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Urban Business Systems' Globalization: Factors, Forms and Economic Impact

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ABSTRACT

World economy globalization fundamentally changes a role of urban business systems. Now they are main actors of global production and trade; a dominant share of international business activity is now concentrating within a frame of global urban net. This trend transforms mechanisms and patterns of market economy institutes' (such as competition, division of labor, international movement of capital and labor force) functioning; stimulates an appearance of new economical (development of rural areas), social (urbanization) and political (political and economical unity of the big countries) problems. All these reasons identified relevance and importance of purpose of this study-to consider a modern role of urban business systems in the global economy, to identify sources for global competitive advantages of the modern cities, to clear inter-cities economic relationships and patterns of cities' positioning within a frame of global urban net. To reach a purpose of the study statistical and comparative analyze of the modern cities economical performance and position in global economic affairs was used; original authors' methodology for evaluation of urban business structures was also created and offered. These allowed setting some theoretical findings about internal and external sources of urban business systems competitiveness and effectiveness in a globalizing economy, to estimate global cities economical performance, to form an original approach to global hierarchy of the modern cities.

Key words: Globalization, urban business system, global city, transnationalization, networking

INTRODUCTION

In twentieth century globalization became an objective condition of the world economy evolution due to rapid development of multinational corporations, liberalization of cross-border movement of productive factors (capital, technology and skilled labor), fast flourishing of information and communication technologies, transformation of international and national regulating of economical and social processes (Bhagwati, 1972).

The dynamics of globalization identified a number of fundamental transformations that changed a basis of world economic relations, a balance of power in the global production and distribution.

Firstly, feature of economy g is a combination of processes of autonomy and integration (Naisbitt, 1994). This is broadly famous as a «paradox of Naisbitt»: Higher level of economy globalization makes its smallest agents stronger.

Consequently, in the context of globalization small and well-managed agents of the world economy have got a competitive advantage of global scale, have become able to extend their own economic impact on the world market (due to the usage of transnational productive-distributive systems and opportunities of international markets of productive factors).

Secondly, globalization requires a maximum involvement of every subject (agent) into the world economical processes, its maximum integration in common economic space. This increases a competitiveness of the small agents of the world economy that are capable to develop own infrastructure for rapid development of foreign affairs and trade.

Thirdly, globalization dynamics of technological progress has highlighted innovative and infrastructural factors of competitiveness (legal, economic environment, innovative potential of society, level of intellectualization of production and so on), that can be effectively concentrated in frames of smaller (in comparison with the states) business systems (Kresl, 1995).

These patterns of modern globalization determine a theoretical basis of transformation of economic importance of urban business systems; formation and development of new world economic agents-global cities.

For five-six thousand years of own evolution the cities developed from relatively small, simply organized and structured settlements to complex and large economic, social, political, cultural, religious, scientific, military and strategic centers and agglomerations.

As a business system city can also be characterized by number of features (Taylor, 2001). Firstly, it has certain limits, that allows an existence independently from other units. The urban business systems' boundaries are defined by territory, name, organizational structure, etc (Van den Berg and Braun, 1999).

Secondly, every urban business system is characterized by a combination of local resources, their quality and capacity (Bramezza, 1996).

Thus, the dynamics of globalization processes, giving a global competitive advantage to small business systems, allowing them to set competitive advantages of global scale, to encourage some transformations of the world economy structure. Due to these transformations urban business systems with their strong internal links, internal unity and high potential of own economic progress, are more comfortable than National states for international integration and come to the forefront of the world economy.

Problem, purpose and objectives of the study: Development of the world economy demonstrates a significant growth of global economic role of urban business systems. Cities concentrate production, innovations, commercial potential and any international business activity. Today a share of hundred of the world major cities in a global GDP is bigger than 30%.

It is caused, firstly, by internal features of urban business systems organization, such as locality, better management, high domestic consumption, innovative and cultural potential, investment attractiveness and transport infrastructure, possibility for formation of new areas for business activity (Van den Berg and Braun, 1999) and secondly, by current trends of globalizing world (such as growing urbanization, capital and labor mobilization, post-industrialization, expansion of multinational corporations, development of information and communication technologies) (Clark, 1996). Needs to consider causes, factors and consequences of formation and development of global cities system identified a relevance of this study.

The purpose of the study-based on theoretical analysis of factors for global cities' formation and development, on role of urban business systems in the modern world economy to determine features and patterns of urban business systems' globalization and positioning within a frame of global cities' net.

