Competing to be Regional Centres: A Multi-agency, Multi-locational Perspective

K. C. Ho

Summary. This paper recognises that the economic fabric of cities has to be considered as a dynamic outcome of aggregate outcomes of decisions by different agents made with reference to other competing locations. Drawing on interview material from a multi-industry and multi-city sample as well as company listings compiled in three countries, this paper illustrates the location dynamics of regional functions of multinational companies and the consequences these investments have on cities. The strategic actions by these firms to match activity to place attributes are examined in relation to efforts by governments to attract regional functions.

1. The Location of Investments: How Can We Study a Dynamic Multi-agency Process?

If we refer to economic globalisation as a process of an increasing internationalisation of production of goods and services, the financing and trade in such items, then economic globalisation implies an increasing dependence of nation-states on the global economy, as governments compete for MNC investments. Thus to describe cities ‘globalising’ seems appropriate, because this captures, in a broad fashion, a process into which cities are locked, as they compete to maintain position in the global economy (Markusen and Gwiasda, 1994, p. 167; Friedmann, 1995, p. 36). My preference for this term is also a reaction to the growing literature on ‘global cities’; the Asian version of this literature is increasingly devoted to describing single case studies which demonstrate, by statistics and plans, how major cities in Asia have attained global city status.

While such studies have been valuable in providing an assessment of the urban hierarchy and in examining the role key cities play in linking national economies to the international sector, it is important to remind ourselves that the process is a dynamic one involving several key actors making decisions with strategic reference to multiple locations. This is the reality when we consider the location of investments by multinational companies or the investment promotional strategies of governments where such decisions are formulated with reference to what other countries and cities are doing. Single case studies of cities ignore three issues which I believe are crucial in any attempt to map this process: strategic actions by firms...
and government, regional realities, and competition and the evolution of place.

1.1 Strategic Action: Firms and Government

Single case studies have tended to ignore agency and process by focusing on outcomes, depending on statistical data and infrastructure policy descriptions. Cities are created and reproduced by the aggregate decisions of multiple agents. A key actor in this process is the multinational company (hereafter referred to as MNC) and the investment decisions it makes. The aggregate outcomes of such decisions represent one important source of consequences to cities. Thus, a city can be said to be a global city in the economic sense, because of the on-going activities of such companies. Because globalisation is dynamic, gaining an understanding of this decision-making process must be as important as analysing the consequences of such decisions on cities. The New International Division of Labour literature in the 1980s can be credited for bringing attention to multinational companies and the internationalisation of production. But by couching the discussion within the logic of capital, this focus on a general economic logic masks the actions of specific actors. This also simplifies the locational decisions they make on different fronts: production, finance, sales and administration. We need to expand on the framework first established by Hymer (1972) who argued for the need to link corporate strategy with the demands of the international economy, realising that—aided by developments in transport and communications—multinational companies have developed the ability to move portions of their structure and activity to places providing the best yields for that activity. This is evident in the following remark by the Hong Kong-based director of the north-east Asia office of SITA:¹

We operate and run centres in 200 and something countries, with all sorts of cultures and skill levels. We have a very good methodology for network operations which can be driven down to almost any society (interviewed on 17 February 1997, in Hong Kong).

Governments spurred on by growth coalitions respond to economic globalisation by creating investment promotion agencies, plans and incentives. There is by now a large US literature on the rising economic activism of local states in looking overseas to attract foreign investment as a response to increased global competition for foreign investment. Part of this drive is also a result of the disenchantment of local states with the ineffectiveness of federal governments (Soldatos, 1990, p. 41). Expanding state capabilities and the increased realisation that exports, direct foreign investment and tourism are crucial to the state’s economic viability have added to this activism (Fry, 1990, pp. 120–121). As a result, scholars point to the rise of city-states and the need for cities to move away from housekeeping functions to take on entrepreneurial functions. As Eisenger (1988, p. 9) argues, there is a need for the state to identify, evaluate, anticipate and even help develop and create markets for private producers to exploit, aided if necessary by government as subsidizer or co-investor.

If we are conscious of the common-sense maxim that building a hotel is no guarantee that the tourists will come, than we need to analyse such plans and policy in tandem with the strategic investment decisions taken by multinational corporations.

1.2 Regional Realities

Single case studies focus on the local at the expense of the regional scale. Multinational corporations react not just to particular locations but to a broad regional economic canvas of opportunities as typical investment location decisions involve a consideration among several cities and countries within a region. Governments, understanding this process, develop strategies and watch competitors within a regional frame. As elaborated below, even pro-growth interest-groups use
rivals as a basis for making claims. Understanding this regional context is important. If we examine Pacific Asia—i.e. the countries within the Western Pacific Rim, including east and south-east Asia—as an economic region, several trends are important in understanding the texture of multinational corporate activity.

The spread of international production throughout Asia. In the late 1970s, the strong yen pushed Japan to increase its production network within east and south-east Asia. The Asian ‘Dragons’, after two decades of rapid growth, are now investing their surplus as well as restructuring operations into neighbouring countries. While foreign direct investment continued into the Asian NIEs, it started fanning out into neighbouring countries like Malaysia and Thailand, as well as China, and more recently, Vietnam and Indonesia (Hong, 1987; Herschede, 1991). A hierarchical cluster analysis using bilateral trade flows revealed the dominance of Japan in east and south-east Asia, and Singapore in south-east Asia (Amelung, 1992).

The links between production and producer services. The research by Tachiki (1996) of the Sakura Institute of Research shows how the establishment of Japanese regional headquarters in the region tends to follow the pattern of foreign direct investment. As production and sales grow, regional headquarters are established to co-ordinate various activities (Tachiki, 1996, pp. 22–24). Noyelle (1985, p. 3) points out that the internationalisation of production is followed by an expansion of producer services (accounting, legal counsel, management consulting, etc.), developing as support services to multinational corporations. The work on Japanese service multinationals by Edgington and Haga (1998, pp. 163–164) shows how service companies linked with manufacturing firms within the same enterprise groups (keiretsu) expanded their investments in the Pacific Rim in activities such as banking and warehousing with subsequent investments by non-keiretsu Japanese service multinationals diversifying into the construction and tourism industries. Similarly, Rimmer’s (1996) detailed analysis showed the growth and significance of transport and communications within the Pacific Asia region, as intra-Asia trade increasingly links east with south-east Asia, with transport and communication hubs in the major cities—Tokyo, Hong Kong and Singapore—articulating economic activity. Edgington and Haga’s (1998, pp. 170–173) analysis of city hierarchy rankings based on the number of Japanese service multinationals based on Pacific Rim cities between 1985 and 1995 indicates the continued dominance of Hong Kong and Singapore, but also shows the emergence of Shanghai and Beijing in China, Ho Chi Minh City in Vietnam and Bangkok in Thailand, as these economies became increasingly linked to the global economy.

