

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

CAPE TOWN

GDP (country rank), 2012 ¹	Share National GDP, 2012 ²	GDP/Capita, 2012 ³	Population, 2012 (country rank) ⁴	Share National Pop., 2012 ⁵	GaWC Global City Ranking, 2010 ⁶	# Global 2000 HQs, 2012 ⁷	GDP/c Growth 1993-2012 ⁸
\$56,793,730,700 (2)	9.83%	\$15,721	3,612,562 (3)	7.10%	79	6	1.26%

1) Benchmarks — what is the city’s recent ranking performance in terms of global firms, connectivity, diversity, range of cultural assets, immigrants, visitors?

Situated in the far southwest of South Africa, Cape Town is the country’s second-largest metro after Johannesburg, with a population of 3.5 million. Its relatively small size and secondary position nationally mean that, although it has outstanding tourism and export assets, it is not one of the most prominent emerging business cities in comparative benchmarks.

It has, nevertheless, become more active in global business networks in the past decade, improving from 97th to 79th in the GaWC Global City Ranking since 2000, surpassing both Detroit and Philadelphia.⁹ MasterCard’s Emerging Markets Index placed Cape Town in 33rd place among 65 developing cities, behind Johannesburg (11th) but ahead of Rio de Janeiro (36th) and Cairo (44th). Its business environment – boosted by improved contract enforcement laws and fewer regulatory hurdles – rates above average among emerging centers, but performance was weaker in terms of access to trade traffic, institutional presence, and range of international air links.¹⁰

Cape Town has pockets of excellence in terms of talent, technology, and entrepreneurialism, but some studies indicate shortfalls in terms of depth and breadth of the city’s knowledge capability. The University of Cape Town is ranked in the top 200 worldwide and first in Africa in the QS University Rankings, but the rest of the city’s top educational institutions do not have a global presence.¹¹ Broadband uptake, Internet productivity,

and academic journal output is comparatively low. In terms of international visitors, distance from current growth markets means that Cape Town is slowly slipping down the global charts, falling to 87th in 2011 despite solid growth, as South and East Asian centers outpace it for tourist growth.¹²

2) Narrative – the city’s journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?

Cape Town’s transnational character extends to its times as an early European trading settlement, when it became a center for the Dutch East India Company, and later a modernizing port and gateway city for trade in primary and manufacturing goods with the inland diamond and gold mining industries. Its distinctive setting at the far corner of Africa has entailed unique relationships with the outside world. What has resulted, in the post-apartheid era, is a metro whose leaders and businesses are active in the international domain, pluralist in composition and ideas, with a creative and entrepreneurial view of the future despite many shortcomings.

Cape Town has emerged from the challenging sociopolitical adjustments of the 1990s and has taken steps to become a specialized service economy, leveraging its record in shipping, port logistics, and fruit and wine exports. Openness to immigrants has been important to establishing respected research centers in health care, biotechnology, and environmental science, although commercial spinoffs in these areas have been scarce. Today, after the central city was revitalized after the departure of some multinational firms to Johannesburg, major export growth areas include business conferences, agro-food, finance, life sciences, film production, and publishing.

Cape Town’s latest phase of globalization is undertaken in recognition of a chronically low skills base and widespread inequality, both of which constrain the scope of the metro’s global exchange. The 2010 FIFA World Cup event was a milestone for Cape Town’s business brand and infrastructural capacity, and it provided the spur to regional governance collaboration designed to improve overall productivity and improve the connection to global flows of both people and markets. Its new international business culture revolves around ambitious entrepreneur-led small and medium enterprises in the creative and information/communications technology sectors and the potential for linkages with more established firm headquarters. Its forthcoming year as the World Design Capital in 2014 will also provide recognition for more advanced and globally oriented creative industries.

3) Elements of international and global orientation - In what ways is the city globally connected and relevant? What sort of trade patterns does it exhibit?