Objectives of the study:

- To identify globalization and world economy transnationalization as factors for changing of economic role of the cities, for creation of new kinds of urban business competitive advantages, for formation of network of global cities and for concentration of international economic affairs within this net
- To consider a role of urban business systems in dynamic of economic integration, to evaluate world biggest urban business systems by criteria of their economic, demographic, legislative and financial performances, by their innovative, investment and tourism potential and environment
- To study dependence between a quality of urban governance and local business global economy performance; based on results of this study to offer conclusions about global hierarchy of the global cities and features of inter-cities relationships within this structure

Following hypotheses of the study can be set:

- H1 :** Globalization as a trend of world economy development is in the same time a process of increasing of economical role of the cities, supports a movement of competitive advantages of urban business systems to the global level, stimulates concentration of world economical activity within a frame of global cities' net
- H2 :** There is a high positive correlation between global economic role of the city and its economic role within national economical system
- H3 :** There is a high positive correlation between quality of local (urban) governance and global economical role of the city
- H4 :** There is a high positive correlation between quality of local (urban) governance and economical role of the city in the national economical system
- H5 :** There are few kinds of the cities, differing by their economical role, forms and intensity of their relationships with national industries and world market, dynamics of economical growth in the global net of urban business systems

LITERATURE REVIEW

Formation of theory of global cities and urban business systems functioning has a long history. As a founder of modern research in this area we can name P. Geddes, who in "Cities in Evolution", (Geddes, 1915) started to use a category "global city".

Naturally, at the beginning of the twentieth century a combination of three criteria-political significance, economic strength and population size-was a main reason for any city to be named "a world center" (Geddes, 1915).

Hall (1966) published "World City". Where he defined the world cities as national and international centers of political power; centers of national and international trade, acting as focal points for their own and neighboring countries; centers of professional activity; consumption, information and diffusion of technology through means of mass communication, culture, entertainment and services industry (Hall, 1966).

One of the first research, where global economic role of the cities and their financial importance were considered in deep relations, was conducted by Reed (1989). He analyzed financial indexes in conjunction with geographical, political, economical and socio-cultural characteristics of 76 cities in 40 countries development in period from 1900 till 1980. Achieved findings allowed to establish a five-level hierarchy of international financial centers (with London on the top) (Reed, 1989).

J. Friedman tried to relate a process of world urbanization with development of capital transnationalization and internationalization, and to justify the objectives of the world's cities formation (Friedmann, 1986).

In authoritative study "The Global City: New York, London, Tokyo" S. Sassen focused on a new aspect of the world economy-intense transition of main management, coordination and financing functions to high-end and high-tech companies.

As S. Sassen pointed, there are four key groups of high-tech activity in the service sector: financial and business services, power and influence, creative activities and tourism (Sassen, 1994).

Thus, a term "global city" currently means the city where disproportionately high share of economic and political institutions focused. It gives to global cities opportunities to make significant solutions for all regions of the world. Consequently, a global city has to have subjects, who make and produce these global solutions (such as headquarters of major multinational and global corporations, international political and financial institutions, world stock exchanges, largest international trade fairs and so on).

Statistical analyze of the modern economic role of urban business systems: Comparing the economic systems of cities and national countries, we can highlight main advantages of the cities as agents of world economy. First of all, cities have a greater mobility of people and capital. They are much more predisposed to commercialize and generate new knowledge and innovations (Velikhov, 1996).

Moreover, cities can be easier to connect to international trade; they have abilities to reduce transport costs, to increase investment attractiveness and to form new types of business activities and forms of manufacture organization (Logan and Molotch, 2007).

Results of analysis of economic role of the cities in national economic systems are shown in Fig. 1.

Most of relevant agglomerations is located in the zone B (Fig. 1). An average share of the cities in national GDP of India, Russia, Brazil and some countries in the Middle East and Latin America, is 5-10% higher than their proportion in the population of these States. It indicates higher efficiency of the urban business systems compare with rural areas of considering countries and higher productivity of labor of urban population. Modern cities are also distinguished by a high rate of Gross Regional Product's (GRP) growth (this dynamic is 18-40% higher than in corresponding countries). Figure 2 shows a forecast of growth of world largest cities GRP.

According to Fig. 3 a maximum growth of gross regional product will occur in the cities of BRICS countries. This will significantly change a rating of world largest urban business systems in 2025. In 2010 there were 13 US cities in TOP-30 of world largest urban business systems. But in 2025 only 11 cities will remain this high position together with only three European agglomerations (London, Paris and Moscow). At the same time ranking of Sao Paulo (from 10 to 6th), Shanghai (from 25 to 9th), Mumbai (from 29 to 11th), Cairo, Istanbul, Delhi, Beijing will significantly increase.

