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Deconstructing the Global City: Unravelling the Linkages that Underlie Hong Kong's World City Status

Yin-wah Chu

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Abstract

This paper questions the hyper-globalist orientation among some leading analysts of the global city and their tendency to define it in functional terms, accounting for its presence by the agglomeration of talents and therefore to underexamine the global city's actual linkages. It argues that an examination of the linkages (geographical scope as well as capital, knowledge and labour-mediated) will alert one to the changing configurations of a global city. It will also facilitate an exploration into factors other than the agglomeration of talents that have made for the changes. The paper examines Hong Kong's changing configuration as a global city from the mid 1980s to the early 2000s. It starts with an overview of three sets of trend data and goes on to examine the capital, knowledge and labour mediated by two types of producer service and the circuits they support.

1. Introduction

'Global city' or 'world city' analysts have considered cities of the world to constitute a complex spatial hierarchy. John Friedmann (1986), for instance, has suggested a four-tier hierarchy, with London, Paris, Rotterdam, Frankfurt, Zurich, New York, Chicago, Los Angeles, Tokyo, São Paulo and Singapore falling into the class of primary or world cities. Saskia Sassen (1991) has been more restrictive in her classification and reserved the term global city for New York, London

and Tokyo. Despite differences in taxonomy, these analysts have been unanimous in characterising these cities in terms of their disproportionate geo-economic power. The number of TNC headquarters, amount of resources handled by the financial centres and the concentration of advanced producer services (APS) such as management, law, finance, accounting and advertising are the most often used indicators.

In so characterising the global cities, these researchers have at once pointed to the global city's functions as the territorial base from

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which transnational capital organises global accumulation. John Friedmann (1986, p. 71), for instance, indicates that they are “used by global capital as ‘basing points’ in the spatial organisation and articulation of production and markets”. Similarly for Saskia Sassen (2000, p. 21), global cities are “strategic sites for the management of the global economy and the production of the most advanced services and financial operations”. In her view, globalisation and the territorial dispersal of economic activity have ironically increased the need for centralised control and management. Hence, despite the proliferation of industrial districts and financial markets world-wide, top-level control and management are carried out within a handful of global cities. At the same time, the dichotomy between manufacturing and services has broken down in the new economy, granting greater significance for services and financial products. A second function of the global city is therefore to serve as a site of production for “specialized services needed by complex organizations for running a spatially dispersed network of factories, offices, and service outlets” and “financial innovations and the making of markets, both central to the internationalisation and expansion of the financial industry” (Sassen, 1991, p. 5).

The global city literature has been criticised from many fronts. Some contend that it is an ideologically loaded discourse that privileges cities in the developed countries. Others question its oversights of the cultural and political aspects of globalisation and hence the importance of such indicators as immigration, global political institutions and NGOs (Benton-Short *et al.*, 2005; Gugler, 2003). This essay cannot discuss these points in detail, but will concentrate on three interrelated issues—namely, the underexamination of global city linkages, inadequate explanation for global city transformation and limitations in its analysis of social inequality.

As Peter Hall (2001, p. 61) has argued eloquently, global city analysts have concentrated on “measuring data on global city attributes, while ignoring the critical importance of understanding the mutual relationships between individual members of a system of cities”. He suggests further that: “we have to infer ... because of a concentration of high-level service activities such as international banks, a city is exceptionally well connected” (Hall, 2001, p. 61). A number of researchers have addressed this shortcoming both empirically and conceptually. In order to measure the interlinkages among world cities at different geographical scales, or in other words to identify the world city networks, P. J. Taylor (2004, 2006) and the research network on Globalisation and World Cities (GaWC) at Loughborough University have taken the relationships among the head office and local offices of large APS firms, weighted by the service values generated by each office, as a proxy. Taylor has not questioned the concept of the world city and has focused on its global ties.¹ Hall (2001), Hall and Pain (2006) and Scott *et al.* (2001), however, have been more concerned with the global city’s local/regional linkages and, through empirical research, have proposed contending concepts such as ‘global city-regions’ and ‘polycentric mega-city regions’. For Scott *et al.* (2001), ‘global city-regions’ or complex urban regions encompassing several cities, which might be polycentric or monolithic in organisation, is superior to the idea of the ‘global city’ in characterising the spatial nodes that help to organise the global economy and polity. Although not refuting the value of the notion of the global city, Hall and Pain (2006) contend that the ‘polycentric mega-city region’ or the clustering of between 10 and 50 cities and towns that are physically separate but functionally networked around one or more larger central cities is an emerging phenomenon. They hypothesise further

that the smaller cities and towns increasingly bypass the largest central cities while networking with each other; hence the idea of polycentric (see also Pain, 2007).

These important works have developed different methods to delineate the strength and nature of connectivity among the world cities and cities within the city-regions. Among other things, we learn that the relationships between the world cities could be co-operative or competitive and the internal linkages of the 'global city-regions' or 'mega city-regions' could be polycentric or monocentric (Hall and Pain, 2006; Pain, 2007; Taylor *et al.*, 2007). Despite these achievements, this paper contends that at least one dimension of connectivity remains unexplored. In addition to specifying the geographical locations connected and scales of network spun by the top management functions and APS, an adequate understanding of the global city also necessitates an examination of the specific services rendered as well as capital, knowledge and labour so mediated. Beaverstock *et al.* (2001) and Hall and Pain (2006) have made important contributions by analysing the production and dissemination of knowledge within the internal network of APS firms. Nonetheless, a better understanding of the position of the global city in the space of flows seems to require an analysis of how capital, knowledge and labour have been mediated by the APS firms and other actors within the global production network.

The lack of interest in delineating the service linkages is due in part to a tendency shared by Friedmann (1986) and Sassen (1991), as well as by Hall and Pain (2006), Scott *et al.* (2001) and Taylor (2004). Specifically, they have all accepted agglomeration as an explanation for the emergence of the global cities (and global city-regions) and, at the same time, considered top management functions and advanced producer services to be generic. That is to say, they consider the administrative skills, legal knowledge, accounting services,

advertising strategies and financing to be perfectly transferable from one business sector to another and from one country to the next. In the first place, these scholars have all contended that global cities are locations where different talents congregate. In facilitating face-to-face interactions and generating positive synergies there from, global cities become the best venue for performing the most innovative and complex tasks in top management and APS. Decentralisation or the extension of service firms into the vicinity associated with the emergence of mega-city regions, in turn, has both been necessitated by the need to serve local customers through face-to-face interactions and made possible by the emergence of information technology. Abstract and general discussion of agglomeration and clustering has replaced concrete delineation of the mediation of capital, knowledge and labour. This has been the case even for studies that rely on qualitative interviews (Pain, 2007). In the second place, these researchers seem to share with the global city analysts in considering the top management function and advanced producer services to be generic rather than sector- or location-specific. Referring to the work of Daniel Bell, Sassen (1991) suggests that the content of what is to be managed (and for that matter serviced) is far less important than the 'pure managerial process' and 'specialised services'. Sassen and her followers have made the same point in their study of Hong Kong, Shanghai and Singapore (Sassen, 2002). To the extent that top management and APS are generic and transferable across sectors and locations, the specific modes of their mediation do not call for investigation.

