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Moscow as a world city : changes and problems

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MOSCOW AS A WORLD CITY: CHANCES AND PROBLEMS

ABSTRACT. This article discusses the globalisation processes being present in Moscow. The research shows that these processes are not yet of determinate importance for the city development. However, Moscow as the dominant center on the national level is “the globalisation leader” in Russia. This city should be ranked into the category of “emergent world cities”.

KEY WORDS: Moscow, The World City, employment.

The rapid development of globalisation processes caused many new developments in world economy spatial structures and led to the origin of a new geourban paradigm. The world ceased to be solely a community of states; to a greater extent it appears now as a network of globally interconnected cities. Such a principally new constellation of cities has got in the scientific literature a special name of “cities’ archipelago”. For this cities’ framework of the world an uneven spatial development is typical. So the developing world obviously overtakes the developed countries by rates and degree of population accumulation in large agglomerations. But their demographic growth is not supported as a rule by an increase of the economic potential. Opposite, to that cities in developed countries feature a population stagnation or a very modest population growth while they concentrate more and more of financial-information facilities and innovations of the world. In one part of the archipelago occurs the concentration of the public wealth, but in another – mainly of the demographic potential (Доклад..., 2001; Sluka, 2000).

Beside the spatial unevenness of the cities’ framework (horizontal unevenness) the developing of different strata in it (vertical unevenness) is also typical.

One of the strata is a collection of historical-cultural centres of the world, they form the “treasure house” of the mankind, the everlasting value for it. The global network of capital cities could be traced as another stratum. But now an emerging stratum of “world cities” complements – and unites – the system. These cities are supranational political-economic centres of the world, which rule the world economy as a whole. Unlike the two first mentioned strata the last one has its strict hierarchy. The “command” positions occupy London, New-York, Tokyo, the second hierarchical “echelon” form other 10 cities, the third one – 20 more.

Within the framework of the global cities’ network many possibilities are opening such as possibilities to use market resources, to participate directly in management of world processes and so on. They bring stupendous advantages to cities, which are “within this stratum”. This explains the desire to get into the elite of world cities, to get to higher positions in the hierarchical rating. But this also explains a hard opposition of leader-cities to appearance of new growing centres, which could pretend to acquire leader’s functions. To enter the multipolar world metropolitan system, to join the “elite club”, to achieve “club effects” has become now for many cities more important, than to form a favorable regional milieu (Rallet, 1999, p. 35).

There are many pretenders to join the complex system of world cities. Moscow, the capital of Russia, is among them. Over a crisis period induced by a cardinal change of the social-economic structure in Russia Moscow has partly lost its leading positions in international relations, in the world policy. But it still maintains good reserves for entering the leading cohort of international cities.

Moscow occupies now the key position on the strategic geopolitical direction East-West, actively tries to form up the new system of relations in the multipolar world and continues to “check” the enormous economic space with rich natural resources, with the powerful knowledge-based potential, the gigantic sales market, presenting an advantageous field for foreign investments etc. On the other hand there are many factors which hold up Moscow’s entering the world cities’ system. Amongst them – certain mistrusts of the West to Russia, Russia’s weak integration into the world economy, Russia’s low adaptation to many rules of the international right, absence of a clear state policy in respect to foreign investors etc. As a whole, the situation in Moscow corresponds to the model “a strong city in a weak state”. Much more preferable would be another situation “a strong city in a strong country”. But under modern conditions the possibilities to break out to direct contacts exactly in the world cities’ system, rather than states’ system, reveals new horizons for Moscow.

According to some parameters Moscow is now already competitive with many “acting” world cities. For example – according to a special indicator “Town’s Development Index” (TDI), which is built in analogy with such known indexes as “Human Development Index” (HDI), “Population’s Poverty Index” (The State of..., 2001, p. 114), Moscow is quite comparable with such cities of

MOSCOW AS A WORLD CITY: CHANCES AND PROBLEMS

the third echelon as Singapore, Hong Kong, Seoul, Rio De Janeiro. The TDI is built on the basis of five components: GDP per capita; level of the infrastructure development (electricity- and water-supply, sewerage, telephonisation); utilization degree of domestic and industrial waste (polluted water and hard waste); quality of population's health (life expectancy, infant mortality); level of the education (literacy level, share of persons with special and higher education). By some of the components (subindexes) Moscow occupies the worthy place among other large cities of the planet, for instance by the level of the infrastructure and the education. Moscow falls behind by the population's health index (Table 1) what is closely connected with the total complicated social-economic situation.

