Foreign Direct Investment and the New Geography of Urban Centralities

Introduction

The acceleration of international trade and foreign direct investment in the last decades of the XX century is one of the main indicators of global economic integration. Economic integration is one of the main motors of a much broader phenomenon generally branded as ‘Globalisation’. A ‘global economy’ is not a new idea: it has existed at least since Mercantilism and the colonisation of the Americas, Africa and Asia by European colonial powers. However, the late capitalist order (or ‘post-Fordism’), characterised by flexible and dispersed production, has dramatically changed and increased global exchanges of all sorts. This intensification is the result of the progression of Trans National Corporations around the world, which was facilitated, and to some extent, made possible by the revolution in ICT and the rise and sophistication of advanced producer services.

For Sassen (1991), in the new economic scenario, ‘the geography and the composition of the global economy changed as to produce a complex duality: a spatially dispersed, yet globally integrated organization of economic activity’ (1991:3). Major cities have acquired a strategic role as centres of command of the organization of world economy. This new role is largely based on some cities being key locations for command activities (headquarters and highly sophisticated producer services), which have replaced manufacturing as the leading economic sector of world economy. This shift has brought new challenges to ‘global cities’, which have undergone a deep process of social and economic change, with obvious consequences to their structure and form. Command functions of the tertiary sector became key actors in the urban arena. Their specific spatial requirements and needs had to be matched by competing local governments, who sought to attract these activities. New centralities as well as new types of centrality started to emerge, in order to fulfill new economic and social requirements. Policentrality became a common feature in many cities around the world and old centralities had to face new challenges to remain vital, especially in the United States and in some parts of Europe and Latin America.

This paper presents evidence of the emergence of new urban centralities and peripheries under in the new global economic order. It presents the results of research that suggests that the dichotomy between centrality and periphery is becoming increasingly less clear, as well as the dichotomy between ‘old’ and ‘new’ centres, thanks to the specific requirements of a serviced economy, based on the preponderance of advanced producer services as main economic actors in today’s globalised economy.

The new geography of urban centralities

Throughout History, the notion of ‘centrality’ of urban places was attached to a geographically determined urban site where main civic, administrative cultural and commercial activities took place. The notion of urban ‘centre’ was attached both to a geometric notion (a point equidistant from the extremities of a figure) and to a biological analogy (the main organ or part that controls and regulates the body’s activities, where the centre is the ‘part’ the controls the ‘whole’). Both constructions did not allow the rise of policentrality as a desirable feature in the urban structure. Economical and political power was traditionally centralised, and expressed itself in the spatial configuration of cities. The ‘centre’ of any city had traditionally an economic and a symbolic role. The main ‘plaza’ of cities generally concentrated the main civic and religious activities, serving as a material metaphor of the centralization of political and economical power (picture 1).
Picture 1: Plaza de Mayo, Buenos Aires. For more than one century, Plaza de Mayo has been the epicenter of civic life in Buenos Aires. It houses the Casa Rosada, seat of the Argentinean government, the catholic Cathedral of Buenos Aires, and the headquarters of the Banco de La Nación Argentina, among other functions. It is has been the setting for the most significant expressions of public life in Argentina, from the speeches of Eva Peron to demonstrations against the former military junta. Source: Oficina de Turismo de la República Argentina, 2003.

In the industrial era, new elements started to appear and to give the centre a new flair: prestigious cultural facilities (e.g. opera houses, theatres and, later, cinemas), new and improved transportation infrastructure (e.g. train stations and, later, subway lines), wider and faster avenues, etc. New administrative buildings, offices and headquarters of national and foreign enterprises added to the already existing civic and religious functions. The connections established by the centre became simultaneously more complex and far-reaching. As an eminently urban global network started to emerge, commercial offices became the main activity in the new ‘Central Business Districts’ of cities (CBDs). These offices were primarily constituted by administrative, financial and legal services, which were some of the first producer services to experiment a deep process of sophistication, as capitalist operations started to expand around the globe.

Domestic enterprise headquarters, multinational firms seeking new markets in growing cities, as well as increasingly complex public administrative services, added to the concentration of service activities performed in the traditional centres of industrialised cities. The location of these activities relied on the superior connectivity and infrastructure offered by central urban places.