The present essay holds a different view. Top management and advanced producer services are in part specific to economic sectors and geographical locations. As the following will show, managing the global production networks for garments may involve knowledge

and capital that are quite different from managing the global production networks for high technology. Similarly, managers and professionals may have to mobilise location-specific resources such as an understanding of local culture and knowledge of the legal and accounting practices of a country, and connection to regional social networks in order to carry out their jobs (Harvey, 1989). Hence, a thorough appreciation of the global city necessitates not only an investigation into the geographical linkages, but also the capital and knowledge so mediated.

This brings us to the second issue in the global city literature—namely, understanding the forces accounting for global city emergence and transformation. This shortcoming is related both to the underexamination of intercity linkages and to the hyper-globalist orientation in most of the studies reviewed. In the first place, given the concern of Friedmann (1986) and Sassen (1991) with enumerating TNC headquarters and the amount of financial capital handled, they tend to overlook qualitative changes in the global cities. Even though Hall and Pain (2006), Scott *et al.* (2001) and Taylor (2006) have attained massive success in identifying intercity linkages and are mindful of changes in the global city hierarchy, their views concerning the generic nature of APS and the guiding logic of agglomeration have blinded them to important socioeconomic processes involved. Significantly, if top management and advanced producer services are in part sector- and location-specific, the original bundle of skills built up in the global city may not achieve the agglomeration effect and thus allow the global city continuously to maintain its status. To give an example, while the commercial expertise of Hong Kong firms had allowed them to network with Microsoft, Intel and other global technology giants around the year 2000 to explore the consumer markets of Hong Kong and China, the same skill-set has not thrust them into partnerships

in the area of R&D or standard coalition (Chu, 2003). The tendency for global city analysts to examine agglomeration in the abstract has restricted their understanding of global city dynamics.

In the second place, as pointed out by Gulger (2003), leading global city analysts have adopted a hyper-globalist position in the globalisation debate. The narratives they promote have accordingly privileged the forces of globalisation, impacts of global capital and roles performed by managers and professionals in shaping global city dynamics. However, studies by Markusen and Schrock (2006), Musterd (2006) and Pain (2007) have found that local non-economic factors, such as the absence of social segregation, richness of the cultural milieu and the quality of education, have served as magnets for specialised labour that has become more important in determining the locations of APS firms. Just as important are historical reasons or even the prestige associated with an address in the First City (for example, Zurich or London) (Jakobsen and Onsager, 2005; Hall and Pain, 2006). More pertinent in the present connection is the failure of these global city analysts to see that the global city is a space of contestation among global and local actors as well as privileged and underprivileged ones. Local actors such as the nation-state have far from abandoned the concern with shaping the global markets, with the Asian developmental states being obvious examples (Weiss, 2003). The Singapore government, for instance, has gone a long way to make plans and provide resources in order to secure the country's global city status (Yeung, 2000). Similarly, Hill and Kim (2000, p. 2168) have demonstrated powerfully that the policy of industrial development and financial institutionalisation adopted by Japan's developmental state is the reason why Tokyo, despite its quintessential status as a global city, has exhibited fundamental differences *vis-à-vis* New York in terms of its "economic base, spatial

organisation and social structure". Likewise, Fujita (2003) has shown forcefully how the 'social capital investment state' of Japan, which emphasises both economic development and distributive justice, facilitated the emergence of Tokyo's new industrial clusters of information technology, multimedia and videogames in the 1990s. In turn, these have interacted with the Tokyo metropolitan government's effort to address local needs through its east Asian regional strategy to shape Tokyo's cityscape. Taken altogether, this suggests that an adequate understanding of the emergence and transformation of a global city necessitates both a concrete analysis of the services mediated by a global city as well as an examination of local institutional factors.

The third issue in the global city literature concerns the understanding of their human implications. It is of interest to note that Sassen (1991) and Scott *et al.* (2001) have all been concerned with the "widening gaps between the wealthy and the poor in economic, social and spatial terms" (Scott *et al.*, 2001, p. 19), while Pain (2007) and the GaWC research network have devoted effort to explore environmentally and socially sustainable urban policies. The present paper shares their concern, but likes to add that an exploration of the concrete linkages sustained by the global city will reveal much about the human consequences. Specifically, depending on the economic sectors and geographical locations linked by a global city, different managerial and advanced producer services may be required and different types of capital, knowledge and labour may be exchanged. The linkages sustained by a global city, therefore, have immense implications for the prospect of employment and social mobility, policy on migration and similar issues that are not important from the perspective of global capital accumulation, yet affect the real people who reside within the global city, which after all is a local place.

This paper reports the author's preliminary effort to explore the fore-mentioned issues of global city analysis by looking at the case of Hong Kong. The coming section will explore Hong Kong's changing configuration as a global city by examining three sets of trend data spanning from the mid 1980s to the mid 2000s. The next section will undertake a qualitative delineation of the linkages in terms of both geographical locations and services rendered by examining two circuits that involve top management and advanced producer services. Finally, a few words on the implications of the changing linkages on the opportunity for employment and social mobility will be attempted in the concluding section.

2. Hong Kong: Changing Configuration of a Global City

Hong Kong has been considered a global city by a number of observers (Meyer, 1999; Sassen, 2002; Taylor, 2006). The following will sketch its profile as a global city and highlight changes in the geographical locations linked and actual services rendered from the mid 1980s to the mid 2000s by examining three sets of trend data: regional headquarters and regional offices; selected producer service sectors; and employment structure.

A sizeable number of firms from the Americas, Europe and Asia have since the 1980s chosen Hong Kong as the base for their regional headquarters. However, it was only in 1990 that a systematic survey of such headquarters was undertaken. Table 1 presents basic information on the regional headquarters and regional offices between 1991 and 2006. It is notable that, despite Hong Kong's status as a British colony until 1997, British firms have not predominated among the regional headquarters and regional offices. Instead, the US has been the country of origin of most regional headquarters, whether in

Table 1. Regional headquarters and regional offices in Hong Kong

	1991		1996		2006	
	<i>N</i>	<i>Percentage</i>	<i>N</i>	<i>Percentage</i>	<i>N</i>	<i>Percentage</i>
<i>Regional headquarters</i>						
United States	258	42.6	188	22.7	295	24.0
United Kingdom	75	12.4	90	10.9	114	9.3
Germany	30	5.0	40	4.8	76	6.2
Japan	44	7.7	122	14.7	212	17.3
China	N/A	N/A	85	10.3	112	9.1
Total	606	100	829	100	1228	100
<i>Regional offices</i>						
United States	62	21.9	226	15.0	594	22.7
United Kingdom	25	8.8	123	8.2	223	8.5
Germany	12	4.2	85	5.7	136	5.2
Japan	61	21.6	338	22.5	519	19.8
China	N/A	N/A	128	8.5	156	6.0
Total	283	100	1,502	100	2617	100

Sources: HKID (1991, 1996); HKCSD (2006a).

the early 1990s or after Hong Kong's handover in 1997. Firms from China have become more active since the mid 1990s, but Japan has registered the fastest growth thus indicating an advance in regional integration.

