

Transaction links through cities: ‘decision cities’ and ‘service cities’ in outsourcing by leading Brazilian firms

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Abstract

Most world city studies focus on where the provision of advanced producer services takes place, but in this study the location of the service clients are also taken into account. Production–service transactions are identified as links between ‘service city’ and ‘decision city’ (client HQ) and classified as intra-city (where a firm uses local (same city) services) and inter-city which may be domestic or foreign depending on whether the client uses services in or out of the country. Sampling the leading firms in Brazil, 218 transaction links are described and analysed in terms of cities, firm sectors, ownership and market. The analyses are used to inform a rereading of gateway city functions that takes into account the concentration/dispersal nexus in economic globalization. Thus, whereas the dominance of Sao Paulo in the Brazilian economy is confirmed, this is not interpreted as a simple gateway function with this one city ‘articulating’ the national economy into the world economy. A much more complex situation is revealed with by-passing of the gateway also much in evidence. The conclusion is that this shows concentration and dispersion of economic activity happening simultaneously in Brazil.

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1. Introduction

This is an empirical paper that builds upon the urban geography and economic globalization literatures at three levels. First, we add to the slowly growing number of studies of ‘non-core’ cities in the world city literature. Still relatively neglected, we continue our contribution to alleviating this important geographical limitation on research by focussing on Brazilian cities in globalization (Rossi and Taylor, 2005, 2006). Second, we explore the gateway city concept as a means of making sense of how countries like Brazil are connected into the wider world economy. Again following our previous studies (Rossi and Taylor, 2005, 2006), we know that ‘gateway functions’ are much more complex than the gateway city concept implies; here we illustrate and explicate these processes in new ways. Third,

these new ways are through the study of transaction links, bringing together the geography of the users of professional services with the geography of their service provision. This empirical linking of service providers and their clients is a new research departure for world city studies and therefore constitutes the originality of this paper.

In an important critique of the world cities literature, Robinson (2002, p. 536) complains that ‘millions of people and hundreds of cities are dropped off the map of much research in urban studies’. This exclusion is from two ‘maps’: the geographical map of world cities wherein most cities in the ‘South’ are missing; and the conceptual map of world cities which focuses on a narrow range of global economic processes so that myriad other connections between cities are missing. Basically she complains that a few ‘Northern’ cities have been used to set a world city-ness standard that has then been applied to ‘Southern’ cities which have consequently been found wanting. She calls for a post-colonial approach to create a ‘more cosmopolitan

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urban theory'. Subsequently (Robinson, 2006, p. 760), she has conceded that this literature now covers 'a much wider range cities around the globe' thus lessening the exclusion from the first map. In this paper, we extend the range even further by studying some Brazilian cities that have never previously appeared in the world city literature. Thus we make a real contribution to putting a few cities at least 'back on the map'.

As initially mentioned, this is an empirical paper and therefore we do not directly address Robinson's conceptual map exclusions. Following Sassen (1991/2001) we continue our focus on advanced producer services but we do place these in a new conceptual context that does recognise Robinson's emphasis on the inherent complexity of cities (Robinson, 2006, p. 757). In our detailing inter-city links within and without Brazil, we contribute to unravelling some of the intricacies of flows that hold the world economy together, including Brazil's place within it. Thus we go further than the many case studies of non-core cities in globalization (e.g. in edited volumes such as Lo and Yeung, 1998; Aguilar and Escamilla, 1999; Gugler, 2004) wherein the researches reported do not directly show how the subject cities actually link into a globalizing world economy. Very often the focus on one city leads to concentration on local adaptations to globalization processes – an important topic – but without concern for the whats and wherefores of the causes of the disruptions that require adaptive responses. By focussing on cities across a large country – Brazil – we are able to provide two important additions to studying cities in globalization: first, a national contextualisation for the operation of globalization processes, and second, a critical evaluation of the use of the gateway city concept that tends to privilege concentration processes over dispersion in understanding contemporary globalization. Each of these additions have been developed in detail in our previous papers on Brazilian cities in globalization; to avoid repetition we do not go over exactly the same ground again, rather we summarize the key points in order to make this paper self-standing.

Three key points need to be kept in mind when considering Brazilian cities in contemporary globalization (for fuller exposition, see Rossi and Taylor, 2005; Fernandes and Valença, 2001).

1. Powerful integration of the Brazilian economy into the world economy through city networks long predates contemporary globalization. IPEA et al. (2001, v.2, p. 346) identify three previous urban-economic stages: Atlantic slave territorial formation, agricultural-market territorial formation, and national-urban territorial formation.
 2. Through the 1950s to the 1970s the latter formation created an industrial process and endogenous capital accumulation with an associated national urban network (IPEA et al., 2001, v.2, p. 346). Thus Brazilian cities were firmly embedded in a city-based industrial economy before contemporary globalization.
 3. Interpretation of the national-urban territorial formation and how it relates the contemporary era is contested.
 - 3(a) For Santos (1993), the state lost control of national territorial planning with the economic collapse of the 1980s. Major firms, both domestic and foreign, took charge of the national market creating a highly vertical structure centred on Sao Paulo. Development of this new economic geography has continued into the 1990s (Fernandes and Negreiros, 2001, p. 425, 428).
 - 3(b) IPEA et al. (2001, v.2, p. 346) offer an alternative understanding of this process that they term an *international financial phase* starting in the 1970s through to the 1990s. Here the exhaustion of the financial model of the state has resulted in dispersion rather than concentration, for instance in new dynamic centres such as Manaus, Brasilia-Goiania and Fortaleza.
- This dispute between economic dispersal and concentration in Brazil is mirrored in other countries and is central to our exposition of gateway functions in contemporary globalization.
- There are six key points that underpin our use of the gateway city concept (for further details see Rossi and Taylor, 2006).
1. In the traditional use of this concept (Johnston, 1982), gateway cities were contrasted with central places (Ullman, 1957); being at edge of their hinterland rather than in the centre, they violated the latter's spatial symmetry. Such a city was seen as a combined entry/exit for a specific region (Burghardt, 1971), historically linking a frontier region to distant cities (Drennan, 1992).
 2. A second strand of work emphasized gateway cities as communication hubs (Ullman, 1957), latterly crossroads for information flows (Pred, 1977). Both these traditional uses – links to distant cities, information flows – suggest relevance to contemporary globalization (Short et al., 2000).
 3. But in translating these ideas to conditions of contemporary globalization there has been a tendency to tell only half the story; the 'region' being exited/entered is neglected. For example, in Friedmann's (1995) identification of world cities as 'national articulations' one side of the articulation – world cities in the world-economy – is described in some detail but the 'national economies' being 'articulated' are treated as given (see also Andersson and Andersson, 2000).
 4. This limitation is found in three very significant papers on non-core cities in globalization: Grant and Nijman (2002) observed that the gateway function of world cities in less-developed countries is operated through the large port cities (Accra and Mumbai), but there is little mention of these cities' hinterlands; and in a related

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