

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

VIENNA

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
\$179,806,070,800 (1)	49.65%	\$47,841	3,758,390 (1)	44.47%	39	10	1.71%

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

Vienna is Austria's historic capital and largest metro area, with at almost three million people. Situated in the east of the country, within 200 miles of Prague, Bratislava, and Zagreb, Vienna is one the highest-achieving medium-sized cities in the world for its economic institutions, cultural diversity, investment potential, and attractive lifestyle. Its all-around qualities mean it places within the top 15 of both the Global Cities Index and Global Power City Index, one of the only metros with fewer than five million people to do so.⁹ Within financial services the city is up an impressive 10 places since 2010 in the Global Financial Centres Index, to 36th, albeit with "local" rather than "transnational" provision.¹⁰ It has remained in the top 50 for embeddedness in circuits of global firms since 2000, which indicates durability as a business center,¹¹ and there are indications of improved foreign investment credentials, as the city rose from seventh to third in the 2012 European Cities of the Future analysis. Most notably, Vienna has shown a remarkable capacity to attract international meetings and events, ranking first every year since 2006.¹²

Vienna's main areas of challenge, on the evidence of benchmarks, are in global accessibility, cosmopolitan integration, business environment, and brand. The relative scarcity of intercontinental links is one contributor to the city being overtaken by Prague and Budapest for international visitors.¹³ Meanwhile, it rates in the bottom 10 of 36 cities in the European Cities Monitor for its reputation among international businesses for availability of talent and tax and regulatory framework.¹⁴

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?

It is no exaggeration to describe Vienna as one of the most significant international cities in the modern world. Since the mid-14th century, when Vienna became home to the Habsburg dynasty, the city has exerted profound cultural influence throughout the continent, receiving and circulating new influences in baroque music and art, science, and gastronomy. Vienna became an imperial hub for transnational trade, and its city administration was modernized in the 1790s in preparation for industrialization.

Nineteenth century trade prosperity was accompanied by consistent housing and rail infrastructure investment. Host to the 1873 World Exhibition, Vienna became a model of city center and suburban design, and it attracted immigration over successive generations. At the turn of the century, populist Mayor Karl Lueger secured investment from debt financing for major upgrades to utilities, health, and public space, which set the platform for the city’s superior livability today. Yet between the end of World War I and the fall of the Berlin Wall, political instability meant Vienna’s international status waned and many of its leading intellectual and business figures emigrated. The city became peripheral to wider global conflicts and a thriving postwar Western European economy.

The incremental expansion of the European Union and the easing of labor movements in the 1990s pitched Vienna as an important transnational gateway to and from Eastern Europe. The international ties that forged Vienna’s cultural, historical, and architectural heritage are now used to pursue gateway ambitions toward the Central and Eastern European economies. A large international banking and insurance presence has emerged, complemented by new clusters in telecommunications, biotechnology, and media. The city is now working to communicate its qualities abroad and to ensure that it retains attributes superior to Prague, Warsaw, Berlin, and Budapest, as each seeks to become the favored headquarter city for the region. Vienna’s future strategic international role is one of exemplary leadership in business innovation and sustainability, while it also seeks to diversify and update its aging tourist platform.

International attraction of migrants of all skill levels has occurred not only because of economic opportunity but also livability and affordable residential property. In the last decade, integration and diversity challenges have risen to the fore, with the mass retirement of a first wave of immigrants from the 1960s and 1970s and the comparatively informal rights granted to new immigrants in terms of economic and political inclusion. Third-generation immigrants have had particular difficulty in becoming integrated into the knowledge sectors of Vienna’s economy, and their exclusion threatens economic vitality as well as the city’s comfortable multiculturalism. Vienna has now invested in immigrant entrepreneurship and has among the strongest language provision in Europe for migrants.

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?

Approximately half a million of Vienna’s population are foreign-born, double the proportion within Austria as a whole, and close to 45 percent of inhabitants have at least one non-native parent. While arrivals from further north – Germany, Poland, and Czech Republic – remain important, the most significant influx in the past two decades has been from Serbia, Montenegro, and Turkey.¹⁵

Despite an extremely varied air network, Vienna’s tourist base is overwhelmingly European. Only 19 percent visit from beyond Europe, compared to 28 percent in both Bern and Paris.¹⁶ Plans to extend the airport were held up for a decade due to legal barriers and a lack of available investment for transport infrastructure projects.¹⁷

Vienna has nevertheless become increasingly successful at attracting international companies, especially from Germany, Switzerland, and the United States, with the support of its celebrated business agency, VBA, whose major role has been to improve a lagging business climate. The most significant investments in recent

years have originated from Germany, Hungary, the United States, and China.