Table 1. Town's Development Index (TDI), 1998.

CITIES	TDI	SUBINDEXES:				
		GDP	INFRASTRUCTURE	WASTE	HEALTH	EDUCATION
Stockholm	97.4	93.5	99.5	100.0	94.0	99.8
Melbourne	95.5	90.0	99.8	100.0	93.7	94.1
Singapore	94.5	91.6	99.5	100.0	92.7	88.6
Hong Kong	92.0	89.4	99.3	99.0	90.9	81.3
Moscow	89.9	81.0	98.7	86.8	83.8	99.3
Seoul	86.0	65.3	98.4	100.0	88.7	77.7
Rio De Janeiro	79.4	82.3	86.2	62.6	81.9	84.3
Havana	71.0	65.0	74.8	50.0	80.7	84.7
Jakarta	69.2	66.2	57.3	46.7	80.2	95.7

Source: The State of..., 2001, p. 116.

Nevertheless, the question of Moscow's real position in the world cities' system remains open. The main criterion in this question is not the TDI but the international significance, the city's (and the country's) prestige on the world arena. Along to American economist's D. Friedmann concept a city receives a nominal "permit" to the "elite cities' club" if it fulfills as minimum the following seven requirements: a "world city" must be large enough by population number; should be a large processing industry centre as well as transport and communication centre; should rank along leading financial centers of the world; should concentrate head-quarters of large TNCs; execute important international functions and dispose the developed sphere of business services. Some specialists mention such "accompanying" or "passive" indicators as increase of social, economic and spatial disproportions in cities; development of marginal residential areas; growing difficulties in cities' management and administration; broad presence and consumption of international brands products and others (Fried-

mann, 1986). It is obvious, that drawing up an inventory of the social-economic potential and functions of Moscow, checking the correspondence level of Moscow's actual condition to indicators and criteria of "world cities", revealing key problems and priority directions of the development – all this should constitute an important step on Moscow's way to the "archipelago system".

By population number Moscow falls into the first 30 leading agglomerations of the world. In 2002 in Moscow dwelled 8,539.2 thousand people. The demographic potential has become stabilized and is subjected to minimum changes. Crisis years were marked by the natural population decrease (abrupt reduction of birth-rates and increase of death-rates) (1) that was compensated by migrations.

Official statistics register more than 100 thousands arrivals in the capital annually and 30–40 thousands of departures. But the actual amount of migrants is much more. On expert estimations in Moscow about 500 thousand persons live illegally, mainly from C.I.S. countries, but also from Asian countries (Afghanistan, China, Vietnam and other). The low migration control performs an officially recognized problem in Moscow. As a result of Russian borders openness and the inefficient functioning of migration services Moscow has become some sort of a "transfer point" for migrants from Asian countries to Western Europe. This fact is one of the arguments why Russia is refused to enter the European visa-free border crossing agreement.

In spite of the negative demographic background and the ageing process the population in Moscow features a very high quality and economic activity. By HDI-index Moscow remains a permanent leader in Russia (0.85 against 0.76). Moscow disposes of large contingents of people with higher education, special qualifications and skills, also in the field of relatively new activities – marketing, engineering, consulting, design etc.

Labour resources amount 6,623.1 thousand people, 82.0% has their jobs. The economic and branch structures in Moscow have suffered cardinal transformations in the nineties. Just in the period of several years the state sector in the town economy has forfeited its dominant position – as a result of privatisation and shareholding processes. State enterprises employ now less than 1/3 of all labour forces in Moscow (2002). The small business sector employs now more than 1,868.4 thousand person, 34.4% of the total employment. One of the important effects of this change was the "pulverizing" of the production structure: an average enterprise size in Moscow fell in 10 years from 135 persons to 20. The process of breaking up into smaller business units leads to increased flexibility and "responsiveness" to market conditions.

