

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

SÃO PAULO

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
\$472,984,004,360 (1)	20.01%	\$23,704	19,953,697 (1)	10.28%	14	18	1.50%

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

Situated 50 miles from the coast and 250 miles west of Rio de Janeiro, São Paulo is the largest and most globalized city in South America. As the major gateway into the continent, the city has become the 14th most embedded city in global business services networks in the world, up from 16th in 2000, overtaking Brussels and Frankfurt. Business infrastructure has grown in tandem with its new status; São Paulo is now in the top 40 most popular meetings and convention destinations globally (albeit behind Buenos Aires). International investment is growing exponentially, especially in the central business district. The city attracted the eighth-largest number of sizeable foreign investment projects in the world in 2011, up from 19th in 2008 and 35th between 2003 and 2006.⁹ Rental prices in the top luxury shopping center, Iguatemi, are firmly among the 10 highest in the Americas, comparable to Union Square in San Francisco.¹⁰

São Paulo is not yet close to making the breakthrough as a top-level financial services provider, hovering just inside the top 50 globally in the Global Financial Centres Index and still regarded as “local” overall in scope.¹¹ It has, however, overtaken a chief challenger for hosting Latin American firms, Madrid. A shortage of global talent is a lingering barrier to success: São Paulo ranks outside the top 30 of 65 world cities for human capital in all three editions of the Global Cities Index, and the Universidade de São Paulo is fairly weakly internationalized. Among non-business travelers, São Paulo is not yet an unmissable tourist destination, static at 89th globally, behind Lima (54th), Mexico City (47th), and Buenos Aires (43rd).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?

In Latin America, São Paulo has always been associated with pluralism and diversity, hosting a highly eclectic mix of immigrants that has spurred entrepreneurship at each phase of its economic development. Up until the 1960s, São Paulo was a major net importer of international migrants. It first incentivized the large-scale immigration of German, Italian, and Spanish small-hold farmers and coffee plantation laborers between 1880 and 1920. Later, Japanese laborers were attracted by more favorable entry conditions than were available in the United States. These immigrants subsequently became commercially active and galvanized trade and industry in the city, facing much less resistance to their economic ambitions than is typically found in immigrant gateways. Accessibility to entrepreneurialism was also encountered by a new wave of postwar immigrants from Syria, Lebanon, and Korea.

São Paulo began to lead Brazil’s accelerated entry into the international economy just as foreign immigration began to slow. The city has pioneered a remarkable transition into tertiary services since the 1980s, especially professional services, finance, media, education, creative industries, research, and medicine. The city witnessed a huge increase in foreign direct investment between 1993 and 2000, and by 2002 hosted six of the largest foreign-owned companies in Latin America and the headquarters of 90 percent of Brazil’s foreign commercial banks.¹³ High year-on-year real income growth has been fueled by large volumes of reasonably qualified manpower, flourishing legal services, and a rapidly internationalizing multi-asset stock exchange, BM&F Bovespa.

Consolidated as Latin America’s finance powerhouse and with a rising reputation as an entertainment and fashion center, São Paulo has potential to become the continent’s reference point. Tackling quality-of-life challenges and improving the business climate with systematic infrastructure investment and improved urban redevelopment is the major focus of international attractiveness for the city’s leadership. For the first time, long-term thinking is being developed about the city’s future. Mayor Gilberto Kassab has initiated processes of urban redevelopment, skills development, business development policies, and long-range strategy. The city has inherited very large infrastructure and urban integration challenges, but its cosmopolitan sensibility and multilingualism is a current advantage over some Asian counterparts. The city’s brand is underdeveloped but may profit from the imminent hosting of the soccer World Cup, spinoffs from the Rio 2016 Olympics, and a probable 2020 World Exop bid.

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?

São Paulo’s global orientation is first and foremost linked to its population. Approximately 250,000 foreign-born immigrants live in São Paulo, most from Europe, Asia, and elsewhere in South America. The largest numbers are from Portugal, Japan, Italy, and Spain. Although current rates of immigration are historically low, the majority of the population consider themselves descendants of recent immigrants, and this attitude has helped forge trade links with the Arab world and East Asia in particular. As such, São Paulo’s diversity is an established rather than transient phenomenon. Its deepest transnational linkages are now with the United States, with which two-way exchanges of money, capital, people, and technologies have put into flow a constant reciprocity. São Paulo’s more mobilized urban population has proven much more likely to migrate to or vacation in the United States than previously.¹⁴

São Paulo’s historic links with Japan and Korea are driving a new phase of consumer market connections. The city’s enormous car industry is a major draw for international firms, with Toyota and Hyundai both major investors since 2007. Carmakers from East Asia see high potential in securing new markets in the region as its consumer habits are less entrenched than in other cities.

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

São Paulo's international reach has never been attributable to favorable political support in terms of government investment, state structures, or preferential connectivity-building. Nor has the city historically possessed outward-facing leadership capable of grasping its long-term economic position. Up until 2008 it was arguably less globally oriented and less preoccupied with challenges of international competitiveness than comparable regions such as Johannesburg and Istanbul. It is only primarily in the past five years that the city government has accentuated its openness to global influences and has aimed to prioritize policies that will attract global investment.

Instead São Paulo's internationalism is firstly attributable to the employment incentives offered to displaced or courageous immigrants, which bred a virtuous cycle of openness to new populations and cultural trends in later generations. An external-oriented approach is built into the city's commercial, fashion, and culinary habits. Furthermore, the city's industrial and export preeminence in a country of huge population, resources, and potential has spurred vast trade links and the attraction of multinational firm headquarters, even without the motivating factors of cutting-edge knowledge or agile government.

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 "Global Location Trends 2011," IBM, 2012, p. 13.

¹⁰ "Main Streets Across the World 2012/13," Cushman and Wakefield, 2013, p. 17.

¹¹ "The Global Financial Centres Index: 12," Z/Yen, 2012, pp. 4–5, 13.

¹² "Euromonitor International's Top 100 City Destinations Ranking," Euromonitor International, 2013, available at <http://blog.euromonitor.com/2013/01/top-100-cities-destination-ranking.html>.

¹³ Simone Buechler, "Sao Paulo: Outsourcing and Downgrading of Labor in a Globalizing City," in Neil Brenner and Roger Keil, eds., "The Global Cities Reader," (Abingdon: Routledge, 2003), pp. 238–46.

¹⁴ Emily Skop and Sarah Zeil, "Sao Paulo: Historic Immigrant Gateway to Contemporary Emigrant Outpost," in Marie Price and Lisa Benton-Short, eds., "Migrants in the Metropolis" (New York: Syracuse University Press, 2007), pp. 345–69.

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