The countries overseen by these regional headquarters are extensive. In 2006, they encompassed Australia (22.1 per cent), India (23 per cent), Indonesia (25.9 per cent), Japan (29.6 per cent), Malaysia (30.8 per cent), the Philippines (28.3 per cent), South Korea (31.3 per cent), Singapore (39.2 per cent), Taiwan (41.4 per cent) and Thailand (31.4 per cent). China was by far the most important, with 87.4 per cent of the regional headquarters claiming that they were responsible for the country apart from Hong Kong (HKCSD, 2006a, p. 37). The main lines of business engaged in by these regional headquarters and their parent companies have remained rather stable since 1991. In 2006, most regional headquarters in Hong Kong engage in "wholesale, retail and import/export trades" (52.4 per cent) as well as "business services" (22 per cent),² although their parent companies tend to take on "manufacturing"

(41.9 per cent) and "wholesale, retail and import/export trades" (33 per cent).³ Taken altogether, it appears that Hong Kong has served TNCs mostly from the US but also increasingly from Japan as a trade and business centre both for the distribution of goods/services and for the organisation of manufacturing production in Asia and especially in China.

The second set of trend data concerns the producer service sectors between 1987 and 2005. As can be seen from Table 2, not all of them have experienced the same rate of expansion. The banking sector seems to have encountered some difficulties since 1996, as witnessed by the decline in the number of representative offices of foreign banks and the world's top 500 banks,⁴ although Hong Kong remained Asia's third-largest international banking centre in 2006 in terms of the volume of external transactions (HKTDC, 2007). By contrast, the financial services sector has grown rapidly. The Hong Kong Stock Exchange underwent consolidation and rationalisation in the 1980s and it launched the 'growth enterprise market' in addition

Table 2. Selected service industries in Hong Kong

	1987	1996	2005
Banking	422 authorised banks and deposit-taking companies (DTCs) 143 representative offices of foreign banks	368 authorised banks and DTCs 157 representative offices of foreign banks 213 of the world's largest 500 banks	199 authorised banks and DTCs 86 representative offices of foreign banks 157 of the world's largest 500 banks
Financial market and fund management services	276 public companies listed in the Hong Kong Stock Exchange (HKEx) [only the Main Board and no Chinese state-owned enterprises (SOEs)] 1169 fund management establishments (FMEs)	583 public companies listed in the HKEx (including 23 Chinese SOEs) 2402 FMEs with 1219 authorised funds 150 venture capital professionals, with US\$4.6 billion under management (1995)	934 public companies listed in the HKEx (including 120 Chinese SOEs) and 201 listed in the Growth Enterprise Market (including 40 Chinese SOEs) 2552 FMEs with 1942 authorised funds 618 venture capital professionals, with 182 venture capital funds and US\$35.03 billion under management
Accounting	516 establishments 3803 professional accountants	1272 establishments 11 496 professional accountants	3766 establishments 25 388 professional accountants
Legal services	681 establishments 2200 barristers and solicitors	1041 establishments 4520 barristers and solicitors	1586 establishments 6535 barristers and solicitors
Import and export trade services	39 971 establishments with 232 587 employees HK\$337 984 million imports, HK\$195 254 million domestic exports and HK\$182 780 million re-exports	104 076 establishments with 529 478 employees HK\$1 535 582 million imports, HK\$212 160 million domestic exports and HK\$1 185 758 million re-exports	96 959 establishments with 51 615 employees HK\$2 329 469 million imports, HK\$136 030 million domestic exports and HK\$2 114 143 million re-exports

Sources: HKCSD (1998, 2006b).

to the main board in 2000. A total of 1135 public firms were listed as of 2005. Similarly, the number of fund management establishments has more than doubled in the span of 18 years, with the number of persons engaged and amount of funds managed growing at a comparable pace. Hong Kong has even had Asia's largest regional concentration of international fund managers during a number of years between 1996 and 2005. The venture capital sector could be found in Hong Kong as early as the 1970s. It has developed rapidly in recent years and Hong Kong surpassed Japan in 2002 to become the largest venture capital centre in Asia (HKTDC, 2007). During the same period, accounting has expanded by more than sevenfold and legal service by nearly three times. Finally, although the number of trading firms and people they employ declined in the early 2000s, the amount of trade being handled has increased by leaps and bounds.

It is of interest to note that the geographical locations linked by these producer services have varied tremendously. The banking sector has been highly externally oriented, with China being the major export market. Similarly, the Hong Kong Stock Exchange has attracted the participation of an increasing number of international investors and in recent years has served as the most important platform for China's enterprises to raise capital. The fund management and venture capital sectors are by far the most international. In 2005, 66 per cent of the assets under management were sourced from non-Hong-Kong investors and about 78 per cent of the assets were invested overseas, although 53.2 per cent were managed in Hong Kong by local experts (SFC, 2006). Similarly, 89 per cent of the venture capital funds were sourced from outside Hong Kong (67 per cent US) in 2001 and only 11 per cent of the recipient firms were from within the territory (HKTDC, 2004). In 2006, the vast majority of the venture funds were invested into Australia, Singapore, India, Korea, Japan

and mainland China (HKTDC, 2007). By contrast, although the world's 'Big Four' have dominated Hong Kong's accounting services sector, only 1.45 per cent of the sector's income was due to export in 2000. Similarly, no more than 5.2 per cent of the legal services income in 2001 was generated through export (HKTDC, 2004). Finally, the import and export trade service has continued to link Hong Kong to the world, with China playing an ever more important role.

The changing configuration of Hong Kong as a global city leads us to the third set of trend data: snapshots of the territory's employment structure in 1986, 1996 and 2006. In part reflecting the changes just described, the number of people employed in 'wholesale, retail, import/export trade' increased by more than 2.5 times during the period under review, whereas those in 'financing, insurance, real estate and business services' increased more than ninefold (Table 3). These contrasted sharply with manufacturing employment, which had shrunk by more than a half. Transformations in the services mediated by a global city have clearly had implications for its people's opportunity for employment and social mobility.

