

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

TORONTO

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
\$260,637,290,920 (1)	18.01%	\$43,905	5,936,352 (1)	17.08%	13	23	1.40%

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

With a population close to six million, Toronto is Canada’s largest metro area and most globally engaged region. Like Chicago and New York, which are almost equidistant from Toronto, the city is one of only 10 top-level “broad and deep” financial services providers in the Global Financial Centres Index.⁹ As the capital of Ontario Province it is the third most connected North American business city, ranking a fairly stable 13th, having overtaken Los Angeles since 2000.¹⁰ The city attracts more than twice as many international visitors as Chicago, and is inside the top 50 most-visited city destinations.¹¹

Toronto’s high evaluations for quality of life and affordability mean the city tends to excel in comprehensive assessments of global cities. It remains among the leading quartet in the Cities of Opportunity series, not least because of its excellent human capital, fairly robust health and security outcomes, and a competitive total tax rate. Excellent talent development and employer practices, and a relative lack of business creation bureaucracy, also contribute to the city rating as the second least risky world city for a corporation to relocate in AON’s 2012 People Risk Index. Toronto’s major areas for development, as highlighted by benchmark studies, include a relative lack of foreign capital investment, slow access from the airport to the central business district, and high public transport costs.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?

Although a 19th century gateway into the heartland of North America, Toronto's move onto an international stage really began in the post-1945 period. Under an atypical two-tier structure of government that prevailed until the mid-1990s, the new Municipality of Metropolitan Toronto successfully balanced development and investment between the central city and suburban districts. The arrangement redistributed the traditionally wealthy tax base of the central city outwards, and a fast-growing Toronto became known as "the city that worked."¹³

The federal government's official backing of a policy of multiculturalism in 1971 prompted successive waves of immigration into Toronto. The city benefited from the influx of entrepreneurial and investor classes, for whom Toronto was the destination of choice due to its concentrated local market, mature trade links, and existing immigrant communities.¹⁴ The metro region today attracts approximately 100,000 new immigrants annually, with Chinese, South Asian, and Filipino minorities among the most numerous. Over 1.2 million of metropolitan residents have origins in South Asia or China.¹⁵

Faced with challenges of declining employment in manufacturing in the 1970s, Toronto began a 20-year path to economic diversification and now has real strengths in the finance, telecommunication, and creative sectors. All of Canada's "Big 5" financial institutions have their corporate headquarters in the city, a result of the migration of headquarters of banks and other major businesses from Montreal and elsewhere. The city maintained an attractive business climate and grew to have the broadest global reach and economic scale within Canada.

Toronto has taken on an influential role in several important future sectors, including mining, metals, energy financing, retirement financing, and risk management.¹⁶ Despite considerable economic success, fragmented city-regional governance relationships since the 1980s have held back Toronto's international visibility and threaten a slow resolution to a serious infrastructural deficit. The weak alignment of priorities and strategies between the city, provincial, and federal governments has meant Toronto's trade and entrepreneurship accomplishments have limited recognition, and are therefore weakly transmitted to a global audience. Events such as the 2010 G20 summit and the 2015 Pan-Am Games are, by way of response, important momentum-building opportunities for Toronto's future international roles.

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?

Toronto's trade links between 1995 and 2008 were defined by intensifying cross-border U.S.-Canada business after NAFTA. New York was a primary trade partner during this period. Recently the city has made strong outreach to Mumbai, identifying parallels between the two cities in finance, film, and innovation. It has also initiated a series of trade missions with Qingdao and Beijing, hoping to attract Chinese firms to take advantage of a favorable R&D tax system and related incentives.

Toronto is vying with San Francisco to be the third most visited city in North America by overseas tourists. American visitors account for over 60 percent of overseas visitors to the city, with the next largest group from the United Kingdom. Chinese tourists are now the third most frequent visitors, and there is strong progress in the Brazilian market.¹⁷

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

Toronto's global platform was largely forged in the period from 1945 to 1980, when public investment was at its peak and when vertical government cooperation was least acrimonious. The city has retained and expanded its global roles since then despite a rather less favorable economic and political environment. Its success indicates the importance of accumulated infrastructure assets, city-led interventions to maintain openness, and active globally aware business leadership.

In the postwar period the city critically benefited from the confluence of several regional developments. First, it was ideally located to sell manufacturing products to a surging U.S. market, especially on the East Coast. Second, it also profited from established Commonwealth trade and population connections, which meant immigrants and entrepreneurs favored relocating to the city during the political destabilizations of World War II and subsequent decolonization. Canada's security advantages and the commercial legacy of British imperialism made Toronto a much more attractive place for business. Third, Quebec secessionist fears among the Anglophone business community saw financial and corporate assets move en masse from Montreal just as the global economy became much more financialized. Finally, the relatively small population of Canada meant that Toronto profited from an unusually high share of quality cultural and educational institutions settling in the city.

Despite these fortunate and inherited factors, Toronto also illustrates how a city can come to see openness and diversity as a critical driver of long-term success in the absence of supportive higher tiers of government. Sustained investment from the 1950s to the 1980s has left a legacy of excellent health care, schooling and public spaces, all accessible to new arrivals. Strong provision of social services and educational integration for ethnic minority communities – embodied by the “Diversity Our Strength” motto of the city council – reflect a generally hospitable climate to new arrivals. Thus, the culture of partition and differentiation that has existed between city and provincial governments has prompted the city government and city nongovernmental organizations and foundations to show proactive leadership in areas of social services, educational inclusion, and now international students.

Earlier investments in university and scientific institutions have, over two generations, allowed these institutions to develop a high level of global reach. The University of Toronto, the Rotman School of Management, York University and its Schulich School of Business, the medical activity in the Discovery District, and others, all now support Toronto's production of the workforce talent necessary to compete effectively in a range of high-growth sectors. The city has a strong record of converting graduates of the city's strong education system into a high-value technical and management elite. It now hosts a diverse, literate, and creative population with a high degree of civic responsibility. Today foreign-born faculty and graduates are identified as a potentially influential new pool of lifetime ambassadors for Toronto.

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 Global Financial Centres Index: 12,” Z/Yen, 2012.

¹⁰ “The World According to GaWC, 2010,” Globalisation and World Cities Network, 2010, available at www.lboro.ac.uk/gawc/world2010t.html.

¹¹ “Euromonitor International's Top 100 City Destinations Ranking,” Euromonitor International, 2013.

¹² “Cities of Opportunity,” PricewaterhouseCooper and Partnership for New York City, 2012; “2012 People Risk Index,” AON Hewitt, 2012.

¹³ J.-A. Boudreau et al., “Progress in Planning,” Vol. 66, 2006, pp. 7–59.

¹⁴ Harold Troper, “History of Immigration to Toronto Since the Second World War: From Toronto ‘The Good’ to Toronto ‘The World in a City,’” CERIS Working Paper No. 12, 2000, available at http://ceris.metropolis.net/Virtual%20Library/Demographics/WK12_Harold.pdf.

¹⁵ Paul Anisef and Michael Lanphier, eds., “The World in a City” (Toronto: University of Toronto Press, 2003).

¹⁶ Ibid.

¹⁷ Alia McMullen, “Toronto Revels in Record Tourist Season,” WalletPop Canada, 2011, available at

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