The growth of consumption and its links with associated services. The rise of per capita incomes has also resulted in the growth of consumer markets in tandem with the rise of the middle class in Asia (Hsiao, 1993; Robison and Goodman, 1996). Thus, alongside the significance of Asia as a production site exists the growing potential of Asia as an emerging market for an increasing array of consumer durables and luxury items (Chua, 1998; Young, 1999). This, in turn, fuels the demand for services related to advertising, marketing and sales. The growth of new markets forms another basis for the creation of regional headquarters, as firms wanting to establish a sales and marketing presence in emerging markets choose a base to establish what Bosman and de Smidt (1992) term a ‘beachhead function’ or Lasserre (1996) calls a ‘scouting’ function. Lasserre (1996, p. 31) points to the need for establishing regional centres so that station managers can grasp swiftly the rapidly changing context of emerging and rapidly growing markets.

1.3 Competition and the Evolution of Place

A single city focus reinforces an emphasis on place attributes without paying sufficient
attention to other non-location and regional variables that enter into corporate location decision-making. Such a level of analysis may also fall prey to a logic of ‘cumulative causation’—the reasoning that advantages or disadvantages build up and are reinforced (Phelps, 1992). The danger of such reasoning is that it assumes that places grow from strength to strength without an understanding of how such attributes are relative to those displayed by other competing locations.

In the global economy, places become commodities (Logan and Molotch, 1987) and multinational companies, more discriminating shoppers. The competition between places is intensified and there is a finer gradation of urban amenities for multinational companies to choose from. Firms, as suggested by Hymer (1972) and more recently by Moulaert and Djellal (1995), match corporate structure to locations according to the advantages these locations offer. As companies have an increasingly geographically diversified structure, competition between urban authorities is increasingly oriented towards attracting more specific activities. Although difficult to separate, Moulaert and Djellal (1995, p. 108) suggest that, within this economic environment, urbanisation economies (infrastructure, workforce, lifestyle, etc.) where there is access to a greater variety of services and resources may matter more to investors than achieving localisation economies, where economies are enjoyed by the clustering of activities within a particular industry mix. The search for locations on the part of multinational companies requires a more intense comparative evaluation over a broader region as firms seek locations that allow for a match between scale and scope economies (Moulaert and Djellal, 1995, p. 108). In a competitive world, it is unrealistic to expect investments (either by MNCs or government infrastructure investments) to yield ongoing benefits to places, as the cumulative causation logic will suggest. As competing cities build capacity, urbanisation economies can just as easily be achieved in such rival locations as in the place of first settlement.

2. Research Method

This paper is an attempt to capture this complex dynamic in the Pacific Asia region by examining multiple locations—three key cities in this region: Hong Kong, Singapore and Sydney. I have chosen to represent urban competition in terms of efforts by cities to host corporate regional functions. Such functions are important because they reflect corporate efforts to organise industries that are growing and expanding in the region.

There are two ways in understanding the role of regional functions within the context of an expanding global economy. One approach is to understand the growth of regional functions as corporate control attempts. Dunning (1993, pp. 218, 220), following Ohmae’s (1990) concept of global localisation, has suggested that multinational companies can only achieve an effective global reach if the company decentralises some of the decision-making function down to regional offices in order to facilitate better control of the immediate regions. Thus, as internationalisation increases, a certain regionalisation in control functions must necessarily occur. This transition to regional control is necessary because, as foreign operations become important and generate a larger share of the turnover, so the need to monitor and control these operations increases. Vicinity to corporate headquarters and original domestic operations becomes less pressing than being close to important parts of foreign operations (Forsgren et al., 1995, p. 478). This involvement is not only an imperative to exploit more effectively economic opportunities, but is also strategic. Regional centres are necessary to prevent local subsidiaries in expanding resource environments from building too much autonomy and power and thus losing sight of global competitiveness (Doz and Prahalad, 1981). Taking this analysis a step further, Solvell and Zander (1995) suggest that corporations need to develop what they term a heterarchical structure which involves different types of centres in different parts of their global operations to allow for selective tap-
ping into resource-rich foreign industrial environments. Within this perspective, the regional function in question is a set of administrative activities clustered around a regional headquarter (hereafter referred to as RHQ) or regional centre.

The expanding global economy and the resultant proliferation of multiple subsidiaries within a region have also meant, on economies of scale consideration alone, the possibility that some corporate functions can be more efficiently managed by housing them under one roof or location instead of dispersing them. Thus, a whole range of what is termed as back-office functions can be carried out by one subsidiary. The development of information and communications technologies has meant that a number of routine customer service operations like technical problem-solving can also be handled by regional call centres instead of by local offices.

The concept of a ‘region’ also requires some clarification. While the term Pacific Asia as a region is clear enough, the ‘region’ as it applies to the companies I interviewed has varied meanings. The reason for this variation has to do with what makes economic sense in terms of regional management. Administrative control functions that require intensive communication and co-ordination and which are matched by frequent travels on the part of regional executives mean that the geographical scale tends to be much smaller, often defined in terms of a 3–5 hour flight time. For such functions, Pacific Asia was typically sub-divided in terms of east Asia organised around Hong Kong, and south-east Asia, organised out of Singapore. Back-office functions allow for larger regions to be incorporated. If time-sensitivity is not an issue, then it follows that economies of scale can be more readily achieved through incorporating more countries. The largest region of corporate responsibility I encountered in my sample is the Citibank credit card data-processing facility operating out of Singapore. This centre processes applications from 14 countries, spanning an area east of Turkey to Japan and then south to Australia (see Ho, 1998, pp. 186–187).