3. Mediating Capital, Knowledge and Labour

The three sets of statistics reviewed in the preceding section point to a number of notable features in Hong Kong's capacity as a global city. Among other things, we have seen the persistence of the territory as a centre for managing the global production networks for light consumer goods, its growing importance as a provider of financial and professional services, and the mounting significance of China in both instances. At the same time, we have seen that different producer service sectors have connected rather disparate geographical locations and sprawled networks that vary tremendously in span. In view of

Table 3. Hong Kong's changing employment structure

	1986		1996		2006	
	Number	Percentage	Number	Percentage	Number	Percentage
Manufacturing	829 240	44.8	574 867	18.9	325 066	9.7
Construction	103 670	5.6	245 440	8.1	230 227	6.8
Wholesale, retail and import/export	359 900	19.5	757 239	24.9	916 217	27.2
Transport, storage and communications	135 970	7.4	330 974	10.9	391 285	11.6
Financing, insurance, real estate and business services	62 050	3.4	408 686	13.4	571 378	17.0
Community, social and personal services	284 460	15.4	680 048	22.3	905 425	26.9
Others	71 520	3.9	46 444	1.5	26 138	0.8
Total	1 846 810	100.0	3 043 698	100.0	3 365 736	100.0

Sources: HKCSD (1997, 2002, 2007).

differences in the rate of expansion of the top management and advanced producer services and unevenness of their geographical reach, one may infer that the linkages sustained by Hong Kong as a global city have undergone major changes over the past 20 years. Further to investigate these geographical linkages and, in particular, capital, knowledge and labour actually mediated, the following will analyse in depth two types of producer services and the circuits they support: management/co-ordination and the global production networks for consumer goods; and, venture capital and information technology products/services.

3.1 Management/Co-ordination and the Global Production Networks

Hong Kong has constituted a solid part of the global production networks for consumer goods since the late 1950s when industrialisation in the territory took off and, over the years, has gained increasing importance in their management (Dicken, 2004). Domestic exports of labour-intensive manufactured products to Asia, Europe and the

US have made up more than 70 per cent of Hong Kong's exports since as far back as the late 1950s. Global actors such as consumers, manufacturers, chain retail stores and boutiques from the US and Europe, on the one hand, and local ones such as import/export firms, manufacturers, workers and informal workers on the other hand, have been connected to play out the drama that has allowed Hong Kong to emerge from rags to riches. Over the years, networks spun from Hong Kong have expanded in scope, added new ties and cut old ones and, in the process, have mediated disparate types of capital, knowledge and labour.

Specifically, the post-WWII consumer revolution in the US led to an explosion of demand for mass-produced consumer goods. Heightened costs of production in the country led manufacturers and retailers to out-source production to Asia, initially to Japan and increasingly to other places in the region. Merchandisers (or representatives of manufacturers and traders) from the US normally came to Hong Kong with the basic product designs and looked for local

collaborators, be they manufacturers or import/export firms. Upon signing the agreements, local manufacturers proceeded to procure raw materials or intermediary inputs and to organise the production. This is what has come to be known as original equipment manufacturing or OEM contracts. In the context of Hong Kong, production tended to be carried out within manufacturing firms, but informal workers of various types—sub-contractors, ambulatory workers and home-workers—had sometimes been recruited (Chu, 1992; Sit and Wong, 1989). Figure 1 is a typical representation of the intermediaries that have linked consumers in the developed world to Hong Kong workers responsible for producing the items.

The sprawl of the global production networks in Hong Kong was sometimes guided by interpersonal relationships of various sorts. In part owing to shortcomings in market institutions at the early stage of industrialisation, business enterprises liked to personalise their relationships with business partners and utilise connections such as former

schoolmate, former co-worker, or former employee ties to assess the trustworthiness of their prospective business partners (Wong, 1988). However, driven by the primary concern with cost reduction, relationships between global firms and local ones as well as among local import/export firms, manufacturers and informal workers were strictly contractual. In other words, not only had the contracts to be negotiated anew each time, they were also highly unstable. In a 1987 survey of about 400 small and medium manufacturing firms, as many as 39.5 per cent described their orders from overseas buyers as 'unstable' or 'seasonal' (Sit and Wong, 1989, p. 155). Among the firms that received orders through sub-contracting arrangements, 71.1 per cent claimed that the orders were highly unstable, with 52 per cent of them working for 2–5 contractors and 31.3 per cent getting orders from 6 contractors or more (Sit and Wong, 1989, p.185).

Given the unstable work relationships, few TNCs had consciously transferred technology to local manufacturers.⁵ However,

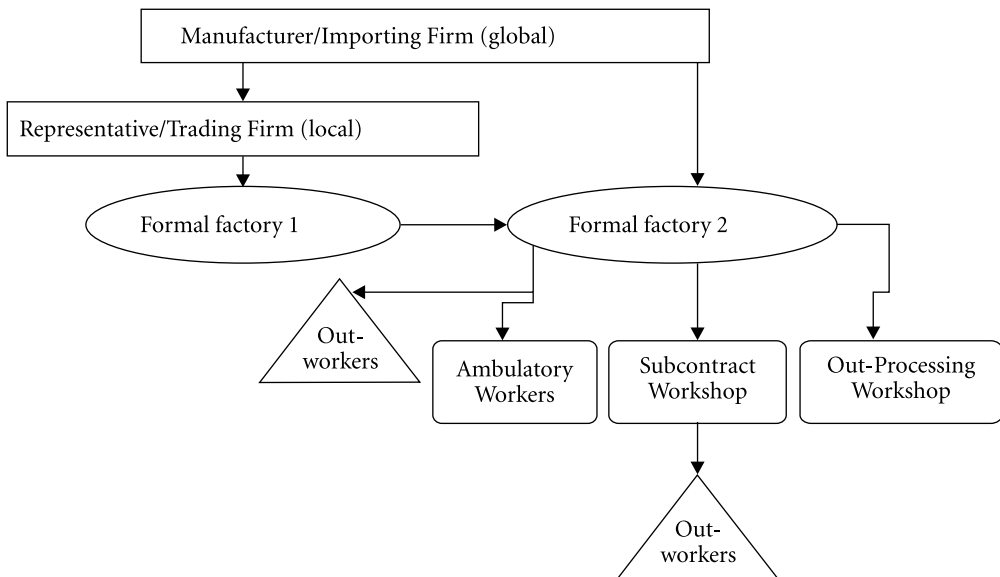


Figure 1. The global/Hong Kong consumer goods production chain
Source: Chu (1992).

technical know-how and market intelligence were embodied in the products or transactions and, consequently, were transmitted to local firms as the latter worked with global merchandisers to fulfil the job orders. Available studies also showed few instances whereby TNCs provided capital for local enterprises. However, with a contract in hand, local import/export firms or manufacturers could go to the banks to secure working capital.

In turn, local traders/manufacturers excelled in their ability to execute production orders precisely and at a distance from the final market. In addition to the capability of relying on social networks as a means to assess the trustworthiness of their business partners, their proficiency to manage workers in the face of fluctuating demands was just as important. Apart from controlling workers within their factories, the competency to incorporate informal workers gained increasing importance in a society characterised by rising labour costs and the scarcity of both skilled workers and young female workers willing to work full-time. Over time, their understanding of the workers' skill, available material input and the production process allowed them to help modify the basic design as a means to improve the product's marketability, lessen technical problems or reduce the costs. Hence, Hong Kong manufacturers and traders increasingly provided value-added in the area of knowledge.

Comparable relationships prevailed among local manufacturers and informal workers. Focusing on sub-contractors, they were mostly former workers that had accumulated adequate capital to start a small factory and fulfil their dream of becoming their own boss. Except for a fortunate few that were able to line up with a marketing person as partner, they normally lacked market ties/intelligence, but possessed machinery, workers and the necessary know-how. In working as sub-contractors, they exchanged their toil,

managerial skills and meagre capital for connections to the global market.