In post-industrial capitalism (post-Fordism), the increasing complexity of operations of governments and corporations alike, together with the development of telecommunications and information technologies, made it necessary for activities connected to the new productive scenario to look for new spaces to operate. The very same factors also created the possibility to carry out operations in non-central places provided these places offered the necessary infrastructural conditions. This happened due both to the scarcity of suitable locations in the old centres (what we call here ‘internal urban inelasticity’, following Rusk, 1995) and their increasingly downgraded image. The program and architectural features of buildings had to change in order to accommodate increasingly more flexible and technology-based activities. Moreover, connectivity to new infrastructure (new, bigger and farther airports, ports and distribution facilities, located far from urban centralities) was not sufficient. Old centralities were often not ‘elastic’ enough to accommodate large-scale interventions (Rusk, 1995). Old centralities were also becoming increasingly congested and environmentally inadequate. ‘New centralities’ started to emerge where new activities related to the tertiary sector could be carried out more properly (e.g. Paris La Défense, London Docklands) (picture 2).
This created a basic dichotomy between 'old' and 'new' centres, where old centralities were often seen as decaying, derelict and 'abandoned', especially in the case of large American cities. Most European cities were able to keep old centralities as desirable places for living and recreation, although they too had to create new places for business agglomeration. The opposition between vital new centralities and decaying old ones can be exemplified by the city of Los Angeles.

South Central Los Angeles (now dubbed ‘South Los Angeles’) is a large area lying to the south and southwest of downtown Los Angeles, USA. By the 1950’s, white residents of the city began leaving central districts en masse, due, among other factors, to the levelling of former segregationist laws that kept non-white populations far from the city centre. This, together with the rising accessibility to automobiles and the proliferation of freeways, propelled the growth of sprawling suburbs. Urban sprawl, supported by extensive use of cars and motorways, became a dominant feature in Los Angeles landscape. Most new suburbs excluded black or Latino residents by a variety of methods. By the 1960s, most of Los Angeles central south area had become an almost exclusively black neighbourhood. In the 1970s, the sheer decline of the region's manufacturing base resulted in widespread poverty and crime. Street gangs rose to great notoriety, becoming even more powerful with the arrival of drug dealing in the 1980s. The racial and social composition of Los Angeles, one of the richest and most segregated cities in the United States, exemplifies an opposition common in many American metropolises: a mass of disadvantaged racial minorities living in central districts in opposition to affluent white suburbs. By the time of the 1992 Los Angeles riots, ‘South Central’ had become an epitome for urban decay (DiPasquale and Glaeser, 1998). In fact, the central cores of many large cities, especially in the United States and Latin America, have undergone a process of economic and social stagnation, which prompted regional and national governments to engage in vast programs of revitalisation and rehabilitation in the last decades of the XX century. Central core stagnation may be considered a typically American phenomenon, as most European big cities have preserved vital centres. Paris ‘intra muros’ has even suffered a process of intense gentrification. However, central core revitalization is not exclusively an American phenomenon. Many European cities also engaged in vast programs of urban renewal, with more or less success. There have been various modalities of centrality ‘revitalization’ after 1973 (a landmark year because of the reorganisation of world economy after the oil crisis), including early examples of large interventions in old cores (e.g. the area of the Marais in Paris) to massive re-creation of public space (e.g. Barcelona). New ‘centralities’ have also appeared in European, Latin-American and Asian cities. Here, we concentrate on the processes that took place in the 1990’s and first half of the 2000’s, because of the clear acceleration in global exchanges that mostly characterises globalisation during that period.
A new role for old centralities

The notion of downgrading centres is a product of their inability to accommodate new activities related to the productive scenario of post-Fordism. However, it is also, as the case of Los Angeles exemplifies, a by-product of the ‘desertion’ of these areas by large sections of the upper and middle-classes, who fancied the more spacious and green environment of suburbia, as well as the safety of exclusive gated-communities punctuated by enclosed shopping malls and other facilities not to be found in old centres. Old centres were also obscured by the emergence of new activities connected to post-industrialism in new nodes located elsewhere in the city, often constituting flashy and fashionable ‘new centralities’. In fact, the dichotomy between ‘old’ and ‘new’ centres became increasingly more marked in the minds of dwellers and administrators, as old centres were increasingly associated with higher criminality, bad environmental qualities, and poor immigration. The advantages that once characterised old centralities became increasingly obsolete in the face of new productive requirements and the possibility for firms to locate near the more affluent suburbs (where their managers and many of their employees resided) and find better inter-urban and international connectivity at the fringe of cities.

However, despite the general perception that old centralities were rapidly degrading, many activities traditionally carried out in the old centres remained, for the best part, unchanged, especially in European cities, but also in metropolises in North and South America. These activities included government activities, financial services, and cultural facilities. In many cases, old centres maintained their vitality because of their accessibility and the weight of institutions, which would not or could not move to other places in the city.