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

Inherited historical factors have steered Vienna's path toward global fluency at different times. As a Holy Roman and imperial capital, the city was routinely treated preferentially by rulers for the establishment of core infrastructure and the expression of enduring cultural and Enlightenment motifs, thereby attracting innovative artists from across the continent. After the early 1800s, though, Vienna acquired a more engaged and committed city-level stewardship, which oversaw investment in resident-focused infrastructure upgrades and expansion. Because of these periodic modernizations, including rail and later air links, Vienna managed to stay competitive even after its political importance declined.

Vienna's latest phase of globalization, post-1989, has been more effective because previous waves of intentional investment had made Vienna a compelling destination, not least in the eyes of the United Nations, which chose to locate a number of offices there from the 1970s onward, and European banking and media organizations. While geographical proximity to new markets is a vital stimulus, Vienna also shows the significance of accumulated assets in previous waves of internationalization.

In the last two decades, Vienna's outreach has, however, been held back by national political hostility and inconsistent financing partnerships with adjacent Eastern European states. The city has found regional cross-border co-investment efforts constrained by a lack of consistency in neighboring governance processes and tension in interstate relations. Negative political repercussions have deterred a more open policy toward immigrants until recently.

Political stability of Vienna's leadership has been important to the pursuit of new regional roles. The city's charismatic mayor of nearly two decades, Michael Häupl, has the influence and credibility to lobby for greater devolution of powers. He and the city government have actively forged bilateral and multilateral contacts with Eastern European centers to extend the collective lobbying power of cities so their futures are not at the mercy of national governments.¹⁸ Consistent municipal leadership has created the political space to search beyond national borders for workers, visitors, and investment, given local population constraints, as part of a long-term gateway strategy. This approach has depended on economic networking with Eastern Europe and international promotion through global liaison offices. More recently the approach has focused on better leveraging the central city's outstanding historical and architectural endowments that underpin the metro's identity, and on becoming a more renowned educational and scientific center.

Perhaps Vienna's most distinctive recent intentional efforts toward global fluency have been to support genuine economic accessibility for a new generation of immigrants. This has been carried out by training up new arrivals' entrepreneurial skills and confidence, and actively broadcasting their potential economic value to more established communities. Vienna has developed an "openness" action plan to raise its attraction to international populations and foster productive talent by minimizing ethnic inequality and discrimination. The project has come to inform the city's urban development plan – STEP 2015 – and is growing to be part of everyday city policy. A cross-departmental team in the city government has been tasked with finding ways of developing inclusionary momentum within local public bodies as well as the business sector. Clemens Horak, manager of the project within the city municipality, has spoken of the "determination to understand internationalization as an opportunity and to go from an integration policy to a policy that values the potential offered by diversity".¹⁹

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 "2012 Global Cities Index and Emerging Cities Outlook," AT Kearney, 2012; "Global Power City Index," MORI Memorial Foundation, 2012.

¹⁰ "The Global Financial Centres Index: 12," Z/Yen, 2012.

¹¹ "The World According to GaWC, 2000/10," Globalisation and World Cities Network, 2010, available at www.lboro.ac.uk/gawc/world2010t.html.

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.

¹³ "Euromonitor International's Top 100 City Destinations Ranking," Euromonitor International, 2013.

¹⁴ "European Cities Monitor 2011," Cushman & Wakefield, 2011.

¹⁵ Greg Clark, "Leadership and Governance in Open Cities" (British Council: Madrid, 2010), pp. 26–30, available at http://opencities.britishcouncil.org/web/download/leadership_and_governance.pdf.

¹⁶ "City Tourism a Growth Driver During the Crisis," Roland Berger, November 29, 2011, available at www.rolandberger.at/news/2011-11-29-European_capital_city_tourism_en.html.

¹⁷ Haig Simonian, "Michael Häupl: Formidable Politician Keen to Foster Excellent Quality of Life," *Financial Times*, May 16, 2012, available at www.ft.com/cms/s/0/fbb5d562-95e8-11e1-9d9d-00144feab49a.html#axzz24Z3RAtyA.

¹⁸ Michael Häupl, "Europe and Local Government Must Work Together," *German Journal of Urban Studies*, Vol. 44, No. 2, 2005, available at www.difu.de/publikationen/german-journal-of-urban-studies-vol-44-2005-no-2/europe-and-local-government-must-work-together.html.

¹⁹ "Zoom on Vienna," URBACT, 2011, available at <http://urbact.eu/fr/results/zoom-on/?zoomid=10>.

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