From the late 1970s, some Hong Kong firms began to extend their production networks and set up subsidiaries in south-east Asia, Mexico and Ireland in order to cut labour costs and stay close to their markets. Yet it was after China had adopted the 'open door' policy in 1978 that firms from Hong Kong stepped up their effort to spread the networks beyond the city. Manufacturers and trading firms started to establish production facilities in mainland China and until 1995 Hong Kong remained the biggest source of foreign direct investment in China. A 2000 study commissioned by the Federation of Hong Kong Industries (FHKI) surveyed 123 000 manufacturing and import/export firms registered in Hong Kong. From the survey results, it was estimated that about 17 000 firms had entered into sub-contracting arrangements with manufacturing establishments on the mainland, while an additional 46 000 firms had either invested in or managed 59 100 factory facilities, hiring about 11 219 000 people altogether (FHKI, 2003, p. 21).⁷ Both large and small-medium firms were involved. More than 90 per cent of the establishments were located within Guangdong Province, concentrating in Dongguan (30.6 per cent), Shenzhen (26.6 per cent), Guangzhou (8.3 per cent), Huizhou (5.9 per cent) and Zhongshan (5.1 per cent), areas very close to Hong Kong (FHKI, 2003, p. 22).

The extension of production networks to China has not only created new linkages but severed pre-existing ones. Apart from the relative decline in the number of production facilities in south-east Asia, some local manufacturing enterprises, many of their workers and practically all the local sub-contracting workshops, outworkers and ambulatory workers have become delinked.

Knowledge and resources have been mediated between Hong Kong firms and

their production facilities in China and, over time, some changes can be detected. On the one hand, Hong Kong firms have relocated to China in order to benefit from its lower production costs. The skill levels and technological sophistication of the mainland workers were not factors that had initially attracted Hong Kong firms. A garment manufacturer who shifted his production to an out-processing plant in China back in 1985 admitted that the technological level of his products had declined as a result (Chu, 1988). Over the years, firms in Hong Kong have sent skilled workers, technicians and managers to the mainland, both to handle the most complicated jobs and to train or transmit knowledge to workers there. Gradually, workers in China have become more skilful. In 2000, although enterprises surveyed by the fore-mentioned study still identified the need to reduce labour cost and land cost as the most important reasons to relocate to China, to 'scale up production' has come up as the third (FHKI, 2003, p. 32).⁷ Indeed, not only have workers become more skilful, China has also developed R&D capacity. Hence, the same study found that facilities in Guangdong increasingly took on the function of R&D (33 per cent), though they still focused on production (83 per cent) and storage and transport (51 per cent) (FHKI, 2003, p. 38).

On the other hand, Hong Kong has been able to play the most strategic role of bringing China into the ambit of the global production networks not only because of its geographical propinquity to the Pearl River delta but also because of the manufacturers' and traders' top management capabilities. Until 2000, Hong Kong offices have focused on financial management (87 per cent), served as regional headquarters (80 per cent), were responsible for sales and marketing (76 per cent) and provided information technology management (70 per cent). The spokesman of an electronic appliance company also commented that the edge of Hong Kong companies lay with their

"knowledge of overseas markets and their relationships with overseas buyers" (FHKI, 2003, p. 45). On top of this, however, is the manufacturer's and traders' understanding of China's social and cultural practices and hence their ability to serve as the cultural broker between China and the world. Indeed, when China first introduced the 'open door' policy, the legal and political institutions for capitalist development were not in place. To get around many problems of day-to-day operation in the production facilities and to increase mutual trust in general, businessmen from Hong Kong (and Taiwan) were found to mobilise personal ties with Chinese government officials and, when necessary, to invoke culturally acceptable practices of throwing banquets and presenting gifts (Smart and Smart, 1998; Hsing, 1998).

This discussion has explored in some detail the capital, knowledge and labour that have been mediated between different actors connected through the global production networks to which Hong Kong has provided top management functions. Owing to the lack of good sector-specific city-level data, the discussion has left unexamined the city networks that have emerged. Due to this paper's exploratory nature, it is also beyond its scope to undertake research on the city networks along the lines of Taylor (2004) and Hall and Pain (2006). To give an idea of the changing city networks spun around Hong Kong, the case of Li and Fung, a highly successful trading firm established in 1906, will be outlined here. The firm possesses many more human and financial resources when compared with an average small/medium trading firm in Hong Kong. However, it exemplifies in an ideal typical way (to use the concept of the German sociologist Max Weber) how a Hong Kong firm has established city networks around the world as it tries to perform the top management functions and, as a corollary, has contributed to the territory's emergence as a global city.

The firm was founded in Canton (China) to source Chinese handicrafts and sell them to the US and European markets. Handicrafts such as fireworks, porcelain and rattan ware are still traded nowadays, although changes in the global consumer market and the emergence of Hong Kong and other Asian newly industrialised countries have induced the firm to add new specialisations. Examples include garments, accessories, toys, sports goods, furniture and household products. From the outset, the firm has tried to add value by helping to improve the product design and packaging. By 1981, the firm had crystallised its value-adding strategy into five points: provide guidance to manufacturers on the latest developments in market trends and technical know-how; provide buyers with information on the manufacturers' capability and help develop their ideas into viable production programme; design and market products under their own brands; provide short-term financing to core groups of manufacturers; and, provide ancillary trading services such as insurance, cargo consolidation and warehousing (Li and Fung Ltd, 1981). These and other services rendered by the firm as part of its 'global supply chain management' have more than once captured the attention of management experts (Li and Fung, 1997; O'Connell, 1996; Magretta, 1998).

In its quest to connect buyers and manufacturers as well as to facilitate the flows of capital, knowledge and labour, the firm has over the years set up an increasing number of local offices around the world. Their locations in 1986, 1996 and 2006 are presented in Table 4, although one must add hastily that the flows of knowledge/resources have predated and spilled over the nodes so constructed. The choice of locations reflects how the firm has ridden on the wave of globalisation and adapted to national political transformations. The firm's first local office was set up in Hong Kong in 1929, which became its head office

in 1949 due to political change in China. From the 1960s, local offices were established in Taipei and Macau, cities within 'greater' China. By the mid 1970s, local offices had been founded both in Singapore and Kuala Lumpur in order to tap into south-east Asia's emerging industrial power, as well as in San Francisco, London and Paris with a view to serving its customers better. Most significant, China's 'open door' policy encouraged the firm to reactivate its ties to Canton and set up a local office there as early as 1979. Later on, offices were established in coastal and central China, including Beijing, Changsha, Dalian, Shanghai and Shenzhen (Table 4). Up to this point, Li and Fung's pattern of nodal expansion was typical of most other well-performing trading firms in Hong Kong.

