a clear indication of more local autonomy. Yet, the sudden drop to just 14.6% in 2012-13 still cannot be satisfactorily explained. But the percentage of grants in the municipal total still grew at a slightly faster pace than the growth of total municipal revenue. The city did not take out new loans during this phase. In sum, the Mumbai case largely confirms the hypothesis. There are some random phenomena that begs closer examination, but the general trend is as expected.

4.9 Chapter conclusion

This chapter investigates the Indian GWC of Mumbai. I first go through India's history of decentralization since the early 1990s as a background to Mumbai's situation. Then, with fiscal data of MCGM and GoM, a picture of fiscal grants and loans as well as local revenue is generated, from which we know how much power higher governments, especially the territorial state of India, is devolved to Mumbai. Maharashtra data is also used as a control vector. Then, three hypotheses are tested respectively.

4.9.1 Performance of hypotheses

Unfortunately, the first hypothesis, that a more global Indian economy leads to higher levels of local autonomy in Mumbai, is not entirely confirmed within the case. The first indicator, the percentage of imports and exports to the Indian GDP echoes with the change of grants to Mumbai, although disproportionately—indicating other factors at work. The second indicator, the FDI to GDP percentage, given its great fluctuation, fails to be reflected in the change of Mumbai's local autonomy level. Overall, the relation is weak. Validity of this hypothesis needs to be further compared with other cases.

On IV2, overall, there is a low level of inter-urban competition, with only Dubai and New Delhi posing real challenges—yet the two cities are still way behind Mumbai with respect of stock trading. The general trend of decentralization largely echoes the competition situation: there have been increasing sums of fiscal resource, but not as significant to make real impacts. Still unexplained is the drop of the percentage of grants in the city's revenue. In sum, the hypothesis holds for the most part, yet it still needs to be compared together with other cases.

On IV3, empirics show a disproportional polarization of India's foreign economy in Mumbai, with approx. half of its most prominent TNCs, and over half of the TNCs' foreign assets "commanded and controlled" in Mumbai. The city also handles about a third of India's imports and exports, and attracts a significant amount of FDI inflow to India. Such status is unmatched by any other city in the territorial state. The Mumbai monopoly (still on the rise) has an impact Mumbai's municipal fiscal figures, as aforementioned. Yet such increase is marginal in size, poses limited effects on the city's overall development. Overall, the hypothesis holds within the case.

4.9.2 Known deficiencies of the empirical test

First, data limitations have prohibited an overall, detailed assessment of fiscal devolution. For examples, the MCGM data is missing on several years, rendering researchers unable to grasp a complete trend. The MCGM data do not tell between grants from the central government and those from the state government, nor do they specify the composition of such grants, i.e. sum of money from individual programs. This makes it difficult to tell the actual effects on Mumbai of some urban-related programs like JNNURM. Also, without data on FDI flow of only Mumbai, we can only estimate the situation[50]. Moreover,

50 Some sources attribute all FDI inflow registered by RBI's Mumbai office to Mumbai City, and assert the city takes up close to a half of India's FDI inflow. This is wrong.

MMRDA, another organ in charge of MMR development and renewal, should also be traced in its fiscal status. Unfortunately, their fiscal data for our time span is not available.

Second, Mumbai has a long tradition of combining public and private actors in urban governance (albeit not very successfully). This adds to the complexity of distinguishing local autonomy in the public and the private spheres. Some initiatives are started and propelled mostly by entrepreneurs and civil activists who care about the prosperity and long-term growth of the city, yet it is problematic to categorize them as “local autonomy”, which by our definition should be a mutual settlement between the municipal and higher governments. Such activities manifest a civil interest in promoting Mumbai as a GWC, and it may be understood better from the theoretical approach of “growth machine” (Molotch 1976a; Logan and Molotch 1987), which is beyond the scope of this research.

Third, although fiscal statistics are “hard data” to reflect actual power change in governments, it is not the complete reality and must be supplemented by other evidences, e.g. personnel who hold public posts and their career progresses, negotiation and framing processes of key programs and policies on each level, and the collective mentality of Mumbai officials and Indian leadership on the role of Mumbai. Those indicators are hard to observe, measure, and demand extensive efforts. However, they certainly would contribute to a much better understanding of our topic.

4.9.3 General assessment of the GWC of Mumbai

Regarding local autonomy, findings in this chapter basically agree with Pinto’s assessment that neither the 74^{th} constitutional amendment or globalization have “gone far enough to have a major impact on Mumbai’s governance (Pinto 2005, 347).” Absence of real changes are also observed in some other researches (Chattaraj 2012; Ghadge 2013, etc.).

Mumbai does not seem to have a clear self-identity and a well-defined goal as a GWC (Phatak 2007). This is probably due to its very secure status in India and South Asia until recently. It is also probably because the Indian economy has not undergone a very deep level of internationalization as seen in other countries (see imports and exports % of Indian GDP), thus the ramifications of globalization on its economy, society, as well as popular mentality are still weak. The undecided performance of the first hypothesis reflects a weak theoretical power of the link between internationalization of national economy and the need of developing a home-grown GWC.

Competition, on the other hand, does have an impact. This agrees with the prevailing perception in the academia. Businessmen in Mumbai is obviously more sensitive than politicians on this matter. The private circles in Mumbai is more active than officials in promoting Mumbai as a GWC. We can expect heightened awareness in the government, affected by business circles in the city, of Mumbai's GWC prospects, and this requires continuous observation.

Mumbai is and has always been "India's ideal-type of cosmopolitanism (Ghadge 2013, 178)". This historical heritage and public notion had made Mumbai India's irreplaceable GWC candidate. However, lack of a top-level, well thought-out, and down-to-earth strategy for the city has been but should not be a problem. Existing initiatives about the city still need to effectively incorporate public and private resources; top-level strategies laid out by the nation, e.g. the Report on Making Mumbai an IFC (Ministry of Finance 2007), although rightly acknowledges the need of a stronger GWC for the overall Indian economy, needs to more realistically determine the best short- and mid-term objectives for the city. Last but not least, Mumbai and India also need to promote better cooperation between existing organs, i.e. the MCGM, the legitimate local government, and MMRDA, controlled by the state government. A better coordination between the two would bring more productive results in Mumbai's development as a GWC (see Pethe, Gandhi, and Tandel 2011).

Chapter 5: Case of Shanghai, China

5.1 Introduction

Shanghai is the window to China for many foreigners and international capital. As early as 1842, *the Treaty of Nanking/Nanjing* demanded China to open Shanghai (along with Canton/Guangzhou and three other coastal cities) as a “treaty port”, making it among the first Chinese cities to westernize. Today, Shanghai is one of China’s four municipalities directly under central control[51], on the same administrative level as a province, meaning there is no intermediate level of government between the city and national authority. In this regard, Shanghai is similar to HCMC, but differs from Mumbai and Guangzhou, whose links with the central authority go through a provincial/state level authority.

Although it is by no means appropriate or sufficient to understand China by solely studying Shanghai, in actuality, the city is the most researched urban case of mainland China (more than half of the scholarly works on China’s GWCs centered on Shanghai) and a frequent topic in the general GWC research[52]. For examples: Cai and Sit use a six-dimensional model to measure Shanghai’s world city status and conclude that the city is of preeminent position in China but still has a long way to go compared to leading world cities (Cai and Sit 2003); Wei and Leung find that FDI is of critical importance in Shanghai’s GWC formation process, and even inside Shanghai’s urban territory it causes disparities among different areas (Wei and Leung 2005); Wu studies the global and local scales that intertwine at the Shanghai space and their implications in Shanghai’s growth into a global city (Wu 2000); Zhang analyzes difficulties and constraints on different scales that Shanghai faces in its growth as a state-led GWC (L.-Y. Zhang 2014). Shanghai is certainly

51 The other three are Beijing, Tianjin and Chongqing.

52 A preliminary search on Google Scholar using the keyword combination of “global city” OR “world city” AND “Shanghai” produced about 3620 results, while “global city” OR “world city” AND “China” produced 5750 results. Other Chinese mainland GWCs like Beijing, Guangzhou and Shenzhen produced 2760, 1270 and 1050 results respectively. For comparison, Hong Kong, Tokyo and Seoul produced 4510, 6610 and 1840 results respectively. Top-level GWCs of New York and London produced 10500 and 10700 results. Searches were conducted on 30 June, 2018.

an intensely studied metropolis. Almost all aspects of urban life and politics in the city have received, in one way or another, some academic attention.

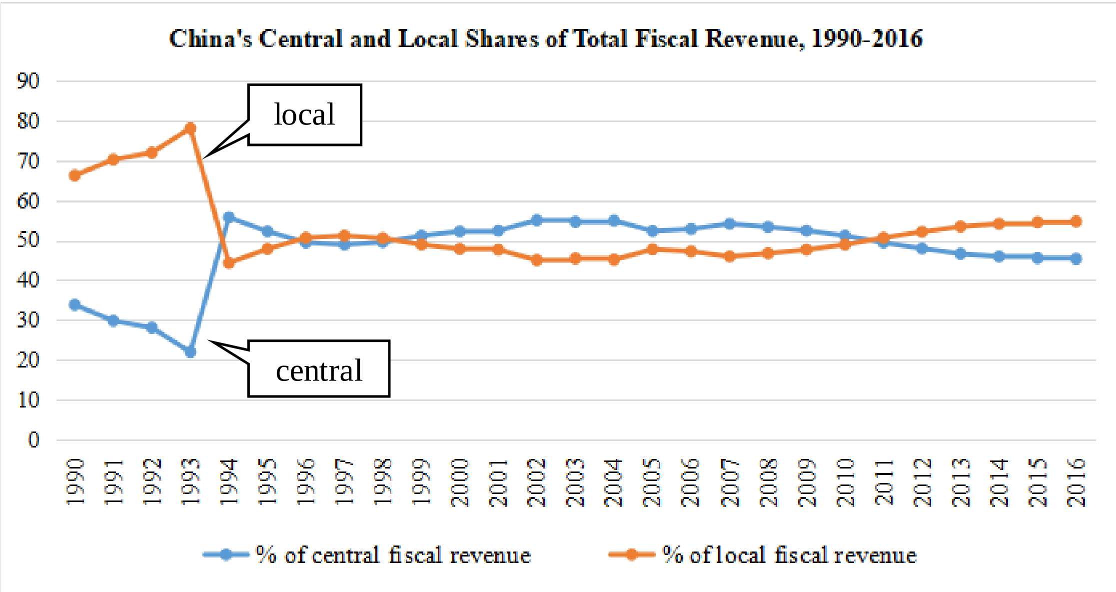
This chapter is organized as follows. First, China's decentralization history since the 1990s is briefly reviewed as a national background. Second, through fiscal figures from the early 1990s to 2016, aided by some public policies made by the Chinese government, an assessment of Shanghai's autonomy level change is made. Subsequent parts are devoted to the three IVs and their corresponding hypotheses respectively. A summary section wraps up the chapter.

5.2 China's decentralization since 1990

Although politically centralized, China's administration, especially fiscal arrangements, have been quite decentralized. Sub-national governments, especially in coastal regions, are fairly strong and rich. Some scholars even categorize China as a kind of fiscal federalism (Bahl 1998; Jin, Qian, and Weingast 2005). The central government, however, sometimes finds itself too poor to carry out tasks in the late 1980s. This is a major reason of the country's tax system reform in 1993.

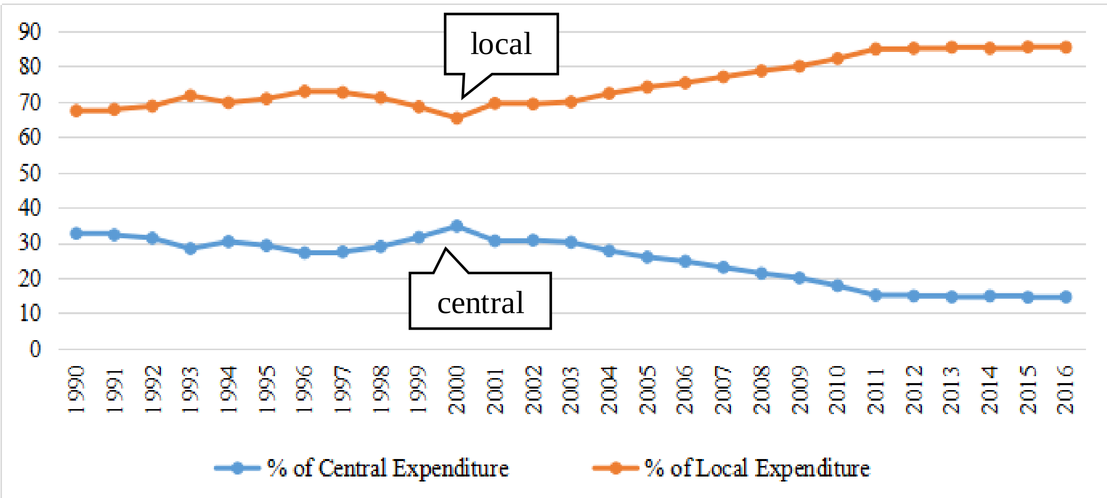
Prior to the reform, the country adopted a "fiscal contracting system" which aimed to enlarge its local governments' capabilities, encouraging them to develop local economy and collect revenues. It probably unleashed local vigor to aid the opening-up policy adopted in the late 1970s, but it caused the central revenue to decrease severely and worsened inter-regional disparity (see Su and Zhao 2007). In response, a "tax assignment system reform" was initiated in 1993 and implemented in 1994. This is the main cause of the drastic changes in the figures below. The reform had the effect of boosting central revenue, yet it still left to sub-national governments a large part of the fastest-growing major revenue source, e.g. VATs, personal and company income taxes (Su and Zhao 2007, 78). Although the central authority got richer and reclaimed some power, local governments still kept much of their fiscal resource. After the reform, there has been continuous tinkering of the system, mostly "in the form of increasing the central government's portion of shared revenues, increasing tax rates on centrally collected taxes or eliminating various sub-national taxes and fees (ibid. 79)". The intention of retaining a central control is clear[53].

Figure 5.1: China's Central and Local Shares of Total Fiscal Revenue



Source: China National Statistics Bureau.

Figure 5.2: China's Local and Central Shares in Governmental Expenditure



Source: China National Statistics Bureau.

53 See (Z. Wang and Ma 2014) for a review of China's fiscal decentralization.

Per Figure 5.2, the local governments have always made more spending than the central government. In 1990, The local expenditure accounted for 67.4% of the country's total expenditure—more than twice of the central expenditure. The percentage then embarked on a rising trajectory, except for a one-time dip to 65.3% in 2000. In 2016, their share of the total governmental revenue came to 85.4%. Despite the popular notion of China as highly centrally controlled, a huge majority of its public spending is carried out not by Beijing, but by local governments.

Figure 5.1 shows the local and the central shares in China's total fiscal revenue. Prior to 1993, China's fiscal revenue growth severely lagged behind its economy growth. The authority increasingly found itself fiscally weakened. The reform was partly designed to strengthen the government's fiscal power, especially at the central level; but it produced mixed results (S. Wang 1997; Wong 2000). From 1994 to 2010, the central-local split was generally equal, with central revenue slightly larger than local revenue. Since 2011, local revenue surpassed the central share, although marginally. In 2016, local governments collected 54.7% of the country's total public revenue, while the central collected 45.3%.

Both figures tell us that since the early 1990s, local governments are both collecting and spending more money than the central government. There has been a clear "strong localities, weak center" pattern. Such decentralization, despite some centralizing efforts, is still gradually increasing. The gap between the much larger local expenditure and relatively equal local-central revenue is made up by inter-governmental transfers and local governments' alternative, off-budget, and sometimes off-the-book financing mechanisms—suggesting downward delegation of power.

The reason to review China's fiscal decentralization is, in order to evaluate whether Shanghai or Guangzhou's local autonomy change is due to their significance as GWCs, we need to make sure such changes are peculiar to these cities, rather than just a part of the nationwide trend. One can only safely determine whether Shanghai's or Guangzhou's autonomy level has changed, when its trajectory differs from China's national trajectory (either in another direction or at a different pace). If fiscal decentralization (or not) is observed not only in Shanghai and Guangzhou, but also across China, then our conclusion on IV2 and IV3 must be tuned down. Only IV1 can be confirmed or rejected.

5.3 Shanghai's local autonomy change 1990-2016

This section traces Shanghai's local autonomy level from the early 1990s to 2016. "Shanghai is atypical; it is the most liberal city in China but also has an established regulatory tradition because of its significance in the planned economy (Wu 2010, 707)". To continuously support Shanghai's growth as the national financial center (among "centers" of other types) has been a stable commitment from China's central government. Yet as a huge unevenly-developed country with an urbanization of just over a half (59% in 2017), China needs to set its prescribed strategy for Shanghai against a broader national backdrop. This means not all measures or strategies desired by Shanghai are taken. Shanghai's interests sometimes have to be sacrificed for the benefit of backward inland areas or other cities.

We assess Shanghai's local autonomy level mainly by going through its fiscal expenditures and revenues. Fiscal power is the main base for a city's administration to function. Even if other policies or measures are taken, they must be reflected in fiscal arrangements to be fiscally able to implement, otherwise they are just hollow slogans. In the case of Shanghai, we look at the ratio of the city revenue to its total revenue, and the ratio of city expenditure to its total revenue (including fiscal transfer/return from the central government to the municipality).

Per Table 5.1, the overall trajectory of both the city revenue to its total revenue ratio and the city expenditure to its total revenue ratio are on the rise. After the 1994 tax reform, Shanghai's own revenue took up 28.47% of its total revenue—less than a third. It came to 43.7%, more than two fifth, in 2016—a 53.4% increase in the percentage. This is evidently different than China's overall central-local fiscal separation during the same period, which largely remained fifty-fifty. In terms of the city expenditure's ratio to total revenue collected by the city, the rise is even stronger. In 1990 the percentage was 27%. It came to 40% for the first time in 1997, and reached 47.17% in 2016. It means the city spent just a quarter of the total sum it accrued more than two decades ago. Today it can spend almost a half of it. The percentage expanded by 77.5%. Compared with China's nationwide expansion of 26.7%, Shanghai's local autonomy expansion is unmistakably larger.

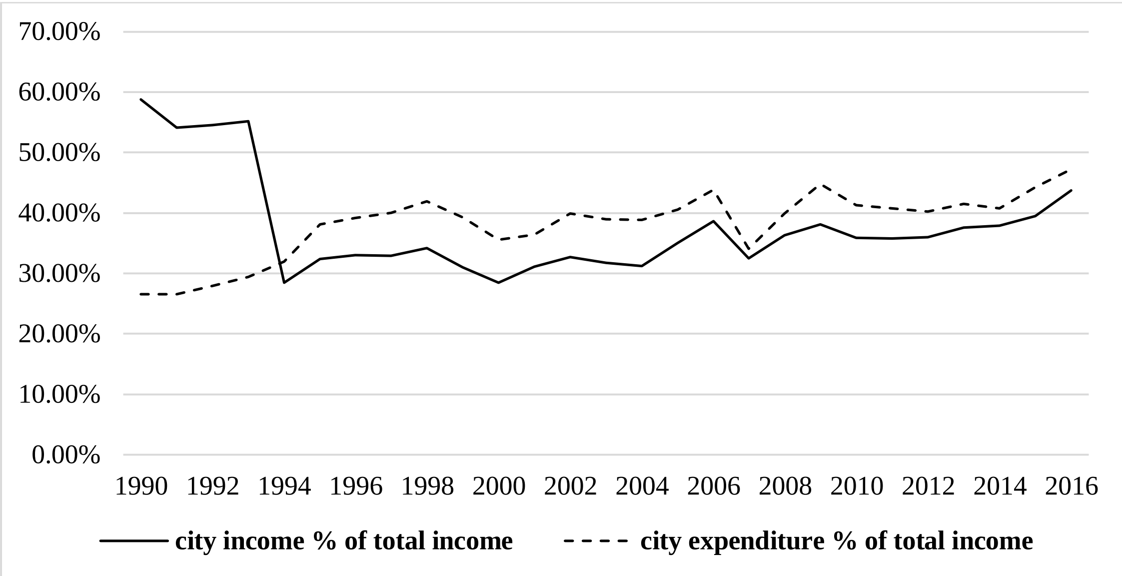
Table 5.1: Shanghai Municipal Revenue and Expenditure, 1989-2016

(100 million RMB)

year	city income	city non-tax income	total income collected by city	city expenditure	city income % of total income	city expenditure % of total income	city expenditure % of city income
1989	166.88	-23.33	/	73.31	/	/	43.93%
1990	166.99	-16.32	284.36	75.56	58.72%	26.57%	45.25%
1991	175.53	-7.35	324.66	86.05	54.07%	26.50%	49.02%
1992	185.56	-3.05	340.13	94.99	54.56%	27.93%	51.19%
1993	242.34	-10.65	439.53	129.26	55.14%	29.41%	53.34%
1994	175.33	-21.27	615.91	196.98	28.47%	31.98%	112.35%
1995	227.3	-12.76	702.46	267.89	32.36%	38.14%	117.86%
1996	288.49	-19.77	873.76	342.66	33.02%	39.22%	118.78%
1997	352.33	-16.9	1070.95	428.92	32.90%	40.05%	121.74%
1998	392.22	-14.51	1146	480.7	34.23%	41.95%	122.56%
1999	431.85	4.62	1390.58	546.38	31.06%	39.29%	126.52%
2000	497.96	13.96	1752.7	622.84	28.41%	35.54%	125.08%
2001	620.24	30.33	1995.62	726.38	31.08%	36.40%	117.11%
2002	719.79	62.09	2202.25	877.84	32.68%	39.86%	121.96%
2003	899.29	102.42	2828.87	1102.64	31.79%	38.98%	122.61%
2004	1119.72	83.49	3591.73	1395.69	31.17%	38.86%	124.65%
2005	1433.9	195.5	4095.81	1660.32	35.01%	40.54%	115.79%
2006	1600.37	206.4	4141.85	1813.8	38.64%	43.79%	113.34%
2007	2102.63	127.15	6470.53	2201.92	32.50%	34.03%	104.72%
2008	2382.34	158.91	6557.54	2617.68	36.33%	39.92%	109.88%
2009	2540.3	171.85	6675.17	2989.65	38.06%	44.79%	117.69%
2010	2873.58	165.78	8003.43	3302.89	35.90%	41.27%	114.94%
2011	3429.83	257.11	9595.01	3914.88	35.75%	40.80%	114.14%
2012	3743.71	316.92	10409	4184.02	35.97%	40.20%	111.76%
2013	4109.51	312.35	10922.01	4528.61	37.63%	41.46%	110.20%
2014	4585.55	366.5	12083.95	4923.44	37.95%	40.74%	107.37%
2015	5519.5	661.34	13989.51	6191.56	39.45%	44.26%	112.18%
2016	6406.13	780.23	14666.61	6918.94	43.68%	47.17%	108.00%

Source: Shanghai Statistical Yearbook, Shanghai Municipal Government, various issues, calculated by author.