Taking a multi-agency, multi-location perspective requires different types of information. At the regional scale, the Dow Jones Database of over 3000 newspapers, newswires and trade journals proved crucial in tracking company movements within the region, since attempts by companies to set up base or relocate an office invariably get reported in the newspapers and business-oriented regional magazines. Because the company RHQ movements typically involve major cities in the region, the database searches are important in capturing such events. I therefore relied on this database as means of identifying companies to interview. The database was also useful as an information source on attempts by government agencies and business groups to attract companies to set up regional functions in their cities. This paper therefore draws extensively from news reports extracted from this database.

Secondly, I visited and interviewed representatives from government agencies tasked with the promotion of the regional headquar ters scheme in the three cities. In Hong Kong, this was the Department of Industry, while in Singapore, the Economic Development Board was the key agency in charge. The federalist government structure in Australia presented a more complex case, and I interviewed Austrade, the federal agency managing this scheme, and the state governments. I included Melbourne and the Victoria state government as a contrast to Sydney and New South Wales. From these agencies, I wanted to get an idea of not only the incentives provided by these three competing centres, but also their perceptions of the advantages these places offer to prospective companies. From these visits, I managed to obtain a list of companies with regional headquarters from the Australian and Hong Kong agencies. The Singapore list was compiled from research done by Martin Perry, Henry Yueng and Jessie Poon on RHQ companies in Singapore. With the list of companies with regional functions in three countries, it is possible to make some quantitative comparisons. These are presented in later sections of the paper.
The paper also draws its insights from case study interviews with multinational companies in different industries in Singapore, Hong Kong and Sydney. While the results from a multi-industry perspective have been published in an earlier paper (Ho, 1998), it is necessary to report some of the key features of this approach. The industries that are included in the study are electronics, credit card services, air delivery services, database services and regional (i.e. multi-country) broadcasting. The firms that are included in the sample are therefore both regional offices of multinational manufacturing companies (for example, Sony, Matsushita, Dell) and producer service firms specialising in the delivery of a particular service (for example, UPS for air delivery, Dow Jones Telerate for online financial information). Because one industry does not make a whole economy, the justification for adopting such a diverse sampling strategy is that a broad picture of producer service trends can be appreciated. These industries are therefore selected for the very different characteristics they display, allowing for an understanding of cross-industry linkages as well as different locational considerations. The selected industries, however, share one common trait in that they all have a strong presence in the Pacific Asia region. Electronics, for example, have an established presence in both east and southeast Asia. While regional broadcasting companies have just started making inroads into this region, the necessity of having to develop a regional network means that key firms in this industry will have to develop offices in key markets in the region. Credit card support services, air delivery and database services, by their nature, are also quite diffused in major markets in the region.

Using keyword searches in the Dow Jones Database, it was possible to identify company movements in the Pacific Asia region for these selected industries within a 6–8 year period in the 1990s. Through news accounts archived in the Database, it was possible to establish a list of companies which, through the press releases, reported opening up offices that served regional functions. Such local news stories, given to place marketing, provide a typical pattern of information—interviews with the regional manager or in some cases the chief executive officer who proceeds to explain why the company has chosen the particular site to host the regional function, thereby providing the researcher with the crucial pieces of information for which to base the selection process.

Once the companies were identified, interviews were scheduled with regional managers located in key cities. Several interviews were also conducted with managers from the same company if the company had regional functions in several locations. From these interviews, it was hoped to get an idea of what companies look for when they set up regional operations. As the decision process involves a choice between several cities, I wanted to understand what factors finally pushed the companies in my sample to choose one location over another.

At a broader methodological level, the case study approach provides a complement to the quantitative approach. The quantitative material presented in Tables 3, 4 and 5 provides a statistical profile of regional centres in Pacific Asia. The interview material, in contrast, delivers a more nuanced discussion of the dynamic process of firm strategies and their locational consequences for cities. This will in turn complement the more quantitative portrayal of regional centres in the three cities.

3. Competing to be Regional Centres: The Governance Perspective

3.1 The Attractiveness of Regional Functions as Blue Chip Investments

In December 1994, the battle between Australia and Singapore over securing regional headquarters of multinational corporations took an interesting turn over British Telecom. A triumphant Australian industry, science and technology minister had announced that British Telecom had decided to move its RHQ from Singapore to Sydney. But shortly
after the Australian press statement, British Telecom issued a statement in the Singapore papers denying the Australian version:

British Telecom yesterday denied a news agency report that it would move its Asia-Pacific regional headquarters from Singapore to Sydney—because it does not have one, in the first place (Exchange, 9 December 1994).

John Poston, BT’s Singapore-based regional sales director, was quoted as saying

We do not have an Asia-Pacific regional headquarters … We have a distributed set of regional functions, and that will continue. We have always had the sales and marketing functions here in Singapore but the full regional headquarters has never been in Singapore (Exchange, 9 December 1994).

Poston was also reported to have said that, besides sales and marketing, Singapore was also the regional base for project implementation and aspects of network planning. The group’s corporate relations manager for the Asia-Pacific, Surinder Hundal, was quoted as saying

This [BT’s commitments to Australia under the Partnerships agreement] in no way alters our commitment to Singapore (Exchange, 9 December 1994).

This episode illustrates not only the interesting game that multinationals play with competing government agencies, but also the inherent difficulty of defining the problem of RHQs. Perhaps what Poston was referring to as a “full regional headquarters” is a regional version of a “corporate headquarters”—an office which is exclusively tasked with the co-ordination between the head office and local units. As Dunning (1993, pp. 218, 220) suggested, such management functions are necessary in allowing multinational companies a more effective global reach if the company decentralises some of the decision-making function down to regional offices in order to facilitate better control of the immediate regions. However, what Poston pointed to as British Telecom functions in Singapore are clearly regional service and operational functions. Thus, whatever name this may take, a more specific structure can be created around a regional production support function.

Contested as the concept may be, RHQs are seen as blue chip investments by governments and local interest-groups alike. The anticipated benefits in terms of professional jobs, investments, business for related services (advertising, accounting, etc.) make RHQs a favourite cause for promotion and support from city growth machines—real estate and business interests as well as a vocal middle class. In Australia, where the process is more visible, we see this promotional process at work as the RHQ issue is framed in the following passages abstracted from regional and local newspapers:

Last year the government hired Melbourne-based Allen’s Consultancy Group to look at its efforts to attract regional headquarters. It found that only 65 companies had set up headquarters as of December 1993, compared with 500 firms in Hong Kong and 254 in Singapore. The 65 regional headquarters generated 1,100 jobs and A$350 million (US$292 million) (Far Eastern Economic Review, 29 December 1994).