Subsequently, the firm's tremendous success enabled it to adopt a strategy that is not available to the average small/medium Hong Kong trading firm. Beginning 1995 and around the year 2000, the firm acquired a number of (mostly) British trading companies, including Inchcape, Swire and Maclaine, Camberley, and Colby (Li and Fung, 1997, 2007). With these acquisitions, the number of local offices multiplied. In 1996, the company reported having 30 sourcing offices in almost 20 countries, working with over 2000 manufacturers in Asia alone (Li and Fung, 1997).⁸ Apart from expanding into Bangkok, Hanoi, Jakarta and other south-east Asia cities, the firm also established a presence in Dhaka, New Delhi and other cities in south Asia. It also started to found local offices in San Pedro Sula and Istanbul in order to serve better the American and European markets. By 2006, the firm had set up more than 70 offices in over 40 countries and worked with some 10 000 suppliers around the world (Li and Fung, 2007).⁹ In addition to establishing more nodes in China, south-east Asia and south Asia, the firm has greatly extended its network into parts of Europe (such as Barcelona, Leeds, Milan, Sofia,

Vienna, Warsaw), the Americas (Guadalajara, Managua, Santo Domingo) and Africa (Antananarivo and Durban)—see Table 4.

3.2 Venture Capital and Information Technology

Unlike the previous case, where local traders and manufacturers have worked closely with transnational and regional corporations to manage the global production networks for consumer goods, the venture capital sector and information technology sector in Hong Kong are very much detached, with the former being hyper-connected globally and the latter confined to the local market. Even though Hong Kong's venture capital sector has expanded rapidly in recent years and become the largest in Asia since 2002, domestic export of software products from Hong Kong in the same year amounted to HK\$1502 million, which made up no more than 0.12 per cent of the global market value (HKTDC, 2004).¹⁰ As the venture capital sector has largely bypassed the territory in spinning its global networks for innovation and production, little if any capital or knowledge has been transmitted to the local information technology setups.

The information technology sector in Hong Kong has two segments. The first and larger segment pertains to IT personnel hired to support local producer service or manufacturing sectors. In 2002, 63 098 people were hired in IT-related jobs, with 41.4 per cent of them in 'financial, insurance, real estate and business services' and a further 30.4 per cent in 'wholesale, retail, import/export, restaurants and hotels' (HKTDC, 2004). The second and smaller segment pertains to independent vendors that provide hardware and software products and services. In 2000, a survey found a total of 800 independent software vendors (ISVs) employing 18 000 people (HKPC, 2001). Among them, 33.8 per cent had less than HK\$0.5 million in paid-up capital and 63.7 per cent hired 20 people or fewer on a

full-time basis. Most of their products and services were targeted at the local market. This included the 'locally developed packaged software', which despite its export potential is mostly application software in the areas of accounting, integrated business systems, inventory control systems, database and invoicing aimed at capturing the local niche market not catered for by international software houses (HKPC, 1998, p. 16).¹¹ In the words of the HKPC, local ISVs

tend to focus more on commercial applications, customization or localization of overseas software. R&D consumes a lot of time and resources and the rate of return is uncertain, making it a high-risk venture (HKPC, 1998, p. 47).

As for the 21 per cent of ISVs estimated to be of foreign origin,¹² they mainly utilised Hong Kong as a distribution and maintenance centre, which explained why they sold 80.3 per cent of their software products/services to the local market (HKPC, 2001). Unlike transnational corporations in the manufactured consumer goods sector, these ISVs of foreign origin had little interest if any in working with local ISVs to develop products for the global market.

The most salient external relations of the Hong Kong information technology sector were maintained with China which, apart from importing 10.1 per cent of its services and products,¹³ was also an important source of human capital. In 2000, 31 per cent of the 300 ISVs interviewed by the Hong Kong Productivity Council had set up branch offices in mainland China, although more than 50 per cent of such establishments hired fewer than 10 IT personnel. 'Lower cost' was cited as the most important reason (89.3 per cent) for setting up such branches, followed by 'large pool of human resources' (28.7 per cent) and 'higher technical expertise' (22.3 per cent) (HKPC, 2001, p. 42). Whether the linkage with China will enable information technology

Table 4. Headquarters and local offices of Li and Fung, 1906–2006

1986	1996	2006	
<i>North-east Asia</i>	<i>North-east Asia</i>	<i>North-east Asia</i>	<i>The Americas</i>
China (Canton) [HQ 1906]	Hong Kong	Hong Kong	USA (San Francisco, Boston, Gaffney, New York City)
Hong Kong [1929; HQ 1949]	Taiwan (Taipei)	Taiwan (Taipei)	Honduras (San Pedro Sula)
Taiwan (Taipei) 1966	Macau	Macau	Mexico (Guadalajara, Mexico City)
Macau	PRC (Beijing, Changsha, Dalian, Guangzhou, Liuyang, Nanjing, Qingdao, Shanghai, Shantou, Shenzhen, Zhanjiang)	PRC (Beijing, Chengdu, Dalian, Dongguan, Guangzhou, Hangzhou, Hepu, Liuyang, Longhua, Nanjing, Ningbo, Qingdao, Shanghai, Shantou, Shenzhen, Suzhou, Zhanjiang)	Guatemala (Guatemala City)
PRC (Guangdong) 1979	South Korea (Seoul)	South Korea (Seoul)	Nicaragua (Managua)
<i>South-east Asia</i>	<i>South-east Asia</i>	Shanghai, Shantou, Shenzhen, Suzhou, Zhanjiang)	Dominican Republic (Santo Domingo)
Singapore 1973	Singapore	Japan (Tokyo)	<i>Europe and the Mediterranean</i>
Malaysia (Kuala Lumpur) 1974	Malaysia (Kuala Lumpur)	<i>South-east Asia</i>	France (Paris)
<i>North America</i>	Indonesia (Jakarta)	Singapore	Austria (Vienna)
USA (San Francisco) 1974	Philippines (Manila)	Malaysia (Johore, Shah Alam)	Bulgaria (Sofia)
<i>Europe</i>	Saipan	Indonesia (Jakarta)	Egypt (Cairo)
England (London) 1975	Thailand (Bangkok)	Philippines (Makati)	England (London, Leeds, Huddersfield)
France (Paris) 1981	Vietnam (Hanoi, Ho Chi Minh City)	Saipan	Germany (Bremerhaven, Düsseldorf)
	<i>South Asia</i>	Thailand (Bangkok)	Düsseldorf)
	Bangladesh (Dhaka)	Vietnam (Hanoi, Ho Chi Minh City)	Italy (Milan)
	India (Bombay, Bangalore, New Delhi)	Cambodia (Phnom Penh)	Lithuania (Vilnius)
	Pakistan (Karachi)	<i>South Asia</i>	Netherlands (Amsterdam, Amersfoort)
	Sri Lanka (Colombo)	Bangladesh (Dhaka)	Poland (Warsaw)
	<i>Africa</i>	India (Bangalore, Chennai, Delhi, Mumbai, Tirupur)	Portugal (Oporto)
	Mauritius (Moka)	Pakistan (Faisalabad, Karachi, Lahore)	Romania (Bucharest)
	<i>The Americas</i>	Sri Lanka (Colombo)	Spain (Barcelona, Madrid)
	USA (San Francisco)	Jordan (Amman)	Switzerland (St Gallen)
	Honduras	United Arab Emirates (Sharjah)	Turkey (Istanbul, Denizli, Izmir)
	<i>Europe and the Mediterranean</i>	<i>Africa</i>	
	France (Paris)	Madagascar (Antananarivo)	
	Belgium		
	Portugal (Oporto)		
	Turkey (Istanbul)		
	Egypt (Cairo)		

Notes: Compiled by consulting the firm's annual reports for 1974, 1976, 1981, 1986, 1996 and 2006. This table follows Li and Fung's regional classifications.

firms from Hong Kong to play a more important part in the global networks for innovation/production of high technology is an issue awaiting further observation.