The evolution of the employment branch structure, which is gone under the "market conditions" impact is shown in Table 2. The main direction of the redistribution is the employment decreasing in the production sector and its increasing in the services sphere. The maximum job losses showed in the nineties in the industry as well as the science and science services sphere. The employees'

MOSCOW AS A WORLD CITY: CHANCES AND PROBLEMS

number in the latter became half as much, decreasing from 800 to 415 thousand persons. The share of the science branch in the structure fell accordingly from 16.8% to 7.7%. Opposite to that, the labour forces' increasing was characteristic to the capital construction sphere, trade and public catering as well as to relatively new types of activities practically not presented (or weakly presented) earlier such as bank and insurance, marketing of real property, hotel business, telecommunications, enterprises for free pastime, including restaurants' networks, clubs, recreational institutions, sport clubs etc.

Table 2. Employment structure of Moscow (1990–2000), London, New-York, Tokyo, in %

BRANCHES	SHARE OF EMPLOYEES:						MOSCOW'S SHARE IN RUSSIA	
	YEAR	MOSCOW			LONDON	NEW-YORK		TOKYO
		1990	1995	2000	1999	2000		2000
Industry	22.0	17.8	13.3	7.6	6.4	15.2	5.0	
Construction	13.3	13.6	15.4	2.9	3.2	7.6	16.7	
Transport and communication	7.6	7.2	8.0	8.6	5.5	6.5	9.1	
Trade, public catering	10.4	14.6	18.9	22.3	16.5	25.4	10.8	
Finance and insurance, real property	0.6	2.6	2.7	32.0*	12.9	6.6	20.0	
Services	37.0	31.2	27.4	20.5	39.5	32.1	...	
Administration	3.8	3.2	3.8	5.8	14.9	2.8	7.0	
Other branches	3.8	4.7	10.5	0.0	0.0	3.3	5.3	

* Incl. business services.

Source: Административные..., 1990–2001; Fact..., 2001; Japan..., 2003; US Bureau..., 2001.

The transformation of Moscow's function-branch structure is going on rapidly but as any large economic-territorial system it possesses the stupendous inertia moment and suffers considerable difficulties. The main problem is that Moscow is late in the modernization process, it is going the way of "overtaking modernization". The imperfection of the town economy structure burdened by the large and ineffective industry sector and the underdeveloped tertiary sector became clear at collation with other world cities. In New York and London for instance the deindustrialization processes have already been completed back in the seventies. The share of industrially employed is twice less than in Moscow. On the other hand Moscow has a high occupation index in the sphere of construction. This index is two times higher than in Tokyo, 5 times higher than in London and New York (with the higher productivity and quality of labour in the latter). The building boom in Moscow began in the nineties, new houses, offi-

ces, hotel complexes have been erecting, large transport system reconstruction programs have been developing. But all this is based on extensive methods, with low productivity of labour. Among other world cities Moscow is distinguished also through enormous concentration of intellectual resources – 33% of all Russian scientists, 20% of all Russian students.

Although Moscow concentrates almost 30% of retail trade of Russia and practically all leading firms' products and brands are presented here, nevertheless as for trade sector development Moscow lags behind the leading world centres for 10–12 years (*Пространственные структуры...*, 1999, p. 237). The situation is also complicated in the youngest business services sphere. About 10% of Moscow's labour forces work here, this share is 3–4 times lower than in big cities of the developed world. The process of increasing of this sector is going on in Moscow. It should be noted that in the leading world cities just opposite development is already clearly marked: the business services branch is subjected to deconcentration processes. A sharp deficit of office premises is characteristic to Moscow especially of inexpensive premises of "B" and "C" classes. At the same time the demand for "elite" expensive premises is practically satisfied. This is one of the reasons why the long-drawn project of "Moscow-city" (that should include 2.5 millions square meters of offices, hotel, trade, recreational facilities and occupy 100 hectares in the central zone in Moscow) has not been yet fulfilled. Up to now there is no formed "business-centre" district in Moscow as it is in Tokyo or Los Angeles.