Figure 5.3: Shanghai's Local Revenue and Expenditure % of Total Revenue



Source: Shanghai Statistics Yearbook, Shanghai Municipal Government, various issues, calculated by author.

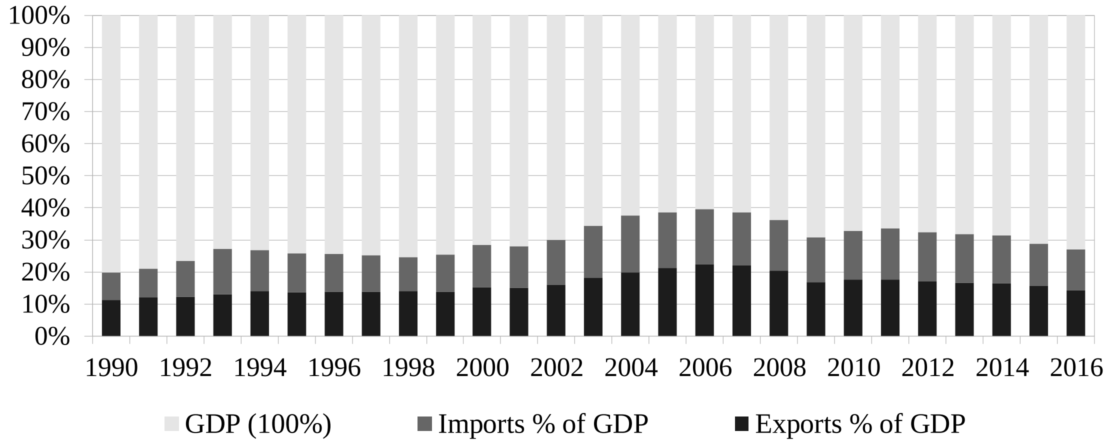
5.4 Global integration of China's national economy and Shanghai's autonomy change

This section traces the global integration of China's national economy indicated by the ratio of import and export to China's GDP and the ratio of FDI flow to China's GDP. This is to test the hypothesis that as China's national economy becomes more globalized, it is more likely that Shanghai obtains higher local autonomy.

5.4.1 China's imports' and exports' shares

Data for the two indicators are acquired from the World Development Indicators published by the World Bank, with a time span from 1990 to 2016/17. China experienced a short international boycott after 1989; international atmosphere was also a bit odd for China, another major communist regime, after the collapse of the Soviet Union. At the beginning of the 1990s, international trade stood at 24.68% of the country's GDP, higher than India's 15%. Of course, this is not a criterion of the quality of economy, but this indicates a higher possibility that China feels the attraction as well as impacts of international trade, adding to the potential of policy change towards globalization—both at the central and the local level, compared to India.

Figure 5.4: China's Import and Export of Goods and Services, % of GDP



Source: World Development Indicators, World Bank.

The figure of imports and exports combined, after ascending to 37.3% in 1993, stayed relatively stable until a dip to 32.84% occurred in 1998, probably because of shrinking demand due to the Asian Financial Crisis that broke out in the same year. Import and export then picked up pace after 2001, the year when China was officially admitted into the World Trade Organization (WTO). This is a milestone that marks a deeper stage of integration of the Chinese economy into global economy. The decision itself of the Chinese authority's top-level decision to embrace globalization—in a sense a reaffirmation of the opening-up policy the country first adopted in the late 1970s. The share of import and export saw a dramatic increase afterwards, culminating at 65.62% in 2006. Then it gradually waned, with a one-off rebound to 50.6% in 2011, before ending at 37.06% in 2016. For seven years, more than half of China's economy is related to the world market. This is a situation not experienced as much in India.

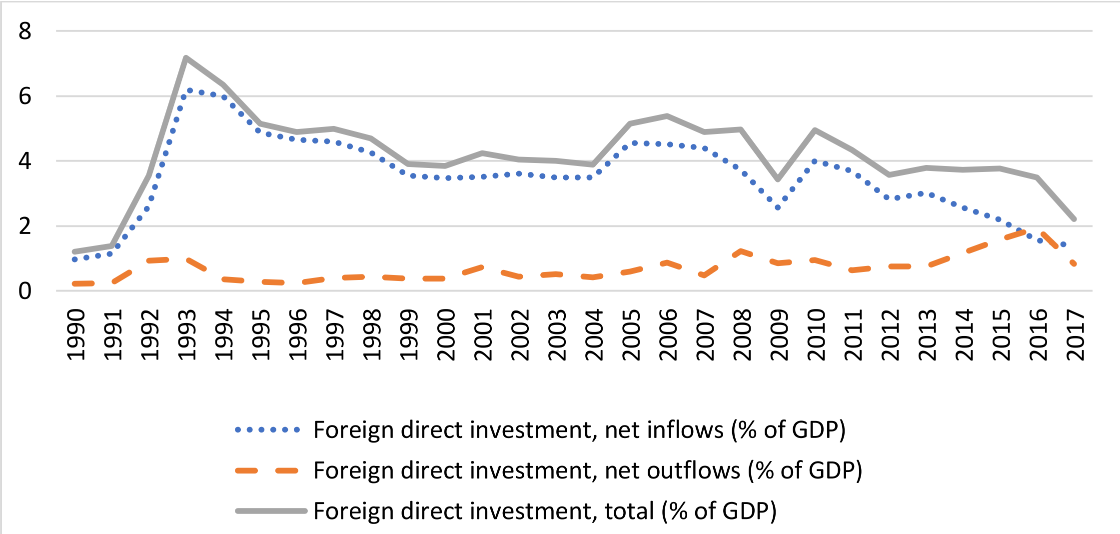
As per Shanghai's fiscal figures, its expenditure of total income saw an obvious rise from 1990 to 1997, to 40.05%. This agrees with China's heightened level of global integration. The following years saw that percentage stay relatively stable at around 40%, except in 2000 it dropped to 36%. It went up to more than 40% again five years later, and stayed above that level ever since. This indicator is largely in coordination with the import and export percentages. They both rose since the mid-1990s. There was also a common dip in around 2000. Later, Shanghai's local expenditure increased together with China's import and export. However, when import and export started to lessen in their share in China's economy, Shanghai's local autonomy did not decline—until 2016, it actually expanded further to close to a half. Shanghai's municipal share in its total income (municipally retained + municipally collected on behalf of the central) also showed a similar trend.

5.4.2 China's FDI inflow and outflow

FDI flow, on the other hand, tells a different story. In 1990, it accounted for a marginal 1.2% of China's national GDP—too little to induce real changes. However, it rocketed to 7.18% in 1993—by more than six times in just three years. Then the share dwindled away slightly, and stayed around 4.5% for about two decades until 2012. Following the 2008 Financial Crisis, it temporarily dipped to 3.42% in 2009, but quickly rebounded. It showed a major downturn since 2015. In 2017, the level came to 2.21%, back to the 1991-92 level. Since 2013, China started a wave of overseas merger and acquisition[54]. The long-standing gap between FDI inflow and outflow started to close up, and intersected in 2016, the year China for the first time sent more capital oversees than it received. This implies China, while being a popular destination for foreign investment, is also showing larger appetite for overseas investment—both mechanisms require aid by the GWC.

54 See Lihuan Zhou and Denise Leung: "China's overseas investments, explained in 10 graphics", World Resources Institute, Jan. 28, 2015, <http://www.wri.org/blog/2015/01/china%E2%80%99s-overseas-investments-explained-10-graphics>, last access Aug. 10, 2018.

Figure 5.5: China's FDI Net Inflow and Outflow, % of GDP



Source: World Development Indicators, World Bank.

The relation between the FDI ratio and Shanghai's municipal autonomy is discernible. FDI flow peaked much earlier than imports and exports—the latter probably benefited from large investment inflow. It culminated as early as 1993, and after 2005 it showed a general downturn. The peak in local expenditure's percentage of total local revenue came in 1998—five years later than the national FDI peak. FDI share dropped considerably until 2000. That year, the city's own share in its total revenue also diminished to 28.41%, and its expenditure in total income shrank to 35.54%. This delay could be explained by the time needed by the municipality and the central government to make changes.

The overall slip of FDI share in China's total GDP does not agree with Shanghai's actual autonomy rise since the 2010s. A positive relation is not quite apparent. But when one unpacks the data, such rise is concomitant with the marked increase in China's FDI outflow. The country has reversed its role as an FDI net receiver and started to send out about the same amount of investment to other countries or regions. The expansion in Shanghai's autonomy is probably to assist the country's overseas expansion—also a critical function of the GWC, only in a different direction.

5.4.3 Summary

In sum, the concomitance between the global integration of China's economy and Shanghai's local autonomy change is discernible. Both rise and fall relatively close to each other, sometimes with a few years' delay to reflect in fiscal figures. This confirms our hypothesis that the more internationalized a national economy gets, its leading GWC is more likely to receive larger local autonomy. Both the global city model and the world city hypothesis are upheld in the observation of Shanghai. It fares differently in India. A possible explanation is that India's level of global integration is lower than China, so the changes have yet to exert effects in inter-governmental relations. FDI flow, on the other hand, needs to be broken down to unravel meaningful relations. At first, autonomy level seems to grow together with FDI flow's share; yet in recent years, FDI net outflow picked up and started to have an impact on autonomy levels. Still, this must be examined further with the Guangzhou and Ho Chi Minh City cases.

5.5 Intercity competition and Shanghai's autonomy level

This section analyzes the intensity of competition Shanghai faces from neighboring cities, and determines whether such competition has affected the GWC's local autonomy level. Since each GWC has an intrinsic urge to win inter-urban competition to build up its "command and control" functions, and that territorial states, especially developmental states, also use GWCs as a tool for national development, we expect this competition to be fierce, so the GWC and the territorial state both have an incentive to increase the former's power.

5.5.1 Intercity competition against Shanghai according to GaWC

Contrary to widespread notion that Shanghai is the leading Chinese city in terms of globalization and modernization, what we find from *the World according to GaWC* assessments reveal a slightly different picture. Rather than being *the* Chinese GWC that could dictate the country's international economy and beyond, Shanghai actually is under a high level of pressure from neighboring cities in terms of GWC strength and formation.

Table 5.2: Shanghai's Neighboring GWCs According to GaWC, 2000-2018

City	Country/Region	2000	2004	2008	2010	2012	2016	2018
Shanghai	China	α-	α-	α+	α+	α+	α+	α+
Hong Kong	Hong Kong, SAR	α+	α+	α+	α+	α+	α+	α+
Singapore	Singapore	α+	α+	α+	α+	α+	α+	α+
Tokyo	Japan	α+	α+	α+	α+	α+	α+	α+
Beijing	China	β+	α-	α+	α	α+	α+	α+
Seoul	S. Korea	α-	α	α	α	α-	α	α
Kuala Lumpur	Malaysia	α-	α-	α	α	α	α	α
Bangkok	Thailand	α-	α-	α-	α-	α-	α-	α
Taipei	Taiwan	α-	α-	α-	α-	α-	α-	α
Manila	Philippines	β+	γ+	β+	β+	β+	α-	α-
Guangzhou	China	γ-	γ-	β-	β	β+	α-	α
HCMC	Vietnam	γ	HS	β-	β	β	β+	β+
Shenzhen	China	S	S	γ	β-	β-	β	α-
Hanoi	Vietnam	HS	HS	HS	γ+	β-	β	β+
Chengdu	China	/	/	S	S	HS	β-	β+
Tianjin	China	/	/	S	HS	γ-	β-	β
Nanjing	China	/	/	S	S	HS	γ+	β
Kaohsiung	Taiwan	/	/	S	S	S	HS	HS
Hangzhou	China	/	/	/	S	HS	γ+	β+
Qingdao	China	/	/	/	S	HS	γ+	β-
Wuhan	China	/	/	/	/	S	γ-	β
Xi'an	China	/	/	/	/	S	γ-	γ+
Number of same-country cities in HS level and above		4	4	8	8	14	17	24

Source: The World According to GaWC, GaWC, various issues, calculated by author.

East Asia has some of the world's strongest GWCs, including Tokyo, Hong Kong and Seoul. Given the top two GWCs of London and New York "define a duopoly that constitutes a case apart" (P. J. Taylor et al. 2009), these East Asian cities are generally on the highest level a GWC could achieve. Together with Singapore, the region holds five "alpha+" cities, and at least six "alpha" or "alpha-" GWCs. "The Alpha ++/+ levels are *over-represented by western Pacific Rim cities...*, a pattern strongly accentuated in 2008... (P. J. Taylor et al. 2009, original emphasis)". These cities can be deemed as well-developed GWCs with the capability as basing points for international capital and TNCs. In 2008 both

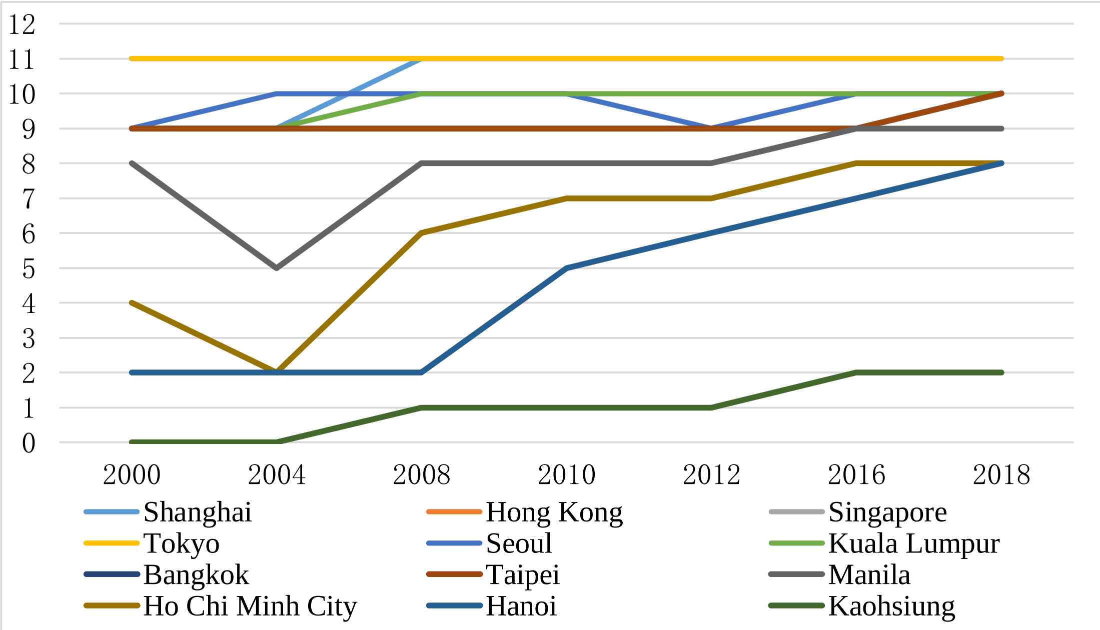
Shanghai and Beijing moved two ranks up from “alpha-” to “alpha+”. In the meantime, Kuala Lumpur, Manila, Guangzhou, Ho Chi Minh City, Shenzhen, together with a bunch of Chinese secondary cities all ascended by at least one rank. This indicates a pronounced swarming up of Shanghai’s neighboring cities.

The prominence of Tokyo can be partly attributed to the weight and ascendance of Japanese economy in the world (Sassen 1991b, 2001a), which until recently was still the first choice for Western capital into East Asia. If the Japanese economy’s share in the region continues to shrink, and if the country cannot more effectively integrate its development with other Asian economies, the glass ceiling above Tokyo’s GWC position is unlikely to disappear. Hong Kong has replaced Tokyo as the most global city of Asia (P. J. Taylor et al. 2009). It has the historic heritage of serving a much wider hinterland. It also boasts the role of a major gateway into China and the whole Mandarin-speaking region, as well as China’s window to the world for decades (especially before Shanghai’s ascendance). Hong Kong has been quite sensitive to challengers, and pursues an entrepreneurial strategy to propel its GWC growth (Jessop and Sum 2000).

Domestically, Beijing has always been on a par with Shanghai. The nature of the Chinese political and economy system—strongly dominated by SOEs and subject to closeness to political insiders—plays in Beijing’s benefit. “The widespread state ownership of key assets, especially in the financial and industrial sectors, works against Shanghai’s aspiration for financial services (G. Clark and Moonen 2017, 182).” Although Shanghai seats many TNCs or their offices doing business in China, most of the territorial state’s largest home-grown TNCs are headquartered in Beijing, the political capital. This would definitely bring advanced producer services as well as high-end GWC functions to Beijing, especially since China is starting overseas investment and internationalization of its currency CNY—an undertaking mostly performed by SOEs.

Second-tier Chinese cities are also prominently on the rise. There were just four Chinese cities ranked “HS (high sufficiency)” and above in the GaWC list. In the 2016 issue, the number has expanded to 17—more than quadrupled. However, in the meantime, neither China’s integration into global economy nor its GDP growth saw a proportionate expansion. This suggests that these secondary cities—those for so long eclipsed by Beijing, Shanghai, and Guangzhou—have started to gain international importance through their own efforts rather than just riding the growth of Chinese economy. This phenomenon is also noted elsewhere. A.T. Kearney noticed a “remarkable rise of Chinese cities” that reflects proactive efforts on various levels to improve competitiveness (A.T. Kearney 2018, 7–10). The ascent of secondary cities in national urban system brings both opportunities and competition to leading cities. Some services and functions are no longer tied only to Shanghai or Beijing—they are freer to relocate to other GWCs that have newly become good and viable platforms, considering Chinese local governments are usually highly interested in attracting advanced producer services and promoting their cities internationally[55].

Figure 5.6: Intercity Competition for Shanghai According to GaWC (International)

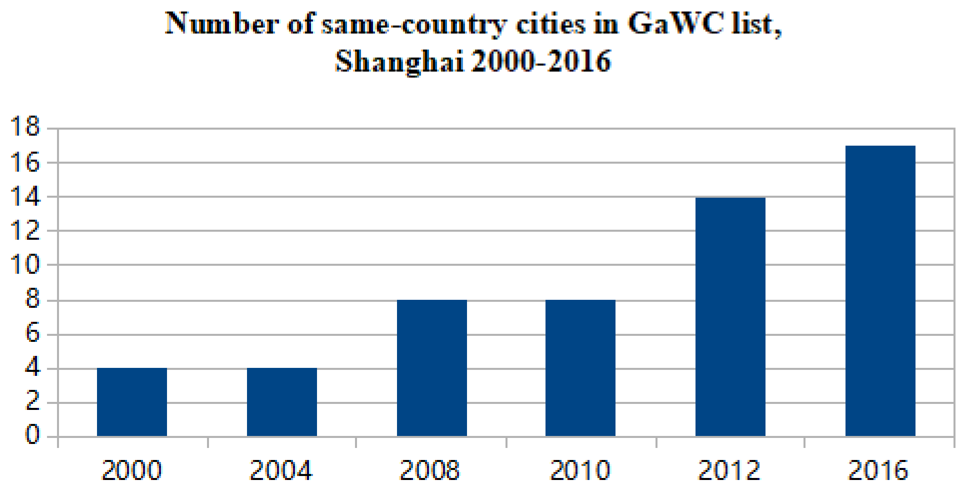


12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

[55] A hot area where secondary Chinese cities take great efforts is establishing direct air or railway connections with major international GWCs or trade partner countries. Traditionally, international flight services are concentrated in Beijing, Shanghai, Guangzhou and Hong Kong. For example, the southwestern city of Chengdu has been trying to promote itself as an alternative aviation hub, launching direct air services to almost all major GWCs including London, Sydney, Tokyo, Los Angeles, etc. Local governments at Nanjing, Hangzhou and Wuhan, etc. are also keen for such connections, on the assumption that direct connections bring opportunities, travelers, investments, and promote the city’s international visibility. Apparently, better-connected second-tier cities diminish Shanghai’s gateway function, as people and freight that used to transfer at Shanghai can now get to their final destinations more directly.

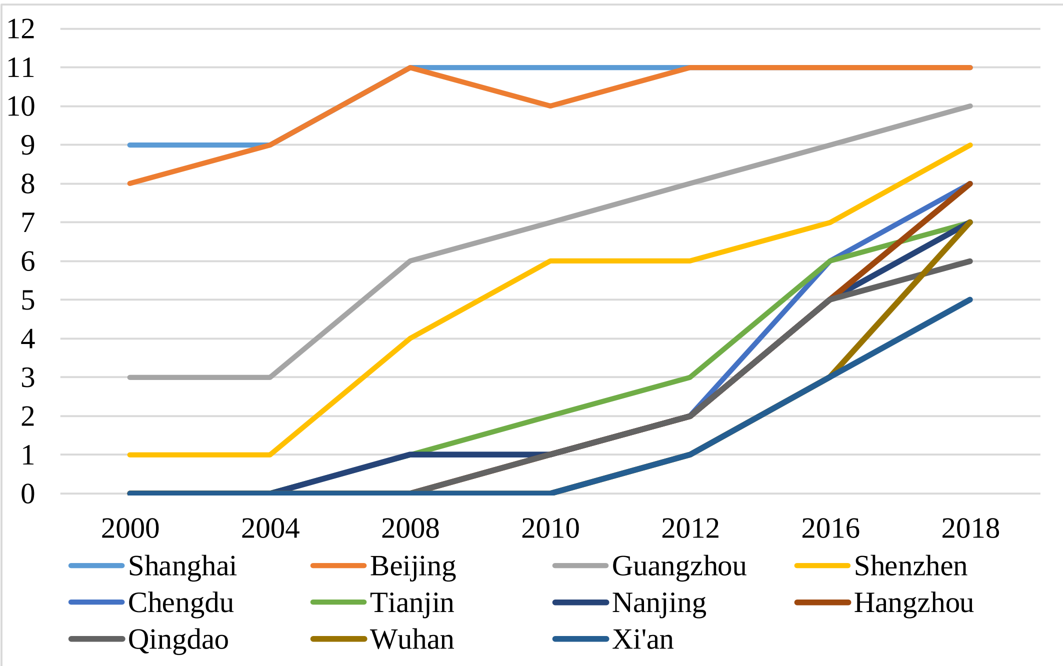
Source: The World According to GaWC, GaWC, various issues.