The case of Sao Paulo epitomises this trend. Although the most dynamic economic activities have gradually ‘migrated’ from the traditional historic core to the border of the River Pinheiros (a loop of approximately 10 to 14 km to the Southwest of the city that took place in various ‘steps’), the old centre has preserved much of its old functions. These included the powerful Sao Paulo Stock Market Exchange (BOVESPA), the Sao Paulo Commodities Exchange (BMF), as well as the headquarters of various Brazilian and trans-national firms, not to mention administrative functions and traditional cultural activities.

The case of ‘Folha de São Paulo’, the biggest Brazilian national newspaper (1 million copies on Sundays), is representative. Founded in 1921, the newspaper has never left the old centre of the city, although in 1995 the main logistics department as well as technical and printing facilities were transferred to Tamboré, a typical ‘edge-city’ development, 20 km far from the group’s headquarters and editorial department. The transfer was necessary because the building occupied by the newspaper in the old centre could no longer accommodate the increasingly larger and sophisticated printing and distribution operations. Moreover, the permanent congestion of roads in the old centre delayed ever more complex distribution operations. However, the central position of the editorial department building, close to main Internet and telephone hubs, and served by very efficient public transportation, made the newspaper keep its main functions in the old centre. Editors and reporters had to be ‘on the spot’ in order to be able to deliver fresh information. On the other hand, it was necessary to establish secure means of communication with the newspaper printing and distribution facilities in Tamboré and to manage and service these connections. Any delay in data and information transfers meant loss of great amounts of money. New technologies simultaneously required and allowed that the newspaper de-centralise its operations to a new location, which emerges today as a new ‘centrality’ in the metropolitan structure.

Throughout the 1990s and beginning of the 2000s, the public sector, in partnership with various private agents, has sought to ‘revitalise’ the old centre of São Paulo. This has been done through various strategies, including:

1. The pedestrianisation of large areas in the old historical core,
2. The carrying out of very large interventions (e.g. the re-urbanisation of the Anhangabaú Valley, included in the larger framework ‘Urban Operation Centro’),
3. The transfer of the city hall from the wealthy southwest zone of the city to the old centre,
4. The construction of outstanding cultural facilities (e.g. the new Sao Paulo Music Hall) and the renovation of historical buildings,
5. Innovative and affordable social housing that aims at ‘repopulating’ the centre, without gentrifying it.

Through various kinds of interventions, the local administration, in partnership with the State and Federal governments, as well as the private sector, is slowly changing the face of the old centre of São Paulo, which is acquiring new roles and functions, as well as reinforcing old ones. This is a general trend to be observed in many other metropolises. Former central places and urban peripheries are currently acquiring new roles in late capitalism. On the other hand, cities in post-Fordism are witnessing the multiplication of specialised centralities, creating a network of nodes in the city. One of the notions that have prevailed until now is that new centralities compete with old centralities, contributing to draw their main functions off. Our hypothesis is that new centralities do not necessarily compete with old centralities. In today’s city of flows, different centralities compose a network of nodes that can accommodate mutually supportive activities. They constitute a new kind of urban system, with different physical configuration and territorial composition (e.g. new urban networks, global regions, network-cities etc.). This means that the old opposition between central and peripheral places has also changed and become increasingly more complex. As the case of the ‘Folha de São Paulo’ exemplifies, functions carried out in new centralities can cooperate and reinforce functions performed in old centralities. A new economic scenario requires new spatial requirements that can be developed in new sites that may work as complementary centralities.

**New economic scenario and new spatial requirements**

FDI is a measure of foreign ownership of productive assets or active control in a company management. The great intensification of FDI is the result of the progression of Trans National Corporations around the world. This progression was facilitated, and to some extent, made possible by the revolution in ICT and the rise and sophistication of advanced producer services (APS).

Advanced producer services are the highly skilled and specialised services provided to enterprises, as opposed to services provided to individuals and households. In other words, APS are the services responsible for the organization, management and securitization of international corporations. They are also responsible for distributing, advertising and selling their products. Banking, Law, Consultancy, Accountancy, Insurance and Advertising are generally described as the main APS (Taylor, 2004). But the list may also include other high-level services, such as ICT Management and Consultancy, Business Management, and even architectural and planning activities.

The development of scientific methods of production (first Taylorism, then Fordism) for the organisation of work and production, and the rise of Business Administration Systems (BAS) accelerated the development of research, engineering, management, organisation consultancy, accountancy, legal advice, among other services specifically destined to firms. Later, the demand for producer services grew as firms in all sectors adopted flexible production strategies (a new approach to production also known as Toyotism¹), many of them involving the externalisation of specialized functions. Moreover, producer service firms themselves began to adopt strategies of flexible production and decentralization of functions; thus, the concept of ‘flexible production’ was extended beyond its original manufacturing-specific context.