Smyth (the general manager of legal firm Allen, Allen and Hemsley) says the value of regional headquarters to Australia cannot be overstated. There is an immediate demand for premises in a central business district, skilled professionals, clerical workers, airline travel, and so on. But for the Government it means a long-term strategy for commercial development (Business Review Weekly, 19 June 1995). The Australian Coalition of Service Industries has also said the regional headquarters proposal was best suited to service companies, rather than manufacturing or distribution companies. Mr Alexander said: “Australia can potentially obtain a massive boost in service sector exports … with the introduction of one very
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Australia</th>
<th>Hong Kong</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>DIST</td>
<td>Hong Kong Department of Industry</td>
<td>EDB</td>
</tr>
<tr>
<td></td>
<td>Austrade</td>
<td></td>
<td>MAS (financial services)</td>
</tr>
<tr>
<td></td>
<td>State agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of investment personnel</td>
<td>43</td>
<td>35</td>
<td>100</td>
</tr>
<tr>
<td>overseas^a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme</td>
<td>RHQ</td>
<td>RHQ</td>
<td>OHQ, BHQ</td>
</tr>
<tr>
<td>Year started</td>
<td>Early 1990s</td>
<td>Significant in 1980s</td>
<td>1987</td>
</tr>
<tr>
<td>Monitoring</td>
<td>Federal Government</td>
<td>Company visit</td>
<td>EDB, MAS based on yearly returns</td>
</tr>
<tr>
<td>Industry targeting</td>
<td>Austrade: broad-based</td>
<td>Yes, based on perceived emerging</td>
<td>Yes, because of size</td>
</tr>
<tr>
<td></td>
<td>State governments: more</td>
<td>strengths</td>
<td>of economy and the</td>
</tr>
<tr>
<td></td>
<td>focused, two-thirds of</td>
<td></td>
<td>related necessity</td>
</tr>
<tr>
<td></td>
<td>resources spent on</td>
<td></td>
<td>of building</td>
</tr>
<tr>
<td></td>
<td>servicing existing industry</td>
<td></td>
<td>backward and forward</td>
</tr>
<tr>
<td>Company targeting</td>
<td>Mostly referrals</td>
<td>Company visitations</td>
<td>Referrals + direct</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>visits + trade shows</td>
</tr>
</tbody>
</table>
| Incentives | (a) Faster processing for expatriate staff  
(b) Exemption from dividend withholding tax  
(c) Tax deductions for relocation expenses  
(d) Tax exemptions for importing used computer equipment and computer-related equipment  
(e) Eligible for feasibility study grants  
(f) State governments can provide a one-off tax rebate of up to Aus$300 000 | (a) Information provision  
(b) Facilitation | (a) Tax exemptions on dividends  
(b) 5–10 year 10 per cent concessionary tax on management fees and incomes from local loans, royalty payments | (a) 10-year tax holiday with additional 5 years of 15 per cent reduced tax  
(b) 10-year tax exemption on 90 per cent of chargeable income for export services  
(c) 10-year tax exemption on 50 per cent of chargeable income for warehousing, servicing  
(d) Deduction of up to 50 per cent for net fixed investment |

^nCorporate Location^ (November/December 1996).

^bSingapore’s regional headquarters scheme is divided into an operational headquarters (OHQ) scheme and a business headquarters (BHQ) scheme. The OHQ scheme targets regional headquarters of multinational manufacturing companies while the BHQ scheme targets a broad range of multinational companies engaged in business and production support services. While the Economic Development Board (EDB) oversees both schemes, companies in financial services are referred to the Monetary Authority of Singapore (MAS).
powerful product—regional headquarters”. Worldwide, service industries are the high growth sector. And Asia will continue to have an enormous and growing demand for regional services to support its rapid social and economic development. By far the most important doorway into this regional services market is for Australia to establish a regional headquarters capacity … Australian law firms, for example, have little hope of achieving meaningful and profitable service exports unless a regional headquartered client base is located here, which would then be much more disposed to using Australian contract law (Australian Financial Review, 4 March 1993).

Local politicians, urban real estate and professional groups not only are promoters of place in the manner described by Logan and Molotch (1987) but they also end up as defenders of place:

Simon Haynes, executive director of international property consultancy First Pacific Davies said: “Often companies overlook the hidden costs when choosing between the two (Hong Kong and Singapore), and some live to regret it. Without a doubt, we are still finding that if companies want to do business in China, they nearly all decide Hong Kong is the place to be” (South China Morning Post, 31 August 1994).

He noted that Singapore’s per capita income had already surpassed that of New Zealand and was overtaking Australia’s. “But who wants to live in Singapore, that’s another question”, he said in Chicago. (Special Trade Representative, and former industry minister, John Button, Australian Financial Review, 16 May 1994).

3.2 The Development of Incentive Schemes in Three Countries

Table 1 provides a description of regional headquarters (RHQ) scheme for Australia, Hong Kong and Singapore in terms of its history, the agencies involved, monitoring capacity, the selection criteria and the incentives given. These three places provide interesting, distinctive cases in their own right. Of the three, Singapore best fits the statist model of economic strategy long associated with east Asian development. Of the set of contenders in Pacific Asia, it has been the most aggressive in courting RHQs and has in place a well-developed set of incentives. Hong Kong best fits as a laissez-faire model by the own admission of the Hong Kong Department of Industry (interviewed in February 1997 and June 1998). Without a distinct set of incentives to attract companies wishing to set up RHQs in the region, agency officials provide information and other task facilitation measures for potential candidates.