Figure 5.7: Number of Chinese Cities at HS Level or above in GaWC Lists



Source: The World According to GaWC, GaWC, various issues, calculated by author.

Figure 5.8: Intercity Competition for Shanghai According to GaWC (Domestic)



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World According to GaWC, GaWC, various issues.

The latest master plan for Shanghai, approved by the China State Council, explicitly quotes GaWC reports and Shanghai's performance in it through the years, as well as other GWC rankings (Shanghai Municipal Government 2018, 21, 26). This clearly indicates that the municipality is aware of inter-GWC competition situations and is making plans to win in the competition.

It is not surprising that Shanghai must try harder than Mumbai to keep its advantage as China's leading global city—a title not so secure now. Beijing has every potential to take it (even more so if a top-level strategy dictates so). Right now, Beijing's overall development plan does not overlap Shanghai's, except its aim to become an "international interactions (交往) center" and "international science and innovation center" (Beijing Municipal Government 2016), which largely suits its heritage as a hub for culture, diplomacy and China's higher education. However, one, broadly speaking, political power is also a constituent of GWC influence (e.g. Washington, D.C., New York, Brussels) which Shanghai seriously lacks; second, not been dictated in its master plan does not preclude or diminish Beijing's change of accruing more advanced producer service functions.

Meanwhile, Hong Kong is trying hard to retain its image as "Asia's world city"[56]. Since Shanghai has the goal to become not just China's top GWC, but also an "international economic, financial, trade, shipping, and scientific innovation center" (Shanghai Municipal Government 2018), it must strengthen itself in very meaningful ways to compete with Hong Kong, and other neighboring GWCs like Tokyo, Seoul, Singapore, and even Taipei.

As per Shanghai's fiscal data, the generally upward trend echoes the intense competition. There is no pre-2000 GaWC data available. But it can be reasonably assumed that Shanghai's GWC level was significantly lower then, especially right after the end of the Cold War, when China's global integration was low, with its FDI flow accounted for just a tiny 1.2% of national GDP. There was no way Shanghai achieved a high GWC level. On the contrary, neighboring GWCs like Seoul, Tokyo, and Hong Kong had already been growing fast since the 1970s. They were considerably ahead of Shanghai during the last decade of the 20th century. The pressure for Shanghai to "catch up" was high.

56 "What is Brand Hong Kong?", *Hong Kong, Asia's World City* website, Government of Hong Kong, <https://www.brandhk.gov.hk/html/en/>, last access Jul. 20, 2018.

Non-Beijing domestic challengers like Shenzhen, Chengdu, Hangzhou and Nanjing all see steep rise in positions. And the number of Chinese mainland cities also expanded tremendously (see Figure 5.7). Shanghai should feel a growing pressure. This is confirmed by its continuous expanding fiscal autonomy even after it reached GaWC's "alpha+" level—on a par with Hong Kong, Tokyo and Singapore.

5.5.2 Interurban competition as per stock markets

Stock markets around Shanghai also engage in intense competitions. Although Shanghai Stock Exchange (SSE), founded in 1990 (the starting year of our time span) processes the second largest market capitalization of 4270 billion USD as of May 2018, it is behind the Tokyo Stock Exchange (JPX) by a noticeable margin. JPX, founded in 1878, is the oldest stock market in the region. Capitalization size in that market is 5120 billion UDS, a fifth larger than Shanghai.

Hong Kong and Shenzhen are closely behind. Shanghai and Hong Kong have switched position several times recently, indicating fierce competition between them. The Shenzhen market, established in the same year as Shanghai, tightly follows. Hong Kong is well aware of the challenge and has explicitly vowed to keep its lead[57]. Moreover, given Hong Kong's opener economy and very loose capital regulation, HKEX has a natural advantage over Shanghai (and Shenzhen) in serving global capital. For example, HKEX recorded its "highest ever annual proportion of cross-border IPOs" in 2017, serving not only Asian but also North American companies (Ernst & Young 2017, 16). Many Chinese mainland's companies also choose Hong Kong over Shanghai or Shenzhen as a financing platform—in actuality undermining Shanghai's position. Although the Shenzhen market is smaller in size, it is no less active. It is the busiest exchange globally by IPOs, serving more than tenth of the world's deals. Shanghai and Hong Kong are just behind, ranked the 2nd and the 3rd (ibid).

57 "Hong Kong Stock Exchange: securing a future as rivals grow", *Financial Times*, May 20, 2018, <https://www.ft.com/content/ae5513ce-4e28-11e8-a7a9-37318e776bab>, last access Aug. 20, 2018.

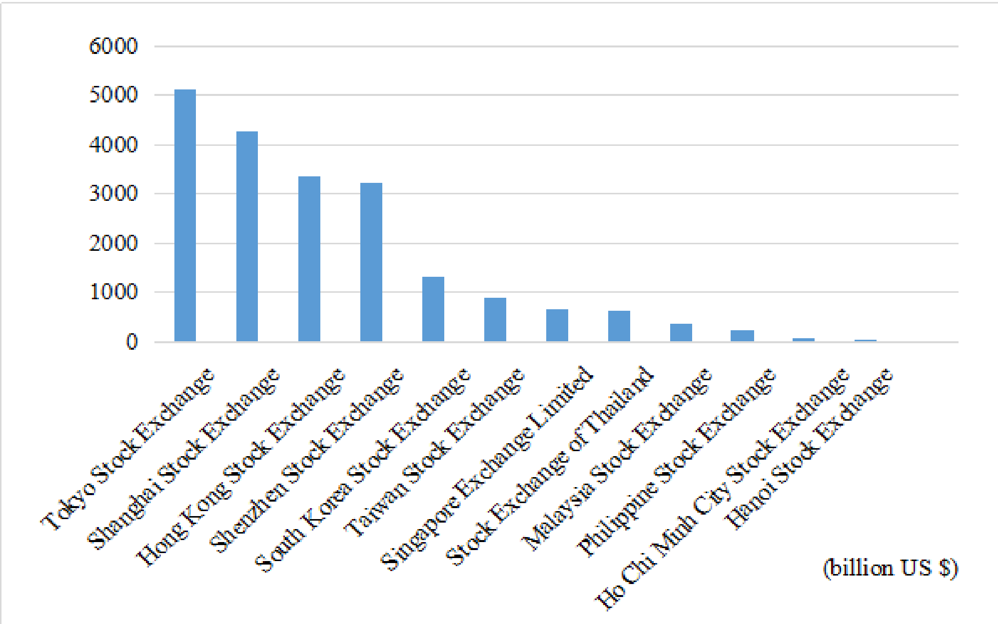
Table 5.3: Largest Stock Markets around Shanghai (billion USD)

Name	Symbol	City	Year of Founding*	Market Capitalization as of May 2018
Tokyo Stock Exchange	JPX	Tokyo	1878	5120
Shanghai Stock Exchange	SSE	Shanghai	1990	4270
Hong Kong Stock Exchange	HKEX	Hong Kong	1891	3370
Shenzhen Stock Exchange	SZSE	Shenzhen	1990	3240
South Korea Stock Exchange	KRX	Busan	1953	1330
Taiwan Stock Exchange	TWSE	Taipei	1961	891.06
Singapore Exchange Limited	SGX	Singapore	1973	680.08
Stock Exchange of Thailand	MOEX	Bangkok	1975	643.04
Malaysia Stock Exchange	MYX	Kuala Lumpur	1964	372.72
Philippine Stock Exchange	PSE	Manila	1927	252.14
Ho Chi Minh City Stock Exchange	HOSE	HCMC	2000	71.8
Hanoi Stock Exchange	HNX	Hanoi	2005	7.1

* This indicates the year of actual commencement of operation; if there is a precursor, then it is the year when the precursor started operations.

Source: compiled by author; market capitalization data from stockmarketclock.com, last access Jun. 9, 2018.

Figure 5.9: Market Capitalization of Stock Markets around Shanghai, May 2018



Source: www.stockmarketclock.com, last access Jun. 9, 2018

Other markets in the region are also of considerable size and vitality, except the two Vietnamese markets, which are of only marginal weight due to young age. The sharp gap of size between the two Mumbai-based markets and all their South Asian and Middle Eastern counterparts is not seen in the Shanghai case. This echoes GaWC's observation that the West Pacific Rim is seating a disproportionately large number of GWCs—possibly reflecting a shift of center of world economic gravity.

Of course, due to China's regulation on capital markets, currency exchange rates and its companies' overseas financing, Shanghai (together with Shenzhen) is still the handiest choice for domestic companies. The newly established cross-boundary investment channels of SSE-HKEX[58], SZSE-HKEX[59] and SSE-LSE connections slightly alleviate difficulty in cross-border investment, but hindrances still abound. In this sense, competition pressure on Shanghai is lessened—it is only to compete domestically with Shenzhen, the other stock market in South China. However, if the city, as per its growth plan, is to become an "international financial center" (Shanghai Municipal Government 2018) able to offer financial services to users beyond China, it still has a long way to go—and some of the obstacles can only be fundamentally removed on the national level.

The high competition pressure from neighboring stock markets is reflected in the increase in Shanghai's local autonomy. As afore observed, both the municipal revenue's and spending's shares in the city's total revenue see evident rise since the early 1990s. There is no continuous tracing of size of capitalization of all the stock markets since 1990 to now. We only know that the sizes of these markets, especially the large ones, tie closely. This is different than the situation in Mumbai.

5.5.3 Summary

This part analyzes the intercity competition Shanghai faces. There is clearly an ascent of GWCs in the West Pacific Rim. More GWCs in this region are occupying higher levels in GaWC rankings, at the cost of relative decline of Western cities. Shanghai is a latecomer as GWC, yet it enjoys the privilege of riding the growth of Chinese national economy, which utilizes the city as a major point of articulation between the territorial state and the global economy.

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58 "沪港通", Shanghai Stock Exchange, <http://www.sse.com.cn/services/hkexsc/home/>, last access Aug. 2, 2018.

59 "深港通", Shenzhen Stock Exchange, <http://www.szse.cn/main/szhk/>, last access Aug. 2, 2018.

The intense competition from neighboring GWCs adds to the burden of the territorial state to better facilitate investment and offer advanced producer services to accommodate to national growth. Here, the mutuality between China and the GWC of Shanghai is strong. The result is a rise in Shanghai's autonomy level.

The second hypothesis is confirmed within this case. Compared with Mumbai, it also holds true: intercity competition for Mumbai is relatively lower than Shanghai, and Mumbai has achieved much less increase in local autonomy. The Indian GWC's autonomy has expanded very modestly, yet that of Shanghai has seen tremendous expansion.

5.6 Shanghai's weight in China's foreign economy and the city's autonomy level

This section studies how much of China's foreign economy is concentrated in Shanghai. Hypothesis 3 predicts that if more of a territorial state's foreign economy is processed through its GWC, that city is more likely to obtain larger local autonomy to cope with local implications by higher levels of globalization, and to better facilitate urban and national growth. The following indicators are used to evaluate the concentration level: the share of China's largest companies (as per Forbes 500) headquartered in Shanghai, how much of China's FDI inflow go through Shanghai, and the city's weight in China's imports and exports. We expect a positive relation.

Shanghai has long been considered a "window" to the post-reform and opening-up China. In popular impression, its level of internationalization exceeds most—if not all—of its peers, and it is the city where most of international TNCs land their first footstep into the Chinese market. The following part verifies such notion and investigates whether such status has affected the city's autonomy level.

5.6.1 China's largest TNCs in Shanghai as per Forbes500

I use the Forbes 500 list from 1995 to 2017 to observe how many of China's largest companies are headquartered in Shanghai. This indication is directly in line with Friedmann's conceptualization of the world city (Friedmann 1986; Friedmann and Wolff

1982), in which the GWCs are basing points of capital flow and they command the world economy through TNCs located there.

In 1995, there were only two Chinese companies in the Forbes500 list, both headquartered in Beijing. Until 2003, eleven Chinese companies had made the list, all of which based in Beijing. This is obviously in token of China's SOE-dominated economy, and most SOEs operate from the political capital. For about a decade, no other Chinese city had a world top 500 company.

In 2004, two Shanghai-based companies entered the list, ending the Beijing monopoly. In 2009, Bank of Communications, one of China's oldest financial service provider, were listed for the first time. It is also the first non-Beijing-based Chinese bank to appear in the Forbes500 list. Two years later, another advanced producer service company originated in Shanghai, the Pacific Insurance, made the list.

Since 2004, Shanghai's share of China's largest companies has stayed relatively stable at 10% for about a decade. Due to the relatively small number in 2004, the city's share started at 13%. This does not mean Shanghai's position was markedly higher then. The number of Chinese companies expanded tremendously since then, reaching 109, about a fifth of the total, and Shanghai's percentage remained at approx. 10%.

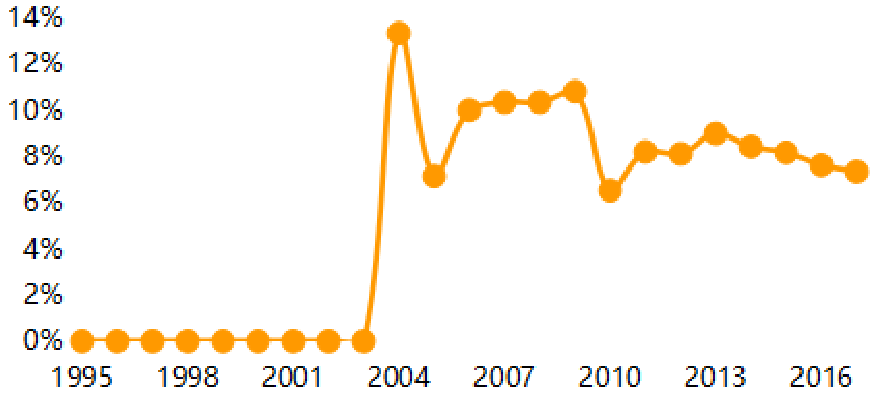
Among the eight Shanghainese companies, only two (Bank of Communications, Pacific Insurance) are advanced producer service providers. The rest either deals with logistics (e.g. China Ocean Shipping, COSCO Shipping) or manufacturing (e.g. Baosteel, Shanghai Automobile). This on the one hand reflects the city's historic heritage as an "ocean + river" harbor and an industrial center, and on the other hand reflects its relatively weak basis as the basing point for China's overseas expansion—the majority of China's largest financial and banking corporations are still in Beijing, rather than Shanghai. Nevertheless, logistics and manufacturing are still important sectors for an economic hub, as advanced producer services and TNC headquarters must have concrete activities to "command and control", and a diverse industry base enhances a city's metropolitan vitality.

Table 5.4: China's and Shanghai's Forbes 500 Companies, 1995-2017

Year	Total number	HQ in Shanghai	Shanghai's % of China	National largest and its ranking	
1995	2	0	0.00%	Bank of China	207
1996	2	0	0.00%	Bank of China	167
1997	3	0	0.00%	Bank of China	164
1998	4	0	0.00%	Bank of China	173
1999	6	0	0.00%	China Petrochemical	73
2000	10	0	0.00%	China Petrochemical	58
2001	12	0	0.00%	China Petrochemical	68
2002	11	0	0.00%	State Power Corp.	60
2003	11	0	0.00%	China Petrochemical	69
2004	15	2	13.00%	State Grid	46
2005	14	1	7.00%	China Petrochemical	31
2006	20	2	10.00%	China Petrochemical	23
2007	29	3	10.00%	China Petrochemical	16
2008	29	3	10.00%	China Petrochemical	16
2009	37	4	11.00%	China Petrochemical	9
2010	46	3	7.00%	China Petrochemical	7
2011	61	5	8.00%	China Petrochemical	5
2012	74	6	8.00%	China Petrochemical	5
2013	89	8	9.00%	China Petrochemical	4
2014	95	8	8.00%	Sinopec	3
2015	98	8	8.00%	Sinopec	2
2016	105	8	8.00%	State Grid	2
2017	109	8	7.00%	State Grid	2

Source: Forbes 500, Forbes, various issues, calculated by author.

Figure 5.10: Shanghai's Share of China's Forbes 500 Companies, 1995-2017



Source: Forbes 500, Forbes, various issues, calculated by author.

Overall, the city's percentage in China has a stable trajectory, if not a slight decline since 2009. The latest figure of 2017 shows only 7% of such companies operating from Shanghai. The number of Shanghai-based TNCs has remained at 8 since 2013, yet the number of China has expanded from 89 to 109. This means, from 2004 to 2017, China's national total expanded by more than seven times, while that of Shanghai only quadrupled. At least in terms of the largest home-grown TNCs, especially in financial service, Shanghai does not have a distinct advantage in China, not to mention being the first choice.

When we juxtapose this trend with Shanghai's local autonomy level, we do not find a distinct relation, except the most general trend: Shanghai's share of China's Forbes 500 companies changed from zero to 7%, and the city's local autonomy also saw marked increase. It seems to confirm the hypothesis *in a very crude sense*. The marginal slipping of Shanghai's share does not agree with the city's continuous increase in local autonomy.

This phenomenon could be better analyzed, if a larger population of companies is observed. The Forbes500 list only counts the largest 109 Chinese companies in 2017 (in 1995 the number was just two). Although expanded tremendously, the number is more of a token of China's size growth in world economy, rather than a good piece of information on the overall landscape of Chinese companies and their origins—the size of a TNC is not necessarily indicative of its level of international expansion. Meanwhile, a solely domestic list of more companies, or a list of all TNCs (both domestic and international) doing business in China, or even more preferably, a list of TNCs by foreign assets controlled would potentially provide a better picture.

5.6.2 China's FDI inflow through Shanghai

The largest companies of a territorial state are important, but not the only aspect of globalization. They are major players in the Chinese marketplace, and organs for the national capital to expand internationally. Yet, to get a full picture, we must view other indicators pertaining to production, flow of goods and people, etc. As a newly industrialized country, China's early ascendance owes much to its relatively cheap labor force and labor-intensive manufacturing enabled by it. Today, the majority of its exports are industrial products of higher value. But it still needs logistic facilities such as capable ports, airports, and ground transportation. As a comprehensive transportation hub in China and with a rich heritage of international logistics, Shanghai naturally handle a considerable part of such connections.

Table 5.5: Shanghai's Share of China, Selected Indicators

Year	Port Tonnage	Implemented FDI	Import and Export	International Travelers (incl. HKMT)
1990	17.30%	7.70%	8.6%*	3.20%
1991				
1992				
1993				
1994				
1995				
1996	21%	10.90%	17.10%	2.90%
1997				
1998		8.20%		
1999		14.90%		
2000	15.90%	13.20%	17.90%	2.30%
2001				
2002				
2003	9.60%	10.90%	23.60%	3.50%
2004	9.50%	10.80%	24.50%	4.50%
2005	9%	11.40%	24.70%	4.70%
2006	11.80%	10.20%	24.40%	4.80%
2007	14.40%	9.50%	24%	5%
2008	9.90%	10.90%	23.70%	4.90%
2009	8.60%	11.70%	23.40%	5%
2010	11.90%	10.50%	23%	6.40%
2011	11.80%	10.90%	22.30%	6%
2012	6.80%	13.60%	20.70%	6%
2013	6.60%	14.30%	19.50%	5.90%
2014	6.80%	15.20%	20.10%	6.20%
2015	9.10%	14.60%	20.70%	6%
2016	8.70%	14.70%	21.50%	6.20%

* Figure for 1990 is for export only, because the Shanghai data available for this year only counts export.

Source: Shanghai Statistical Yearbook, various years; China Statistical Yearbook, various years; some percentages readily available, others are calculated by author.

I use three indicators to further assess Shanghai's weight in China's foreign economy: actualized FDI (inflow), import and export, and entry of international travelers. Per Table 5.5, Shanghai's percentage of FDI inflow to China doubled from 1990 to 2016. In 1990, 7.7% of FDI to China went to Shanghai. Then the percentage rose to 14.9% in 1999—doubling for the first time. It then gradually declined to approx. 10% the next decade. In 2012, the figure picked up speed again and reached 15.2% in 2014, before stabilizing at 14.7% in 2017. There are clearly two peaks during the entire time span: the first at 1999-2000, the second at 2013-2014.

The data at hand is just for FDI inflow, i.e. foreign investors' ventures in China. Data of the other direction, overseas investment by Chinese companies, are not available at hand. Conventionally, developing countries receive more inflow than sending outflow, because they have not yet accumulated enough capital, technology, and experience to pursue overseas opportunities. Moreover, most developing countries retain certain policies to protect home-grown industry sectors, making domestic enterprises in these sectors less competitive internationally. But a true GWCs should be able to facilitate flows in both directions. Moreover, with the continuous growth and opening-up of a territorial state, to start investing abroad is only a matter of time. China has been increasingly engaged in overseas investment, much of which is acquisition and merge. This has generated some criticisms and concerns at the receiving end (Meunier 2014; Rogers, Lee, and Yan 2015). Given a majority of China's TNCs are SOEs, China's overseas investment is largely controlled in Beijing. This further increases Beijing's weight at Shanghai's expense.

FDI inflow to Shanghai largely shows a similar trend with the city's autonomy level. There is even a concomitant peak around 1997 to 1999. However, the city's autonomy level did not slide with its share of FDI inflow. Shanghai is articulating a larger share of its national economy's FDI inflow than Mumbai. And China's FDI outflow is obviously increasing, which has not occurred yet in India. Comparing the two nations, it is evident that a higher share of FDI concentration in the GWC is more likely to lead to a heightened level of that city's local autonomy.