Turning to the venture capital sector, we have noted already that Hong Kong surpassed Japan in 2002 to become the largest venture capital centre in Asia and, in 2003, it had the second-largest concentration of venture capital professionals and managed the largest pool of funds (30 per cent) in the region. However, the sector has largely bypassed Hong Kong by receiving 89 per cent of its funds from outside (67 per cent from the US) and investing no more than 11 per cent in the territory (HKTDC, 2004). Furthermore, only 19 per cent of the venture funds invested in 2003 in Hong Kong had gone into start-up financing. Indeed, venture capitalists in Hong Kong have since the 1970s been criticised for adopting an opportunistic and short-term approach (AVCJ, 1990; Nuechterlein, 2000). In 2002, the Chairman of the Hong Kong Venture Capital Association (HKVCA) described its members as having devoted themselves to chasing deals rather than evaluating the fundamentals, and more importantly, not having done enough in "helping portfolio companies to become stronger companies of more differentiable and sustainable value" (HKVCA, 2002). This is quite unlike their counterparts in the US who have played an instrumental role in generating new technologies and transmitting professional knowledge to the investees.

To get a glimpse of the geographical linkages sustained by the venture capital/high-technology sector, some concrete cases will now be examined. However, unlike the circuit connecting local traders/manufacturers to the global production networks of consumer goods, the present case does not have a glamorous home-grown success story. Only 10 out of the 33 companies claiming to provide start-up or expansion financing in the 2004 HKVCA membership directory, were

based in Hong Kong.¹⁴ Among these 10 firms, only 4 maintained offices in addition to the one in Hong Kong and they were located in Beijing (2), Shanghai (2), Singapore (2) and Tokyo (1). Five of these firms have provided information on their investments and it is notable that only 6 (10.5 per cent) out of the 57 investments were targeted at firms in Hong Kong. The tendency to bypass Hong Kong's technology sector was equally obvious among non-Hong-Kong venture firms. Walden International, which was founded and headquartered in San Francisco in 1987, has for example set up local offices in Bangalore, Beijing, Hong Kong, Kuala Lumpur, Palo Alto, Shanghai, Singapore and Taipei. Although the Hong Kong office is to head the two in Beijing and Shanghai, the firm has only made one investment (0.42 per cent) in a Hong-Kong-based technology firm. The remaining 239 investments are distributed in 11 countries, including the US (32.9 per cent), Taiwan (20.4 per cent), China (17.1 per cent), Singapore (13.3 per cent) and India (4.6 per cent) (Walden International, 2007).

Why, unlike traders/manufacturers that have connected Hong Kong to the global production networks for manufactured consumer goods, has Hong Kong's venture capital sector remained largely disengaged from the local information technology sector? Why, despite their regional significance, have Hong Kong's venture capitalists been charged with the short fall of not adequately transmitting knowledge to their investees? These questions are hard to answer within a framework that, on the one hand, underexamines geographical and service linkages and, on the other hand, assumes the top management and advanced producer services to be transferable across sectors and that the agglomeration of talents will lead to the further congregation of such capabilities. Although the issue is too complex and cannot be fully examined within the scope of this paper, the following will argue that the government's economic policy is an

important factor. A contrast with the Taiwan case will help to make the point.

The developmental state of Taiwan has recognised since the late 1970s that heightened labour and land costs have led to the loss of competitiveness in its labour-intensive and capital-intensive industries. It has accordingly introduced four major policies to promote technology-intensive industries. Importantly, the Taiwan government has used Silicon Valley as a model and has constructed the Hsinchu Science-based Industrial Park. It has funded applied research through supporting the National Tsinghua University and National Chiaotung University as well as establishing the Industrial Technology Research Institute and the Electronics Research and Service Organisation (ERSO). When necessary, the Taiwan government has also entered into direct production, with the United Microelectronics Corporation and the Taiwan Semiconductor Manufacturing Company Ltd being the most well-known examples. Finally, it has also facilitated private-sector involvement through transferring research results from ERSO and comparable organisations at very low prices and setting up programmes to entice the return migration of scientists and engineers from the US. In the 1990s, more than 1000 Taiwanese engineers have gone back to Taiwan every year from the Silicon Valley (Castells and Hall, 1994; Saxenian and Hsu, 2000). With state sponsorship in the transmission of knowledge and provision of capital, Taiwan has attained much business success in the semiconductor industry and has become the world's largest exporter of personal computers. Today, many of the most successful Taiwan firms have maintained both a production and research base in Taiwan and marketing and research facilities in Silicon Valley. In other words, Taiwan's high-technology sector has become an integral part of the global production and innovation networks. Furthermore, many of these firms have built their venture capital arm

of business. Acer Computer, Taiwan's largest manufacturer of personal computers, has invested in more than 300 technology start-up companies (Nuechterlein, 2000). This is not unlike the situation in the US where the most successful venture capitalists are themselves seasoned scientists and engineers capable of evaluating the risks involved. Microsoft and Intel, for instance, are major venture capitalists.

Unlike Taiwan and other Asian newly industrialised economies, the Hong Kong government, until year 2000, refrained from providing support to individual industries (Chu, 2003). Because the high-technology sector requires massive and long-term R&D commitment, few Hong Kong investors have been willing to take the risk. This is especially the case given China's 'open door' policy in 1978, which provided an inexpensive and convenient way for investors to tackle the problem of rising labour and land costs. The underdevelopment of high-technology industries in Hong Kong has resulted in the relative lack of interest among the local venture capital sector. In turn, the weakness of the local high-technology sector can be considered an institutional weakness which, in failing to nurture a vibrant crop of scientists/engineers capable of evaluating the potentials and risks associated with new technology, has prevented the Hong Kong venture capital sector from reaching new heights as it limits itself to engaging in various sorts of opportunistic investment.¹⁵

4. Conclusion

To recapitulate, this paper has used the case of Hong Kong to reflect on a few points of contention in the global city literature. In the first place, it points to the inadequacy of conceptualising the global city in terms of its geo-economic weight and functions performed for global capital accumulation. Instead, it supports the contention that it is

necessary to examine the actual ways in which a global city is connected, not only in the sense of the city networks examined in-depth by Peter Hall and other scholars, but also the linkages that mediate capital, knowledge and labour. Observations concerning the changing configuration of Hong Kong as a global city—in particular, that different producer service sectors have linked disparate geographical locations, spun networks of divergent scopes and have been present to different extent over the years—point to the potential of such a course of analysis.