Australia is, perhaps, the most interesting of the three since it stands between Singapore and Hong Kong, as a case where some attempt has been made to create a set of incentives specifically for RHQs. In contrast to Singapore where the issue of incentives is perceived as being largely in the domain of the government, the passage of the RHQ scheme was subjected to a fairly lengthy debate from various interest-groups. This set of incentives which is listed in Table 1 is fairly ‘mild’ compared with the Singapore side. However, the issue as it developed in the Australian papers was soon framed as a debate over the effectiveness and equity of tax concessions. Opposition to the proposed incentives argued that lower taxes mean that domestic industries end up subsidising multinational companies. Critics pointed to the RHQ scheme as an example of industrial targeting, questioning the ability of governments to ‘pick winners’. The potential superior benefits of RHQ investments in places compared to other types of investment also came under fire (Australian Financial Review, 27 January 1993; Sun Herald, 8 May 1994). At 33 per cent, the pro-concession group felt that the Australian corporate tax rate was too high, compared to the 16.5 per cent in Hong Kong and 10 per cent in Singapore (to those within the RHQ scheme—see incentive (b) in Table 1; other companies are
taxed at 22 per cent). Proponents typically use Singapore as the standard and frame arguments by appeal to the fear of economic losses if the RHQ scheme is not put in place. For example,

Mr Bob Salisbury, executive chairman of Baillieu Knight Frank, said while Australia had been considering the issue, Singapore had launched an aggressive marketing programme and had attracted more than 40 companies to establish regional headquarters in the country. “Not only is Singapore competing for new regional headquarters, it is also successfully luring companies in Australia with existing regional headquarters to relocate in Singapore—with Australia losing both investment and employment. Both major political parties have recognised the problem in the election policies, but there has been no definite commitment or action plan in relation to taxation reform to match the policies of our competitors such as Singapore. During the procrastination by Australia, all Australian capital cities which are facing high vacancy rates in the commercial office sector of the market as a result of the economic downturn are well positioned to attract an increasing number of regional headquarters to become a hub of economic activity for the Asia Pacific Region” (Australian Financial Review, 4 March 1993).

Within the Australian government, the RHQ issue also separated the Treasury, which adopted a more free market approach and that feared tax concessions would ruffle a level (tax regime) playing-field where all industries are on an equal footing and no one has a competitive advantage, from the Industry and Trade promotion officials who favoured a more lenient tax regime to encourage RHQs (Australian Financial Review, 12 September 1995).

### 3.3 Relationships within Government and between Agency and Client

RHQ investments are not won on incentives alone, but in the way the agency responds to clients. Intragovernment relations may sometimes influence this relationship. The federalist government structure of Australia means a less focused promotional approach. Austrade, being a federal agency cannot be seen as favouring a particular city or state. So, when Austrade receives an expression of interest on the part of a potential candidate or a referral from a consultant, the inquiry is passed to all state promotional agencies, unless the candidate has specific places in mind.

In the following example, the need to seek clearance from the federal government has, in fact, soured relations between agency and client. By the mid 1990s, Hong Kong’s need to consult Beijing over media issues created delays and pushed regional broadcasters to Singapore. James So, the Hong Kong Secretary for Recreation and Culture, admitted that

the only drawback for broadcasters just coming here is that we have to consult China.. that can be a process. Some of the international broadcasters want to come in right away (reported in Asian Wall Street Journal, 31 October 1994).

Broadcasters perceived this delay as a sign of agency interest:

The Hong Kong government said it wanted our business, and to be honest everyone would rather be here than Singapore. But when I dealt with the Government, I got the feeling they were not really interested in getting the business—they were not prepared to push on our behalf (South China Morning Post, 28 August 1994).

In contrast, Singapore’s larger overseas network of promotional agencies (see Table 1, row 2) and the fact that it is a single level of government promoting one location mean that Singaporean agencies are more focused in seeking out suitable potential candidates, often in trade and industry shows and conventions, as well as direct visits. Before the Economic Development Board approaches a
company that it wants to woo, it studies the company’s organisation. It learns how many employees the firm has, and which operations might work well in Singapore. The EDB director for east Asia, based in Hong Kong, points out that

We always tell our clients we are their unpaid advisers. We acquaint companies with what Singapore has to offer. We try to be a little pro-active (Asian Wall Street Journal, 10 July 1995).

While agencies in the three countries have key industries to focus their promotional efforts, Hong Kong and Australian agencies are typically weaker than their Singaporean counterpart when it comes to company targeting.

Once the company is attracted over, a different set of considerations applies. Given the inherently loose definition of RHQ, it is important to monitor the companies that have set up RHQs in order to see whether they are, in fact, delivering the ‘goods’. With Hong Kong not offering much by way of incentives aside from facilitation and information provision, there is no system of monitoring corporate performance in place. Australia, on the other hand, relies on an indirect monitoring system in the form of payroll taxes in order to assess the employment impact of new firms. Partly because Singapore customises its incentives on a case-by-case basis and also because of the generosity of the incentives given, EDB requires yearly returns in order to assess corporate targets in spending and employment. Maintaining close relations with existing clients that have already been won over are also important. As an investment promotion manager for Business Victoria (the state of Victoria investment promotion agency) elaborates:

The point about having close contact with Australian (based) companies is that … of the new capital expenditure in Australia, essentially, about 80% of it is driven by companies that are already here … so they are a pretty important part of our base … so it is pretty important to keep in touch with them to see if they are happy … to encourage them if they are looking at a new investment programme, to be on their list to consider (interviewed on 29 November 1996, Melbourne, Australia).

4. Locating Regional Centres: The Firm Perspective

4.1 Choice of Places as RHQ sites

The governance perspective is a local/host perspective and provides the supply-side argument to the RHQ scheme. In order to understand how the competition between cities is shaping out, it is vital to incorporate the demand side.

The 1996/97 FEER survey of 6000 executives in 11 countries placed Singapore first, Hong Kong second and Sydney behind Kuala Lumpur and Manila (Table 2). The Asia Inc survey among its readers conducted in the same year yielded fairly similar results within the top three sites, with Singapore first and Sydney switching places with Hong Kong for second in overall ranking (Table 2).

It is also interesting that Manila and Kuala Lumpur have entered into the RHQ arena as new contenders with agencies tasked with the attraction of such functions. In early 1996, the Board of Investments announced that nine companies have chosen to locate their RHQs in Manila, seven of these nine from Hong Kong (Dow Jones International News, 26 February 1996). In 1995, there was an estimated 43 RHQs based in Manila (Asia Inc, 1 December 1996). A local newspaper estimated that there were 20 RHQs in Kuala Lumpur in 1996 (Business Times, 16 May 1996). Although no list was forthcoming, an official with the Ministry of Trade and Industry told me there were about 40 in 1997. Taipei, another new contender, created an Asia Pacific Regional Operations Centre plan in 1995 and instituted a five-year tax exemption incentive in the following year, attracting 16 RHQs (Free China Journal, 19 April 1996).