5.6.3 China’s import and export through Shanghai

As per table 5.5, China’s import and export from 1990 to 2016 had been flowing more and more through Shanghai. In 1990, less than a tenth (8.6%) was handled in Shanghai. This is a year when China’s globalization was just about to kick off. In 1996, 17.1% was conducted in the city—doubling the 1990 level. China was accepted into WTO in 2001, and Shanghai’s share rose to almost a quarter of the national total (24.7%) in just four years. This indicates a marked concentration trend in Shanghai, as China’s global integration deepens. However, the trend then stabilized and started to slide slightly, to less than 20% in 2013. It then stayed around 20%. The city is definitely of high importance in the country’s foreign economy. This period is also when China gradually ascended as “the World Factory”.

The number of international (cross-boundary) travelers is used as a supplementary piece of evidence. Flow of people, especially well-educated and productive talents is of critical importance for the smooth functioning of world economy. Clustering of such people is also a salient trait of GWCs, as only central metropolis can provide enough job opportunities and satisfy their life and recreational needs. Such indicator is of higher importance for developing countries like China, which are thirsty for foreign investment, technology and experience. In 1990, only 3.2% of foreign travelers to China went to Shanghai. The figure gradually rose to 6.2% in 2016, almost doubling the percentage 25 years ago. The Shanghai Pudong International Airport (PVG) is China mainland’s busiest airport in terms of cross-border passenger and cargo traffic[60]. The city definitely processes a part of international people exchange between China and the world, but it does not monopolize it—international travelers to Shanghai only account for less than a tenth of China’s total. This indicates that Shanghai’s GWC role as a hub for international human flow and interactions may not be as big as usually assumed. The majority of such flows take place elsewhere. Existing data does not distinguish between business travelers and

[60] “2018 年民航机场生产统计公报”, *Civil Aviation Administration of China Website,* Mar. 5, 2019, < http://www.caac.gov.cn/XXGK/XXGK/TJSJ/201903/t20190305_194972.html>, last access May 27, 2019.

leisure travelers, nor do we know how many Chinese people are traveling abroad[61] from Shanghai, therefore this figure is only of referential value.

5.6.4 Summary

Shanghai's weight in China's im- and export and international travelers roughly doubled since 1990—about the same growth rate of its local autonomy level change. The peak of import and export around 2004-2008 perfectly coincides with a culmination of the city's fiscal figures, where the city's own revenue takes up 38.64% of its total income, and the city expenditure takes up 43.79% of its total income in 2009. So far, the hypothesis is confirmed within the case. On a national base, Shanghai's share of FDI inflow is slightly larger than Mumbai's, yet its share of import and export is smaller. This could mean that FDI flow has a bigger impact on a GWC's autonomy level—capital flow influences inter-governmental relations more than the flow of goods or people does.

5.7 Chapter conclusion

In this chapter, I have studied Shanghai, China's leading GWC. This most global city of mainland China is both interesting and important to observe. Through tracing Shanghai's local autonomy level and the three IVs, i.e. the international integration of China's national economy, competition from neighboring cities, and the city's weight in China's foreign economic activities, the three hypotheses are tested. I now briefly sum up findings and discuss their implications.

[61] In 2018, there were about the same number of Chinese citizens traveling abroad (149.72 million) and foreigners traveling to China (141.2 million). China Ministry of Culture and Travel, *2018 年旅游市场基本情况*, Feb. 12, 2019, < http://zwgk.mct.gov.cn/auto255/201902/t20190212_837271.html?>, last access May 26, 2019.

5.7.1 Performances of hypotheses

Hypothesis one, that the more globally integrated a national economy becomes, its leading GWC is more likely to acquire higher levels of local autonomy, is tested using the GWC's share of import and export, and the share of FDI inflow and outflow in China's GDP. There is a notable relation between the two variables as predicted. Unlike India, a more internationalized Chinese economy does bring more local power to its leading GWC, despite some delay in the fiscal figures. What remains unclear is that a slipping level of China's global integration is accompanied by a still-growing local autonomy of Shanghai. This may indicate a mutual need between the city and the territorial state: Shanghai wants to sustain its status while China tries to stabilize its global integration through that GWC.

Hypothesis two predicts that if there is more competition from other neighboring GWCs, there is a higher likelihood that a territorial state would transfer more power to its leading GWC. The hypothesis holds true in the Shanghai case. At the beginning, Shanghai had to work hard to catch up with neighboring GWCs. Later, when it achieved a relatively high level, it still needs to strive to stay ahead of many competent rivals, including the Chinese capital of Beijing and Hong Kong as a mature IFC. The intensity of competition remains high. This is reflected perfectly in the ever increasing autonomy of Shanghai. Mumbai, on the other hand, enjoys more security as India's (and perhaps the South Asian) leading GWC, therefore did not enjoy a clear rise in local autonomy.

The third part analyzes Shanghai's share of China's foreign economy using Forbes 500, actualized FDI, import and export, and number of international travelers. They are of different natures and reflect different aspects of China's foreign economic activities. In general, the long-term trajectory is as predicted by the hypothesis: a higher concentration of a national economy's foreign economic activities in a GWC leads to more devolution of power to that city. Yet, some short-term deviations need further investigation, e.g. the slip of Shanghai's share of export and import during the last few years is accompanied by a persistent increase in the city's autonomy level.

5.7.2 Known deficiencies of the empirical test

First, although Shanghai's fiscal data is more complete than Mumbai's, the city's statistical yearbooks do not provide figures on the its alternative financing options. China's budget law does not allow local governments to issue loans[62] without specific approval from the central authority, yet its provinces routinely resort to alternative, off-budget financing mechanisms (e.g. PPP, public-private partnership[63]) to circumvent this regulation, and the operations of such mechanisms are fairly opaque[64]. In recent years, revenue from land-leasing also constitutes a major source of income for local governments. According to a study by Zhang Rufei, in 2000, only a half of Beijing's municipal revenue is reflected "on-budget", while a fifth is formally off-budget (cited from Su and Zhao 2007, 91). Both on-budget and off-budget incomes constitute real local autonomy. With further information on such additional financing sources for the Shanghai government (although admittedly difficult to obtain, because they are designed to evade superior investigation), a more complete picture could be drawn.

Second, as has been pointed out, the Forbes 500 ranking only reflects one aspect of China's enterprise landscape. Given China is a unitary country with strong central regulation, it is no surprise that the majority of its largest companies are headquartered in Beijing rather than Shanghai. Besides, this list ranks companies by size rather than profit, or profit rate, or foreign assets held, which are perhaps better indicators of real strength and internationalization of a company. Also, a larger population of companies, especially private enterprises and foreign enterprises conducting business in China, should be examined. They have the potential to tell a different story, i.e. in reality Shanghai's weight may be larger.

62 When local governments need to, they do it through a special enterprise they own. These enterprises, when borrowing from banks, should present a form of backing by its local government, confirming it would see that the enterprises repay the loans.

63 "China admits to disguised fiscal borrowing risk", *Financial Times*, Aug. 2, 2017, <https://www.ft.com/content/5fe8b3c2-7754-11e7-90c0-90a9d1bc9691>, last access Aug. 1, 2018.

64 《全国PPP市场透明度指数刚过"及格线"，新建项目信息公开优于存量项目》，*证券时报网*，Jul. 15, 2018, <http://news.stcn.com/2018/0715/14387364.shtml>, last access Aug. 1, 2018.

Third, in China, a politically unitary state led by a single ruling party, future career of local officials usually has an impact on the locality they served. The former president Jiang Zemin used to be mayor and the CPC secretary of Shanghai, so was the former prime minister Zhu Rongji. Ever since, a Shanghai experience has been a powerful (if not necessary) advantage, if an official is to climb higher into China's top leading circle. This reasonably has an effect on Shanghai's autonomy level, as it makes it much more possible and easier for the city's interests and needs to be heard and considered by the central authority. It also adds points to Shanghai because the top decision-makers are more familiar with the city. If such aspect could be examined more closely, it would greatly contribute to a better understanding of this topic.

5.7.3 General assessment of the GWC of Shanghai

Shanghai is certainly one of China's most successful city in terms of modernization and globalization since the country's opening-up and reform in the late 1970s. It is the designated financial center, besides Hong Kong, of the territorial state, as per the city's master plans approved by the state council as well as the country's central policy statements. Recently, it also boasts China's first free-trade zone[65], hosting of the country's import exhibition, among its old privileges. Although some privileges are diffused into other cities quickly, and some only generated limited real benefits[66], we can safely tell that China's central authority still uses Shanghai as a pilot city to test out more radical measures of opening-up and reform. This, in effect, adds to Shanghai's local autonomy relative to other metropolises, because the city is able to try methods and carry out functions not enjoyed by ordinary cities for the time being. So, from the standpoint of the territorial state, Shanghai's leading position will likely remain.

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65 "China opens Shanghai free-trade zone", *The Guardian*, Sep. 29, 2013, <https://www.theguardian.com/world/2013/sep/29/china-shanghai-free-trade-zone>, last access Aug. 1, 2018.

66 "Benefits of Shanghai free-trade zone still shrouded in mystery", *Financial Times*, May 14, 2014, <https://www.ft.com/content/c1b3a678-d592-11e3-adec-00144feabdc0>; "Shanghai free-trade zone struggles for relevance", *Financial Times*, Sept. 27, 2015, <https://www.ft.com/content/8cec0faa-6364-11e5-9846-de406ccb37f2>. Last access Aug. 2, 2018.

In terms of interurban competition, given China's relatively high level of overall economic (especially financial) regulation[67], Shanghai at the moment has little edge over Hong Kong (or other international GWCs) to "command and control" international economy on a scale larger than the Greater China region. On the other hand, China has little choice other than Shanghai or Hong Kong (and much less so, Beijing and Guangzhou) to utilize as a competent GWC. The mutuality between the territorial state of China and the GWC of Shanghai is currently deep and perhaps unbreakable. Both should see an interest in propelling the other's prosperity.

Recently, the global integration of Chinese economy is slowing down (as shown in the first IV), despite its repeated assertion of continuous opening-up. The recent Sino-U.S. trade war further augments the uncertainty. This may bring mixed policy results pertaining Shanghai's GWC autonomy level. On the one hand, lower levels of internationalization make the central authority less likely to pro-actively uphold Shanghai—as the national economy is getting more domestically driven, which requires a more balanced national growth. Yet, on the other hand, the territorial state has committed itself to keep "all-around" opening up to the world *on a higher level and at a larger scale* (K. Li 2018). This requires strong facilitation by home-grown GWCs, especially to aid Chinese investments overseas and the so-called "Belt and Road" initiative, whose effects remain to be seen. In this sense, Shanghai as a stronger GWC is still necessary. Then again, the political factor should never be ignored. When politics is involved, Beijing always has an advantage. The "Belt and Road" summit, likely to be held annually (together with other high-level summits and forums initiated by China) seems to have chosen Beijing as the host city, despite the Chinese government trying to tune down any political intentions behind it. How it plays out in the future would be interesting to observe.

[67] For example, capital and financial accounts are still tightly controlled in mainland China, but not so in Hong Kong.

Chapter 6: Case of Guangzhou, China

6.1 Introduction

This chapter studies Guangzhou, a major Chinese GWC long eclipsed by Beijing and Shanghai. However, it is one of the three most global cities in China's mainland, right after Beijing and Shanghai (Ma and Timberlake 2008). In terms of potentials, it is ranked the 59th in A.T. Kearney's Global Cities Outlook 2018, on a par with Hong Kong (54th), Shanghai (64th) and Kuala Lumpur (61st) (A.T. Kearney 2018, 14). The Pearl River Delta Region (PRDR), where the city locates, is one of the largest mega-urban regions in the world. City-regions are important in GWC formation because they highlight some most imminent and new policy issues brought out by intensified globalization, and generates higher levels of dependency and inter-dependency among urban centers (Scott 2001b). Guangzhou makes an interesting case as to better understand how GWCs in such a city-region fare in their inter-governmental relations. To more closely study this city would contribute to our knowledge of GWC formation and growth in the world's second largest economy.

There has been much less academic attention on Guangzhou from the GWC perspective than on Shanghai or Beijing. Existing researches include: Brencic uses Guangzhou's Haizhu District to illustrate the city's urban planning's implications in its growth as a GWC (Brencic 2010). Li et al. study manufacturing's importance in Guangzhou's path toward GWC and suggest industry and manufacturing are more crucial than financial and corporate service for GWC formation in the Global South (W. Li, Xue, and Huang 2018). Chubarov and Brooker identified three pathways to GWC formation and categorize Guangzhou as a "global industrialized city", whose globalism is based on its economic scale and status as a manufacturing center (Chubarov and Brooker 2013).

6.2 Guangzhou's local autonomy 1998-2016

I assess Guangzhou's local autonomy change using the city's fiscal figures from 1998 to 2016. Data is available from Guangzhou Statistics Yearbooks. Unfortunately, pre-1998 figures are unavailable as yet.

Unlike Shanghai and HCMC, but similar to Mumbai, Guangzhou is not under direct jurisdiction of national authority. Technically, the channel must go through Guangdong Province. However, the city is one of the "sub-provincial level cities"[68] in China with a higher level of discretion on economic and social policies that are slightly lower than provinces but higher than ordinary cities. Such change in local autonomy happened before our observation, so is not discussed here.

As per Table 6.1, in 1998, the Guangzhou city revenue was 137.32 billion CNY, local expenditure was 179.61 billion CNY. Through two decades, growth rate of both local revenue and expenditure experienced intense fluctuations. So did the sum of subsidies from higher governments. Considering the change of CNY currency value, it is infeasible to assess the trend on the sum of money. Instead, I use changes in year-on-year ratio.

Guangzhou's city expenditure has always been larger than its revenue. The gap is filled by subsidies from upper governments and other sources. The subsidies' sum is approximately the same amount of the municipality's extra expenditure minus its own revenue. This implies a continuous transference of fiscal power from higher levels. City expenditure rocketed to more than 180% of its own revenue in 2004, then plummeted to 120% the following year. Both 2003's and 2005's percentages were less than 140%. This

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[68] Except the four municipalities under direct supervision of the central government (Beijing, Shanghai, Tianjin, Chongqing), "sub-provincial level cities" (副省级城市) are the other category of municipalities with a higher administrative level than ordinary cities. These cities are provincial capitals or central cities in their respective regions, considered to play a critical role in regional or national economic and social development. This title was enacted by the Chinese State Council in 1994 to replace the "cities with individual development plans" (计划单列市), meaning their development plans are presented to, reviewed and approved by the State Council, rather than the provinces they belong to. With the title comes economic management powers roughly equivalent to that of a province. The city's administrative level is also lifted up a rank to one between the province and ordinary cities. Currently there are 15 sub-provincial level cities in China: Guangzhou, Shenzhen, Hangzhou, Nanjing, Xi'an, Wuhan, Chengdu, Ningbo, Qingdao, Dalian, Shenyang, Xiamen, Changchun, Jinan and Harbin.

abnormality could be due to data error or some unexplained factor, because as per the city's annual statistics report, there was no drastic changes in relevant items[69]. The general trend through the two decades (except 2004) is largely a mild "W" curve. It slipped to less than 120% in 2001, then rebounded slightly to 130% in the next few years, before dropping again to close to 100%. In 2007 and 2009, Guangzhou spent about the same amount of its revenue. Yet, the ratio started to pick up during the last few years, indicating increased alternative financing sources the city was using.

Subsidies from upper levels of government refer to those either for inter-regional equalization or for special purposes. The data source does not distinguish between subsidies from Guangdong Province and subsidies from Beijing. In general, the ratio of grants culminated in 2004 (28.1%), then saw gradual rescind ever after, slipping from 22.03% in 2005 to 12.46% nine years later. It picked up slightly in the last two years, but whether that is normal fluctuation or the start of a new trend is uncertain. As a whole, subsidies do not show an apparent rise. If anything, the ratio stayed roughly the same, indicating lack of power transference in this regard.

As the same with Shanghai, we compare Guangzhou's fiscal change with China's national average. China's national background is introduced in the Shanghai case, therefore not repeated here. Local expenditure in China has been gradually increasing since 1998, despite a small low point in 2000. Since this year, figures started to include interest payment of loans. It is unclear whether this caused the dip. Guangzhou displays a different pattern than China's national trend, indicating the city is a special case. The national curve shows a slow yet steady growth, but Guangzhou's curve contains much larger fluctuations. Moreover, about between 2007 and 2009, local expenditure had a short-term drop. This is not seen nationwide, suggesting other causes were affecting Guangzhou's local autonomy level. We can omit the possibility that the variation of Guangzhou's DV can be fully accounted for on China's national basis.

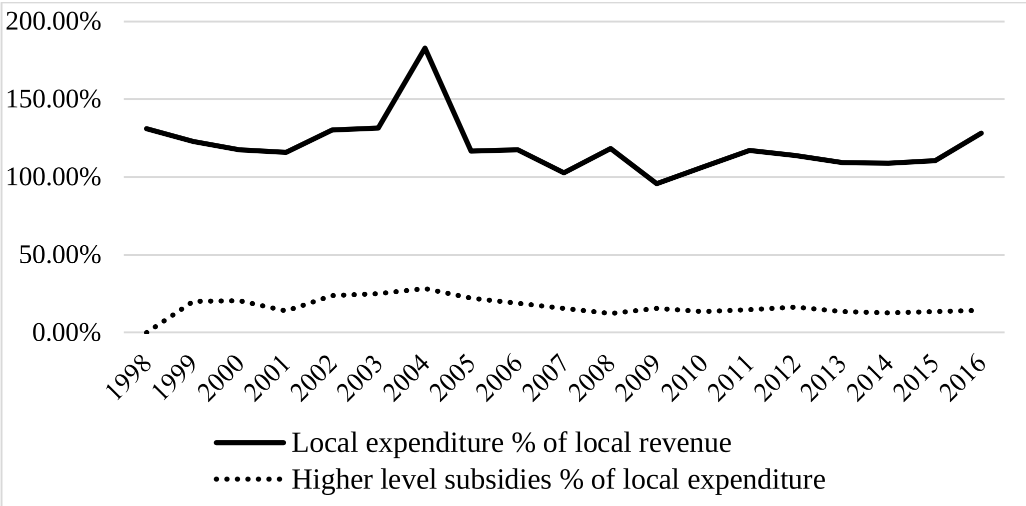
[69] According to *The 2004 Guangzhou Statistical Report on National Economy and Social Development (广州市 2004 年国民经济和社会发展统计公报),* in this year, fiscal revenue accrued in the city grew by 17.3%; the city's budgeted general fiscal expenditure grew by 10.3%. No drastic change was reported.

Table 6.1: Guangzhou Municipal Revenue and Expenditure (10000 CNY)

Year	Total revenue of local government	Change %	Local expenditure	Change %	Subsidies from higher levels	Change %	Higher level subsidies % of local expenditure
1998	1373200	/	1796100	/	/	/	/
1999	1881400	37.01%	2310900	28.66%	465145	/	20.13%
2000	2199100	16.89%	2585965	11.90%	529352	13.80%	20.47%
2001	2719100	23.65%	3149752	21.80%	433756	-18.06%	13.77%
2002	2691000	-1.03%	3501930	11.18%	832744	91.98%	23.78%
2003	3005500	11.69%	3955165	12.94%	982647	18.00%	24.84%
2004	2234500	-25.65%	4082400	3.22%	1147285	16.75%	28.10%
2005	4088545	82.97%	4762754	16.67%	1049456	-8.53%	22.03%
2006	4767231	16.60%	5594208	17.46%	1041500	-0.76%	18.62%
2007	8289925	73.89%	8500119	51.94%	/	/	/
2008	8431405	1.71%	9979352	17.40%	1232757	/	12.35%
2009	11076649	31.37%	10594961	6.17%	1642748	33.26%	15.50%
2010	13991612	26.32%	14871597	40.36%	1981135	20.60%	13.32%
2011	15351387	9.72%	17933480	20.59%	/	/	/
2012	15796804	2.90%	17969129	0.20%	2935797	/	16.34%
2013	20881374	32.19%	22835069	27.08%	3041249	3.59%	13.32%
2014	23188414	11.05%	25253840	10.59%	3146609	3.46%	12.46%
2015	23913268	3.13%	26410179	4.58%	3573367	13.56%	13.53%
2016	22184824	-7.23%	28456639	7.75%	4083630	14.28%	14.35%

Source: Guangzhou Statistical Yearbook, various years, Guangzhou Municipal Government, calculated by author.

Figure 6.1: Trajectory of Guangzhou Local Autonomy Change



Source: Guangzhou Statistical Yearbook, various years, Guangzhou Municipal Government. Calculated by author.

6.3 Global integration of China's national economy and Guangzhou's local autonomy change

The general pattern of global integration of China's national economy is discussed in the Shanghai case, therefore not repeated here. Here I directly analyze its relations with Guangzhou's local autonomy level.

From 1998, when Guangzhou's fiscal data started, import and export's share in China's GDP saw marked rise from 32.84% to 65.62% in 2006. Guangzhou is traditionally a hub for China's foreign trade and commerce. During this period, the city received slightly more grants from higher authorities, but such rise did not culminate in the same year with import and export's share—it took place a few years before, suggesting a weak or perhaps null relation. In terms of local expenditure, the city had been spending less money compared to its local revenue, however. After 2006, export and import share in China's GDP saw a clear downturn, as the country trying to shift its growth engine towards domestic markets, combined with negative effects of the 2008 worldwide recession. In the meantime, grants to Guangzhou city remained relatively the same at around 12% to 13%, and rebounded slightly in 2016 (to 14.35%), so did its local expenditure. This reverse trend in local autonomy (especially in the very latest years) is similar to what is found in Shanghai.

In terms of FDI flow, the continuous drop of China's FDI flow from 1998 until 2005 is accompanied by Guangzhou's expenditure to revenue ratio coming from 130% to 116%—a mild decline. Grants to the city remained about the same at 20%. China's FDI inflow expanded greatly in 2005, then shrank year by year (with an understandable plummet after 2008). Grants to Guangzhou had a similar curve—it dropped from 22.3% to 14.35%. The city's expenditure to revenue ratio, however, displayed some fluctuations before ending with an upward tip. This, again, is in reverse to FDI inflow but consistent with FDI outflow.

