

# 1. Introduction

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Increasing competitiveness is a topic of especial interest to cities, especially in today's economic globalization and the rapid development of information; it is indispensable to further the well-being and prosperity of citizens and firms, and to generate employment. Thus, competition between cities and the nature of urban competitiveness have attracted the attention of both governments and research funders. At the same time, with the diversity of world development and the arrival of new technology opportunities, the spread of innovation plays an increasingly important role in promoting social and economic progress. This important factor is profoundly reflected in the competition between cities.

Earlier studies on this topic were either confined to the traditional strategy analysis framework or mainly focused on economic indicators. Subsequently, scientific analysis tools such as resource-based and capability theories (Prahalad and Hamel, 1990; Langlois, 1992; Peteraf, 1993) were adopted to explore the causes of competitiveness. These tools not only involve technological factors in their research field, but also consider organization management, manufacturing, marketing, and the industrial environment. Technological innovation capability has long been a major source of competitive advantage (Freeman, 1994).

Thus, new approaches and perspectives have considerably extended the means of studying urban competitiveness. The Global Urban Competitiveness Project (GUCP) is aimed at conducting further research into the changes in and continuing development of world cities. In this project, scholars are studying the factors affecting urban development and competition, constructing a theoretical model of urban competitiveness that depicts an ideal city with sustainable competitiveness, and establishing an index system. The GUCP has published the Chinese Urban Competitiveness Report (CCCR, nine reports) and the biannual Global Urban Competitiveness Report (GCCR, three reports), set up a City and Competitiveness Database (CCI, 2003), and organized the International Forum on Urban Competitiveness (IFUC, 10 times) and the Chinese Conference on Urban Competitiveness (CCUC, nine times), thereby

deepening research and disseminating information on sustainable competitiveness research and city competitiveness, in conjunction with the establishment of the GUCP (2005) and the CASS Competitiveness Center (2010).

This is an unprecedentedly open period, with technology updated daily and economic globalization an integrative mechanism, and thus of great importance to city development in world affairs. Therefore, in this competitive world, cities aiming to sustain prosperity should have the following characteristics:

1. *They should be intellectual* Knowledge-based industries should take the lead; high-tech should be applied extensively in daily life and commerce; and citizens should have access to information and be committed to creativity.
2. *They should be ecological* 'Clean' and 'green' will be basic features of future cities, and the city and its activities will be harmoniously integrated.
3. *They should be personalized* Mega Giant cities and small towns will have a parallel existence and desire for development, and the urban landscape, especially urban culture, should have its own appeal.
4. *They should be integrated* The boundary between city and countryside, or city and regions is becoming blurred; infrastructure and public service should be enjoyed equally in both urban and rural areas; and governments, enterprises, organizations, and the public should enter into open exchange.
5. *They should be harmonious* People and the city itself are both part of nature and also nature's protector; coordinated development can be achieved through the wealth accumulated by investing more knowledge.
6. *They should be multifaceted* The city is multi-faceted, ambitious, tolerant, and has its own characteristics.
7. *They should be international* A city is a major hub in the world city network; free and open exchange greatly enhance city development.

Among these seven items (2), (3), and (6) are the most critical, because they are not easy to implement in the short term.

The Ninth IFUC research seminar gave urban specialists the opportunity to bring their knowledge and experience from many countries and cities to bear on these issues of urban competitiveness. The concept of competitiveness is indeed a complex one, and it is closely related to a number of different aspects. In particular, we focused on the following four themes – urban competitiveness, urban competitiveness and innovation, world cities and urban competitiveness and industrial clusters – and these will be dealt with in turn in this book.

## 1.1 PART I: URBAN COMPETITIVENESS

Part I is concerned with the competitiveness between cities. Pengfei Ni, Wei Shaokun, Liu Kai and Zheng Qiongjie (Chapter 2) introduce the conceptual framework and method of analysis. They then discuss the status of Chinese cities in the world's most competitive cities and make some policy suggestions to promote Chinese urban competitiveness. In many OECD countries, urbanization and suburbanization go hand in hand with urban sprawl, generating greater capital costs related to building more schools and extending roads, water and sewage pipes and storm water drainage systems. Sprawling cities tend to be characterized by low economic efficiency and high environmental stress. Such a phenomenon occurs in China, where there are environmental pressures, and conflicting demands on scarce resource commodities, raw materials, infrastructure, and services.

Growing competition among cities is not only apparent in the field of economics, but also increasingly evident in the environment, governance, capabilities, and so on. Lamia Kamal-Chaoui and Margo Cointreau (Chapter 3), indicate that by pursuing green growth strategies, cities can generate opportunities to develop and sell the technologies that will be in demand in the markets of tomorrow. National government engagement is a crucial element in fostering green growth in cities. 'City branding', another factor to be considered, is a means of securing city competitiveness that enables effective delivery of a distinctive image of the city such as its natural environment, historic character, cultural attractions, and administrative services for customers and potential customers. The 'human factor' is a key element to urban competitiveness. To quote Winston Churchill: 'The empires of the future are the empires of the mind'. The issue of labor, especially migration labor, has been associated with the original global city hypothesis.

