

Cities, Openness, and the Competitive Advantage of Diversity.

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1. Introduction: Cities, Mobility, and the Global Economy.

Increased **mobility** is a feature of our times. Mobility that enables jobs and firms to switch locations around the world is complemented by mobility of people and investment capital, and location of major events and institutions.

This has changed how cities view new opportunities and competitive threats. Cities are now aware of the need to succeed in an internationally open economy, and are less concerned with older 'nation state' urban hierarchies, as continental and global systems of exchange have given cities a larger canvass to play on. Local and national roles can now enhance and support global and international roles of cities.

Cities and regions no longer compete simply for Foreign Direct Investment and Tourism in the international economy. They now also compete to be the locus for new growing firms with their innovators and entrepreneurs, foreign students, a new generation of temporary or footloose workers, institutional investors, globally developing companies, university campuses, business schools, laboratories and science centres, artistic and cultural facilities, and public finance. They also compete to host major events such as global summits, major sporting events, and major business shows.

There are important degrees of inter-dependence that emerge between these markets. It would be better to speak of a web of inter-connecting markets:

- Major inward investment in knowledge economy activities rarely happens in locations where there are not universities with international students bodies, that can help attract the skilled workers required.
- Major global sports events do not occur in cities if there are not global companies present in those cities willing to help sponsor the bidding and hosting effort.
- Urban tourism is greatly fuelled by cities that host major events and cultural facilities.
- Mobile international students want to study in places that offer access to global companies and cultural facilities.
- International campuses of universities and business schools will only site themselves in cities where they will achieve short term registrations. These are closely linked to the tourism performance of those cities.

2 The role of diversity in Competitive Advantage of cities: 8 hypotheses.

Increasingly multi-lingual labour forces are a good illustration of agglomeration benefits of cities. The wider the range of languages spoken and used in work, the greater the potential access to global markets and customers for businesses that can

be achieved from a single city. Multi-lingual diversity increases the likelihood of attracting more diverse workers, and also the businesses and events that want to reach, and serve, a global audience, from a single location.

This helps explain why cities like London, New York, Toronto, Hong Kong, and Los Angeles have been growing so fast in the past 20 years. It also explains why other large cities like Tokyo, Seoul, Moscow, Mumbai, Cairo, Shanghai, and Istanbul see diversity as an important ingredient to achieve if they are to become successful world cities. Internationalisation without diversity is a slow road.

It also means that smaller cities like Miami, Singapore, Amsterdam, Sydney, Buenos Aires, Turin, Frankfurt, Cape Town, Budapest, and Dublin that achieve new levels of diversity in their labour forces might be able to compete effectively for some 'world city' niches without becoming very large cities in the process.

We can trace the links between diverse populations and the key drivers of productivity and competitiveness within cities. We can observe eight such links:

- i. **Diversity promotes the urban quality of life** needed to attract and retain workers and firms in the knowledge economy.
- ii. **Diversity creates a richer visitor experience** and fuels the visitor economy.
- iii. **Diversity is a spur to entrepreneurship** through the ambitious characteristics of migrant populations.
- iv. **Diversity is a spur to creativity and innovation** through the interaction of different cultures, intellectual frameworks, and customers.
- v. **Open-ness to wider markets, populations, and customers** helps to grow market share for local businesses.
- vi. Diverse local populations increase the **propensity to trade and undertake international joint ventures** with third countries, eg with diaspora communities in the cities involved.
- vii. **Diversity makes cities more attractive for hosting international events** and activities which need to play to world audience.
- viii. Diversity can provide firms with **unique opportunities for globally significant corporate responsibility initiatives**.

3 Opening the city to global populations and the global economy.

There are practical initiatives that city leaders can take to make cities more open to the global market and global diversity.

- i. Programmes aimed at **internationalisation** of city's economy all have to be integrated into an orchestrated programme rather than a disparate set of strands of work.

- ii. **City branding and marketing** become very important. It is also essential that brands and marketing efforts work across all of these markets. This is important because today's tourist is tomorrow's student, inward investor, global strategist, or senior diplomat. It is the same people in different roles.
- iii. **Effective interaction with global firms** is very important indeed. They are the employers of the dense and sophisticated labour pools which attract other companies. How well **global cities interact with global firms** is a major facet of how effectively the city will grow.
- iv. The overall '**Open-ness**' of the city to long term internationalisation becomes a critical factor. 'Open-ness' for a city has not yet been fully defined but it would at least include:

Cultural factors: such as the level of enthusiasm for population diversity amongst existing populations, and the extent to which local culture and entertainment is attractive to diverse audiences .

Amenity factors: including generic amenities such as housing, schools, hospitals, as well as more bespoke amenities such as places of worship, community organisations, specialist support services, etc

Economic factors: such as the accessibility of jobs and incomes and access to affordable basic standards of living.

Regulatory factors: such as the overall immigration and asylum policies of the country coupled with any specific labour market, welfare benefits, land/home ownership, and service access.

Risk factors: such as both the general perceptions of the stability of the local and political environment, coupled with other factors such perceived incidence of racial/ethnic persecution or discrimination.

These '**factors of city open-ness**' are not all under the control of city leaders, and some require active pro-internationalisation policies at national level. Hong Kong's support from China for maintaining its position as an international business and finance hub has included the continued liberalisation of national regulations. Whereas the recent emphasis on internal security in several countries, since September 2001, has included measures which have reduced the ease with which foreigners can access their major cities. Continuation of such policies over a long period would seriously erode the ability of those cities to replenish their diverse populations and global attractiveness.

Ends.