Daniels and Moulaert (1991) define Advanced Producer Services as a combination of elementary and very specialised information into complexes of organised information, resulting in procedures for the management and the transformation of information, as well as the application of complex information to entrepreneurial functions. Therefore, APS are the services that make intensive use of knowledge and specialised information in order to
support business. Following this, functions performed by trans-national corporations’ headquarters and main-branches (including TNCs of the primary and secondary sectors) can be included in the APS category. Although TNCs are mainly regarded as APS ‘clients’, putting them at the other end of the consumption chain, we assume that headquarters perform *internally* many of the tasks described as related to producer services, with intensive production, use and dissemination of knowledge. Moreover, TNCs headquarters and main offices of non-service activities may also provide services to other client firms. Therefore, we choose to call both APS and TNC headquarters and main offices ‘command functions’ or ‘command activities’, for their analogous profile in the production and diffusion of knowledge oriented to business and their protagonist role in economic processes today.

Command functions have simultaneously been using and producing complex and very goal-oriented information at an increasing rate. They have created new modes of communication between production agents, different units of the production process and service users. Because of their ability to promote change and increase exchanges of all sorts, as well as their high aggregate value, command functions are the most dynamic sector of economy today and one of the main economic activities to define the place of a ‘global city’ in a hypothetical global city hierarchy.

The main mechanism underlying their rapid expansion is the accelerated internationalisation of production and trade and the revolution in organisation and management of large enterprises in all sectors of activity. Services constitute the most rapidly growing sector of the economy of developed countries in the post World War II period. Therefore, they have a high potential to create jobs. They also have a high propensity to be exported to other regions and nations and thus to promote regional and national economic growth and integration. Command functions are at the fore of these phenomena.

Their importance also relies on their role in investment, innovation, and technical change. Producer services play a strategic role within production systems, in terms of facilitating economic change and adaptation. Because of these characteristics, the attraction of command functions has been the object of great attention of local governments in the last decades, with deep impacts in public urban policies, planning and urban design.

The development of a ‘serviced economy’ has stimulated new and diverse interface services that rely deeply in connectivity and flexibility in order to deliver client-tailored services, bringing with them spatial change in the fabric of city. The emergence of the tertiary sector as the most dynamic sector of economy and its specific infrastructural/spatial requirements is at the base of the emergence of new centralities.

**The location of APS and the making of a Global City**

Cities have an essential role in the increasing flows of goods, people and ideas around the world. This is obvious, due to the eminently urban character of the tertiary sector, both at the production and consumption ends. Cities can be part of the world system as producers of global goods and services, but also as marketplaces for the same global goods and services and as hubs in the flows of people, capital and ideas.

Command activities tend to concentrate in large metropolitan areas, leaving non-metropolitan, and even smaller metropolitan areas relatively disadvantaged. Some of the largest cities in the world are also some of the most globalised and therefore, those who present the highest presence of command activities. However, not all large cities are global cities (Taylor, 2004; Short, 2004) and some relatively small cities can have a high ‘global connectivity’ and receive a great amount of foreign direct investment and other kinds of global flows. They are hubs of advanced producer services of a very specialised nature, as is the case of Dubai, Geneva, Luxembourg, Oslo, Zurich and Amsterdam, all with less than one million inhabitants (Short, 2004). Despite early argumentation that the revolution in information technologies and telecommunications would de-territorialize command functions and reduce the importance of big cities, command activities of the highest level remain concentrated in specific centres of
command. Trans-national corporations need nodes of command in different economic arenas, located in cities that offer tangible comparative advantages (e.g. connections to big consumer markets, high-skilled labour force, and suitable infrastructure). Moreover, these cities should offer proper living conditions and cultural and environmental attractiveness for the individuals who control these operations (the ‘operators’ of services and the emergent ‘creative class’). Furthermore, cities need to have a strong identity, in order to stand out and be recognised as centres of command and desirable recipients of investment. In addition, centres of command or ‘global cities’ are not homogenous throughout their territories: some areas present clear location advantages in comparison to other areas in the same city or urban region. They constitute the new advantaged nodes on which the new urban configuration is based.

According to Marcuse (1997: 312), “the conception that if a city is ‘global’, then all of it is global [as well] is wrong”. Marcuse’s hypothesis is that, since command activities of the tertiary sector amount to a very small fraction of all employment in any city, including the most global ones, their impact on spatial patterns is only one of a great variety of impacts, which are all moulded by the pre-existing fabric of the city. Far from bringing even development, command functions tend to agglomerate and cluster, forming ‘nodes’ of high-connectivity in the urban territory.