Over 5,000 foreigners settle annually in Cape Town, mostly in the central municipality, in Eden, or in the Cape Winelands. The metro’s foreign-born population is much smaller than Johannesburg’s, but the proportion of Europeans among its immigrants is larger and the proportion from Southern Africa much smaller, although growing rapidly. Latin American and Australian immigrants account for only 4% of all foreign-born population in the Western Cape, slightly exceeded by immigration from Asia (5%).¹³

Because Cape Town’s business language is overwhelmingly English, its business links, by contrast, are predominantly with Australian cities (Perth, Adelaide, Melbourne, Brisbane), the North American gateway cities of Miami and Toronto, and the British cities of London and Manchester. New links are being supported by direct flights to Dubai, Singapore, Istanbul, and Doha.

4) To what extent is the city’s international dimension inherited or intentional?

Cape Town’s global engagement is largely inherited from its colonial history and commercial links. Its strategic location as Southern Africa’s leading coastal city meant it acquired privileged long-term access to global markets, as well as successive generations of immigrants from Europe and Asia. Its gateway function has provided a degree of stability for its logistics cluster and is a factor in why international firms sometimes view the city as the region’s preferred entry point. Globally tradable credentials are also associated with Cape

Town's climate and outstanding physical beauty, which have driven tourist and event markets for several decades. These largely inherited characteristics have become subject to more deliberate leverage as regional stakeholders grasp the potential to attract high-skilled foreign entrepreneurs and students.

Despite its strong regional position, Cape Town has not been able to draw on transformative investment with which to build major infrastructures or global roles. Availability of public spending has been limited, due to a low tax base, limited scope to offer incentives to the private sector, and a volatile national political environment. The consolidated City of Cape Town municipality and a single tax collection base were established only in 1996. Regional political and business leaders have therefore been concerned to optimize resources gradually.

The city government has become intentional since the mid-1990s in its attempt to revitalize Cape Town in preparation for expanded international trade and investment. It first established public–private partnerships to support improvement districts to attract new funding. The Cape Town Partnership then stimulated a new era of multistakeholder cooperation around service delivery and regulatory environment, boosting the overall business climate in the city center.¹⁴ Meanwhile, regional promotional bodies such as Wesgro have led coordination of trade missions and the hosting of foreign business delegations. In the short space of a decade, Cape Town's regional partners undertook to resolve lingering political fragmentation, and their efforts have resulted in business-led strategies such as Accelerate Cape Town and a new regional Economic Development Partnership (EDP) in 2012 to coordinate the entire region's investment climate, branding, and inclusion agendas.¹⁵

The EDP constitutes a new era of intentional strategic growth. It is a new breed of institution in Cape Town in that it is deliberately collaborative, seeking to go beyond existing fault lines and dichotomies that have held back employment and the growth of internationally competitive assets. It has coordinated a process titled One Cape 2040, which articulates a shared vision about how the people of the Western Cape can work together to develop the economy and society. The One Cape 2040 Framework represents a deliberate attempt to stimulate a transition toward a more inclusive, resilient, and competitive regional economy.

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

⁸ Brookings analysis of Moody's Analytics and Oxford Economics data.

⁹ "The World According to GaWC, 2010," Globalisation and World Cities Network, available at www.lboro.ac.uk/gawc/world2010t.html.

¹⁰ "MasterCard's Worldwide Centers of Commerce: Emerging Cities Index," MasterCard Worldwide, October 2008.

¹¹ "QS World University Rankings," 2012, available at www.itesm.la/archivos/QS_World_University_Rankings.pdf.

¹² "Euromonitor International's Top 100 City Destinations Ranking," Euromonitor, 2011, available at <http://blog.euromonitor.com/2012/01/euromonitor-internationals-top-city-destinations-ranking1-.html>.

¹³ Ravayi Morindo and Corine Groenewald, "The State of the Population in the Western Cape Province" (Cape Town: HSRC Press, 2007), pp. 152–58.

¹⁴ Christian M. Rogers, "In Search of Public Sector–Private Sector Partnerships for Local Economic Development in South Africa," Urban Forum, 2009, available at <http://www.springerlink.com/content/c42634I683263363/fulltext.html>.

¹⁵ Andrew Boraine, "The ABC of the EDA in Cape Town and the Western Cape," August 17, 2011, available at www.andrewboraine.com/2011/08/the-abc-of-the-eda-in-cape-town-and-the-western-cape/.

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