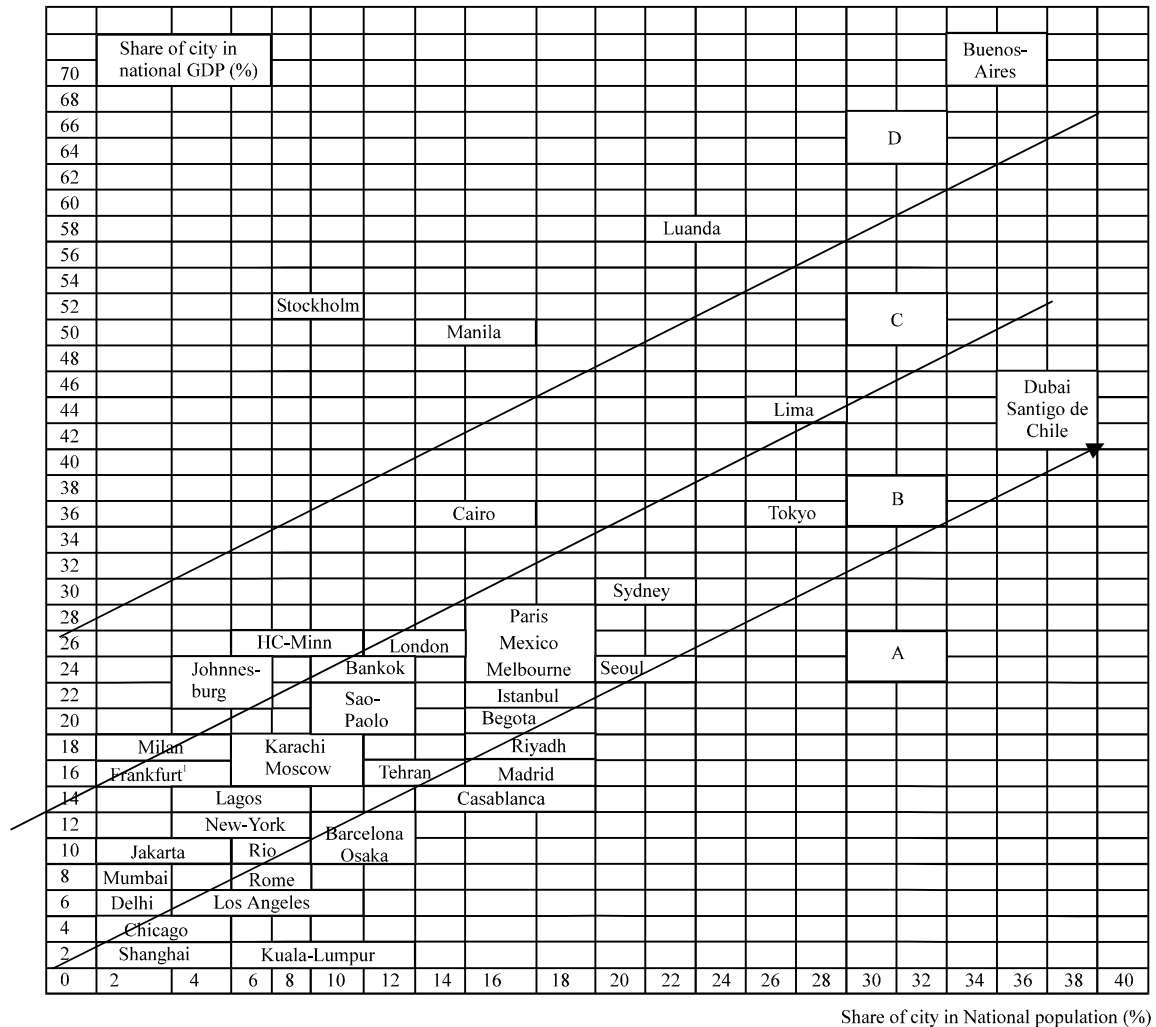


Fig. 1: Role of the cities in national economies, 2012 r²

Sources and methodology for evaluation of urban business systems' efficiency: The object of the study is 48 world largest (in terms of population and economic role) urban business systems. Every city was evaluated by 6 groups of criteria. Evaluation assigned a number of points-from 0 to 12 (Table 1).

Results of evaluations of these six criteria translated into 12-points scale of assessment and are presented in the Table 2.

According to survey a leadership of New York, Tokyo and London is clear. Meanwhile, there are many cities of Asia-Pacific region, BRICS countries with a great potential for further development.

Based on the data from Table 2 we can divide explored cities on global and local leaders (as global cities we will consider ones from TOP-24 of this ranking).

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²Made by authors, Statistical data of UN (population of cities, population of countries, National GDP and urban GRP by PPP) was used. Forty five world most populated cities were analyzed