At collation of Moscow with leading world cities especially notable is the difference in the development level of the finance, lending and insurances sphere. Moscow plays the key role in the national financial market: about 1,000 commercial banks reside here (40% of the whole Russian banks number), which concentrate more than 4/5 of the total bank capital of Russia; 4/5 of all foreign investments inflow to Moscow; it is checking up more than 90% of financial and investments activities all over the country. Playing the primacy role in the national finances sector, Moscow cannot pretend to any notable position in the international financial system. First of all, the financial-credit sphere of Moscow (and Russia as a whole) is weakly adapted to international rules and standards. Secondly, the total scales of its financial activity are not comparable with that of the leading world cities. For example, the average daily sales of currency at London's stock exchanges exceed 460 billions dollars (*Рид*, 1998). Thirdly, as a result of the weak integration into the world economy there is no necessary minimum of the transnational capital concentration here. Fourthly, in spite of the high employment growth-rates in this sphere the amount of it is low. The share of the credit-financial sphere in the structure of labour forces in all large developed cities is about 6–13% at average, but in Moscow this share is less than 3%.

In spite of the overtaking development of the services sphere it is the industry that remains a leading complex in Moscow's structure. Many production

facilities are concentrated here that produce about 7% of the gross industrial product of Russia. In 2001 more than 1.5 thousand large industrial enterprises were functioning here as well as 15 thousand smaller units. Though the crisis has hit the branch heavily but as from 1998 the growth of production has renewed. In 2001 the industrial product issue in Moscow increased even by 7.5% (only by 4.9% in Russia).

In nineties essential structure changes have occurred in Moscow's industry. The food industry and machine building have saved the leading positions, but the first one has doubled its share – from 15.2% in 1990 to 35.2% in 2001 – whereas the latter has decreased from 39.1% in 1990 to 27.4% in 2001. Particularly strongly fell the volumes of production in science-based branches such as instrumental industry, machine-tool production, car industry (2) (Глушкова, 1999, p. 103; *Административные...*, 2001).

The rational transformation and the aimed selective support of the machine-building development in Moscow are the most actual tasks for Moscow's government. The light industry remains in a deep crisis. Its share fell from 15% in 1990 to 3% in 2001. There is an obvious need to withdraw the textile industry beyond the city; the majority of capitals in the world have long freed from this production. At the same time the priority of sewing, fur, shoe branches development is also obvious. After all capitals are arbiters of fashion.

Thus Moscow is the largest processing industry centre in the country. But in spite of extensive material and technical basis and large output volumes the industrial products can be sold mainly on internal markets, these products are not competitive on external markets. Stupendous investments are required for the industry complex restructuring and for the realisation of long standing program of "alien" enterprises withdrawal. In particular the General Plan of Moscow's Development provide the full liquidation of 16 production zones and partial curtailing of 20 more, the reduction of production areas from 20.5 thousand hectares to 15.0 thousand. Along with the quickly developing deindustrialisation process the cardinal reconstruction and modernization of the main funds in the industry is required as well as introduction of new and high technologies, increasing of labour productivity, adaptation of products' quality to high international standards.

The enormous potential for international functions' development lies in Moscow's transport-geographical position, particularly in servicing the East-West direction. Today Moscow is the largest Russian communication centre in which all types of transport are presented. Moscow is the junction of 11 radial railway directions, 13 superhighways, pipe line systems, electrical transmission lines. The city is a port of five seas (Black Sea, Caspian Sea, Sea of Azov, White Sea, Baltic Sea), it disposes of four airports (Domodedovo, Sheremetievo, Vnukovo and Bykovo) and several military airfields (Kubinka, Chkalovskiy and others). The train service plays the key role in cargo- and passengers' transportations. By train gets the capital almost 70% of its cargos, trains carry annually more

than 400 mill. persons, including 385 mill. by local trains. Lately the importance of the air transport is growing rapidly. More than 80 air companies are based in Moscow, which transported 20.6 mill. passengers and 391.6 thousand t of cargo and mails in 2001. Moscow is bound to practically all large cities of the world by regular flights.

