

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

TOKYO

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
\$1,519,434,263,300 (1)	33.01%	\$41,446	36,660,496 (1)	28.96%	6	154	0.52%

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

Tokyo is the largest metro area in Japan, and indeed the world. As the capital of a small but highly populated advanced industrialized nation, the metro’s global orientation has occurred through both trade and financial services. It has maintained an impressive depth and diversity to its international corporate and trading platform, and is currently the sixth most connected business services center and hosts the fifth-largest number of air passengers annually.⁹ Despite having a high total tax rate and prohibitive business occupancy costs, its pluralistic political culture (by Asian standards), advanced legal system, and effective mode of city management guarantee a continual stream of risk-averse investors.¹⁰ The latter are also drawn to the exceptionally large “bullet-proof” business organizations that have clustered around national and international political functions in the central city.

Tokyo fares rather weakly in benchmarks of talent because its labor market is comparatively less diverse than those of other cities. This is also true of its student base, which with only 40,000 international students is much less internationalized than that of London, Paris, or Singapore (each has more than 90,000 foreign students).¹¹ A comparatively closed approach to its labor force explains its evaluation as just 56th for human capital in the Global City Competitiveness Index, while studies of productivity show it to be only the 11th most productive among a basket of 24 world cities, well behind New York (second).¹² But studies that examine overall knowledge and innovation capacity as well as local school and higher education achievement – such as the Global Cities Index (where it ranks fifth) and the Cities of Opportunity (sixth) – indicate much stronger

performance. Tokyo possesses slightly fewer world-class higher education establishments than other global cities (only two in the top 100), but its anchor institution – the University of Tokyo, – generates substantial surrounding research and innovation, notably in biotechnology and low-carbon fields.¹³

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?

Tokyo’s pathway into globalization differs significantly from its Western peers. Japan spent the first two and a half centuries of the modern era in comparative global isolation. Only in the 1870s was Tokyo encouraged to participate in the “Japanese spirit with Western culture” as foreign investment arrived. Its expanding population sought Western knowledge and engineering technology, and it proved adept at deploying this knowledge for its own ends of commercialism and modernization.¹⁴ Foreign tourism began for the first time in the 1890s, as Tokyo became part of the Grand Tour of the Far East along with Shanghai and Hong Kong.

Japan’s global presence increased significantly in the following decades, albeit frequently in the context of conflict. Tokyo’s emergence as a major hub of international exchange was catalyzed by the nation’s post-1945 economic recovery and the investment accrued from its role as a staging post for American military forces in the Pacific.

The recovery exemplified a form of economic development led by a developmental state.¹⁵ A combination of weak planning, which allowed rapid and unchecked industrial and residential growth in the city, combined with a narrowly focused economic growth strategy set in movement a dramatic industrial expansion throughout the 1950s and 1960s.¹⁶ The formalized relationships between the state and private businesses and strict control on imports saw the rise of massive industrial conglomerates. These utilized advanced production and productivity techniques to generate enormous exports and establish the capital as a major industrial and commercial export center.¹⁷

Tokyo’s industry then evolved from mass production to high-tech flexible specialization in the 1970s, and profitable links between large firms and small and medium-size enterprises (SMEs) were forged.¹⁸ The rest of the world was seen largely as a marketplace for Tokyo’s exports. State controls on imports and on foreign investment meant that the economy was dominated by Japanese companies financed by Japanese banks.¹⁹ The city was not a global meeting place, trade hub, or cultural center, but more a highly successful agglomeration for national export industries in a period of fast state-coordinated development.

Tokyo’s first globally conscious policies occurred in the 1980s with the liberalization reforms of the Nakasone premiership, which promoted deregulation, privatization, and fiscal retrenchment as a means of improving competitiveness as the city moved up the services value chain.²⁰ The governor Suzuki Shunichi publicly endorsed the “My Town Tokyo” plan that sought to marry global infrastructure with community pride and intimate place-making. During this period many of Tokyo’s leading corporate and financial institutions set up operations overseas. But the effectiveness of this exercise, simultaneously pursued under the slogan “Tokyo World City,” was limited in terms of international investment, capital, and labor.²¹

The most recent phase in Tokyo’s global engagement reflects a self-belief about its role as a leading world city. In 1995 a new metropolitan regime ousted the World City policy doctrine and replaced it with a “resident-friendly” focus. New planning policies placed greater emphasis on local amenities and city image while also supporting the efficiencies of agglomeration within localized hubs. A big push to cultivate local SMEs was also made, with moderate success. The attraction of international business traffic and tourism has become a priority as city leaders became more self-consciously competitive. In 2011 the metropolitan government launched a Special Zone for Asian Headquarters to attract foreign companies with preferential tax treatment and generous packages of fiscal and financial support. This move reflects a reversal of the historic efforts to decentralize the capital, and instead endorses the capacity of an expanded central business district to fulfil diversified global roles.

Tokyo's medium-term global prospects may also be linked to the integration of the regional economy, which includes the large centers of Osaka and Nagoya. The likely merger of the Tokyo and Osaka stock exchanges may accelerate the development of these two cities as a full-fledged business dual hub, accompanied by potential political integration. Such outcomes will depend on sustained political stability and citizen cooperation, trends that have been more in evidence since the Fukushima earthquake and during the 2020 Olympic Games bid campaign.

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?