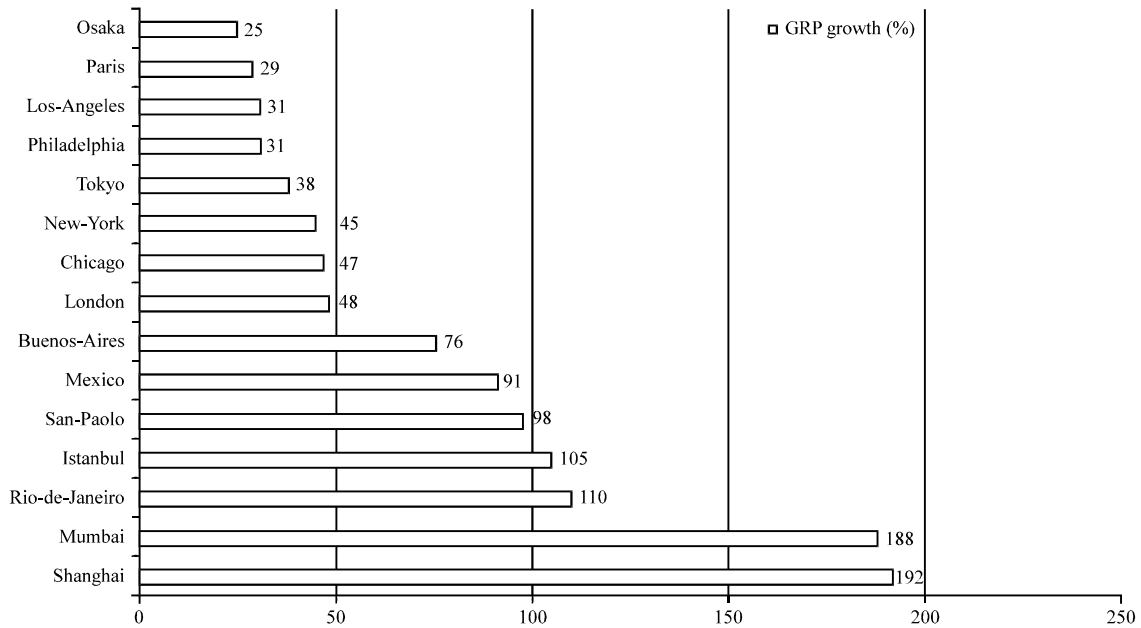


Fig. 2: Forecast of GRP growth in world largest cities, 2009-2025 (data of UN-habitat)

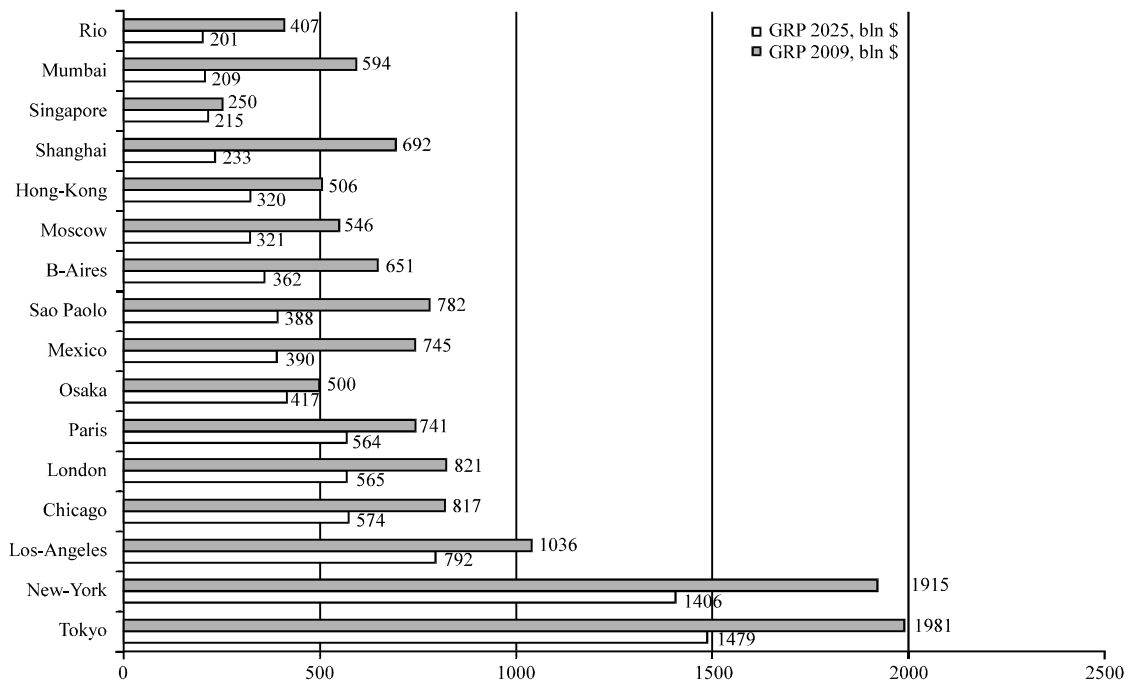


Fig. 3: Dynamic of growth of GRP in world largest city, 2009-2025 (data of UN-habitat)

Second part of research includes a comparison of roles of local (urban) administrations in the development of business environment and in the deepening of urban business systems' integration in a global economy.