But in spite of its unique position and available facilities Moscow still remains a transport centre of national importance. It is of low importance as an international transport centre due to its weak positions in the international community, due to its (and Russia's as a whole) "outsideness" to world finances, information, investments, patent, innovations flows. But exactly the transport factor could become an instrument in increasing the international importance of the city. The possibilities of Moscow would be greatly extended if some large-scale transport projects succeed. Among the widely discussed projects are the transcontinental corridors "North-South" and "East-West". The latter could permit to intercept stupendous amounts of containerised cargo that is being directed presently from Asia to Europe by sea transport.

Moscow has forfeited its international importance as a result of the socialist system and the USSR disintegration, it faces new tasks now. Embassies of 137 countries are present here. 12 international organizations are quartered in Moscow such as "Metropolis", "Mayors' Conference of largest cities of the world", "Conference of the Black Sea countries' capitals", "Congress of local and regional governments in Europe", "International assembly of the capitals and large cities of the C.I.S." and others. However the majority of them are of no solving importance in the international community. Moscow has been developing direct partnership contacts and treaties of friendship with the largest agglomerations such as Berlin, Duesseldorf, Paris, London, Peking, Brussels, Vienna, Seoul, Rome and others. More than 100 international exhibitions and fairs annually, numerous scientific conferences and cultural activities promote Moscow' image in a great extent.

Moscow concentrates the majority of head offices of Russian companies, their activities however are being realised mainly within the national territory.

Moscow concentrates the main part of foreign firms representations in Russia. 29 trade representations are accredited here, more than 3.3 thousand foreign firms have their representations in the city. There are more than 6 thousand of joint ventures. But having the leading position in Russia is not a sufficient level yet for admission the city into the rank of world cities. In Tokyo for instance take seat more than 80 head-quarters of leading transnational corporations, 30 – in London. In Moscow the head offices of only three Russian companies are found – "Gazprom", "Lukoil" and "EES Russia", which are included in the 500 largest TNCs list (Пространственные структуры..., 1999, p. 230).

It has to be noted that although many symbols and typical features of globalisation processes are present in Moscow it differs from many "mature" world

cities by lower level of marginalisation and fragmentation processes, by lower mobility of housing markets, by preserving the higher level of governing and administration of town development, by low “maturity” and low influence of civil society, by lower level of natural milieu degradation. At the same time it has to be mentioned that many new problems are manifesting such as corruption and criminality growth as well as the growing stratification of the society. The extreme income differentiation goes along with the business activities development. The 20% of maximum income Moscovites own 66.4% of the gross income amount. Moreover if incomes of 10% of the most well-off Moscovites exceeded in 1992 that of 10% of the least well-off by 7.3 times, so in 1994 the exceeding was by 28.3 times, in 2001 – already by 44.9 times. For Russia on the average it was by 13.8 times in 2001. In developed countries the tenfold difference is considered as critical (Город..., 1995, p. 82; Состояние..., 2002, p. 157).

Summing up it could be said that globalisation processes have been developing in Moscow rapidly, the city is “the globalisation leader” in Russia. But these processes are not yet of determinate importance for the city development. Moscow remains the dominant centre on the national level. The city should be ranked into the category of “emergent world cities”. Only by solving the above discussed problems and contradictions the real joining in the “international cities’ archipelago” could be achieved.

NOTES

- (1) In Moscow in 1985 birth-rates were 13.8‰, death-rates – 12.1‰, in 2000 – 8.5 and 15.2‰ accordingly. The maximum of the population natural decrease was marked in the middle of the nineties when the death-rate was 17.6‰ and the birth-rate 7.6‰ (Административные..., 1991–2001).
- (2) Unlike other large developed cities Moscow features a very high concentration of car building industry. There are 2 large enterprises in the city itself (“ZIL” and “Moskvich”) and another 3 in the nearest suburbs – Likino, Golizino, Serpukhov.

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