Tokyo has a relatively narrow breadth of ethnic and national diversity. The size of its immigrant population ranked in the bottom fifth of 24 world cities in 2012.²² Despite being a world-leading technology center, its public and private R&D centers are overwhelmingly staffed by Japanese graduates. Research is often linked to or sponsored by private conglomerates such as Sony, Fujitsu, Toshiba, Toyota, and Honda, which have displayed an impressive capacity to export technology products to a global mass market.²³ Tokyo's other export sectors include precision instruments, chemicals, and pharmaceuticals.²⁴

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

Tokyo's entry into international markets began from its inherited position as Japan's preeminent industrial and commercial city. A large, populous commercial hub in the years of Japan's imperial ascendancy meant that, despite the destruction of the Second World War, Tokyo was well placed for modern industrialization once geopolitical changes saw Japan enter the American-led marketplace.

Furthermore, the first stage of Tokyo's pathway into globalization was much more dependent on national government support and favorable nationally designed governance frameworks than it was metro-level intentionality.²⁵ State policy guided Tokyo's urban planning, and within this framework the Tokyo Metropolitan Government (TMG) has been able to utilize a degree of flexibility and autonomy in order to react quickly to local pressures. Planning regulation was traditionally weak and, as development was often dependent on grants from the central government, investment was tightly focused on the developmental priorities of key infrastructure and industrial specialization.²⁶

Even as planning goals have become more holistic, the role of government remains prominent. The development of the waterfront subcenter on reclaimed land in Tokyo Bay, for example – a showpiece of Tokyo's global image – was primarily sponsored by the TMG.²⁷ In addition to their dominant role in planning, state and metro authorities play a direct role in supporting the private sector. This support is accomplished through vehicles such as the Technology Transfer Licence Organization, an intellectual property sharing scheme, and through collateralized lending obligations whereby the government provides security for companies seeking to borrow to fund their businesses.

The enabling governmental supervision of Tokyo's new economic roles would not have been possible without a large and skills-rich labor market, which includes immigrants from the rest of Japan. The standard of teaching and training in Japanese educational institutions, many of the finest of which are in Tokyo itself, has been consistently high. Academic and business links have been embedded for several decades, and this has assisted technology transfer and the evolution of the city's capital-intensive economy. Tokyo's high standards of educational achievement and technical innovation are also the product of a disciplined working and behavioral culture.

Although state direction proved advantageous in the first phases of Tokyo's global engagement, rigid national policies and insular social attitudes are now inhibiting the city's competitiveness in Asia. TMG leadership has limited scope to appeal for a more liberal immigration regime for the city, because national tiers of government do not recognize any need for foreign workers in fields such as finance or creative industries. This means that the TMG's business policies are instead more oriented toward global firms and dedicated infrastructure. Tokyo has shown considerable resilience to recover from severe political, social, and economic setbacks. The

city has suffered multiple natural and military devastations over the past 150 years. Commentators attribute its ability to switch rapidly from heavy industry to flexible industry, and more recently to high tech and nanotechnology, to a cooperative and well-organized institutional culture. The transfer of research and development findings into commercially viable products reflects a high degree of market understanding and respect for the commercial process ingrained in the culture of learning.

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, 2010, available at <http://www.lboro.ac.uk/gawc/world2010t.html>.

¹⁰ "Cities of Opportunity," Partnership for New York City/PricewaterhouseCoopers, 2011, p. 62.

¹¹ "World Cities Culture Report," Figures from Mayor of London, 2012, pp. 54–55, available at <http://www.london.gov.uk/sites/default/files/WorldCitiesCultureReport.pdf>.

¹² "Cities of Opportunity," Partnership for New York City/PricewaterhouseCoopers, 2012; "Hot Spots: Benchmarking Global City Competiveness," Economist Intelligence Unit, January 2012.

¹³ "World University Rankings." QS, 2012.

¹⁴ Stephen Mansfield, "Tokyo: A Cultural History," (Oxford University Press, 2006).

¹⁵ Asato Saito and Andy Thornley, "Shifts in Tokyo's World City Status and the Urban Planning Response," *Urban Studies*, Vol. 40, 2003, p. 665.

¹⁶ Andre Sorensen, "Building World City Tokyo: Globalization and Conflict Over Urban Space," *Ann Reg Sci*, Vol. 37, 2003, pp. 519–31.

¹⁷ Kuniko Fujita, "Neo-Industrial Tokyo: Urban Development and Globalisation in Japan's State-Centred Developmental Capitalism," *Urban Studies*, Vol. 40, 2003, p. 249.

¹⁸ Ibid.

¹⁹ Asato Saito and Andy Thornley, "Shifts in Tokyo's World City Status and the Urban Planning Response."

²⁰ Andre Sorensen, "Building World City Tokyo."

²¹ Asato Saito and Andy Thornley, "Shifts in Tokyo's World City Status and the Urban Planning Response."

²² "Toronto as a Global City: Scorecard on Prosperity 2011," Toronto Board of Trade, 2011, p. 49.

²³ Kuniko Fujita, "Neo-Industrial Tokyo."

²⁴ Ibid.

²⁵ Asato Saito and Andy Thornley, "Shifts in Tokyo's World City Status and the Urban Planning Response."

²⁶ Andre Sorensen, "Building World City Tokyo."

²⁷ Ibid.

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