Table 1: Structure and criteria of urban business systems evaluation

Index	Methods of calculating
City's position in a global hierarchy	Results of GaWC study were used. Alpha++ cities got 12 points. Gamma cities-2 points. Cities out of GaWC ranking got 0 points
City's role in national economy	City share in national GDP, national export and import, foreign investments flows, local stock exchange capitalization were used
Demographic potential of the city	Share of the city in national population, comparison of urban and national unemployment and wages
Conditions for running a business in the city	
Law and political conditions for running a business (10% share in final evaluation)	Based on cities rankings (Moody's Global Rank, 2012 and Ex-Im Bank-2012), process of license obtaining (number of required documents for construction, time required for obtaining a license for construction), process of property registration (number of required documents, of registering officials, time required for obtaining a property rights)
Economical stability of the city (10% share in final evaluation)	Calculating based on GRP dynamics, inflation dynamics, realty (business and residence) prices dynamics in 2012
Regime of commerce and manufacture (20% share in final evaluation)	Calculating based on process of new business registration, liberality of labor law, custom regime Results of 'Doing Business/Global Cities Report-2012' were used
Financial stability of the city (22% in final evaluation)	Calculating used-number of offices and headquarters of financial institutions and banks in share the city (data of Forbs) , capitalization of city stock-exchange
City's function as a business center (12% share in final evaluation)	Calculating used-process of obtaining a credit, cities credit ranking (Mastercard Worldwide, 2012), process of closing a business (Doing Business, 2012), transport infrastructure of the city, passenger and freight traffic, number of international flights in local airport per day, number of 5 stars hotel rooms per capita, share of population living in high-rise buildings (over 10 floors)
Index of innovativeness of the city (16% share in final evaluation)	Calculating used – number of universities, MBA programs, issued patents, internet traffic per capita, number of publishing science magazines, local population access to internet and mobile nets
Living standards in the city (10% share in final evaluation)	Calculation used results of UN-Habitat research in 2012 (Livability indexes)
City attractiveness for tourism and business	Calculation used-number of arrived tourists in 2012, city popularity as a tourist and business tourism center ³
Political power of the city	Results of research-global power city index, 2012 by Institute for Urban Strategies

Role and effectiveness of municipal administration were estimated by three indicators:

- Level of corruption in city administration
- Quality of municipal decisions and acts
- Transparency of local government

The index of corruption of local authorities (by 100-point rating system) is determined annually by World Bank international experts. Assessment of the quality of municipal decision and acts were taken from the study "The role of global cities" (original results were transformed to 100-point rating system).

Local government transparency was evaluated by analysis of level of urban e-government performance (official web portals of local authorities, quality and quantity of on-line services). Here we used 100-point rating system:

³Was identified based on number of web-sites founded by Google.com for requests in English-«Exhibitions in...» «Conferences in...» «Tourism in...»

Table 2: Global cities ranking in 2012

City	Groups of criteria						Total	City	Groups of criteria						Total
	1	2	3	4	5	6			1	2	3	4	5	6	
New-York	12	12	7	12	12	12	67	Istanbul	8	2	4	6	2	6	28
Tokyo	10	12	12	11	3	12	60	Cairo	7	1	4	6	2	5	25
London	12	5	3	12	12	12	56	Barcelona	8	2	2	8	3	1	24
Paris	10	5	4	11	8	12	50	Dubai	4	1	1	8	5	5	24
Los-Angeles	7	7	5	9	8	10	46	Kuala-Lumpur	9	0	1	8	2	4	24
Chicago	8	5	3	11	10	9	46	Rome	8	1	1	8	4	1	23
Singapore	10	2	2	11	7	10	42	Jakarta	8	1	3	6	2	2	22
Hong-Kong	10	3	3	11	5	8	40	Stockholm	8	2	0	9	2	1	22
Mexico	8	4	7	7	5	6	37	Bogotá	7	1	3	6	1	3	21
Beijing	10	2	4	7	5	9	37	Melbourne	7	2	1	8	3	0	21
Seoul	9	3	4	10	2	9	37	Rio-De-Janeiro	5	2	4	6	2	2	21
Shanghai	10	2	5	9	4	7	37	Manila	7	1	4	6	2	0	20
Sydney	10	2	2	10	4	8	36	Santiago	8	1	2	7	1	1	20
Mumbai	9	2	7	8	6	2	34	Guangzhou	5	1	3	6	3	1	19
Moscow	9	3	4	7	4	6	33	Karachi	5	1	4	7	0	1	18
Sao-Paolo	8	4	7	7	1	6	33	Lima	6	1	3	7	1	0	18
Frankfurt	8	4	1	10	2	8	33	Riyadh	7	1	2	6	1	1	18
Berlin	7	1	1	9	5	9	32	Calcutta	3	1	5	6	1	1	17
Buenos-Aires	9	3	5	6	2	6	31	Ho-Chi-Minn	5	1	2	6	2	1	17
Delhi	7	2	6	7	6	2	30	Johannesburg	4	1	1	7	2	1	16
Madrid	9	2	2	10	6	1	30	S-Petersburg	2	1	2	6	2	0	13
Bangkok	8	1	2	8	3	7	29	Casablanca	4	0	1	6	1	0	12
Milan	9	3	0	9	3	5	29	Lagos	3	0	3	4	0	0	10
Osaka	10	4	4	9	1	1	29	Tehran	1	1	3	4	0	1	10