From a purely formal point of view, the constitution of ‘nodes’ implies a relation of advantage and disadvantage between different areas in the city, as new nodes tend to concentrate investment to the expense of existing nodes and non-nodal areas of the city fabric. Sometimes, an exaggerated concentration of investment, from both the public and private sectors, may lead to disadvantage of non-nodal (or peripheral) areas. This is exemplified by the Urban Operation Faria Lima Avenue, carried out in Sao Paulo during the 90’s. The volume of investment in public infrastructure and real estate developments was so high as to leave other areas in the city disadvantaged, in terms of both investment and increase in land value (Rocco, 2003).

However, a balanced coordination of investments in various nodes may trigger the conditions to create a stable network of nodes, where the benefits created by flows will be more evenly spread. This does not guarantee the advancement of larger sectors of society, but it may help making cities spatially and socially less polarised.

The multi-nodal development approach has been used in regions with very specific urban network configuration, like the Dutch Randstad and the German Ruhr Valley, with more or less success. Because of the phenomena explained here, big urban continuous agglomerations also tend to develop multi-nodal structures. The multi-nodal development model presents challenges, because any concentration of investments tends to create relatively disadvantaged areas. In order to find equilibrium, the whole network has to be constantly managed to prevent imbalances. When investment concentration is exaggerated, new urban ‘peripheries’ may arise.

The problem is that the social fabric of society is obviously not pegged to urban space in such a way that urban actors can benefit from flows created between nodes in the same way. Different social actors may benefit from concentration and de-concentration of investments in different and unexpected ways. Spatial accessibility is not enough to ensure accessibility to wealth and non-spatial advantages. However, spatial concentration of activities may present obstacles for social integration, as urban peripheries (regardless of their actual geographic position in the city) tend to be disconnected places that offer fewer opportunities for development. This is exemplified by the former black townships around Pretoria and Johannesburg, in South Africa, some of which have become increasingly poorer due to intensive immigration from the countryside, progressive exclusion of the local middle-class and disconnection from the main flows occurring in the main nodes of those cities (Schoonraad, 2005).
The constitution of agglomeration economies: Global cities as service hubs

The term ‘agglomeration economy’ refers to the clustering of several similar or related activities. Many sectors of activity tend to agglomerate, that is, they tend to locate very close to one another, leading to geographic concentration. Much of the American motion picture industry is concentrated in Los Angeles, the European fashion industry is concentrated in Paris and Milan, and the banking industry is concentrated in London and Frankfurt (AmosWeb, 2004).

Agglomeration can be caused by accessibility to concentrated natural resources, knowledge-based services of a specific nature, necessary infrastructure, and availability of a certain kind of labour force and so on. However, agglomeration of firms operating in the same sector often feeds upon itself. Firms of the same sector often enjoy lower production costs when they locate near to each other, because they can make use of the same resources and may lower prices if they share infrastructure. Furthermore, the fact that there is agglomeration also serves as a powerful attractor for costumers looking for the possibility of choice.

In short, the constitution of agglomeration economies implies the existence of a network of activities that are mutually supportive. Once more, despite the ICT revolution, firms still need to be relatively close to each other in order to benefit from an optimal infrastructure, business environment, face-to-face contacts, and rapidity in delivering services to clients and to one another. In the case of Advanced Producer Services, another crucial factor has to do with the socio-economic and cultural make-up of target markets: the products of APS must be ‘place-coherent’. There is a ‘business culture’, as well as local cultural aspects that must be taken into consideration by firms servicing other firms.

According to the International Location Advisory Services (ILAS, Utrecht), corporate location decisions are becoming increasingly more complex, since the range of options has expanded because of city competition and access to information technologies. “Choosing the right location is becoming an increasingly important part of a company’s strategy. The challenge is to choose a location that is optimally in line with the requirements of the company, both in the present and in the future” (ILAS, 2004).

“Location decisions have a major contribution to make in corporate restructuring processes. In many cases, the decision may also include refocusing of company operations around core businesses, exploiting new distribution channels, new customer groupings, new communications and logistics technology, and new sources of human capital. The identification of these drivers allows the development of a set of key location factors” (Ernst & Young, 2004).

In addition to the agglomeration of activities at the metropolitan scale, there is also clustering of certain activities at the local level. Certain places in the city offer clear location advantages in relation to others, concerning both infrastructure and image. The emergence of new clusters of tertiary activities in new nodes in the urban territory is ultimately the cause of the emergence of new centralities.