Of the three new contenders, Kuala
Lumpur seems to be as aggressive as Singapore in courting RHQs. Dr Mahatir, Malaysia’s Prime Minister, was quoted in the local papers as saying that

an attractive package of fiscal and non-fiscal incentives has also been offered to companies that locate their regional headquarters in Malaysia, which are comparable to the best in the region (Business Times, 7 April 1997).

With the multimedia supercorridor project linked with the RHQ scheme, Kuala Lumpur seemed attractive particularly to those in electronics, signing on brand names like Microsoft. However, for the other two, the remarks of executives reported in the regional papers suggest that there is some way to go before these cities can become competitive in this field. In the case of Taipei, the Bayer Taiwan chairman attributed the recent pull-out of pharmaceutical company Bayer to bad local politics and ineffectual government response (Far Eastern Economic Review, 8 January 1998). Likewise, RHQ claims by the Philippine Board of Investment were called into question by a Hong Kong-based manager whose company was supposedly listed as one of the RHQs in Manila:

We had to say some funny things in order to get the RHQ status in Manila. But its really a local office for now, and we hope it will stay that way (Far Eastern Economic Review, 8 August 1996).

While perception and potential choice among executives appear to be spread over a number of cities in Pacific Asia, when it comes to numbers of RHQs actually located in a particular city, only three stand out. Table 3 provides a summary description of firms with RHQs in Hong Kong, Singapore and Sydney (which hosts 64.4 per cent of all RHQs in Australia) in terms of the source country of RHQ firms and the industry where these firms belong. Since RHQs in Hong Kong do not receive any special incentives from the government, the industry department does not keep a list of its clients. The Hong Kong list is derived from an annual survey of companies and the RHQ status is self-conferred by the company in response to a question.4 Included in the sample will be smaller firms which have a managerial office in Hong Kong, but with manufacturing operations in China.

From Table 3, we see that the US and the UK are better represented in Sydney than in Hong Kong or Singapore, the latter pair having a higher representation of Japanese RHQs. Singapore, perhaps because of its reach, has more German and French RHQs. Examining the functions in the second half of

<table>
<thead>
<tr>
<th>Table 2. Ranking of cities as RHQ: choice by company executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
<tr>
<td>Hong Kong</td>
</tr>
<tr>
<td>Sydney</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>Manila</td>
</tr>
<tr>
<td>Bangkok</td>
</tr>
<tr>
<td>Jakarta</td>
</tr>
<tr>
<td>Taipei</td>
</tr>
</tbody>
</table>

*Seven indicators were used in the survey: workforce availability, market opportunity, affordability, pro-business climate, telecommunications, infrastructure and quality of life.

Table 3, Top three RHQ site cities

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Australia</th>
<th>Sydney</th>
<th>Hong Kong</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Firms</td>
<td>267</td>
<td>172</td>
<td>782</td>
<td>266</td>
</tr>
<tr>
<td><strong>Top source countries</strong> (percentages)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>55.5</td>
<td>58.6</td>
<td>25.5</td>
<td>34.1</td>
</tr>
<tr>
<td>Japan</td>
<td>2.7</td>
<td>3.0</td>
<td>14.6</td>
<td>13.1</td>
</tr>
<tr>
<td>UK</td>
<td>22.3</td>
<td>21.3</td>
<td>11.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Germany</td>
<td>3.5</td>
<td>2.4</td>
<td>4.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Canada</td>
<td>3.5</td>
<td>3.6</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>2.3</td>
<td>1.8</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td><strong>Top Functions</strong> (percentages)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.4</td>
<td></td>
<td>67.1</td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td></td>
<td></td>
<td>18.6</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
<td>12.2</td>
<td></td>
</tr>
<tr>
<td>Chemicals, pharmaceuticals</td>
<td></td>
<td></td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>Precision instruments</td>
<td></td>
<td></td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>17.7</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>89.6</td>
<td></td>
<td>32.9</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>15.4</td>
<td></td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>Distributive</td>
<td>40.4</td>
<td></td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>19.5</td>
<td></td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>7.3</td>
<td></td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>4.9</td>
<td></td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1.1</td>
<td></td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Diversified</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3, we see an important delineation between the two city-states, with Hong Kong essentially a services city, having almost 90 per cent of its RHQs in services. Singapore, on the other hand, emerges as a hub for manufacturing operations in south-east Asia, with 67 per cent of its RHQs in manufacturing. The difference was largely due to the approaches taken by the two governments with regard to manufacturing. The Hong Kong government in the 1990s essentially left industry alone. In the face of rising costs, Hong Kong manufacturers moved operations into the cheaper southern China, leaving managerial and service operations in Hong Kong. The Singaporean government, on the other hand, supported manufacturing, and developed incentives and policies which pushed industries to upgrade their operations in the face of rising operating costs, thereby keeping a large manufacturing presence in the city-state (Chiu et al., 1997, pp. 164–168, 170–171).

In Table 4, the three lists are merged, with a combined total of over 1000 companies, in order to identify firms with more than one RHQ in the region. That only 61 companies (12.5 per cent) had more than one regional operation in the three countries is not very interesting since there can be a number of other alternative sites in Pacific Asia for companies wishing to develop multiple locations. Rather, these 61 firms allow us a unique glimpse at how regional operations in different industries are divided between various cities and sub-regions within Pacific Asia. From Table 4, it can be seen that certain industries are more likely to develop multiple locations with regard to regional functions: 26 per cent of companies with multiple regional locations are in electronics, with 17 per cent in financial services, 17 per
Table 4. Multi-locational RHQ firms: locations and functions

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Percentage (N = 61)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Locations</strong></td>
<td></td>
</tr>
<tr>
<td>Hong Kong and Singapore</td>
<td>26.4</td>
</tr>
<tr>
<td>Hong Kong and Australia</td>
<td>39.3</td>
</tr>
<tr>
<td>Singapore and Australia</td>
<td>29.4</td>
</tr>
<tr>
<td>Hong Kong + Singapore + Australia</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Functions</strong></td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>26.4</td>
</tr>
<tr>
<td>Chemical/Pharmaceutical</td>
<td>5.7</td>
</tr>
<tr>
<td>Food manufacturing</td>
<td>5.7</td>
</tr>
<tr>
<td>Financial services</td>
<td>17.0</td>
</tr>
<tr>
<td>Distributive services</td>
<td>13.2</td>
</tr>
<tr>
<td>Business services</td>
<td>17.0</td>
</tr>
</tbody>
</table>

cent in business services and 13.2 per cent in distributive services. We see that Australia and Hong Kong emerge as the favourite pair, accounting for 39.3 per cent of the sample, with Singapore and Australia pairing in 29.4 per cent and Hong Kong and Singapore pairing in 26.4 per cent of the cases. Only about 5 per cent of the sample have regional functions in all three countries.