Guangzhou displays largely the same trend in local autonomy as Shanghai (except for the last few years, which needs to be further investigated against more cases), but to a less extent. The southern GWC of China is strongly feeling the ups and downs of its national economy's integration into global economy. Nationwide, the two cities are from the same background, so for this individual IV (global integration of national economy), there is no variation between Shanghai and Guangzhou. With China's global involvement lessening, Guangzhou did not show a similar shrink in local autonomy, but its local autonomy did not increase either. Only in the last few years, like Shanghai, the city's autonomy level saw a rebound trend, with China's FDI outflow on the rise. Such rebound is not seen elsewhere in China. Its nationwide central expenditure and local expenditure ratio remained the same since 2011. So, in Guangzhou, the first hypothesis is mildly confirmed.

6.4 Intercity competition and Guangzhou's local autonomy change

Guangzhou has been experiencing even more intense competition from neighboring GWCs, compared to Shanghai, Mumbai and HCMC. The PRDR densely seat three major GWCs (Hong Kong, Shenzhen, Guangzhou), with downtown Guangzhou and downtown Hong Kong just 120km apart, and Shenzhen lies in the middle. Across the Pearl River estuary are two smaller cities of Macao and Zhuhai. These cities, especially the big three, are intricately inter-connected and at the same time competing with each other, as well as with other neighboring cities (Douglass 2000b). Unlike Shanghai's situation, Hong Kong, the most global city in Asia, is just on the doorstep of Guangzhou.

In early stages of China's opening up, the PRDR benefited greatly from its closeness to Hong Kong, and attracted many manufacturing factories that found Hong Kong too expensive and tried to tap the huge labor pool of mainland China. Such proximity also helped Guangzhou and Shenzhen lure investment from overseas Chinese who use Hong Kong as a gateway into the vast hinterland of China. The region rode the wave of NIDL with the help of Hong Kong's GWC functions. "Geographical proximity to Hong Kong has given Zhujiang (Pearl River) delta region a huge advantage over other regions in China (J. Shen 2002, 134)." Nevertheless, at the same time, especially in recent years, loosened regulation on cross-border movements between China mainland and Hong Kong has started to drain high-end investment and talent back to Hong Kong, (Mok and Cheung 2011; M. Li and Bray 2007), as Hong Kong intentionally trying to consolidate its status as Asia's leading GWC. This skews against Guangzhou's favor, as geographical proximity—used to be an advantage—now turns into a possible disadvantage for high-aiming talents and capitals to easily relocate to more mature platforms. Besides Hong Kong and Shenzhen, there are two other "alpha" level GWCs (Taipei and Bangkok), the same level as Guangzhou, located within 1600 km's radius. Belonging to different economies, their *de facto* challenge to Guangzhou is lower than Hong Kong.

Even closer than Hong Kong, Shenzhen is another giant city with strong nationwide magnetism. Even though not the provincial capital of Guangdong Province, the city has surpassed Guangzhou in economic size and growth rate in 2017—except rare cases[70], in China, the provincial capital is also the largest and the most developed city in the province. Guangzhou is now in the third place among the PRDR's big three—until modern times its status as the regional center had been unquestionable. As per the *World According to GaWC,* Shenzhen has tied closely with Guangzhou, ascending to "alpha-" level in 2018, just one rank below. Some suggest that Shenzhen enjoys bigger potential as it does not suffer from some of the worst urban problems plaguing old cities like Guangzhou, e.g. urban slums and lack of land space for future growth. It also has more direct access to Hong Kong, making it a better platform for China's domestic capital and talents who want closer connections with more internationalized service.

Another reason that Shenzhen and Hong Kong constitute more intense competition to Guangzhou than to Shanghai is because of the dense interurban network in PRDR. It makes

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[70] Exceptions include: Xiamen (Fujian Province), Dalian (Liaoning Province), Qingdao (Shandong Province), and Suzhou (Jiangsu Province). It must be pointed out that comparing cities solely on the ground of economic size is a negative legacy of China's craze for GDP output, and may be misleading. A comprehensively strong city does not always have to be economically bigger.

flows of capital, people, and goods even more instant and convenient than in or with other regions. As aforementioned, it could potentially undermine Guangzhou's status, as alternative urban platforms are easily accessible even without leaving the region. Some may argue that it also makes it easier for talents and resources elsewhere in the region to locate to Guangzhou—the dynamic is bidirectional. It is true for Guangzhou, but equally true for Shenzhen and Hong Kong. Guangzhou still needs to strive to distinguish itself as the more attractive destination.

With regards to other domestic cities, the situation Guangzhou faces is the same with Shanghai. Second-tier cities are trying hard to arm themselves with more GWC functions at the cost of Shanghai, Beijing and Guangzhou's monopoly. Close to Guangzhou, the ascent of second-tier cities like Wuhan, Chengdu, Xiamen and Changsha are especially noteworthy. On the one hand, their connections with Guangzhou (as well as Shenzhen and Hong Kong) are intensified, which is enhances Guangzhou's connectedness; on the other hand, being stronger in themselves localizes many functions that once had to be carried out elsewhere.

Table 6.2 Guangzhou Intercity Competition as per GaWC, 2000-2018

City	Country/Region	2000	2004	2008	2010	2012	2016	2018
Guangzhou	China	γ-	γ-	β-	β	β+	α-	α
Hong Kong	Hong Kong, SAR	α+	α+	α+	α+	α+	α+	α+
Shenzhen	China	S	S	γ	β-	β-	β	α-
Singapore	Singapore	α+	α+	α+	α+	α+	α+	α+
Shanghai	China	α-	α-	α+	α+	α+	α+	α+
Beijing	China	β+	α-	α+	α	α+	α+	α+
Kuala Lumpur	Malaysia	α-	α-	α	α	α	α	α
Bangkok	Thailand	α-	α-	α-	α-	α-	α-	α
Taipei	Taiwan	α-	α-	α-	α-	α-	α-	α
Manila	Philippines	β+	γ+	β+	β+	β+	α-	α-
HCMC	Vietnam	γ	HS	β-	β	β	β+	β+
Hanoi	Vietnam	HS	HS	HS	γ+	β-	β	β+
Chengdu	China	/	/	S	S	HS	β-	β+
Kaohsiung	Taiwan	/	/	S	S	S	HS	HS
Macao	Macao, SAR	S	S	S	S	S	S	S
Wuhan	China	/	/	/	/	S	γ-	β

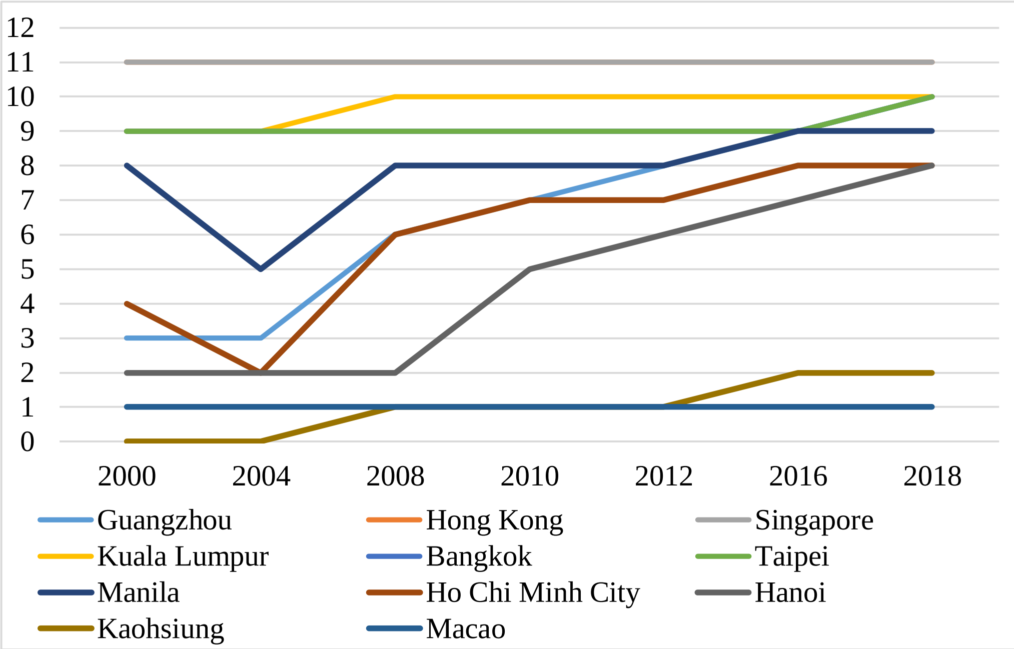
Changsha	China	/	/	/	/	/	γ-	β-
Xiamen	China	/	/	/	/	S	γ	β-
Number of same-country cities in HS level and above		4	4	8	8	14	17	24

Source: The World According to GaWC, various issues, GaWC.

Such competition is accompanied by the mild upward trend of Guangzhou's local autonomy level. The increase is less obvious than in Shanghai, even though Guangzhou faces even fiercer competition. An explanation could be that Guangzhou has been slow to integrate GWC functions into its development mindset and plans. It is only in the city's latest master plan (2017-2035) that it calls for building a "world city" (Guangzhou Municipal Government 2018). In the previous version (2011-2020), there was no such mentioning at all (Guangzhou Municipal Government 2012). Both plans were ratified by the State Council. It could also be because PRDR cities have been trying to integrate with each other rather than engaging in a zero-sum game. This is also the comprehensive development keynote of China's central authority for this region. In 2017 China for the first time includes Hong Kong and Macao SARs into the general growth plan for the entire PRDR region[71]. Need for further regional integration has been a general consensus at both the central and local levels (see Cheung 2010).

71 《港澳纳入珠三角湾区城市群规划意义深远》，中华人民共和国国家发展和改革委员会，Feb. 4, 2017, <http://www.ndrc.gov.cn/fzgggz/dqjj/qygh/201702/t20170204_837195.html>, last access Aug. 2, 2018.

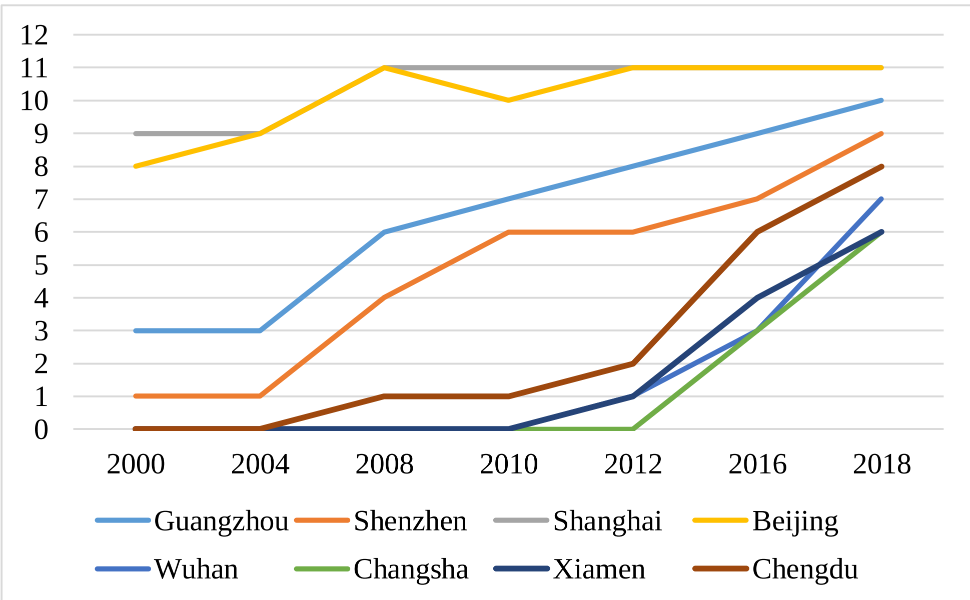
Figure 6.2: Intercity Competition for Guangzhou According to GaWC (International)



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World According to GaWC, various issues, GaWC.

Figure 6.3: Intercity Competition for Guangzhou According to GaWC (Domestic)



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World According to GaWC, various issues, GaWC

In sum, the second hypothesis, that the more intense competition a GWC faces, that GWC is more likely to acquire bigger local autonomy, is upheld in the Guangzhou case. Despite efforts at PRDR incorporation, the city still faces intense actual competition from two strong GWCs right at its doorstep, and its local autonomy does see expansion. Nonetheless, the hypothesis expects a more obvious increase of autonomy, since Guangzhou represent the highest value in this IV. Empirics do not show the expected result. The city's autonomy level does not seem to be that sensitive to competition. Changes in local autonomy may need time to actualize. This could also be attributed to the highly integrated nature of the PRDR, so that Guangzhou does not perceive Shenzhen or Hong Kong's growth directly as its own loss. Neither does China's national strategy encourage an all-out intercity competition in that region. This "harmony" is not enjoyed by Shanghai. Although the Yangtze River Delta is comparable to PRDR in both size and level of development, there is no rival GWC that could possibly replace Shanghai. Both Nanjing (beta level, 2018) and Hangzhou (beta+ level, 2018), the other two central cities in the region, are way behind Shanghai in terms of GWC capacity. Despite its huge GDP size, Suzhou is integrated into global economy mainly via Shanghai's articulation. The city's own GWC functions are rather limited.

6.5 Concentration of China's foreign economy in Guangzhou and Guangzhou's local autonomy change

Guangzhou has been one of China's main hubs for international trade and commerce. The "China Import and Export Fair", or "Canton Fair", which has been held in the city since 1957, played an irreplaceable role in China's opening up policy and its export-led growth mode. Since its establishment in 1957, it has been a major source of foreign income for China, especially in the pre-1978 era. More than 30% of China's annual export deals are signed on Canton Fairs. In 1972 and 1973, the share even exceeded 50%[72].

[72] "奋进广交会，开放大窗口", *Guangzhou Municipal Government Website*, Feb. 16, 2019. <http://www.gz.gov.cn/gzgov/s7498/201904/4682066f064f43eb97c1fcc5e53171ca.shtml>, last access Apr. 29, 2019.

As in the other three cases, I assess the concentration of China’s foreign economy in Guangzhou using actualized FDI and Forbes 500 rankings.

Table 6.3: Guangzhou’s Share of China’s Actualized FDI (10000 USD)

Year	Guangzhou	China (excl. H.K., Macao, Taiwan)	Guangzhou % of China
1997	289379	6440800	4.49%
1998	304467	5855700	5.20%
1999	317600	5265900	6.03%
2000	311541	5935600	5.25%
2001	332746	4967200	6.70%
2002	265299	5501100	4.82%
2003	306409	5614000	5.46%
2004	247696	6407200	3.87%
2005	284128	6380500	4.45%
2006	305477	6707600	4.55%
2007	341138	7833900	4.35%
2008	377413	9525300	3.96%
2009	387476	9180400	4.22%
2010	408121	10882100	3.75%
2011	437626	11769800	3.72%
2012	474312	11329400	4.19%
2013	480385	11872100	4.05%
2014	510707	11970500	4.27%
2015	541634	12626700	4.29%
2016	570120	12600100	4.52%
2017	628900		

Source: Guangzhou figures from Guangzhou Statistical Yearbook, various years, Guangzhou Municipal Government; China figures from National Bureau of Statistics of China database, last access Jun. 15, 2018. Calculated by author.

Guangzhou’s share of China’s actualized FDI has been relatively stable, at 4.5% to 5% between 1997 and 2016. Years from 1999 to 2003 saw a temporary expansion to more than 6%, then the ratio stayed between 4% and 5%. The peak was accompanied by a slight increase in grants to the municipality from 1999 to 2004. Grants then slightly fell to 18%

and stayed there, as did the city's FDI ratio. There is no discernable relation between FDI concentration in Guangzhou and the city's expenditure to revenue ratio.

Compared to Shanghai, Guangzhou is obviously attracting less foreign investment, and has failed to markedly enlarge its share in the nation. Shanghai, however, has somehow managed to take ever bigger shares. This is reflected in both cities' autonomy levels: Shanghai's local autonomy is being continuously expanded, yet change in Guangzhou's local autonomy is rather modest.

In terms of concentration of China's largest companies, as per Forbes 500, Guangzhou has accounted for just a marginal percentage. The city only became visible the list in 2005 with one company. Due to the relatively small number of China in that year, it takes up 7% of the country's total. The city's performance did not change for the next eight years. No other company headquartered in Guangzhou made the Forbes 500 list. However, China's national number has expanded drastically from 14 to 74. In 2010, Guangzhou's neighbor Shenzhen sent two companies into Forbes 500 (Ping An Insurance and Huawei), it is in this year that Shenzhen surpassed Guangzhou in this regard. In 2012, China Merchants Bank, the eighth largest bank in China[73], also headquartered in Shenzhen, entered the list. Shenzhen's lead over Guangzhou is enlarged. It should be noted that both Ping An Insurance and China Merchants' Bank—besides serving individual clients—also provide advanced producer services. This skews in Shenzhen's favor in terms of GWC functions. It is only in 2013 that Guangzhou Automobile also made the list, changing the city's number from one to two. But due to the ever bigger number of China's companies, Guangzhou's percentage only remained the same. Overall, the concentration of China's biggest companies headquartered in Guangzhou largely did not change, if not slipped.

Table 6.4: China and Guangzhou's Forbes 500, 1995-2017

Year	Total number	HQ in Guangzhou	Guangzhou's % of China	National largest and its ranking	
1995	2	0	0%	Bank of China	207
1996	2	0	0%	Bank of China	167

[73] "Largest Banks in China", *Worldlistmania.com*, <https://www.worldlistmania.com/largest-banks-china/>, last access Apr. 29, 2019.

1997	3	0	0%	Bank of China	164
1998	4	0	0%	Bank of China	173
1999	6	0	0%	China Petrochemical	73
2000	10	0	0%	China Petrochemical	58
2001	12	0	0%	China Petrochemical	68
2002	11	0	0%	State Power Corp.	60
2003	11	0	0%	China Petrochemical	69
2004	15	0	0%	State Grid	46
2005	14	1	7%	China Petrochemical	31
2006	20	1	5%	China Petrochemical	23
2007	29	1	3%	China Petrochemical	16
2008	29	1	3%	China Petrochemical	16
2009	37	1	3%	China Petrochemical	9
2010	46	1	2%	China Petrochemical	7
2011	61	1	2%	China Petrochemical	5
2012	74	1	1%	China Petrochemical	5
2013	89	2	2%	China Petrochemical	4
2014	95	2	2%	Sinopec	3
2015	98	2	2%	Sinopec	2
2016	105	3	3%	State Grid	2
2017	109	3	3%	State Grid	2

Source: Forbes 500, Forbes, various issues, calculated by author.

Guangzhou’s sluggish performance may have rendered the city unable to enhance its status in the eye of the central authority. The city’s autonomy level did not see obvious expansion—its changes are sluggish. It should be remembered that the Forbes 500 is just one aspect of the enterprise landscape, and that just a few companies in the list is unlikely to meaningfully change inter-governmental relations. Also, the PRDR is famous not for its giant enterprises, but vigorous small- and medium sized companies (Schmidt 1997). So, again the same with Shanghai, an enlarged population of companies with more ranking criteria should be observed, with which a different picture could be drawn.

In general, Guangzhou’s weight in China’s foreign economy is relatively smaller than Shanghai. It is indeed impressive for a city to account for a twentieth of the territorial state’s implemented FDI, and 3% of its largest companies—few other cities in the same country could achieve this, not to mention the additional privilege brought by the Canton Fair. Yet, such percentage has not increased further for more than ten years. This suggests faster rise of other cities. It is maybe due to this reason that it has yet to make meaningful impacts on the city's local autonomy.

6.6 Chapter Conclusion

This chapter studies the GWC of Guangzhou, an important metropolis in South China and the PRDR. Three IVs are assessed respectively for their relations with Guangzhou's local autonomy level. Being a Chinese city, Guangzhou bears some different features than Shanghai. They share the same value on the first IV (global integration of national economy), but fare differently on DV and the other two IVs. They also represent two distinct urban regions, more than 1000km apart from each other. There is low possibility that they interfere with each other's performance in IVs.

6.6.1 Performance of hypotheses

Unlike Shanghai, Guangzhou has been slow to bulk up its GWC role. Its local autonomy sees a gentle W-curve change. Grants from upper authority's change is even more modest—unlike Shanghai's considerable increase. This does not seem to have been affected by the global integration of China's national economy. This is similar to Mumbai: Indian economy's growing internationalization did not lead to an observable expansion in Mumbai's local autonomy. Even though Shanghai displays an upward trend, that may be caused by other factors or in combination with other factors—making IV1 an INUS condition. So far the first hypothesis has not been convincingly confirmed.

Second, facing intense competition from neighboring GWCs (especially Hong Kong and Shenzhen), Guangzhou, however, has been slow to incorporate the GWC concept into its growth visions. The mildly growing local autonomy is consistent with the second hypothesis, yet the highest level of competition did not induce the largest expansion in local autonomy. A possible change can only be noticed in the latest few years in the city's evident increase in local expenditure to revenue ratio, the establishment of the Nansha New Area, as well as the move to include the "world city" vision in its master plan for the first time. Generally, this could be due to a different nature of intercity dynamics in the PRDR (integration and cooperation vs. competition), and whether the city in question has a clear global ambition—the latter is meanwhile shaped by the former. In all, the second hypothesis is confirmed weakly in Guangzhou.

Third, Guangzhou does not have a considerable weight in China's foreign economy, despite it being a southern growth pole and a window to the world for decades. There is even less concentration of both China's implemented FDI and largest TNCs in Guangzhou. And the city's share did not obviously increase in the last decade. This is reflected in the city's sluggish increase in local autonomy. Compared with Shanghai, who has a larger share and receives greater autonomy, the third hypothesis is upheld in China.

6.6.2 Known deficiencies of empirical test

First, mentioned before, the nature of intercity dynamics in PRDR is different from those around Mumbai or Shanghai. Integration and cooperation levels among urban centers are higher. Cities are more inter-dependent. Also, the Chinese central authority does not seem to encourage an all-out intercity competition in that region, it is difficult and infeasible for Guangzhou to set its future plans directly in a competitive manner vis-à-vis neighboring cities. This may have led to the city's inactiveness in GWC formation. How to exclude such regional traits from empirical test—or to incorporate it more coherently, so as to better compare Guangzhou with other cases, is a tricky but necessary undertaking for future works.