- 10 points, when city does not have any official representation on the internet
- 20 points, when official portal of the city authorities just contains a basic information
- 30 points, when official portal of the city authorities provides information about the conditions of doing business, living, real estate purchase, and so on
- 40 points, when official portal of the city authorities has relevant information and analysis
- 50 points, when official portal of the city authorities gives abilities for on-line consulting by municipal officials
- 60 points, when official portal of the city authorities offers a possibility of filling/downloading official forms and legal documents
- 70 points, when official portal of the city authorities has information about official activities in the city with coordinates and contact details
- 80 points, when official portal of the city authorities contains information about main projects of municipality, discussions and relevant reports
- 90 points, when official portal of the city authorities provides information about the state/city procurements
- 100 points, when official portal of the city authorities allows obtaining of certain government services in remote access (registration of insurance, grants, pensions, health care, educational services, and so on)

Some results of evaluation of local (urban) governance efficiency are shown in Fig. 4.

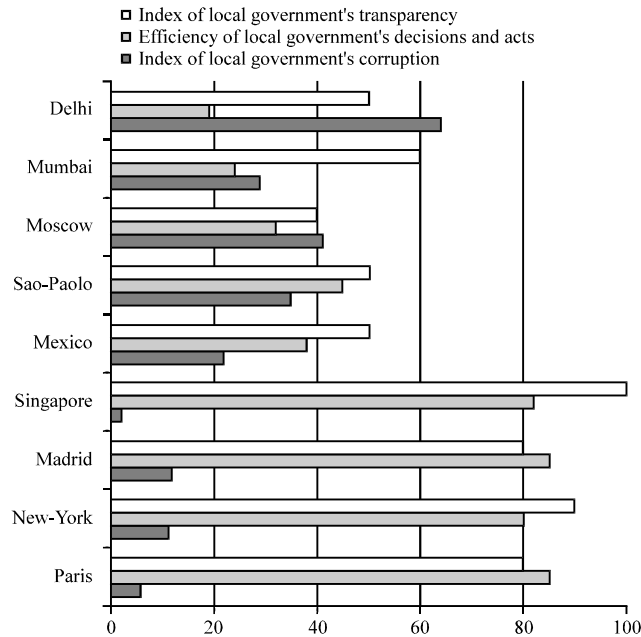


Fig. 4: Quality of local governance in cities of the world (2012)

FINDINGS

Studying of historical phases and modern dynamic and patterns of urban business systems' globalization allows identifying main reasons of world economy transformation to a global cities' net.

First reason is a rapid growth of urban business systems' economic importance. Cities' economical impact increased in context of world economy globalization and business transnationalization; spread out of urban or national boards, allowed them to get functions of global economic regulators.

The second reason is a structure of urban economical systems. This structure in the age of post-industrialization is increasingly focused on so-called tertiary and quaternary sectors. Post-industrialization' trend is most clearly stated in the cities, where population prefers to consume tech goods and services and to participate in information and innovation production.

For example, in Mumbai, India technological and service sectors create 64% of GRP. At the same time share of these sectors in Indian GDP is less than 28%. Same indexes for Istanbul and Turkey are 69% and 38%, Jakarta and Indonesia -29 and 21%, Mexico City and Mexico -25.3 and 21%, Buenos Aires and Argentina -79 and 38%, New York and the U.S. -84 and 58%⁴.

In contrast to traditional industry and agriculture, and information and service economy depends on space. Information is global in origin (due to its mobility), while most of services (such as business, medical, tourism) is immobile and directly related to the place of provision.

Immobility of services contributes to their localization and development of "invisible" export (when consumers have to go to the places of services' purchasing).

As a result, a hierarchy of local areas creates. Due to the development of information technologies this hierarchy is embedding in global networks of transnational business as a system of production and distribution centers.

⁴Calculated by authors, data from www.wikipedia.org was used

It is logical to suggest that nodes of transnational business structures, specialized in high quality and professional services will transform to the global cities. Financial flows, channels of communication, transport and cultural links close interactions between these cities into a global network of synergy (Ushakov, 2011).

Finally, a third condition of formation of global urban hierarchy is activities of multinational corporations. According to Global-500 list, more than 30% of all headquarters of TOP-500 MNCs is concentrated within a global cities network. Traditional geography of world largest MNCs headquarters location (mostly in Tokyo, London, New York, Frankfurt) is changing now by invasion of developing Asian and Eastern Europe centers.

For example, Beijing in a short time burst into the TOP-10 and is now on the fifth position in the global ranking of cities-leaders in number of headquarters of non-financial MNCs. Progress of other relatively young global centers-Singapore, Shanghai, Hong Kong, and Sao Paulo – is also significant.

An evaluation of correlation between quality of urban governance and local business system global economic role led to some conclusions about sources of modern economic importance of the city.

