

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

MILAN

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
\$289,332,271,270 (1)	15.78%	\$37,938	7,626,466 (1)	12.53%	11	11	0.12%

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

Located 150 miles south of Zurich, in central northern Italy, the Milan metro area is the country’s most populous and prosperous region. Although the city has a population of only three million, the metro is home to eight million and is similar in size to the Los Angeles metro. It has been Italy’s leading economic performer, but its success has deteriorated in recent years. The city was ranked ninth by European executives for business opportunities in 1990, but it has fallen outside the top 10 in recent years, overtaken by Madrid, Munich, and Barcelona.⁹ This is partly linked to a growing human capital risk for top firms; Milan ranks among Europe’s worst cities for talent and productivity in AON’s 2012 People Risk Index. By some figures, the city has the least highly educated workforce of any of the 30 most developed world centers.¹⁰

In terms of retail, a historic area of strength for Milan, the city is no longer an indispensable site for global retail firms, as more firms are now located in Middle Eastern centers such as Riyadh and Kuwait City.¹¹ Because of its struggling economy and lack of depth in financial expertise, the city is now regarded as only a “local” financial services provider by the Global Financial Centres Index, and it may soon be overtaken by Istanbul and Warsaw. It has also fallen to 62nd for hosting international association meetings.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?

Milan's international reputation as an industrious and innovative European commercial center dates back more than a century. Located along trade routes linking Rome with Central and Western Europe, the city hosted five international exhibitions between 1871 and 1906 that cemented its trade position and reputation as an information-rich industrial and technical region.

In the 1950s, Milan became Italy's "capital of the miracle," consolidating itself as the country's financial, media, architecture, and industrial design heartland, gaining worldwide recognition for innovation and creativity in these fields. During this phase the city witnessed immigration primarily from Southern Italy and Yugoslavia. It also became home to internationally recognizable fashion brands, such as Armani, Prada, and Versace, all of which rubbed shoulders with Fordist firms Falck, Breda, and Pirelli as the city's global exporters.

Milan began to face the painful process of deindustrialization in the 1980s. The city government looked to embrace new service industries, from stock market investment to fashion, advertising, private television, and publishing. While the advertising slogan *Milano da bere* – "Milan is good enough to drink" - came to signify a new postindustrial confidence, beneath the surface the city was becoming marred by institutional corruption and political provincialism, which resulted in a lack of strategic foresight to urban development and global competitiveness. During the 1990s the city was characterized by a parochial, inward approach that failed to support the internationalization of small and medium-size enterprises (SMEs) or provide an enabling climate for innovation and business relocation. The city has deterred global investment due to a governance failure to resolve high traffic congestion and land consumption, expensive housing, and out-of-date technology and transport infrastructure.¹³ By 2006, the Organization for Economic Cooperation and Development warned that Milan "seems to have lost part of its historical drive."¹⁴

After more than a decade of political inaction and relative closure to global investment and ideas, Milan has belatedly begun efforts to cultivate a more outward-facing business environment that can resist the rise of competitive low-cost emerging cities. The city is beginning to be reconceived and promoted by local leaders as a global hub immersed in international business services flows. A new spirit, epitomized by the term *il nuovo rinascimento* ("the new renaissance"), has informed its successful bid to host the 2015 Expo. Economic development actors are seeking to escape the constraints of the nation-state and enter more networked international sectors. In the words of economist Edward Glaeser, Milan is an exemplar of reinvention "roaring back in the postindustrial age."¹⁵

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?

Milan hosts approximately 3,000 international firms employing over 300,000 people.¹⁶ While financial services and accountancy sectors are comparatively internationalized, its legal and management consultancy sectors are less so. According to the world city network analysis, Milan's has extensive global services links with London, New York, Paris, Hong Kong, and Singapore, and strong links with Shanghai and Buenos Aires. But in pure export terms the city is heavily dependent on German and French markets.¹⁷ Milan is notably much better linked with Pacific and Asian cities compared to the capital, Rome.¹⁸

Milan's visitor economy is stagnant but diversely spread. While British, German, and French tourists represent the bulk of the European Union market, it is actually American visitors who make up the largest single proportion (17 percent), and Chinese and Japanese markets are also growing.¹⁹ Meanwhile, after a period of depopulation the city has added a large number of low- and medium-skill foreign residents, mostly from the periphery of Europe, since 2000, attracted by the city's comparatively robust (by Italian standards) economy. Romanians make up the largest share of new arrivals, with considerable influxes of Albanians, Moroccans, Egyptians, and Ukrainians.²⁰