In spite of the increasing number of possibilities, ‘top decision’ are still taken in ‘top locations’. In other words, the main operational and managerial body of any enterprise must still be located in close proximity and, preferably, in the same or adjoining buildings, in a place that brings together connectivity, accessibility and the place-bound image that better suits corporate interests. Outsourcing is possible when activities can be easily coordinated from a distance and do not require constant and close supervision and planning. There is a vast literature about location strategies at the local level, mainly related to the local dynamics of the real-estate market and the specific spatial advantages to be found within cities. Our research takes on the specific spatial features that have arisen in the city as a result of the increase of foreign direct investment, the sophistication of business operations and the rise of advanced producer services.

Our working hypothesis is that the combination of these factors with the belief that cities had to ‘compete’ in order to attract investment stirred local administrations to promote spatial change in the form of large urban projects (LUPs), and to invest in infrastructure that would hypothetically attract foreign investment and command activities, creating simultaneously
new centralities and new peripheries in the city, or, in other words, reinforcing socio-economic polarisation.

The real effectiveness of those policies in attaining their proclaimed goals is debatable. Did investment in top business locations really attract top businesses? Are local spatial interventions enough to put a city in the ‘global city constellation’? Or does it rely on larger scale economic conjunctural conditions? Where are new centralities emerging? Do they coincide with the designs of local administrations? What are the spatial-infrastructural conditions sought by advanced producer services?

In this study, we took a list of 100 enterprises compiled by GaWC (Globalisation and World Cities Study Group and Network, Loughborough University, UK) on Advertising, Accountancy, Insurance, Finance, Law and Business Management firms. The list was dressed based on: 1. Published lists of largest firms of each sector; 2. Availability of information of each firm, 3. Global coverage, that is, each firm must be clearly ‘global’ in coverage, which means offices in at least 15 cities across the world, of which there must be at least one in each of the most relevant global arenas, North America (the Dollar area), Western Europe (the Pound/Euro area) and the Pacific Rim (the Yen area).

The sample, although small, is of special significance, because it includes the ‘most global’ APS or, in other words, those companies that are most likely to promote exchanges of human resources, knowledge, and technology around the most central global cities. The sample has limitations, because it does not show which are the largest APS operating locally. We proceeded to a scientific survey on the location of each enterprise headquarter in the Randstad (the Western and most urbanised region of The Netherlands, including the cities of Amsterdam, Rotterdam, Utrecht and The Hague) using a GIS-based program and direct survey. It was necessary to correct and update the list, because of the complex dynamics of the service sector, where firms appear and disappear, go bankrupt or merge with stronger firms. The result was a list of 96 firms.

The effort to map headquarters is justified by the specific managerial and administrative tasks they perform, which require particular conditions of infrastructure, connectivity, workforce and environment, as explained in the previous section. In spite of the relative small size of the sample, we could draw some preliminary conclusions.

Results show that most of the headquarters of selected APS in The Netherlands are, not surprisingly, located in the city of Amsterdam and the neighbouring city of Amstelveen, which works as a ‘peripheral business location’, much in the same way as La Défense in Paris. The region comprised between Amstelveen and the celebrated new business location developed by the Dutch government and known as the ZuidAs concentrates most top APS.

Our sample (GaWC 100) shows that there are seven cluster-areas of ‘top players’ of the global network of APS in the Amsterdam region (excluding Schiphol Airport area):

1. Amsterdam Centrum: The area has a predominance of financial services. They are located along streets with high local integration in a historical, highly attractive, and world-wide famous setting (the canals of Amsterdam, lined with aristocratic 16th century houses). Image, as well as location inertia, is the most important factors for location here.

2. Oud Zuid: This is the connection area between Amsterdam Centrum and the ZuidAs, with distinctive historical and environmental features. Amsterdam dwellers regard this area as ‘their centre’, outside the tourist-crowded places of the old core. This area does not have a strong presence of APS in our sample, but is recognised as a ‘centrality’.

3. ZuidAs: The main business location of The Randstad is the result of a public-private partnership and is recognised by the Dutch government as the main international business location in the area. The area is highly integrated both locally and globally. It is located on the Amsterdam Ring Road and is served by railway stations, as well as various bus and trams lines. Large public investments have been put in all kinds of infrastructure. This area has a high concentration of financial institutions and law firms.

4. Amstelveen: The municipality directly south of the Zuidas benefits deeply from the same advantages offered by the Zuidas and mostly from its image. It is located one step away from the globally integrated ring road of Amsterdam. It also shows a pattern of
continuation from an axis formed by the three previous areas. Here there is a strong presence of Advertising companies, Business Management and Accountancy.