These sources are related both with internal (quality of city management, business environment, mode of management) or external (city's importance in the National economy, urban population, city location, availability of resources, and so on) factors and features of urban development.

For clear demonstration of findings we can divide global cities for 4 categories, depending on urban business system's positioning in a global economy and quality of local governance (Fig. 4, Table 3).

As we can see on Table 3 an economic role of effective-managed global cities in their own countries, in general, is the lowest among all analyzed categories. The business systems of these cities are not "locomotives" and main drivers of National economics' development; are not significantly outstanding within the frames of national economic system. High quality of urban governance in these cities forms their ability to regulate a global economy, not only to serve as a "gateway" to the national economic systems.

On the other hand, a share of non-effective-managed local cities in the national economies is maximal. Differences between the city's share in national GDP and in national population show a high productivity of urban labor force comparing with rest of the country (the average labor productivity in non-effective-managed local cities is in 2.8 times higher than in surrounding provinces).

This suggests that these local cities received their status in a global economy only due to big productive and trade potential of countries concentration within them (Brazil, Egypt, Philippines, Indonesia and so on). In the global economy, these cities serve as coordinators of regional production and distribution systems; as portals of National economies connection with systems of transnational goods, services and productive factors transfer. However, these cities do not have any impact on the functioning of transnational economic interactions, and just keep a function of "entrance gate" for multinational business.

Cities of the third category have a global status and have ability to influence on the world economy progress. However, taking in account a low quality of their urban governance, we can suggest that global impact of these cities is only based on abilities and potential of countries (where these cities are located), including capital, natural and human resources.

Table 3: Economical role of the cities with their classification for 4 groups depending on quality of urban governance

City	Economical performances of the city, 2012 ^Γ	
	Share of the city in National GDP (%) ⁶	Share of the city in National population (%)
Effective-managed global cities⁷		
Chicago	4,17	2,9
New-York	10,2	6,2
London	26,3	14,3
Shanghai	3,28	1,12
Paris	27,1	16,2
Seoul	24,2	20,3
Average in group 1	15,5	10,17
Effective-managed local cities		
Barcelona	12,5	11,2
Dubai	45,2	36,6
Kuala-Lumpur	2,17	6,8
Rome	7,9	5,6
Stockholm	52	8,98
Melbourne	24	17,9
Average in group 2	24	14,5
Non-effective-managed global cities		
Moscow	15,3	7,4
Mexico	26,6	17,33
Sao-Paolo	21,6	9,8
Mumbai	6,8	1,7
Delhi	5,4	1,4
Buenos-Aires	69,2	32,4
Average in group 3	24	11,7
Non-effective managed local cities		
Santiago	42,7	34,3
Jakarta	10,9	3,9
Manila	49,8	12,8
Rio-de-Janeiro	10,9	6,12
Cairo	36	15,3
Ho-Chi-Mim	25,4	6,13
Average in group 4	30	13

Relatively high share of these cities in the structure of national economies can multiply (due to the concentration of all national resources within urban economy) their influence on transnational economic relations. Such cities (for example, in the case of Russia, Thailand, Argentina, Mexico) are often the only one ability to be connected with existing transnational production and distribution structures; monopolize a foreign trade and multinational entrepreneurship.

Based on these findings we can assume a presence of global cities hierarchy in the world economy (Fig. 5).

As we can see on Fig. 6, four different types of cities in the global economy significantly vary from each other by type of their relationships with national economies, institutions and global markets.

⁵Term “non-effective managed” used only for comparison cities of two groups

⁶Calculated by authors. Data of World Bank and UN-Habitat, 2012 was used

⁷Cities were considered within each group. Singapore and Hong-Kong (city-states) were not considered