Milan has not experienced the rate of foreign investment or development seen in Barcelona or Dublin since

the 1990s due to bureaucracy, regulation, and lack of transparency, and now serious pricing concerns. International investors, mostly from Europe, began expressing medium-scale interest only in the mid-2000s. At least eight foreign banks have opened their branches in Milan since 2006.²¹ The city's chamber of commerce has forged stronger SME production links with Brazilian firms in recent years as the potential from Latin America is finally grasped.²²

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

Milan's century of internationalism, from 1890 to 1990, initially gained momentum from political events and favorable geographic circumstances. The political unification of Italy established Milan's commercial position in Northern Italy and stimulated the infrastructure boom that made the city the gateway to and from Northern and Western Europe. Subsequent financial prosperity and international industrial innovation occurred without a clear strategy and without an especially supportive national or regional government structure. Ultimately it was the incubation of dense clusters of design and manufacturing skills in the 1960s and 1970s that has preserved the city's most enduring international exports and brand.

In the period between 1980 and the mid-2000s, Milan's international innovation scope declined because individual firms operated in isolation, previously coherent structures fragmented, and technology transfer largely evaporated. A lack of coordination has also been reflected in the absence of an overarching strategy for the metropolitan space, and therefore interventions to improve urban amenities and inclusiveness have been limited.²³

It is only very recently that Milan's internationalism can be said to have come under intentional supervision. The city's policy-making elites have developed a new impetus to present a more outward-looking image and reality of Milan. Research projects sponsored by Globus et Locus, a Milan-based think tank, have explored how Milan can expand its external relations, and resulted in an events and investment strategy that is beginning to reap rewards.

Milan therefore illustrates that traits of historical advantage, connectivity, and specialized commercial knowledge can decline without a supportive government structure, clear metropolitan leadership, and sources of investment. While the interval between the weakening of these traits and the recent intentional efforts has not been long enough to be entirely fatal, the city is no longer on a clear path to achieving global fluency.

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 "European Cities Monitor 2011," Cushman & Wakefield, 2011.

¹⁰ "Scorecard of Prosperity," Toronto Board of Trade, 2011, p. 44.

¹¹ "How Global Is the Business of Retail?" CB Richard Ellis.

¹² "Statistics Report: International Association Meetings Market Country and City Rankings," International Congress and Convention Association, 2012, available at www.iccaworld.com/dcps/doc.cfm?docid=1520; "The Global Financial Centres Index: 12," Z/Yen, 2012.

¹³ Alessandro Balducci, Valeria Fedeli, and Gabriele Pasqui, "Strategic Planning for Contemporary Urban Regions: City of Cities, A Project for Milan," (Farnham: Ashgate, 2012); Peter Karl Kresl, "Planning Cities for the Future: The Successes and Failures of Urban Economic Strategies in Europe," (Cheltenham: Edward Elgar, 2007), pp. 120–21.

¹⁴ Sara Gonzalez, "(Dis)connecting Milan(ese): Deterritorialised Urbanism and Disempowering Politics in Globalising Cities," *Environment and Planning A*, Vol. 41, 2009, pp. 31–47.

¹⁵ Edward Glaeser, "Triumph of The City," (Oxford: MacMillan, 2011), p. 236.

¹⁶ "Why Milan?" available at www.studyinmilan.net/Why_Milan/Why_Milan.kl.

¹⁷ "Territorial Review: Milan," Organization for Economic Cooperation and Development, 2006, available at www.oecd.org/dataoecd/14/62/37720067.pdf.

¹⁸ Peter Taylor, "Milan as Italy's Leading City in the World City Network of the Early Twenty First Century," Globalisation and World Cities Network, Bulletin 377, 2011, available at www.lboro.ac.uk/gawc/rb/rb377.html.

¹⁹ "Tourist Characteristics and the Perceived Image of Milan," Libera Università di Linguae Comunicazione, 2009, available at www.slideshare.net/mtmexperience/tourist-characteristics-and-the-perceived-image-of-milan.

²⁰ Wendell Cox, "The Evolving Urban Form: Milan," Newgeography, 2011, available at www.newgeography.com/content/002441-the-evolving-urban-form-milan.

²¹ "Milan Expo 2015 Seen to Boost Foreign Investment in Italy," Xinhua News Agency, November 12, 2010, available at http://news.xinhuanet.com/english2010/business/2010-12/11/c_13644681.htm.

²² Carlo Secchi, "Latin America Is Europe's Next Big Missed Business Opportunity," Europe's World, 2008, available at www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/articleview/ArticleID/21072/language/en-US/Default.aspx.

²³ Peter Karl Kresl, "Planning Cities for the Future."

Acknowledgements

The authors would like to thank this case's external reviewers: Gianluca Sala, Chief Executive Officer, Milano Metropoli Development Agency, and Fabio Terragni, former President of Milano Metropoli Development Agency.