Table 5, by integrating the two pieces of information (displaying the country pairing by industry), provides some clues as to why these pairings occur. Firms in the electronics industry co-locate between Singapore and Hong Kong and Singapore and Australia. This suggests that corporate control in the electronics industry in Pacific Asia is managed largely out of Singapore. Likewise, Hong Kong is dominant as a host to financial services, with 50 per cent of the financial services companies having multiple locations choosing Hong Kong and Singapore, and another 37.5 per cent between Hong Kong and Australia. It is in the nature of distributive and business services to be close to as many countries as possible to support growing and large markets as well as production concentrations in a broad cross-section of industries. It is therefore understandable why the dominant pairing in these industries (86 per cent for distributive services and 67 per cent for business services) is between Hong Kong and Australia, since this pair allows for effective sub-regional spanning of east Asia and Indo-China and south-east Asia and Australasia respectively.

4.2 Site Attributes and Firm Behaviour

Proximity. When the main function of RHQs is the administration of local subsidiaries within a region or more likely a sub-region (for example, south-east Asia, Greater China), then proximity to the region of responsibility is vital, since a central point is most efficient in the servicing of various subsidiaries. This is important for both manufacturing, as well as sales and marketing. We see this factor at work in the rationales provided when RHQs change sites. Caterpillar’s move from Hong Kong to Singapore was justified in terms of a growing south-east Asian market (Crains Chicago Business, 18 March 1991). Likewise, the reason given for Whirlpool’s move from Tokyo to Singapore and then again to Hong Kong was the growing China market (Plant Sites and Parks, 1 November 1995; Dow Jones Equities Report, 11 September 1996).

Of the three top RHQ sites in Asia, Sydney knows the friction of distance in the minds of RHQ executives:

In Sydney, you’re in Asia, but not of Asia. Basing your Asian operations in Sydney is
like basing your operations for the Americas in Rio de Janeiro (Asia Inc, 1 December 1996).

In response, Australian agencies are selling the concept of a ‘passive RHQ’ as one which does not rely on its workers travelling frequently within the region. Customer support, training and data processing functions are all examples of such a RHQ. Between the other two cities, there is a clear geographical division of labour recognised by both executives and agencies alike: that Hong Kong handles the east Asia regional segment, while Singapore manages the south-east Asian segment. In an emerging market situation, south Asia and Indochina may be tasked by either the Singapore or Hong Kong office.

**Infrastructure.** In my interviews with a multi-industry sample in the three cities, I did not find strong evidence of telecommunications being an important factor, mainly because the key contending cities Hong Kong, Sydney and Singapore, all have strong telecommunications bases (on cost and reliability standards). Given the role of the RHQ as a regional node in the transnational corporate network, RHQ executives need good airlinks (both in terms of connecting times, as well as the range of direct locations serviced) to report to the head office and to service local affiliates. In this regard, the travelling time and frequent journeys have meant that it is not feasible for RHQs to cover large parts of Asia. As a result, Hong Kong and Singapore have carved out sub-regions for themselves—Hong Kong-based RHQs covering Greater China, with Singapore managing south-east Asia. This also supports Yueng’s (1998) finding of the two cities covering different geographical areas. Sydney has attracted many passive RHQs that manage back-office functions (call centres, accounting).

**Manpower.** Manpower requirements in relation to RHQs are not just about having the appropriate skill sets in place at competing urban centres. The relationship is often reciprocal: one of the benefits that RHQs bestow on places is the entry of highly qualified specialists to those places. Beaverstock and Smith (1996, p. 1379) have argued, in the case of investment banking, that banks have funnelled migrants to corporate headquarters or dealing offices specifically in order that they can maintain corporate control functions and capabilities, service clients, and diversify and seek new global financial markets and products.

Thus, the concentration of skilled labour at a particular place is one consequence of firms’ decisions and, as Beaverstock and Smith point out, this should be seen in terms of agglomeration economies. Support for this view can be derived from Ito and Iguchi’s (1994, pp. 286–288) study, which indicates the parallel increase in Japanese male skilled workers in the ASEAN-4 countries (Indonesia, Malaysia, the Philippines and Thailand) in tandem with the movement of Japanese direct investments into these countries.

An interesting special case in manpower has to do with the match between multilingual

<table>
<thead>
<tr>
<th>Industry</th>
<th>Hong Kong and Singapore</th>
<th>Hong Kong and Australia</th>
<th>Singapore and Australia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>42.0</td>
<td>58.0</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td>50.0</td>
<td>37.5</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Distributive services</td>
<td>14.0</td>
<td>86.0</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Business services</td>
<td>67.0</td>
<td>33.0</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
skills and the customer support function of RHQs. Sydney has made a great deal out of the ability of its population to speak all the major languages in the region. The American Express customer support centre, located in Sydney, has been heavily cited by Sydney marketeers to tout the attractiveness of the city as a RHQ hub for service support.

**Costs.** Costs represent some of the most graphic displays of battles fought between cities. Hong Kong’s prohibitive rents (where expatriate housing allowances have been known to exceed their base salaries) have been the favourite target of its competitors. The following is an account of savings when Unisys moved from Hong Kong to Singapore:

Unisys gave up 1 1/2 floors in Hong Kong’s Sun Hung Kai Centre for three floors in a building on the edge of Singapore’s business district. The savings: nearly 70%. And Mr. Taylor says the cost of housing the company’s expatriate employees is as little as half that in Hong Kong. He moved from a townhouse in Hong Kong’s Redhill development to a detached house in Singapore with a private pool, cutting his rent 35% (*Asian Wall Street Journal*, 18 April, 1994).

In my conversations with Australian investment promotion officials, the high cost of both Hong Kong and Singapore is used as a frame to make the case for the competitiveness of Australian cities.