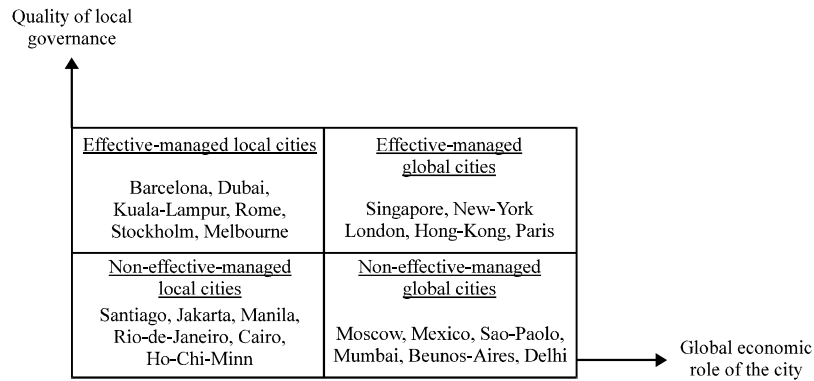


Fig. 5: Positioning of world biggest cities in global economy⁵

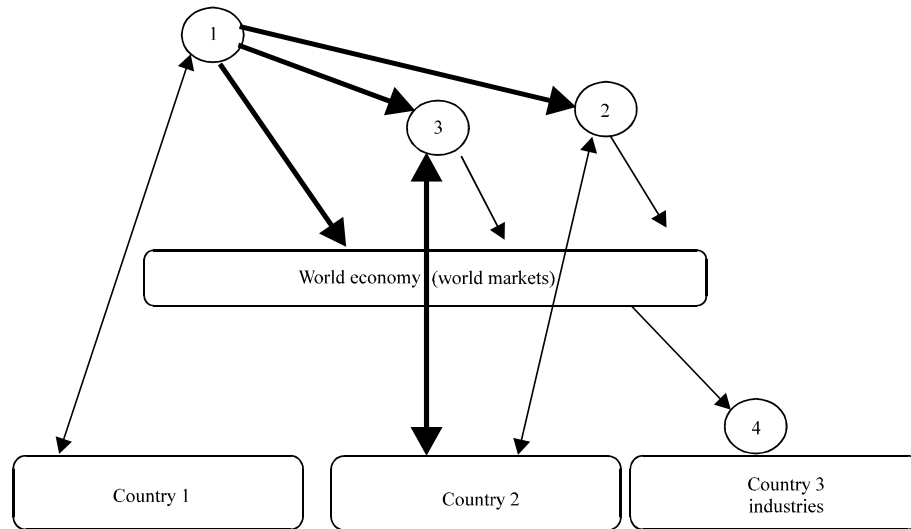


Fig. 6: World hierarchy of the global cities

Ineffective managed local cities (4) take a lowest position, performing mostly as coordinators for national industries development. These cities are influenced by global economy trends but have no abilities to provide any feedback effect.

Non-effective managed global cities (3) retain high connection and inter-dependence with the national economies; serve as the locomotive of national economic development and connect it to the transnational productive and distributive chains. Meanwhile, the ability of these cities to impact on the world economy is ensured only by potential of countries of their location (raw materials, labor, innovation and so on).

Cities of the second type (2) with effective city management, but local in their world economic role are much less dependent on business environment in own countries and are under bigger impact of global cities and world economy.

Finally, cities of 1 type are operating in transnational system of production and distribution and retain a small dependence on their own states, attract international resources and productive factors (capital, information, labor), acquire opportunity to influence on the world economy functioning.

The analysis of four types of the cities also demonstrates that well-managed global cities are growing slower than the others (it was also confirmed by result of some other research, for example Sintserov (2008)).

DISCUSSION

The methodology of urban business systems evaluation, presented in this paper bases only on a comparison of objective criteria of their economical, social, innovative, technological development (Table 1). From one hand, it gives abilities for identifying patterns of cities' positioning within a global system of division of labor.

From the other hand, this research doesn't take in account real forms of economical interactions between the modern urban business systems, their intensity and dynamic (such as inter-cities trade, passenger or internet traffic). Interactions between urban business systems within a frame of global cities' net can be considered as a prospective direction for further research and studies, which are able to clear a modern global hierarchy of the cities and patterns of urban business systems globalization.

Moreover, for testing of economic efficiency of local (urban) governance only three aggregated indexes (local government's transparency, local government corruption and efficiency of local government's decisions and acts) were taken in account. It is sufficient for consideration of world urban business systems' hierarchy consisting of 4 kinds of global cities (as was proved in a study). But importance of increasing the number of local governance criteria for further research is also obvious.

CONCLUSION

Globalization as a process of world economy transformation, increasing of integration between national economical systems, formation and fast development of transnational manufacture and distribution chains transferred local advantages of effective managed urban business system (small size, high level of infrastructural development, innovative and consumption potential and so on) to the global level, gives to the cities abilities of global economical stimulation and regulation, opportunities to concentrate productive and consumption potential of whole world within a frame of global cities chain. Additional reasons for cities transformation to the main actors of global economy are traditional structure of urban business systems (maximally proper for requirements of globalizing economy), their easy access to the world financial and technological markets, their high innovative potential, and abilities of urban consumption markets and so on.

As was proved in the study effectively managed global cities normally have not high economical importance in national economical system-they are globally competitive, attractive for multinationals and are mostly concentrated to operate in transnational system for goods and services production and distribution.

At the same time ineffective managed global cities have strong relationships with own national economical systems, prove its access to the world markets (of capital, high skilled labor force, innovations and technologies, or consumer markets) and traditionally have determining economic impact on national economical system's development.

Due to its impact on the cities' global competitiveness and business attractiveness quality of local governance (transparency, corruption, tactical and strategy efficiency) is a reasons for identifying 4 kinds of the cities within a global urban net. They are effective managed global and local cities and ineffective managed local and global cities.

This allows identifying a hierarchy of world cities, to predict interactions between urban business systems and international economic institutions, national economies. In any case, the presence of cities hierarchy implies an existence of certain patterns of forming of economic interactions between modern urban business systems, a formation of global cities network that is more and more concentrating almost all world economy.

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