François Gipouloux (Chapter 4) explains that the national characteristic of a large population with a scarcity of land is the determining factor for China to take the path of intensive development.

## 1.2 PART II: URBAN COMPETITIVENESS AND INNOVATION

A prerequisite for urban competitiveness enhancement is innovation. Enhancing urban competitiveness based on innovation can be approached in various ways. Guido Ferrari (Chapter 5) compares different areas and develops a ranking system, a very useful and fruitful way of looking at the

question. Leo van den Berg, Erik Braun and Willem van Winden (Chapter 6) study the development of different kinds of growth clusters, localized networks of specialized organizations in urban regions. The cluster perspective, with its focus on local interaction and innovation, proved useful, as increasingly, economic activities cross the boundaries of traditional economic sectors and innovations are generated in interorganizational settings.

In a globalized and rapidly evolving economy, cities and urban regions increasingly find themselves in relationships that are either cooperative or competitive in nature. William F. Lever (Chapter 7) develops the innovative concept of collaboration between cities in a 'third way' in contrast to the idea of urban competition within the market economy. In the central belt of Scotland there has been a long history of rivalry, if not antagonism, between Edinburgh with its government, financial services and tourism, and Glasgow with its heavy industry. Economic change and globalization has forced the two cities to collaborate in areas such as transport infrastructure, sector clusters and urban place marketing, to raise their profile as a world city.

Innovative forms of governance, planning and problem solving, may well become normative features in decision making and even essential prerequisites for urban competitiveness.

Ming Zhang (Chapter 8) highlights a range of possible local government actions for policy makers in promoting local economic competitiveness based on comparative and competitive advantages, rather than blindly applying different actions. Local governments should be fully aware of the market and governance risks involved in their actions, and should match the level of policy actions with the competence of local institutions and staff capacities.

### 1.3 PART III: WORLD CITIES

World cities such as New York, London, and Tokyo are more concerned with their international competitors than with other domestic cities (Sassen, 1991). In Europe, cities have become more alert to the opportunities and threats arising from increased European integration (Lever, 1993). In greater China, Hong Kong, which is seeking to establish itself at the global level, is facing increasing competition from some cities in mainland China, such as Guangzhou and Shanghai (Jessop and Sum, 2000; Xu and Yeh, 2005; Shen, 2010).

Part III focuses on the subject of world cities and competitiveness. Analysis of the 'world city network' since the year 2000 (Taylor, 2001;

Taylor et al., 2009), provides empirical evidence of a distinct global shift in territorial connectivity to the world service economy produced by cities, bearing out the predictions of a number of late twentieth-century writers. Porter (1998) argued that cities can compete in the way that firms and nation states compete, albeit by using different strategies and measuring their competitive success in terms of different objectives. Krugman (1991) argued that cities do not compete because they do not have a single decision-making body.

Peter Taylor (Chapter 9) starts by debunking the competitive presumption for inter-city relations; he argues theoretically and empirically, providing three case studies to illustrate why a mutuality presumption is the preferred starting point. Hiroo Ichikawa (Chapter 10) discusses the Global Power City Index (GPCI), with its 69 indicators, and 12 different types of rankings that describe a variety of characteristics of the top 35 world cities. He shows that every city has both its weaknesses and strengths in six groups of main urban functions.

Jianfa Shen (Chapter 11) argues that Hong Kong's world city status is related to its close integration with the Pearl River Delta (PRD). It acts as the 'front shop' for many factories in the PRD region. Its forward business connection to the global market and backward linkage to its hinterland create a competitiveness edge for trade and business in Hong Kong.

## 1.4 PART IV: URBAN COMPETITIVENESS AND INDUSTRIAL CLUSTERS

Cluster theory and its application, cluster-based economic development policy, have been in the forefront of regional economic development theory and practice during the past decade. Peter Karl Kresl (Chapter 12) describes the concept of clusters and gives an evaluation of cluster development. Three models of clusters are identified, and suggestions are made concerning those situations in which clusters can be beneficial to the development of the urban economy, and others in which the benefits of cluster initiatives would be minimal or even counterproductive.

Stefano Mollica (Chapter 13) discusses the research project carried out in 2006–07 by AISLO, jointly developed with the University of Naples, the Department of National Heritage and Cultural Activities, and the Province of Caserta. The project deals with the idea that several areas in Italy and abroad need to connect their cultural, artistic and environmental endowments with human and economic resources in order to local economic development and cultural integration.

Harold Wolman (Chapter 14) discusses various cluster processes and

links through which they presumably affect firm growth and thus regional economic output. Finally, Jaime Sobrino (Chapter 15) analyzes the role of industrial clusters in the growth and competitiveness of the largest cities in Mexico, and explores the empirical relationship between urban competitiveness and local industrial clusters for such cities.

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