Second, PRDR abounds with small- and medium-sized companies (Schmidt 1997). They are not monitored or tracked by most company rankings. So the Forbes 500 list may not reflect Guangzhou's real weight. Besides, given that region's high level of integration, some enterprises are able to make use of GWC functions of Guangzhou, Shenzhen, and Hong Kong, without actually locating to those cities (e.g. Gree in Zhuhai). This also adds to the complexity of the enterprise landscape. But at the same time, they altogether lift the concentration level of the PRDR. To pick out Guangzhou individually for an assessment may be questionable.

Third, indicators for concentration of China's foreign economy in Guangzhou is unsatisfactory in terms of validity. Not only more indicators must be included, but also it is problematic to solely rely on Guangzhou's data. Intra-region interactions and flows make it difficult to attribute any “flow” or investment precisely to one city. Therefore, there may be non-Guangzhou investment attributed to Guangzhou, and parts related to Guangzhou attributed to other cities. This is a common problem when one studies a certain city in a coherent city-region.

6.6.3 General assessment of Guangzhou

Guangzhou has been not only eclipsed by Beijing and Shanghai, but also challenged by its close neighbors of Hong Kong and Shenzhen. Its relative lack of exposure and smaller weight may have partly led to the slow increase in the city’s local autonomy. Although the city serves as the main venue of Canton Fair, but the event’s participants are national or even international. Not only manufacturers in Guangzhou use the platform to promote products. This could have two implications. One the one hand, hosting such events (and Guangzhou is among the busiest cities in China to host exhibitions and fairs[74]) requires strong local accommodation and logistical capabilities. Huge flocks of businessmen (domestic and international) in the city bring daunting governance challenges that are highly peculiar to GWCs. The city, to become a competent host, would feel strong impetus to expand its own autonomy. On the other hand, since the events cater to the whole national economy, central policymakers may device ways to directly utilize that platform to serve national welfare, instead of indirectly through expanded autonomy for the city where the events are held. In sum, although indisputably important in China’s international trade and commerce, the Canton Fair may produce mixed or uncertain outcomes in Guangzhou’s local autonomy vis- à-vis Beijing. This cannot be properly covered by any IV in this research, but its implications need to be studied more deeply.

The slow increase in Guangzhou’s local autonomy could also be due to the polycentric nature of PRDR, and Guangzhou foresees more benefits in cooperation, rather than competition in intercity interactions. Pan-PRDR intercity cooperation is encouraged by

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[74] “世界会展城市实力排名出炉，中国十城市入围”，中国网新闻中心, Mar. 4, 2017, <http://news.china.com.cn/txt/2017-03/04/content_40407879.htm>, last access Apr. 27, 2019.

both the central[75] and provincial authority[76]. As the traditional regional center, Guangzhou may feel obliged to cooperate, rather than compete with its neighbors. However, other cities never ceased to carry on the competition angst and have made remarkable progress. In 2017, Guangzhou eventually incorporated GWC visions into its master plan. In this sense, locating in a mega-urban region and being the historical central city in that region bring interesting effects to a GWC's self-identity and positioning, as well as how that GWC views its neighbors as potential rivals or cooperators. This would lead to complex effects on the city's inter-governmental relations.

With the footloose nature of capital and infrastructure improvements in China, Guangzhou is losing its geographical advantage not only within its urban-region but also in the territorial state, as Shenzhen rising fast and Hong Kong further integrating with China's mainland. Nor has this city managed to increase its weight in China's foreign economy. The territorial state has limited interest in propelling its GWC formation, compared to Shanghai. However, Guangzhou is a major member of the PRDR urban region, which is critical to China's national economy. National policies are more inclined to that region, instead of to any single city in that region. Chief Executives of Hong Kong and Macao SARs are included in China's top-level group in charge of the Yuegang'ao (Guangdong, Hong Kong, Macao) Bay Area development for the first time in 2018[77] (as a comparison, at the time of writing, there is no equivalent top-level leading group for the Yangtze River Delta region, where Shanghai is). A more coordinated regional plan benefits Guangzhou too. Either way, the city's fate is tightly tied to PRDR. And rather than just the city's local autonomy level, if the whole PRDR's local autonomy level could be assessed, one may get results more pertinent to the GWC or global city-region scholarship.

75 "国务院关于深化泛珠三角区域合作的指导意见", China State Council, 国发【2016】18 号, < http://www.gov.cn/zhengce/content/2016-03/15/content_5053647.htm >, last access Apr. 27, 2019.

76 "广东省深化泛珠三角区域合作实施意见", People's Government of Guangdong Province, 粤府【2017】8 号, 2017, < http://zwgk.gd.gov.cn/006939748/201702/t20170213_692564.html >, last access Apr. 27, 2019.

77 《林郑月娥崔世安将首次进入中央层面的小组》，新浪网，Aug. 14, 2018, <http://news.sina.com.cn/o/2018-08-14/doc-ihhtfwqq7747058.shtml>, last access Aug. 15, 2018.

Chapter 7: Case of Ho Chi Minh City, Vietnam

7.1 Introduction

This chapter studies Vietnam's leading GWC the Ho Chi Minh City (HCMC). Formerly known as Saigon, HCMC has a long historical heritage as a commercial and trade center of South Indochina since the French colonial rule. Today it is the largest city and financial and economic center of Vietnam, a fast-growing mid-sized economy in Southeast Asia. Although its size is relatively small yet, both in terms of GDP growth rate and share of FDI in GDP, Vietnam is among the front runners in ASEAN (see Figures 7.1, 7.2). In 1994, the U.S. lifted its 19 years of trade embargo on Vietnam. The country is now in the process of receiving many manufacturing industries relocating from China due to rising costs. In this sense, Vietnam is increasingly involved in the new phase of NIDL, and is a hot destination for global capital's expansion. Therefore, closer attention to HCMC, which has not been much examined by the GWC scholarship, is necessary and would generate further knowledge on emerging GWCs in smaller-sized economies.

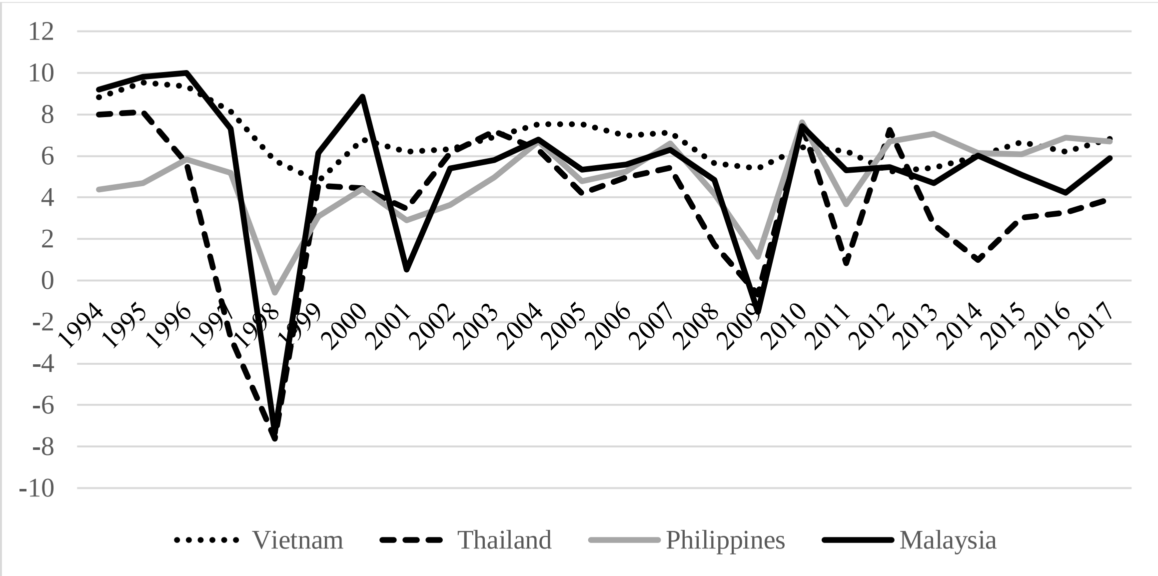
Administratively, together with other four cities[78], HCMC is at the same level as a province in Vietnam. It has the same powers and responsibilities as provinces, and does not overlap with any of them. It is similar to Shanghai's position in China as a municipality directly under central control. There is no intermediate level between the city and the central authority.

GWC researches on HCMC are rare, but works on HCMC's unique status in Vietnam as its largest city and economic center—i.e. as a large third world metropolis—abound. Some are worth noting: Gainsborough uses HCMC to illustrate on the changing political economy in Vietnam, including changes in its central-local relations (Gainsborough 2003); Dapice et al. discuss governance challenges confronting HCMC's growth as Vietnam's leading mega-city: two most imminent challenges are traffic congestion and need for additional space for urban development (Dapice, Gomez-Ibanez, and Thanh 2010); Vind

[78] The other four cities are: Hanoi, Can Tho, Da Nang and Hai Phong.

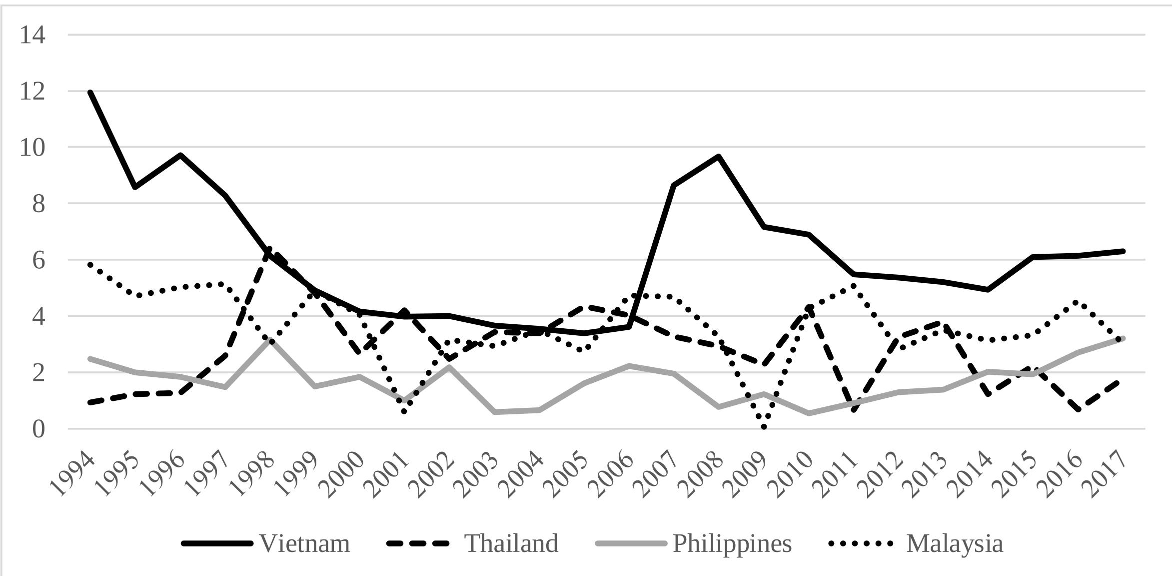
and Fold trace HCMC's position in global commodity chains and thereby try to inform on WCN (Vind and Fold 2011);

Figure 7.1: GDP Growth Rate of Some ASEAN Countries, 1993-2016 (%)



Source: World Development Indicators, World Bank.

Figure 7.2: FDI Inflow's % of GDP of Some ASEAN Countries, 1993-2016



Source: World Development Indicators, World Bank.

7.2 Decentralization in Vietnam since *Doi Moi*

This part briefly introduces decentralization and local autonomy in Vietnam since *Doi Moi*. This is to serve as a control vector for the study variables. As with previous cases, to assess IVs' real effects on HCMC's local autonomy, the city must be first situated in its national background. It would strengthen our conclusions if HCMC turns out to be a deviant case in Vietnam; and if its change is concurrent with other provinces, we will have to tune down our conclusions and consider our study variables more carefully.

Along with many other newly industrialized countries, since the late 1980's, Vietnam started to embrace global markets and incrementally relaxed regulation and control on economy and society, although as a communist regime, much central planning was still in place, and the country was—although willing to—only loosening grips and adopting additional reforms gradually. Pilot programs are often carried out to test for their applicability and latent problems before they are rolled out nationally. It should be noted here that many of such pilot programs—political or economic—are first tested in HCMC.

Constitutionally, the supreme national power belongs to the National Assembly. However, given the political system of the country, the Communist Party of Vietnam (CPV) has the *de facto* absolute power and comprehensive control over all aspects of politics including jurisdiction. This is similar to China, where the Communist Party of China is in *de facto* control of the country's political life. In 1986, the Resolution of the 6th Party Congress of CPV acknowledged the need to decentralize power, emphasizing "the balance between the decision-making right of the central level, the rights to autonomy of the local level and production units, and the ownership role of the collective workers" (Anh 2016, 191–92). Since then decentralization has been cautiously pushed forward by the central government in the areas of "state budget; investment; administration and personnel; land and natural enterprises (SOEs); and public services (ibid.)" with a practical aim to overcome economic difficulties plaguing the country and unleash some level of freedom and momentum in local governments and the private sector.

Fiscally, in 1990, a resolution titled *Fiscal Decentralization to Local Governments* was passed by the Council of Ministers as a *Doi Moi* measure. It laid the groundwork for the making and enactment of the country's first budget law (1996), which has been updated twice in 2002 (effective since 2004) and 2015 (effective since 2017). With a budget law to follow and incremental measures in place, a general trend was created towards more delimitation and predictability of fiscal responsibilities among different government tiers. Some tax incomes are now shared between central and provincial governments[79]. Provincial governments are given greater discretion on their fiscal relations with sub-provincial bodies within their territories. Local governments are now also allowed to take out loans to meet their financial needs, with strings attached. More resources and autonomy are placed at sub-national levels.

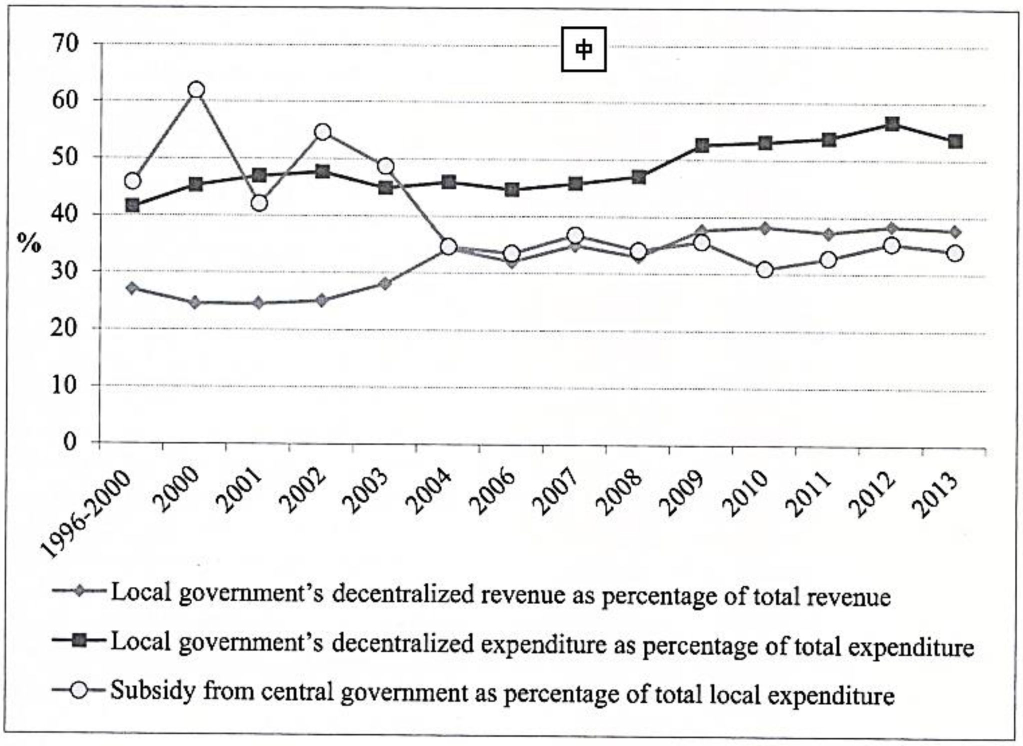
In this process, however, the central authority's attempts to retain control are obvious too. For decentralization, provincial-level units are classified into three groups, each with a different level of local discretion and central supervision—indicating a strong "top-down" characteristic of the process. Fiscally, the center not only set a "period of stability" of 3 to 5 years on the allocation of shared tax revenue, but also rejected local demands for increasing the share of provincially-collected import tax that are locally kept. On local debts, although localities are now allowed to do so, the central government has imposed a ceiling on the debt ratio that localities must conform to. Localities are incrementally granted autonomy to check and ratify investment projects on their own, but their space of doing so remains dictated by central policymakers—important or certain kinds of projects still have to be reported to and approved by Hanoi. Sub-national budgets can now be set sub-nationally, yet all those budgets must be integrated into the national budget plan (Nguyen-Hoang and Schroeder 2010, 701). There were even attempts to "recentralize" power in the 2000s (Anh 2016, 194). Like China, local autonomy in Vietnam still bears much inherent features of a unitary state.

From the figure below, we can tell that overall, with incremental decentralization since *Doi Moi*, local autonomy in Vietnam has steadily grown. There is a generally upward trend in both the local government's revenue and expenditure as percentages of total revenue and expenditure. It is accompanied by a decline in the subsidies from central government as percentage of total local expenditure. Changes became stagnant since 2004, probably due to the adoption of the "periods of stability". Scholars made mixed assessments on the results and prospects of local autonomy in Vietnam since *Doi Moi*. Some believe that in fact,

[79] Sharing rates vary among provinces, but in each province the same rate applies to all items of shared tax. This feature is considered unique to Vietnam.

actually achieved decentralization failed to meet the objectives set by formal policies and arrangements; while some think local autonomy has increased significantly and that the CPV now has to deal with stronger localism and diffused power (see Rao 2001; Nguyen-Hoang and Schroeder 2010; Uchimura and Kono 2012; The World Bank 2015, etc.). Some find the decentralization's actual impact is not entirely clear (Kono and Uchimura 2012). This is a national background to note when analyzing HCMC.

Figure 7.3: Vietnamese Fiscal Decentralization 1996-2013



Source: (Anh 2016, 203)

7.3 HCMC's local autonomy change, 2005-2016

I first assess HCMC's local autonomy level using its fiscal data from 2005 to 2016, spanning 12 years. The duration observed is the shortest among our four cases, because the city's fiscal data prior to 2005 and after 2016 is unfortunately not available to me at the time of writing.

Table 7.1: Ho Chi Minh City Local Public Finance, 2005-2016

Ho Chi Minh City Local Public Finance, 2005-2016 (billion Dongs)							
	Total local revenue	Total local expenditure	Expenditure from local budget	Expenditure from local budget % of total budget	Central gov. subsidy*	Central gov. subsidy % of total local expenditure	Development investment expenditure
2005	22505.7	20400.1	17945.4	87.97%	254.4	1.25%	7516.5
2006	/	/	/	/	/	/	/
2007	33031.4	25640.3	23274.1	90.77%	1447.7	5.65%	10584.8
2008	42694	34199.7	29606.6	86.57%	1897.9	5.55%	13082.2
2009	46963.9	42088	30935	73.50%	2516.1	5.98%	15989.3
2010	49727.1	45628.2	41628.2	91.23%	3887.2	8.52%	24055
2011	224989	64746	57765	89.22%	10566	16.32%	20128
2012	247258	74913	64668	86.32%	10003	13.35%	18569
2013	262517	69173	60811	87.91%	10168	14.70%	17019
2014	283452	71716	54829	76.45%	9447	13.17%	26006
2015	304320	89461	58064	64.90%	9136	10.21%	32717
el. 2016	345017	80064	/	/	10844	13.54%	31790
* In the 2015 and 2016 yearbooks, this item is listed as "income from resource transfers (Thu chuyển nguồn)". There may be change of gauge.							
Source: The Ho Chi Minh City Statistical Yearbook, 2010, 2011, 2015, 2016, Statistical Office in Ho Chi Minh City, available at <http://www.pso.hochiminhcity.gov.vn>, last access Jun. 15, 2018. Calculated by author.							

Per Table 7.1, HCMC's local autonomy level has risen pronouncedly. In 2005, Vietnamese central authority sent just 254.4 billion Dongs to HCMC, accounting for a tiny 1.25% of the city's overall local expenditure. In comparison, HCMC's local budget took up a majority of the city's overall expenditure (87.97%). This indicates a lack of devolution from upper authority. Central subsidy then increased to 8.52% in five years. In 2011 it doubled to 16.32% and stayed at 10% to 15% afterwards. It is the same year when Vietnam's central government asked "to strongly develop trade and investment services, participate in international and regional distribution networks and form international-level trade centers such as ... Ho Chi Minh City... (Vietnamese Prime Minister 2011)" This is highly relevant to HCMC's GWC role. In this year, HCMC's expenditure from local budget started to decline in the total budget, going from 91.23% in 2010 to 89.22% in 2011. The fall continued steadily to 2016, when local source of expenditure accounted for just 64.9% of the total local budget. This could mean a) an increasing amount of money from above (the central government), and b) more financial resources are tapped via alternative means like loans and debts. Both point to increased local autonomy. Such trend is further demonstrated by Vietnam's latest five-year plan for 2016-2020, which specifically demands more investment to HCMC to address its traffic problem (Vietnamese Government 2001), which has long tarnished the city's image as a GWC (see Dapice, Gomez-Ibanez, and Thanh 2010).

To complement the fiscal figures, we also take other aspects into consideration. Administratively, in Vietnam, the 63 provinces and cities are divided into three groups of decentralization. Group 1, which enjoys special status and the largest freedom, consists of only HCMC and Hanoi. In Group 2 are other three cities under central supervision (Hai Phong, Da Nang and Can Tho). They enjoy less freedom than Group 1, but more freedom than Group 3, which includes all other provinces (Anh 2016, 194). This categorization highly indicates that first, HCMC has in itself a higher level of autonomy; and second, it is of a higher priority than other provinces and cities for the Vietnamese national government.