5. Slotervaart/ Overtoomse Veld: The area has a high local and global integration combined with the presence of rail. It also presents a predominance of Advertising companies. This area used to be regarded as the new business centre of Amsterdam, a position it lost to the ZuidAs when the Dutch government decided to concentrate investments along the main ring road that goes around the Randstad and touches the periphery of the four main urban agglomerations of the region.

6. Amstel Station: The main feature of this area is the presence of inter-modality (rail and subway), apart from proximity to a main landscape feature, the river Amstel. Insurance and accountancy firms predominate in this area, which was able to attract a major player in recent years, the headquarters of the powerful Dutch TNC Phillips, which moved from its hometown in the South of the country to a more central location in regards to its connectivity and image. Amstel Station is sometimes considered as a ‘continuation’ of the ZuidAs itself.

7. Amsterdam Zuidoost: It is the most atypical of all clusters. It benefits from highly locally integrated streets and presence of rail. The area has a concentration of Business Management and Finance firms (Map 1).

A tentative conclusion is that different kinds of APS are found in different kinds of centralities according to time of establishment of the firm. The policy of the Dutch government to concentrate investment in the ZuidAs has been amply rewarded. Some trends emerge: financial services tend to remain in the traditional CBD. They were the first producer services to emerge as truly global services and they tended at first to concentrate around the Stock Market Exchange in the old financial core. Many firms do not need to move out or find it too difficult to do so. The size of firms in terms of number of employees is also an important factor for locating in the old centre. Some global players, especially in the financial sector, operate with a relatively small number of employees and do not need vast office complexes. More ‘modern’ industries, such as marketing and business consultancy, tend to concentrate along roads well served by inter-modal rail/subway transportation, with high visibility. In all cases, spatial inter-connectivity, image and visibility play a vital role.

This is the case of the largest and most global headquarters, which locate along the southern part of the ring of Amsterdam (The ZuidAs), which emerges as the newest business location and the one with highest interconnectivity (direct access to Schiphol international airport and the rest of the Dutch national road system, making an easy connection to Belgium and
France in the South (via The Hague and Rotterdam), and Germany in the East, especially the Rhur Valley (via Arnhem).

Most headquarters are located around main key nodes of transportation, where national and regional roads meet train stations. In this framework, there is a large concentration of firms around the southern section of the Ring of Amsterdam (A10, an eminently ‘peripheral’ place), from where it is possible to access the inner city (the old ‘centre’) and the main Dutch network of roads. These give access to the two main gateways for business in The Netherlands: the Airport of Schiphol and the Port of Rotterdam, further south.

These characteristics show firms in the advanced tertiary sector of economy rely especially on good connectivity and accessibility, as well as the image a certain place conveys in the mind of consumers and clients. Visibility is vital. In order to create these conditions, it was necessary to carry out a large program of urban renewal and image making.

The place known as ZuidAs, the South Axis of Amsterdam Ring road was specifically conceived as a ‘top location’, where top enterprises were ‘expected’ to locate their offices. The Zuidas area is located between the urban districts of Amsterdam Zuid and Buitenveldert, and is crossed by the A10 ring road and railway lines. Around 25,000 people work in the area (DHV, 2005). The area is just seven minutes away from Amsterdam Airport by train, and fifteen minutes from the Amsterdam Central transit-hub by metro. A new metro line, connecting the Zuidas directly to the inner city, is under construction. In the near future, the Zuidas will offer direct high-speed train services to Brussels, Paris, London and Frankfurt (HumanHub, 2005)

The Dutch Spatial Planning Memorandum Room for Development specifically acknowledges that the Dutch national government “has assigned top priority to the development of the Amsterdam South Axis into a high profile international location” (VROM, 2004: 8). This is done in the framework of the national urban networks system identified by VROM, where “easily accessible, attractive city centres with a variety of functions and public facilities are crucially important.” The way VROM sees to achieve that goal is to “form city centres around infrastructure junctions” (VROM, 2004:8), like the Zuidas and other “key projects” being carried out in The Netherlands.

According to the consultancy and engineering firm DHV (based in Amersfoort and working in partnership with the Dutch government), the Zuidas is intended as a “high-quality urban location”, with housing, offices and various public amenities. DHV highlights the compact use of space and the fact that, in the future, all infrastructures, including the A10 ring road and railway lines, are to be placed underground (picture 5).

The municipality of Amsterdam (Amsterdam, 2005) describes the success of the project in the following terms: “Zuidas is an excellent business location, (...)The area is particularly appealing to financial institutions and legal service providers. The excellent accessibility by public transport (and car) is an important motivating factor both for employees to go and work in Zuidas and for employers to set up business there” (Amsterdam, 2005).