**Lifestyle.**

“There are many different factors driving the decision when you look for a site for your regional headquarters,” stresses Patricia Clary, a manager at Ernst & Young LLP’s Kenneth Leventhal Real Estate Group, New York. “Quality of life—such things as culture, health and safety, and education—is not as critical for a manufacturing operation, but it becomes very critical for a regional headquarters.” The regional-headquarters operations are usually more heavily staffed with expatriates, and “these things are important to people who are going to be relocating their families” (*Industry Week*, 20 October, 1997).

If lifestyle factors are crucial for RHQs, it is crucial not for the business of the RHQ, but for the well-being of its expatriate employees. Because this factor works at a different level, it becomes necessary to distinguish between the logic of the firm and the logic of the workforce. The tension between these two logics is only evident when RHQs move. It is at such times that lifestyle factors work against the firm by tying key employees to place. Thus should the firm relocate, executives may choose to stay on in cities which they have grown to prefer, rather than to relocate with the company. This was dramatically demonstrated when a corporate communications officer mentioned at the end of an interview that it was her last day in her job because her company had relocated her position to Singapore and she wanted to remain in Hong Kong.

Lifestyle factors are usually seen as inherent to places (weather, culture) or to have developed over a long period of time (cultural infrastructure) but, where such factors can be changed, agencies in the region have been hard at work at trying to shore up competitiveness at this level. In this sense, it is important to point out that the economic competition between cities has a cultural dimension, insofar as it pushes rival cities to develop an appropriate culture. Behrman and Rondinelli (1992, p. 116) put it well when they point out in their insightful essay that the globalization of the world economy will require cities to make significant changes; to develop a sense of purpose and direction; and to create a sense of community and a quality of life that will attract.

A good illustrative example has been Singaporean attempts at trying to attract Broadway musicals and international sporting events as a way of increasing the cultural visibility of the city. Singapore planners have, in ad-
dition, tried to improve the environment of expatriate families by encouraging the building of expatriate schools through the allocation of land parcels at attractive rates. The consequence is that Singapore now has the largest US and Japanese school system in the region, capable of offering education up to pre-university.

5. Discussion: The Interplay between Government Policy and Firm Strategy

In their paper, Perry et al. (1998, p. 48) reported that their survey of RHQs in Singapore indicated high levels of satisfaction. One may be tempted to suggest that satisfaction be equated with the immobility of corporations once they have chosen their locations. ‘Sunk costs’ and the costs of relocations may be used as added reasons for location inertia. Using this premise, it is only a short logical step to suggest that established places are likely to grow from strength to strength. Corporations stay because they enjoy the benefits of continued infrastructure investment by governments which have the revenue to do so (because of a thriving economic base) and the advantages experienced by companies (producer services in particular) because of the critical mass created by co-locating businesses.

The implications of such a statement for urban studies should be noted since, if corporate investments are relatively immobile, this tendency works to the favour of established places by allowing urbanisation and localisation economies to build up. However, if we take a regional and mid-term (for example, a 5–8-year period) perspective, we see a fair degree of mobility, as my tracking of companies in the Pacific Asia region suggests. Such movements are often in response to rising costs, the pull of new markets and production sites and the investment promotion efforts of new contenders. The relative success of Sydney, and to a lesser but not insignificant extent Kuala Lumpur, in attracting companies away from established centres such as Singapore and Hong Kong also indicates mobility rather than inertia. Thus the tension over the mid-term for companies wishing to set up or relocate RHQs in the region revolves around the attraction of established places versus the pull of new markets and the changing terrain of direct foreign investment.

A relevant question to ask in closing is: to what extent is a RHQ policy effective in the face of external changes and competition from new players wanting to host RHQ functions? The answer is actually quite a bit. In developing a RHQ strategy, it is essential to develop an understanding, not of RHQs per se but of RHQ functions. I have argued in this paper that there is a match between functions and sites, and that—for some functions—proximity and distance matter, while the notion of a passive RHQ suggests another set of functions where computers and telecommunications largely overcome the friction of distance. The case of Sydney demonstrates that, with innovative planning and the discovery of new place advantages (a multi-lingual population), sustained advertising with some inducements may be sufficient to attract RHQs. Singapore, on the other hand, is able to keep its position through a comprehensive attempt not only at providing incentives but also, at the local level, developing planning initiatives aimed at transforming the local urban environment to fit the needs of the RHQs more closely, even at the level of soft factors such as ‘lifestyle’. With China at its doorstep, Hong Kong continues to remain competitive as a RHQ site, relying on its strengths as a financial centre and air hub.

The challenge for new entrants in this field is in terms of developing a strategy which takes into account their domestic strengths and weaknesses (as Sydney has done), and working out an incentive package that targets a certain niche (as Kuala Lumpur and Taipei are attempting to do), while at the same time strengthening domestic infrastructural capabilities (as Singapore is doing) with the view of increasing long-term capabilities.

Notes

1. SITA—Société Internationale de Télécommunications Aéronautiques—is an inter-
national air transport reservations association with 600 airlines and airline-related companies as members.

2. If the technical problem escalates and on-site inspections are required, this is then referred to the local office.

3. I am grateful to them for sharing their list with me.

4. The company is a RHQ if the organisation “has control over the operation of one or more other offices or subsidiaries in the region without the need to make frequent referrals to, or consult with, the overseas parent company or headquarters” (p. 3 of the 1996 questionnaire). Since there was no explanatory note on ‘region’, many companies with plants and subsidiaries in China will qualify as a RHQ.

References


Bangkok Post (1996) S’pore highly favoured for site as regional head office: Bangkok, Sydney stays behind with 6% vote, 16 December.


Business Times (Malaysia) (1997) Consider Malaysia as ASEAN gateway: Dr M, 7 April, p. 20.


Crains Chicago Business (1991) Hong Kong deadline doesn’t curb deals, 18 March.


Exchange (1994) BT forced to back down on regional HQ claims, 9 December.


Far Eastern Economic Review (1998) One big headache: Bayer pullout hurts Taiwan’s business plans, 8 January, p. 73.


Free China Journal (1996) ROC resets focus on business hub goal, 19 April, p. 7.


Industry Week (1979) An HQ here, an HQ there, …, 20 October.


Plant Sites And Parks (1995) Singing Singapore praises, Whirlpool has moved its Asian regional headquarters to Singapore, 1 November, p. 10.


South China Morning Post (1994a) Another satellite network snubs territory for Singapore, 28 August, p. 1 and p. 3.


Sun Herald (1994) Growth alone no guarantee of job creation, 8 May, p. 32.