As mentioned in §7.2, Vietnamese local governments have multiple ways to raise money to make ends meet, including development banks (38% of total in 2011), state treasury (29%), local bonds (22%) and central government on-lending (8%) (The World Bank 2015, 44). But HCMC and Hanoi are the only cities to have substantially issued bonds. They are also allowed to adopt multiple models of fund-raising including Build-

Operate-Transfer (BOT), Built-Transfer-Operate (BTO), and Build-Transfer (BT) (Nguyen-Hoang and Schroeder 2010, 706). Moreover, HCMC and Hanoi have a higher borrowing ceiling. Ordinary provinces are only allowed to borrow up to 30% of their annual capital budget, while HCMC (and Hanoi) is allowed 100% (ibid, 45). This aspect points to locally "grabbed autonomy" that is different from devolution from the center. The locality is able to actively pursue or improvise ways of funding other than solely relying on a unified national budget—a more self-driven manner of local autonomy. With substantially larger financial power, HCMC is able to carry out governmental functions and provide better public services pertaining to GWC formation.

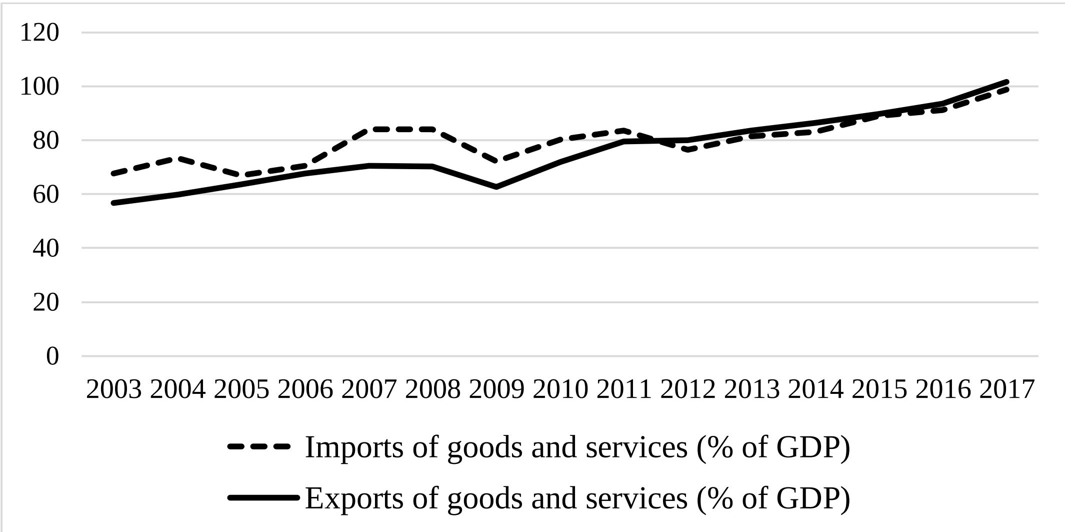
Internally, HCMC abolished all sub-municipal level People's Councils in April 2009, retaining only the municipal People's Council. Functions and decisions of the city-level authority are therefore strengthened (Kono and Uchimura 2012, 140). So, in addition to more autonomy vis-à-vis the central authority, HCMC's local autonomy is further concentrated into the hands of the municipal government through a re-centralizing effort within its jurisdiction. This empowers the city to adopt more citywide policies and pursue objectives that benefit overall metropolitan growth.

In all, we see an apparent rise of local autonomy in HCMC. The Vietnamese decentralization is played out on a higher level in this city than elsewhere, making HCMC a special sub-national unit. The following sections investigate causes of such differences from aspects of the globalization's ramifications on Vietnam and on HCMC itself.

7.4 Global integration of Vietnamese economy and HCMC's local autonomy

Vietnam has a relatively high level of integration into globalization, much higher than China and India. In 2003, both import's and export's ratio to GDP exceeded 50%. In the same year, that of India was less than 15%, and that of China less than 30%. The percentage has seen a steady increase ever since, only with two short-term dips in 2005 and 2009. In 2017, imports of goods and services accounted for 98.8% of the country's GDP, while exports accounted for 101.6%. It means Vietnam is highly involved in the global commodity chain. Its dependence on the smooth connection to and functioning of global economy is substantial. With a large share of its international trade being with Asian countries, it is especially interdependent with its neighbors. This demands a strong and viable GWC that can function at least on a regional scale. On the other hand, it also means Vietnam is highly vulnerable to fluctuations in world economy. International turbulences are more likely to bring damages to Vietnamese national economic well-being than to China or India. This also demands a strong GWC that could not only articulate Vietnam's national economy with world economy, but also exert some level of "command and control" in global markets in Vietnam's favor.

Figure 7.4: Vietnamese Import and Export of Goods and Services, % of GDP

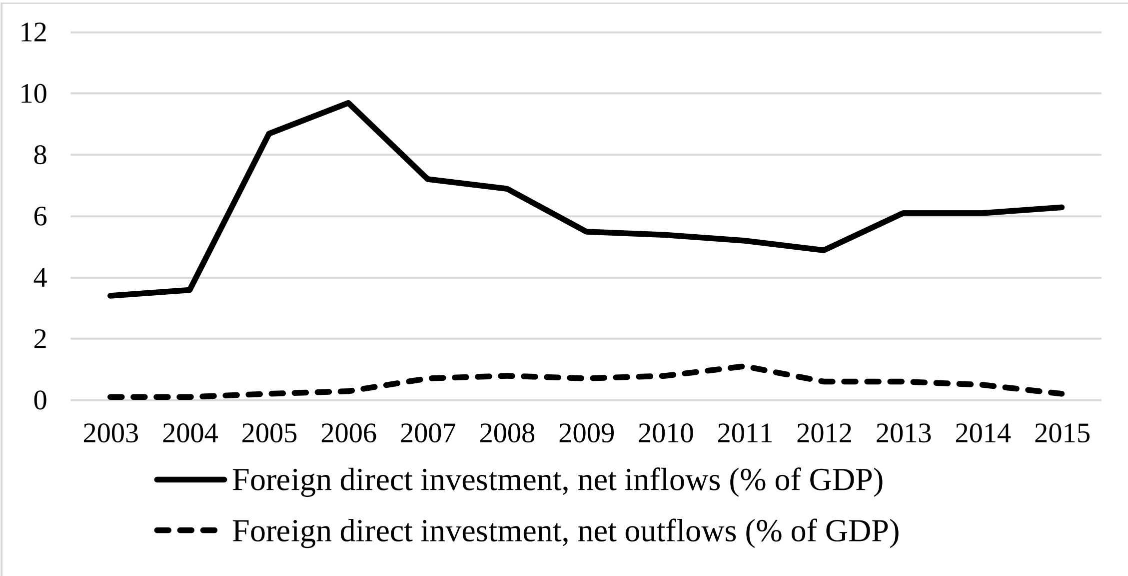


Source: World Development Indicators, World Bank.

From 2005 (when the HCMC fiscal data starts) to 2008, imports expanded substantially from 67% to 84% of GDP. Exports also went from 63.7% to 70%. The sudden drop in 2009 is understandably due to the 2008 financial crisis that caused overall world demands to stagnate or shrink. But the country quickly rebounded. This echoes the overall increase of fiscal subsidy going from 1.25% to 5.55% and further expanded to 16.32%.

Vietnam's FDI flow displays a different trend. There was a peak around 2005-2007, at close to 10%. This was about twice the percentage of China and India, who reached only 4-5% at the same time. Then the FDI net inflow started to drop year by year, coming to just 5% in 2012, before slightly rebounding to merely over 6%. The skyrocketing of FDI net inflow indicates a strong interest of world capital in Vietnam as a lucrative market. This certainly is part of the territorial state's global integration and demands advanced services by a GWC to facilitate. And it is indeed accompanied by a gradual increase in central grants to the city. However, the downward trend of FDI inflow did not result in a concomitant decline in local autonomy. On the contrary, central subsidy's share in local expenditure doubled in 2011. This could be because the Vietnamese central policymakers are less sensitive to FDI flow than to import and export. It could also be an effort to strengthen HCMC's GWC capabilities in order to reverse the slipping trend. Besides, a lion's share of FDI flowing into Vietnam comes from its Asian neighbors, so it is understandable that even though FDI's ratio to GDP falls, the country is maybe still keen to attract global (non-Asian) investments to diversify opportunities and diffuse risk. That is so say, the territorial state of Vietnam cares less about the FDI to GDP ratio than about the quality or diversity of investment. Of course, this assumption needs to be evidenced by further proofs.

Figure 7.5: Vietnamese FDI Net Inflow and Outflow, % of GDP



Source: World Development Indicators, World Bank.

In sum, Vietnam's global integration, especially in terms of im- and export of goods and services, is on a much higher level than China and India. And this has impacted its leading GWC's autonomy level. This is interesting because such relation is not clearly observed in China or India. It could be because of Vietnam's substantially higher dependence on the world market. Could it be that this dependence is so great for the Vietnamese government to ignore? The rising autonomy of HCMC is also consistent with Vietnam's increasing dependence on FDI inflow, although in a very crude sense. The short-term reverse trend between FDI's percentage of GDP and HCMC's local autonomy begs deeper investigation.

7.5 Intercity competition and HCMC's local autonomy level

Still, I use *the World according to GaWC* to assess the competition HCMC faces. There have been just two Vietnamese cities to ever appear on the GaWC radar, indicating that Vietnamese cities are still backward and weakly connected internationally. From 2000 to 2018, HCMC's performance has been not entirely stable. It actually dropped one rank in 2004, from "beta" level to "high sufficiency" level—the same level as Hanoi. Afterwards, the city has been continuously improving, reaching "beta+" level in 2018. This is a relatively high level in Southeast Asia. Besides mature GWCs like Bangkok, Kuala Lumpur and Singapore, HCMC's neighboring cities are all below this rank, e.g. Cebu at "sufficiency" and Hanoi at "beta". Other neighbors like Penang and Phnom Penh only entered the GaWC map recently, not to mention smaller Vietnamese cities like Da Nang and Hai Phong—although important domestically—were never powerful enough to qualify as a GWC.

Indeed, the East- and Southeast Asian region is teeming with strong GWCs. To the northeast of HCMC there are Tokyo and Seoul; to the north there are Hong Kong, Shanghai, Beijing and Guangzhou; and to the South, Singapore and Bangkok. GWCs are thought to operate on different levels. They are "arranged into a *hierarchy of spatial articulations,* roughly in accord with the economic power they command (Friedmann 1995, 23, original emphasis)." These other GWCs articulate much larger or stronger economies than HCMC. In this sense, they have stronger "command and control" over international economy. Therefore, they are understandably not pursuing the same kinds of investment or project with HCMC—although on rare occasions, they could be after a same trophy such as the right to host a major sports/cultural/economic event. For the most part, we do not see them as real challengers to HCMC.

Table 7.2: HCMC's Neighboring GWCs According to GaWC

City	Country/Region	2000	2004	2008	2010	2012	2016	2018
Ho Chi Minh City	Vietnam	γ	HS	β-	β	β	β+	β+
Singapore	Singapore	α+	α+	α+	α+	α+	α+	α+
Kuala Lumpur	Malaysia	α-	α-	α	α	α	α	α
Bangkok	Thailand	α-	α-	α-	α-	α-	α-	α
Manila	Philippines	β+	γ+	β+	β+	β+	α-	α-
Guangzhou	China	γ-	γ-	β-	β	β+	α-	α
Hong Kong	China	α+	α+	α+	α+	α+	α+	α+
Hanoi	Vietnam	HS	HS	HS	γ+	β-	β	β+
Penang	Malaysia	/	/	S	S	S	S	γ-
Cebu	Philippines	/	/	/	S	S	S	S
Phnom Penh	Cambodia	/	/	/	/	S	HS	γ-
Macao	China	S	S	S	S	S	S	S
Number of same-country cities		2	2	2	2	2	2	2

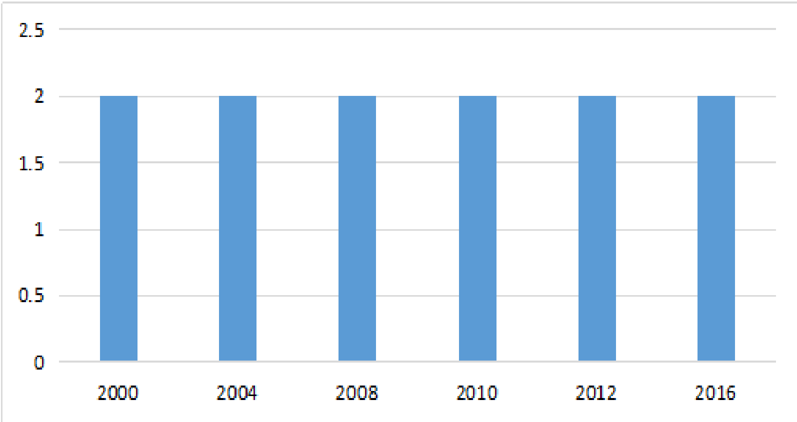
Source: The World According to GaWC, GaWC, various issues.

Domestically, the capital and northern growth pole of Vietnam, Hanoi, has been tightly behind Ho Chi Minh City for the majority of time. Other than Hanoi, there is no Vietnamese cities ever to appear in GaWC's radar. HCMC's domestic competition scenario is quite like that of Mumbai and Shanghai, with the political capital as the only true rival. Hanoi obviously provides more direct contact to the central authority as well as more insider information. What else skews in Hanoi's favor (and in Shanghai's case, skews in Beijing's favor) is the unitary political system of Vietnam and the strong presence of SOEs in its national economy (SOE is a major source of income for the Vietnamese government (Uchimura and Kono 2012, 110–11)). Furthermore, seating so many SOE headquarters brings to Hanoi additional influence in Vietnamese economy—and future influence over international economy if these SOEs grow into TNCs. Along with the headquarters, advanced service sectors also conglomerate in Hanoi. Some firms would require only one foothold in Vietnam temporarily and need to choose between Hanoi and HCMC—a situation also found in China, where TNCs need to decide between Beijing and Shanghai.

In situations like this, Hanoi poses serious challenges to HCMC. In fact, in the most recent GaWC 2018 ranking, Hanoi has ascended to “beta+”—the same level with HCMC.

And Hanoi does receive almost the same amount of attention from central policymakers. As mentioned in section 7.2, HCMC has many privileges that ordinary cities or provinces do not enjoy. However, Hanoi shares most of them. In terms of political and fiscal arrangements, Hanoi is approximately on a same level with HCMC in terms of attention and caring from the central authority. In Vietnam’s development strategy for 2001-2010 (Vietnamese Government 2001), of the three times when HCMC is mentioned, Hanoi is mentioned together twice. Not to mention in a unitary state governed by one ruling party, the political capital enjoys many unspoken, tacit status and privileges in people’s (including entrepreneurs’) minds. These are difficult to measure but work in Hanoi’s favor.

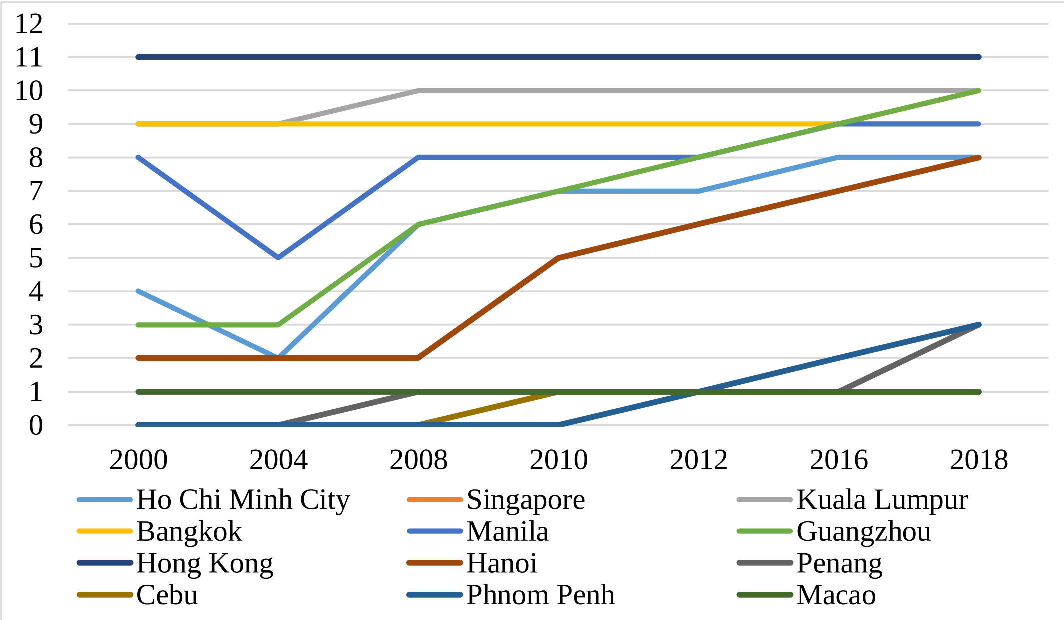
Figure 7.6: Number of Same-Country Cities in GaWC Lists (HCMC)



Source: The World According to GaWC, GaWC, various issues. Calculated by author.

The two stock markets in HCMC (HOSE) and Hanoi (HNX) are too young and too small in size, therefore not discussed in length here. However, this HCMC-Hanoi bi-polar structure is another proof that domestically, HCMC is facing strong challenges from Hanoi in GWC functions. Right now, HNX’s market capitalization size (7.1 billion USD) is just a tenth of HOSE’s (71.8 billion USD), so in the near future Hanoi will remain inferior to HCMC. In this respect, the direction of Vietnamese economy would decide which city holds the upper hand in the future. If the territorial state adopts a more “developmental state” mindset and increasingly choose to nurture national champion enterprises (mostly SOEs), Hanoi would probably catch up and surpass HCMC. On the other hand, if the private sector is given more recognition, freedom, and could compete with SOEs on a fairer playground, HCMC has greater chances to emerge as *the* global city for Vietnam.

Figure 7.7: Intercity Competition for HCMC According to GaWC



12=α++; 11=α+; 10=α; 9=α-; 8=β+; 7=β; 6=β-; 5=γ+; 4=γ; 3=γ-; 2=high sufficiency; 1=sufficiency; 0=not in the ranking.

Source: The World According to GaWC, various issues, GaWC.

In general, the intercity competition in front of HCMC is of an intensity between Mumbai and Shanghai, but much lower than Guangzhou. It is above Mumbai because HCMC, after all, is surrounded by many “alpha” or “alpha+” level GWCs. Although not necessarily playing on the same level, these cities have the potential as well as capability to serve capitals that otherwise would choose HCMC. Surrounded by so many strong competitors, HCMC has both the pressure as well as handy role models to learn from on its way toward a true GWC.

The competition is lower than Shanghai because none of its strong neighbors have identified HCMC as a true rival, and admittedly, HCMC has some way to go before catching up with them. Also, there is no strong GWC in close proximity to HCMC, as in the case of Guangzhou. HCMC only needs to compete with Hanoi for GWC functions to serve the Vietnamese economy. Vietnam’s relatively smaller size makes it unlikely to uphold two full-fledged GWCs. Right now, many similar projects pertaining to *Doi Moi* and opening up are being carried now in Hanoi and HCMC in parallel, with the latter seemingly holding an upper hand (e.g. see Marchall 2005 for a comparison of *doi moi* urban development projects in Hanoi and HCMC).

This medium level of competition is accompanied by the clear rise in HCMC's local autonomy. It can also be further evidenced by the substantially increased development investments the city spends. In 2005 the city spent 7516.5 billion Dong, in 2016 the expenditure has more than quadrupled, to 31790 billion Dong. It is clear that both the central government and HCMC has an interest in strengthening the city's GWC capabilities. The second hypothesis is evidently upheld here.

7.6 Concentration of Vietnam's foreign economy in HCMC

In the other three cases, concentration is indicated by the number of Forbes 500 companies in a GWC, and its share in the national total. Unfortunately, no Vietnamese companies have ever made the list, so it is impossible to use the same measurement for HCMC. Instead, I use the VNR500 rankings dedicated solely to Vietnamese companies. It counts the largest 500 companies and the largest 500 private companies in Vietnam. Actually, given the population size of 500 for a relatively small economy like Vietnam, such list is a better reflection of the company distribution in the country. The item "largest enterprises in Vietnam" also includes foreign companies doing business there, i.e. Samsung (1st place, 2017) and Toyota (27th place, 2017)[80], reflecting a more truthful pattern of global capital's agglomeration in the territorial state. In this sense, this measurement accords better with one central tenet of the GWC scholarship: a city's importance in world city network is a reflection of how the national/regional economy the city articulates is situated in the international division of labor. If more TNCs—domestic or international ones—are headquartered in a city, that city is more engaged in global economy.

80 "Top 500 largest enterprises in Vietnam, 2017, full list", VNR500, <http://www.vnr500.com.vn/Charts/Index?chartId=1>, last access Aug. 1, 2018.

Table 7.3: HCMC's Share of Largest Enterprises in Vietnam, 2007-2017

Year	No. of Vietnam's 500 Largest Enterprise HQed in HCMC	HCMC's % of Vietnam	No. of Vietnam's 500 Largest Private Enterprise HQed in HCMC	HCMC's % of Vietnam
2007	142	28.40%	194	38.80%
2008	135	27.00%	163	32.60%
2009	129	25.80%	151	30.20%
2010	141	28.20%	152	30.40%
2011	140	28.00%	156	31.20%
2012	156	31.20%	179	35.80%
2013	148	29.60%	154	30.80%
2014	154	30.80%	161	32.20%
2015	144	28.80%	157	31.40%
2016	159	31.80%	169	33.80%
2017	161	32.20%	172	34.40%

Source: VNR500, available at <http://www.vnr500.com.vn>, last access Jun. 15, 2018. Calculated by author.