So far, the Zuidas can be considered a successful enterprise from the point of view of the attraction of foreign direct investment and the establishment of top advanced producer service firms. It is a typical ‘external new centrality’ or, paradoxically, a centrality in the periphery of Amsterdam. Because of its eminently peripheral character related to large transportation infrastructures, urban planners find it difficult to ‘integrate’ some parts of the area into the existing fabric of the city, bringing in more city life and urban amenities.

Conclusion

As the Zuidas of Amsterdam so clearly exemplifies, attracting foreign investment in the form of headquarters and advanced producer services (or ‘command functions’) has become one of the main concerns of national and local authorities of the main global cities. One of the main tools deployed by local administrations in order to attract these functions was the carrying out of large urban projects (LUPs). LUPs have had a deep impact on questions related to centrality, urban structure and infrastructure, image, local budget and the creation of distinctive spaces where the forces connected to globalisation can operate. Distinctive
urban locations as well as outstanding buildings are intimately associated with corporate
image and marketing. The emergence of ‘new centralities’ in global cities is related to the
progression of trade and foreign direct investment around the world and the ensuing
sophistication of business operations, as well as increasingly complex location decisions that
rely primarily in connectivity and image. Further research is necessary to establish whether
this is valid for cities below a certain threshold in the global city hierarchy (as suggested by
Taylor, 2004) or whether the emergence of new centralities related to the rise of the tertiary
sector is a widespread phenomenon. The emergence of new centralities has put old
centralities in a new perspective. However, instead of competing with them, new centralities
accommodate new functions that find it problematical to operate in old centralities. Old
centralities retain many of their old functions and are in fact complementary to emerging
centralities. Emerging centralities apparently cannot always replicate the attributes that
constitute the image of cities and that are to be found mainly at their ‘old centres’. Indeed,
some new centralities try to either emulate these attributes or associate themselves with
them (e.g., Paris La Défense lies not in the municipality of Paris, but is physically connected
to its most representative and symbolic spaces through a monumental axis).

Old central places are going through deep transformations and have sometimes acquired
new roles. Simultaneously, cities have witnessed the multiplication of specialised centralities,
creating a network of nodes in the city. On the other hand, former peripheral areas saw the
emergence of new developments, which accommodate new kinds of activities related to the
rise of the tertiary sector of economy. Activities that were formerly carried out in the centre
are now carried in peripheral places, and vice-versa. Centrality and periphery coexist next to
each other in the global city.

References

http://www.zuidas.nl/smartsite.dws?id=2 (access: may 15, 2005. 14:30 p.m.)
DHV (2005), The Zuidas district: a top international location in the making,
http://www.dhv.nl/frameset.asp?mainpage=/english/groupssite/aboutdhv/dhvtimes_magazine/dhvtimes_2005_nr_1/the_zuidas_district/the_zuidas_district.asp (access: May 20, 2005. 11:30 a.m.)
ERNST&YOUNG (2004) Choosing your European Business Location, Ernst & Young Specialised Services:
International Location Advisory Services, Utrecht. www.ev.nl/?pag=1316 (access January 10, 2005, 14:25 p.m.)
HUMANHUB (2005), “Zuidas, Amsterdam’s new centre: Building the international business environment at the
Zuidas”, http://www.humanhub.nl/ (access: June 10, 2005. 11:35 p.m.)
ILAS (2004), International Location Advisory Services of Utrecht, Ernst & Young Consultancy Services
http://www.ev.nl/?pag=1104 (access September 03, 2004, 10:35 a.m.)
ROCCO, R. (2003) In Globalization, Urban Form & Governance, Vol. 7 (Eds, Carmona, M., Schoonraad, M. and
SCHOONRAAD, M. (2005) The Long Road to Social Spatial Segregation, (PhD thesis), Department of Urbanism,
Faculty of Architecture, TU Delft, Delft, 2005.

1 ‘Toyotism (or Toyota-ism) is the term often used, by analogy with Taylorism and Fordism, to refer to the
management culture and labour processes dominant in Japan, the US, Europe and other developed capitalist
countries in the latter part of the twentieth century. Toyotism alters the relationship between buyer and seller.
While demanding of its suppliers “just-on-time” delivery of components, the producer tirelessly polls its market for direction about the product to be produced. Instead of producing a product and then drumming up a market, the market is found first, and then the product produced to fill the demand. Source: Encyclopaedia of Marxism’. Basgen, B. & Blunden A. (ed.) http://www.marxists.org/glossary/index.htm

2 Ministerie van Volkshuisvesting, Ruimtelijke Ordening en Milieubeheer (Ministry for social housing, regional planning, and environment administration).