In the second place, through an investigation into the actual services being linked, the paper has questioned the assumption that top management and advanced producer services are generic rather than sector- or location-specific. Importantly, the two global city functions—top management that oversees the global production networks and venture capital that supports high technology—have been found to entail the transmission of very different types of capital, knowledge and labour in Hong Kong. In managing the global production networks for consumer goods, local traders/manufacturers have, on the one hand, picked up the knowledge of production and marketing transmitted inadvertently by transnational actors (traders, retailers, manufacturers) and, on the other hand, mobilised capital, technical expertise, social capital (networks of friends and skills to gain full co-operation from pools of informal workers) and cultural skills (ability to wade through the myriad bureaucracies in China) in order to fulfil the requirements placed on them. In administering the venture capital fund for high-technology investment, however, service professionals based in Hong Kong have transmitted little capital or knowledge to local firms, but have valued the territory for its proximity to China, free flow of information and the presence of a financial market that allows the realisation of gains. Similarly, little capital or knowledge is

being transmitted between local technology firms and international software houses as the former have sought primarily to capture the local niche market, while the latter have used Hong Kong mainly as a base for reaching into Asia's vast consumer market.

In the third place, in revealing the qualitative transformations in the linkages generated and resources mediated by Hong Kong as a global city, the paper has shown the need to account for the dynamic transformation of a global city. The agglomeration of talents as an explanation for the further clustering of economic activities appears to be inadequate and the paper suggests an area worthy of further investigation. In particular, the case of the venture capital sector suggests that, despite globalisation, the nation-state remains important in providing the institutional preconditions for the emergence if not the maintenance of the global city status. Through contrasting with the experiences of Taiwan, it is suggested that the lack of government technological support has among other things resulted in the underdevelopment of the information technology sector. Instead of having its venture capital sector undertaken by scientists/engineers or their science-based industrial corporations, the sector in Hong Kong has been dominated by commercial banks. Despite the latter's sophistication in providing financial service in general, they lack the knowledge to assess the risks and potentials of technological start-ups. The lack of government technological investment has resulted in an institutional weakness that has prevented the venture capital sector from reaching new heights.

A final point concerns how an attention to the actual linkages of the global city may shed light on the issues of employment and social mobility. If one were to enumerate the number of TNC headquarters and amount of financial resources handled, Hong Kong's status as a global city has only improved over the years. However, as some observers have

noted, the global city discourse has prioritised global capital accumulation to the neglect of local concerns, whether pertaining to the dynamism of the global city or well-being of individuals. If one were to examine the actual linkages, whether in terms of geographical locations or the capital, knowledge and labour mediated, one will be able to note important changes in the beneficiaries and their chances for upward mobility. In the earlier discussion of the global production networks for consumer goods, we have noted how connection to the networks has until the 1980s allowed Hong Kong's manufacturing industries to provide employment for young men and especially young women. We have also noted how such linkages have provided the opportunity for a number of skilled workers or experienced merchandisers who have accumulated a little capital to become their own bosses. However, as Hong Kong concentrates increasingly on the headquarter function and relocates the actual production function to mainland China, many female and later male workers around 40 years of age have started to face the threat of unemployment. Many of the smaller manufacturing enterprises, especially the sub-contractors, have also disappeared from the industrial scene. As for the venture capital sector, it has concentrated on cutting deals rather than on providing knowledge inputs and connecting the local technology-based industries to the global production and innovation networks. Although individuals with relevant technological training and capital can start their own ISVs, they have mostly been confined to capturing the local niche market not catered for by the international software houses. Altogether, given the linkages sustained by the venture capital branch of the financial services sector in Hong Kong, even though its development has confirmed Hong Kong's global city status, it has not generated a widespread opportunity for upward mobility.

Notes

1. P. J. Taylor and his team have subsequently adapted the methodology to explore inter-city relations within various city-regions of the UK (Taylor *et al.*, 2007).
2. The comparable figures for 1996 were 50 per cent and 18.5 per cent, whereas those for 1991 were 51.7 per cent and 12.8 per cent respectively.
3. The corresponding figures for 1996 and 1991 were 40.4 per cent and 34.4 per cent, and 43.4 per cent and 32.1 per cent respectively.
4. Further investigation is needed to determine whether it was due to changes in the mode of business operation, restructuring of the banking sector with the global recession since 1997, or the relative decline of Hong Kong as a banking centre.
5. According to Chu (1988), an American buyer was reported to have sent a technician to help a Hong Kong garment manufacturer to set up a model production line. The technology benefited the manufacturer tremendously.
6. The researchers sent out 122 809 questionnaires and received 2597 "good records" (FHKI, 2003, p. 20). The findings were then used to estimate the situation in China using a logit model.
7. The FHKI (2003, p. 32) study identified five main factors; the fourth and fifth factors are to move closer to customers and to exploit domestic sales opportunities in China.
8. We do not have comparable data for 1986. However, in 1974, the firm reported that it worked with "hundreds of customers" and "more than 1,000 Hong Kong manufacturers on a continuous basis" (Li and Fung, 1974).
9. Despite the firm's global reach in 2006, it is of interest to note that about one-half of its sourcing was done in China, whereas the comparable figure for 1996 was about 20 per cent (Curry, 1997; Li and Fung, 2007, p. 10).
10. The increase in Hong Kong's domestic export of software products has actually been quite rapid, rising from no more than HK\$339 million in 1998 (HKTDC, 2004). Its share of the global market is based on the estimation that the world packaged software market in 1999 amounted to US\$154.9 billion (OECD, 2002).

11. In 2000, 'locally developed packaged software' contributed 27.8 per cent of the ISV's revenue. Other sources of income included: hardware sales (10.7 per cent), system integration/implementation (12.5 per cent), Internet-related services (7.7 per cent), software maintenance (9 per cent), IT training and other services (6.2 per cent), reselling of packaged software (9.9 per cent), and tailor-made software (16.2 per cent). Among them, packaged software had the highest export potential (HKPC, 2001).
12. Apart from the survey, HKPC interviewed 300 ISVs in 2000 and found 21 per cent to be of foreign origin (HKPC, 2001).
13. This occurred in part because Hong Kong firms investing in mainland China liked to install in their subsidiaries financial reporting and related systems that were compatible with if not identical to those used in the headquarters (HKTDC, 2004).
14. The Hong Kong Venture Capital Association had 74 members in its 2004 directory. Among the 33 that undertake start-up and expansion financing, 10 are from Hong Kong, 2 from China, 20 from elsewhere (mainly the US or UK) and 1 has no information.
15. The absence of a local pool of scientists/engineers capable of evaluating technological risks may also be the reason why, despite the global stature of the Hong Kong Stock Exchange, its 'Growth Enterprise Market' has remained sluggish and lagged far behind the NASDAQ.

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