AUGUST 2008

www.nycfuture.org

Center for an Urban Future

OFF THE CUF

By Bob Yaro

NEW YORK NEEDS AN OLYMPIC-SIZED INFRASTRUCTURE INVESTMENT

China has been investing aggressively in the expansion of its urban infrastructure; it's long overdue for officials in the U.S. and New York to take similar steps

WHILE THE EYES OF THE WORLD TURNED TO CHINA THE PAST two weeks for the Beijing Olympics, policymakers in New York and across the United States should now take a look outside the athletic venues—where the host country is deeply engaged in a very different kind of global competition.

I recently visited China's Pearl River Delta (PRD) area, one of the world's fastest growing mega-regions. The PRD encompasses much of Guangdong Province and includes the cities of Hong Kong, Guangzhou, Shenzhen and Macau. Its population of 50 million is comparable to that of the U.S. Northeast mega-region—stretching from Maine to Virginia and comprising cities such as New York, Philadelphia, Boston and Washington, D.C.—with its combined 48 million residents. But unlike its American counterpart, the PRD is in the process of undertaking a massive expansion of its urban infrastructure, an endeavor that will likely pay huge dividends in the increasingly competitive global economy of the 21st century.

The PRD is China's economic and manufacturing powerhouse, providing many of the consumer products found on the shelves of America's big box retail, discount and hardware stores. The region has industrialized at a breakneck pace over the past 30 years, while its cities have urbanized even more rapidly.

Since 1980, for example, Shenzhen has evolved from a small fishing community with 30,000 residents to a world-class city of 13 million, nearly twice the size of New York City. But despite its frenetic growth, the city is remarkably well serviced by modern road and rail infrastructure and parks, and appears to be quite livable.

The Chinese government has invested heavily in the development of Shenzhen and other cities in the PRD, with a current commitment of $50 billion in new high-speed passenger rail and goods movement networks for the PRD over a five-year period. By contrast, our federal government has disinvested in the Northeast corridor rail system for years, as Congress and the White House dither over whether we ought to have any national rail system at all.

In addition to support for infrastructure and urban quality of life measures, the PRD is making major investments in expanded universities and research centers. The goal here is to move toward production of higher value goods and services produced by higher skilled labor. At the same time, the government is consciously pushing lower value, heavily polluting industries out of the PRD, to other regions of China and elsewhere in East Asia. Officials are well aware that to attract and retain skilled workers they will need to improve the region's quality of life and environment, including the current dismal air and water quality. They are beginning to invest heavily in these improvements.

Hong Kong has already carried out an economic transformation along these lines, replacing nearly all of its manufacturing capacity with finance and service sector employment. Its expressed goal is to become the financial and commercial hub not only for the PRD, but for all of China and East Asia. It is competing with Shanghai for this role, betting that the rule of law, a highly skilled, English-speaking labor force, advanced infrastructure, and quality of life will give them an edge in the competition. The stakes in this competition are high, given that China is expected to have a larger economy than either the U.S. or Europe within a couple of decades.

Perhaps the most striking aspect of the PRD's exceptionally rapid growth and development is the inclination of its various government units, as well as its growing private sector, to collaborate across political boundaries and industry lines to build infrastructure for shared economic advantage. As in the United States, cities and provinces are competing for industries, jobs and tax base. Consequently, the PRD mega-region seems to be creating a proliferation of competing airports, container ports, research parks and other facilities. This seems to be in sharp contrast to the Northeast mega-region's inability to agree on priorities or financing strategies for any of these facilities.

China also seems to have risen above the debate now raging in the United States about the appropriate role for private investors and public-private partnerships in financing, building and operating infrastructure for public use. Rather than engage in endless arguments over the relative advantages of public vs. private sector ownership and development of infrastructure—as we have done—China appears to be making rational, non-dogmatic decisions about when to employ private investments or public-private partnerships to build infrastructure.

Of course, municipal and federal governments in the U.S. operate in a very different environment than China's authoritarian system. Yet, that doesn't excuse decades of under-investment in America's infrastructure, particularly for our cities and metropolitan regions.

The stalemate around this discussion in the United States helped prompt Regional Plan Association (RPA) to initiate its America 2050 project, with the goal of framing a national growth strategy for the United States. This effort, begun in 2005, seeks to kick-start planning for the urban growth and infrastructure strat-

As a nation and as a region, we should take heed of the aggressive economic development, infrastructure, education and quality-of- life investments being made in the Pearl River Delta and China as a whole. Our ability to compete globally will hinge on our willingness to make similar investments here.

egy we will need to accommodate an expected 130 million additional Americans by mid-century. The immediate focus of America 2050 is on identifying the investments in transportation, energy, water and other infrastructure systems needed to accommodate this growth and a concurrent three-fold increase in gross domestic product (GDP) over the next 40 years.

Part of our work has focused on the emergence of "mega-regions" in the U.S., Europe and Asia. These places are networks of linked metropolitan regions with shared economic sectors, commuter-sheds, infrastructure and natural resource systems. The Northeast mega-region is one of 11 such zones emerging in the United States.

Altogether, these places encompass 70 percent of the U.S. population and an even larger share of the nation's economic activity. The vast majority of our rapidly growing population is expected to live and work in these 11 mega-regions, with the Northeast mega-region alone expected to add an estimated 18 million additional residents by 2050.

The European Union and Japan, Korea and China are all now planning at the mega-region scale, moving aggressively to build high speed rail networks and other large scale infrastructure systems that will enhance their global competitive position. As a nation and as a region, we should take heed of the aggressive economic development, infrastructure, education and quality-of-life investments being made in the Pearl River Delta and China as a whole. Our ability to compete globally will hinge on our willingness to make similar investments here.

Off the CUF commentaries are published each month by the Center for an Urban Future (CUF). Alternatively written by outside experts and CUF staff, the commentaries aim to highlight critical opportunities and challenges facing New York and other cities, and generate fresh ideas for policymakers, business leaders and nonprofit practitioners.

This *Off the CUF* was written by Bob Yaro and edited by Jonathan Bowles and David Jason Fischer. Yaro is president of Regional Plan Association. For information about its America 2050 project, go to www.rpa.org.

General support for City Futures has been provided by Bernard F. and Alva B. Gimbel Foundation, Deutsche Bank, The F.B. Heron Foundation, Fund for the City of New York, Salesforce Foundation, The Scherman Foundation, Inc., and Unitarian Universalist Veatch Program at Shelter Rock.

CUF Recommends

America 2050: A Prospectus, Regional Plan Association, September 2006

"The Cracks Are Showing," *The Economist,* June 26, 2008

A Bridge to Somewhere: Rethinking American Transportation for the 21st Century, by Robert Puentes, The Brookings Institution, June 2008

Recent CUF Commentaries

Opportunity Costs, by Tara Colton, July 2008

Trouble Brewing, by Steve Hindy, June 2008

Recipe for Growth, by Mark Foggin, June 2008

Something to Build On, by David Jason Fischer, February 2008

Recapturing Suburban Shoppers, by Jonathan Bowles, November 2007