The list is available as from 2007. In ten years, the two items have displayed reverse trends. First, among the largest companies doing business in Vietnam, more of them are located in HCMC. In 2007, 142 of them were headquartered in the city; in 2017 the number has become 161. There is a mild but obvious increase (up by 13.4%). Second, among the 500 largest Vietnamese home-grown companies, less of them are found in HCMC. There are some fluctuations in this item, like in 2012 the share occasionally rose to 35.8%, but quickly fell back to 30.8% the following year. After ten years, HCMC's share of Vietnam's largest domestic companies has decreased from close to two fifth to slightly a third. This phenomenon reminds us of the foregoing HCMC-Hanoi competition. It could be the case that during the same period, for closer connection to central political power, Hanoi is seating more domestic companies at HCMC's cost.

That said, despite variations in both items, HCMC has always occupied a dominating position in Vietnam's national enterprise landscape. More than a third of the country's largest companies are based there. This level of concentration is not seen in neither Shanghai or Guangzhou.

If we interpret such figures with HCMC's local autonomy change, we find a concomitant trend between HCMC's share of largest enterprise and HCMC's local autonomy expansion, yet no similar trend between HCMC's share of largest Vietnamese companies and the city's local autonomy. This suggests autonomy level is more sensitive to overall economic activities (including foreign companies), than to Vietnam's domestic companies. This echoes the first IV, foreign trade's ratio to Vietnam's total GDP. More largest companies, including foreign ones, are located in HCMC rather than other cities in Vietnam. In this sense, concentration of Vietnam's foreign economy is seeing gradual intensification at HCMC. The hypothesis expects a growing level of local autonomy. It is empirically confirmed. Of course, changes in both items do not qualify as "significant", so the authorities—central or local or both—may as well not have registered the latent trend, then the seemingly positive relation is more of a coincidence than a valid causality. This begs deeper investigation with more data sets covering a longer time span.

I did not find FDI statistics for HCMC and for Vietnam using the same gauge and time separation, so the concentration of FDI flow in HCMC is not assessed here. But there should be no surprise that HCMC is the top city in Vietnam in terms of FDI attraction[81]. What is unclear is the year-on-year change in HCMC's share in Vietnam's total FDI flow.

Overall, the third hypothesis—that the more concentrated in a GWC a country's foreign economy is, that GWC is more likely to have a higher level of local autonomy—is largely upheld in the HCMC case.

7.7 Chapter Conclusion

This chapter briefly studies HCMC, Vietnam's leading GWC. It has shown the city has enjoyed an obviously heightened level of local autonomy—a good part of which been devolved from the central authority. The Vietnamese national government is allocating an increasing amount of resource to HCMC, and at the same time the city is spending

81 "Ho Chi Minh City tops nation in FDI attraction", *The Voice of Vietnam*, Apr. 10, 2018, <https://english.vov.vn/economy/ho-chi-minh-city-tops-nation-in-fdi-attraction-372368.vov>, last access Aug. 15, 2018.

significantly more money on development projects. Even against the general fiscal decentralization background in Vietnam, HCMC stands out as a special case. This chapter tries to find answers for this special case.

The first hypothesis, that as Vietnam's national economy becomes more globally integrated, it is more likely that HCMC achieves a higher level of local autonomy, is confirmed. Vietnam's national economy is highly involved in globalization. The ratios of both foreign trade and FDI flow to the country's GDP are much higher than those of China and India—and perhaps even higher than most developing countries. Vietnam is highly dependent on smooth and efficient functioning of global commodity chains and (in-)flow of foreign investment (the country's FDI outflow is negligible). In the meantime, this renders the country more vulnerable to international volatility. This is different than China or India, to whom foreign trade never accounts for more than half of their GDPs, and the two much-bigger economies have stronger capacity to weather external turmoil. It is perhaps for this reason that the first hypothesis is clearly confirmed in Vietnam, but less so in China or India. FDI flow, on the other hand, shows great short-term turbulence, but its general trend also supports the hypothesis.

The second hypothesis, that more intense interurban competition makes it more likely that Vietnam's leading GWC obtains greater local autonomy, is confirmed as well. HCMC faces strong domestic competition from Hanoi, the political capital and northern center of Vietnam. Internationally, it is surrounded by top-level GWCs and many minor but aspirant contestants. Competition exists, yet not as intense as in Guangzhou or Shanghai. The increase in the central grants and municipal expenditure on development investment upholds the hypothesis.

The third hypothesis, that if a territorial state's foreign economy is more concentrated in a GWC, that city is more likely to get higher levels of autonomy, is tested using HCMC's share of Vietnam's largest enterprises and largest home-grown enterprises. HCMC's overall percentage remained relatively stable, and its share of the former increased mildly. Its enlarged autonomy is consistent with the hypothesis' prediction. The latter share actually slipped marginally, indicating Vietnamese companies concentrating away from HCMC. Still, HCMC retained its overall dominance of Vietnam's foreign economy, suggesting a trend of more foreign companies clustering in the city. This supports the hypothesis. Although, the distribution of Vietnamese domestic companies requires closer examination.

Although HCMC is Vietnam’s leading GWC, it is not yet in the horizon of most GWC discussions. However, it is a valuable GWC study case. It is one of the few cases that come from a mid-sized national economy in the Global South but with a high level of global integration. In such scenario, the possible mutuality or contradiction between the territorial state and its growing GWC is highly interesting to observe.

Chapter 8: Conclusion

This dissertation studied the local autonomy level of GWCs in major developing countries. Four cities are chosen: Mumbai in India, Shanghai and Guangzhou in China, and HCMC in Vietnam. They are all leading GWCs in their countries, playing significant roles both in articulating national economy with global economy, and as “basing points” for world capital and TNCs. Therefore, they attract wide attention from the globe, as well as domestic politicians and citizens. The academia is also interested in learning how globalization has affected these cities, the territorial states behind these cities, and how the cities and territorial states have reacted to such effects. However, so far, little attention has focused on inter-governmental relations between these cities and their territorial states. This researches tries to add knowledge in this aspect.

Despite similar domestic and international backgrounds, the four GWCs have enjoyed markedly different levels of local autonomy. Since the early 1990s, when observation period of this research starts, levels of their local autonomy have also changed differently. It seems they—together with their territorial states—have responded to globalization and their prospects in an inter-connected world economy very differently. Among all factors relating to globalization and international economy these national economies (and GWCs) face, which are more relevant in determining the local autonomy in emerging GWCs, and which factors are not so important?

8.1 Summary

Three IVs are tested for their relations with these GWCs’ local autonomy level: global integration of their national economy, intercity competition from neighboring GWCs, and concentration of the country’s foreign economy.

The four cities are chosen to reflect both the high and low value of the three IVs. They are all leading GWC in their respective territorial state. Capital cities are avoided. The cases are from three exemplary developing countries in today’s world. China and India deserve attention due to their market sizes as well as geopolitical weight. Their future prospects would bring profound impacts to world economy—and world politics too. Vietnam is a mid-sized developing country, highly dependent on global economy and with a strong ambition to further internationalize. The three countries are all located in Asia, where the center of gravity of world economy is shifting towards[82].

The research spans more than two decades, from the early 1990s to today. It is a period when globalization expanded and deepened greatly after the Cold War ended. It is also when the three countries all embarked on a new phase of economic liberalization and participation in NIDL.

Both the global city concept (Sassen 1991b, 2001a, etc.) and the world city hypothesis (Friedmann and Wolff 1982; Friedmann 1986) agree that the geographical dispersal of global economy necessitates stronger central command and control functions. Since such dispersal to less-developed regions like China, India and Vietnam are dynamically underway, and since these regions are quickly becoming organic parts of the capital's global production, it is imperative to study GWCs in these regions as well.

Since the mid- to the late 1980s, there has been a widespread trend of decentralization, first started in Western countries, and later expanded into many developing countries including China, India, and Vietnam (Stren 2015). However, despite such trend, the four cities display characteristics different from ordinary cities in their own countries, therefore a closer examination from the perspective of GWC is necessary.

This study aims to contribute to the still weak (although admittedly growing fast) literature on less-developed regions in GWC research. Direct comparisons of Chinese and Indian GWCs are still rare (Laurenceson and Kamalakanthan 2004; Segbers 2007; Weinstein and Ren 2009, to the author's knowledge when writing this dissertation). Studies on minor GWCs in smaller economies like Vietnam are even rarer (Gubry and Huong 2002; Dapice, Gomez-Ibanez, and Thanh 2010). By comparing four cities in these three countries from the angle of inter-governmental relations, I bring a unique piece of knowledge into the field.

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82 "The global economy's shifting center of gravity in 11 charts", *The Wall Street Journal,* Jan. 20, 2016, <http://graphics.wsj.com/global-growth/>, last access Aug. 2, 2018.

As agreed by most GWC literature, since GWCs realize their functions through commanding and controlling the geographically expanding world economy (either through facilitating TNCs or hosting TNC headquarters), and that the vast territories of developing countries are increasingly part of the world economy, GWCs located and specialized in those new territories should see faster growth and raised importance in the eye of the global capital and world economy. These territorial states are mostly keen on making use of foreign investment, technology, and experience to speed up modernization and economic growth. The mutuality of the territorial state and its GWC would lead to more local autonomy for the GWC.

On the other hand, the territorial state is meanwhile responsible for other regions of the country, and must cater to diverse, sometimes contradictory needs, so it cannot always fully accommodate its GWC's demands. A GWC, directly confronted with social and economic ramifications of globalization, tends to generate quite different preferences than ordinary cities in its national urban system. Chances are, these preferences come at the cost of other regions' benefits. Other regions' policy preferences may also harm the GWC's competitiveness. Both would try to tip the balance towards itself. The territorial state must make hard decisions. Its choice may not be deterministic, as inter-governmental transference of power is not the only source of local autonomy, but it meaningfully affects the chances of more of less local autonomy at the GWC. This contradiction of interest between the territorial state and its leading GWC adds to the complexity of local autonomy.

To understand how this inter-governmental relation is shaped, I choose the concept of local autonomy to reflect power allocations between the central authority of a territorial state and its GWC. This concept is mainly measured by fiscal power of the city, aided by some relevant governmental policies. Two aspects are especially observed: the central-local fiscal allocations, and local power to issue loans. The former shows how much fiscal resource goes to the local level and could strengthen the city's capability of development and infrastructure improvement. The latter is the locality's power to overspend as an investment in the city's own future—also an indication of freedom of activity.

Fiscal data from the four cities are collected for the longest duration possible. The shortest period of observation is on HCMC, which spans just twelve years. Figures for local loans are not equally accessible for all the cities, they are used wherever available. I also contrast the GWC's fiscal figure to its national figure. This is to rule out the possibility that the GWC's local autonomy change is only a part of the national trend. I find that all four cities display different trajectories in terms of local autonomy than their territorial state's general pattern. This implies factors special to these cities are at work.

Drawing on academic works on GWC and local government, I identify three possible factors that could affect inter-governmental relations of these cities: the global integration of a national economy, measured by the foreign trade to GDP ratio and the FDI flow to GDP ratio; intercity competition from neighboring GWCs, measured with *the World according to GaWC* rankings and market capitalization size of stock markets; and concentration of a territorial state's foreign economy in a GWC, measured by that city's share of the country's largest enterprises and foreign trade. They make the three IVs, reflecting different scales of interactions respectively: the international to the national, the international to the local, and the national to the local. Based on current theories on GWC and territorial states in globalization, I hypothesize a positive relation between the foregoing IVs and the DV (level of local autonomy of the GWC in a territorial state).

8.2 Main findings and discussion

Unfortunately, there is no strong evidence supporting the first hypothesis. Although it is upheld within the Shanghai and HCMC cases, in a cross-case comparison, one cannot safely come to a positive conclusion. Even within China, against the same fluctuation of the country's foreign trade, Guangzhou and Shanghai do not display similar changes in their local autonomy. In Vietnam, however, whose national economy is much more internationally dependent, the local autonomy of HCMC has risen markedly.

When one looks at individual indicators, it becomes clear that Shanghai and Guangzhou's continuous rise in autonomy is concomitant with China's FDI outflow, while not so related with foreign trade in general, which has seen lower levels of integration in late years.

In Vietnam, the only case where the hypothesis is strongly upheld, the national economy's integration level is double the height of China and India. This could have two implications: one, a national economy's global integration must pass a certain threshold to make an impact on its GWC's central-local relations—if the territorial state does not attach enough weight to its foreign economy, it would have insufficient motivation to propel its GWC. Two, FDI flow has a higher relevance to a GWC's local autonomy. In China, although the FDI net inflow to GDP ratio has been gradually declining, the country is investing heavily in overseas markets, resulting in an obvious upward trend in its FDI outflow. This is accompanied by the continuous rise in its two GWCs' local autonomy.

Such findings echo Sassen's observation that FDI flow accounts for a far larger part of international interactions today than goods and articles, and that financial flow demands more and stronger central control functions (Sassen 2000a). It is not quite expected by the world city hypothesis, which stresses that cities are repositioned according to the general statuses of their articulated economies in a new international division of labor (NIDL) (Friedmann and Wolff 1982; Friedmann 1986)—there indeed has been a reshaping process, yet the changed pattern does not override the financial sectors of the world capitalism.

With regards to intercity competition among GWCs, the hypothesis holds true in all cases. There is a clear relation between the intensity of competition and the central-local power devolution to the GWC. Obviously, the territorial state and its GWCs share a mutuality in enhancing the GWC's competitiveness. Even across cases, it is clear that Shanghai, who is facing fiercer competition than Mumbai, is getting more local autonomy from China's central government. Although Guangzhou is considered facing the highest level of competition, its position in PRDR may have had an alleviating effect, as cooperation and coordination brings more benefits, and the central policymakers do not expect an intra-region competition. Mumbai, facing very limited challenge to its status in South Asia and India, has not obtained much more local autonomy.

The indicator we use to evaluate competition, *the World According to GaWC* rankings, just reflect one dimension of the picture, i.e. intra-firm networks of advanced producer services. The market capitalization size of stock exchanges is unfortunately not applicable to all GWCs. Other rankings using alternative criteria could be added in the future as supplementary angles.

This is unsurprising that the "competition angst" is widely felt and has made an impact. Our observation also agrees with other academic findings that there is a mutually reinforcing effect between place marketing/branding and decentralization to that place (see Stren 2015). What remains interesting is the link connecting the territorial state's angst for competition and its policy change toward its GWC. Process-tracing could be used in the future to unravel the dynamics inside the "black box". It is a different question than intercity competition, yet international competition, either for wealth or for comprehensive national power, is undeniably happening (Porter 1991; Stopford, Strange, and Henley 1991; Kuptsch and Pang 2006, etc.). In a way, the whole subject of international politics is about competition among territorial states. This should be investigated more closely with competitive measures at local levels (esp. at GWCs), and look for their relations. It is also in this area that we may find an incision to put GWC scholarship into IR studies—as a component of national power or a tool for international competition.

The concentration of a territorial state's foreign economy in a GWC also has a positive relation with the GWC's local autonomy level. It means the GWC's importance for a national economy is partly determined by how much the national economy is articulated through this city. Mutuality between territorial state and GWC trumps contradictions between them on this issue—when a GWC processes a large part of a territorial state's foreign economic activities, the state usually chooses to uphold that GWCs, rather than equalizing the unevenness of its economic activity.

It needs to be pointed out that, the causality in this hypothesis is not unidirectional, meaning the other way is also possible: the more autonomy a GWC obtains from its territorial state, more of the national economy would concentrate in that city, because of better GWC functions and urban governance capability enabled by a higher local autonomy level. So the third hypothesis, although largely confirmed, should be taken with a grain of caution. Further research could pay more attention to determine which causality direction is stronger, and under which circumstance.

To sum up, I find more mutuality than contradiction between a developing territorial state and its leading GWC. A developing country like China, India or Vietnam usually chooses to promote its leading city's GWC formation, at the cost of a balanced national urban system. FDI has a bigger impact on the central-local relations than foreign trade does, although their combined relation with the GWC's autonomy level is weak. Intercity competition puts both territorial states and GWCs on alert. It prompts the territorial state to grant more power to GWCs, who also acquire so to respond to competitions. Concentration of a territorial state's foreign economy in a GWC adds weight to the city, resulting in further power increase at the city level. The extent to which these factors fare for each GWC affects the level of mutuality or contradiction between the territorial state and the GWC, leading to different outcomes in the GWC's local autonomy.

8.3 Policy implications and further research

With regard to global integration of a national economy, it has been shown that FDI flow has a greater impact on inter-governmental relations. Financial functions of a GWC has long been recognized therefore need no further explanation. For developing countries like China, India and Vietnam, when central authorities devolve power to its GWCs, more attention should be paid toward the city's capability of articulating their real economies, which are so far holding more comparative advantage on world markets. Although generally speaking, more FDI flowing into a national economy is desirable, but to date there has been no consensus on the real benefits of FDI in a country's economic prosperity. Certain thresholds in human capital, etc. need to be met; a country should also adopt fitting policies. Anyway, FDI's positive effects should not be taken for granted (see Alfaro and Johnson 2013).

Besides, GWCs only facilitate FDI flow, the city themselves do not determine how to use FDI. Actual use of such investments is subject to TNCs and other related actors. This means the GWC cannot guarantee the efficiency and efficacy of FDI usage. Relying too much on this aspect of GWC risks undermining a national economy in other areas. In future research, attention could also be paid to a wider comparison including full-fledged Western GWCs, to test whether their national economies' foreign trade also weight less than FDI on inter-governmental relations between their GWCs and central authority. This could give us a more complete picture on the mutuality or contradictions between territorial states and their GWCs.

It is unclear whether these cities' officials and civil society perceive and feel about intercity competition in a same or similar way. Although governments are responding, more consensus need to be reached among residents, especially common dwellers. In developing countries' GWC campaigns, low-level labors and basic service industries tend to be sacrificed, making room for fashionable CBDs and high-end professionals' needs (see D. Clark 2003, chap. 5). Taking this into consideration, it is interesting to study whether a divergence or overlap exists between different strata's attitudes toward a city's competitiveness-promoting measures. Under-protection and under-representation of basic-level workers and the socially vulnerable inevitably leads to social polarization and instability. Attention and efforts should be made that more public resources are tilted toward them, because they are an indispensable part of any GWC. If any GWC is to compete harder with other cities, e.g. constructing better infrastructure, providing more amenities for top talents, entrepreneurs and international investors, more basic-level servicers are needed. None of the case countries in this study is famous for its committed protection for basic-level laborers[83]. Inability to recognize them as an indispensable part of any metropolis and insufficient protection for them will undermine the long-term potential of a GWC, if not outright disruption of the city's basic service provision.

As for concentration of international economy in a GWC, there are different results among indicators. A more coherent index should be devised. Since the whole GWC literature is, in a sense, about new forms of centrality other than the territorial state and the international system made up of territorial states, and since much work has been done to assess these cities' centrality within their own network (WCN), we need to understand how the game is played within territorial states—do these cities also constitute some form of international centrality within the national economies they articulate? The relatively

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83 For examples:

"China: 'ruthless' campaign to evict Beijing's migrant workers condemned", *The Guardian*, Nov. 27, 2017, <https://www.theguardian.com/world/2017/nov/27/china-ruthless-campaign-evict-beijings-migrant-workers-condemned>, last access Aug. 10, 2018.

"Vietnam's left-behind urban migrants", *The Diplomat*, Apr. 8, 2017, <https://thediplomat.com/2017/04/vietnams-left-behind-urban-migrants/>, last access Aug. 10, 2018.

"India's migrant workers face hostility in Mumbai", *The Christian Science Monitor*, Apr. 9, 2010, <https://www.csmonitor.com/World/Asia-South-Central/2010/0409/India-s-migrant-workers-face-hostility-in-Mumbai>, last access Aug. 10, 2018.

inconclusive performance of the third hypothesis implies a less clear domestic picture—some leading GWCs in fact only seat a small fraction of its territorial state's biggest companies and "flows". This is in contrary to the GWC theory in the sense that these cities should cluster a large number of the country's TNCs[84] (Shanghai and Guangzhou obviously do not). How can it be, that a GWC occupying central position in regional or world economy being not so central in its own national economy? But this is consistent with Sassen's suggestion that as a city gets more global, it becomes "de-territorialized" or detached from its nation state (Sassen 1991b). Which suggestion is true, and under what circumstance? Is this phenomenon more peculiar to GWCs in developing economies or developed ones? This is a very interesting area for future research.

I did not study social disparity and its relations with the cities' local autonomy level. However, this is a meaningful and important policy issue. Social disparity and polarization (the "dual-city hypothesis") is always expected to occur within GWCs (Sassen 1991b; Borja et al. 1997; Castells 2010), as the city is home to two completely different group of citizens—one well-educated and wealthy, the other less skilled, poorer and without stable jobs. It becomes more conflict-prone if wealth distribution is severely unjust, which would subsequently lead to social instability and disruption. If a GWC is of critical importance to its territorial state, they should share a mutual interest in appropriately handling such tension in the city, in order to sustain its smooth running. This requires more local fiscal and policy capacity. However, such measures may worsen the regional disparity of the territorial state, which in turn undermines the overall national welfare—constituting a contradiction between a GWC and its territorial state. Such problems must be squarely and adequately addressed by joined efforts from the municipal and the central authorities. Future research could pay more attention to, *inter alia*, this aspect of GWC growth.

As pointed out above, national authorities should be aware of the possible mutually reinforcing effects between concentration of foreign economic activities in a GWC and that city's local autonomy level. This means more autonomy at a GWC may worsen the uneven development in a country's national urban system. Although uneven development is intrinsically unavoidable (Harvey 2006; N. Smith 2008), extreme scenarios would impair

84 In (Friedmann 1986), one of the earliest categorizations of GWC, "headquarters for TNCs (including regional headquarters) (ibid. 72)" was one of the selection criteria.

overall balance of national economy and society. This in the long term harms both the territorial state and its GWC. Findings in this research agree with Clark and Moonen's suggestion that "these cities' success will also depend on strategies to avoid excessive demand and inflation in the world city and curb rising disparities with other national cities" (G. Clark and Moonen 2017, 239). For example, London has been widely acknowledged as a telling case of one leading city over-concentrating high-value industries at the expense of other regions in the country. This is a negative externality of mega GWCs that a territorial state must be aware of and try to rein in. Therefore, on this issue, the territorial state and the GWC share a mutuality that although a prosperous GWC works in the national economy's favor, the local autonomy of that GWC should not overgrow, before its benefits are offset by runaway national uneven development.

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