

**Draft Report for the Blueprint for National Prosperity Project,
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CHINA

China is the poster-child in the sense that it is the only major nation (other than Singapore, a metropolitan region of 4.5 million that is its own sovereign country) where urban/metropolitan policy is at the very heart of national macroeconomic policy. Since 1978, “urban-led” economic growth, particularly focusing on the major coastal city-regions, has been a widely acknowledged lynchpin of the Chinese “blueprint for national prosperity” and one of the major reasons that the Chinese economy has been growing at a consistent 9 percent annual rate, well above any other large country (though India is now catching up). In China, the Mayors of the four biggest municipalities and their surrounding administrative regions – Beijing, Shanghai, Chongqing, and Tianjin – are members of the State Council (equivalent to Cabinet Ministers of the national government) with powers similar to provincial governors. The jurisdictional boundaries of these four Municipalities extend far beyond urban and suburban districts into the rural hinterland, such that the Municipality of Chongqing is actually larger in area than the Province of Hainan.

Until quite recently, China’s two key national political and governmental leaders, Jiang Zemin and Zhu Rongji, both served as Mayors of Shanghai during the 1980s as a stepping stone to national power and a learning experience on large-scale urban economic management at time when their national predecessors, Deng Xiaoping and Li Peng, made metropolitan Shanghai’s economic strategy a major priority. Shanghai’s Lujiazui Central Finance District and Trade Zone in the Pudong New Area is designed to serve as a world-class financial services center for Asia, ultimately competing with Tokyo and Singapore,

and complementing and reinforcing the role of Hong Kong, which since 1997 is once again a major Chinese city. The extensive development of Pudong New Area in Shanghai is a key element of the central city's contribution to booming regional economic growth, including the Three Gorges Dam bringing electric power and industrialization to the Yangtze River Delta that feeds into Shanghai and promotes export activity through the East China Sea.

SOUTH AFRICA

In post-apartheid South Africa, the Municipal Structures Act of 1998, which took effect after the national elections in 2000, consolidated six major urban municipalities with their surrounding townships to create "unicities." Since the cities under apartheid were for white residents and the suburban townships were for colored and black residents, creating metropolitan municipal governments with a racial and ethnic diversity of residents and one common tax base and budget was a very progressive, pro-metropolitan initiative. The six "unicities" are Cape Town, Johannesburg, Tshwane (Pretoria), eThekweni (Durban), Nelson Mandela (Port Elizabeth), and Ekurhuleni (East Rand). These six major "unicities" together constitute 31 percent of South Africa's total population, yet contribute 55 percent of the nation's Gross Domestic Product (GDP). In addition, the Province of Gauteng, which contains Johannesburg, Tshwane, and Ekurhuleni, is more than 90 percent urbanized and the Provincial Government acts as a kind of "super-metro" jurisdiction promoting rapid economic development for the entire nation through its largest and most dynamic urban growth engine.

To promote urban-led economic growth and redistribution under South Africa's macroeconomic policies, during 2002 the national government formed the South African

Cities Network (SACN), which is jointly supported by two Cabinet agencies, the Department of Trade and Industry (DTI) and Department of Provincial and Local Government (DPLG). Participants in the SACN consist of elected Councillors and senior administrative officials from the municipal governments of the nine major South African cities: Buffalo City, Cape Town, Ekurhuleni, Ethekwini, Johannesburg, Mangaung, Msunduzi, Nelson Mandela, and Johannesburg. These nine cities are the main economic generators in the Republic of South Africa. The SACN conducts periodic “Think-Tank” meetings to train government leaders and executives on metropolitan economic development and other key urban management and program issues, and to develop joint national policy proposals to strengthen the role of these major cities in economic expansion.

BRAZIL

In 2001 the Federal Government in Brazil enacted Federal Law Number 10.257, entitled “The City Statute.” This act formalized the landmark chapter on urban policy from Brazil’s new constitution of 1988. The City Statute provides substantial legal support for municipalities to address economic, social, and environmental challenges facing the 82 percent of the Brazilian population that is now urbanized. This new law confirmed and widened the role of urban municipal governments in land-use planning and regulation, along with urban development and management more broadly. Brazil’s City Statute was globally recognized in 2002 by the United Nations at the first World Urban Forum held in Nairobi, Kenya.

To further the momentum of the City Statue, in January 2003 the new Federal Administration of President Luis Inacio Lula da Silva created the new Ministry of Cities, consolidating four National Secretariats: Housing, Environmental Sanitation, Urban Programs, and Transportation and Urban Mobility. The Ministry of Cities has established a new National Urban Development Policy based on the concept of “the right to the city” for all, including the many low-income migrants to urban areas who are living in informal squatter settlements known as “favelas.” In addition, the Brazilian Government’s national bank, Caixa Economica Federal, has been playing an increasingly active role in financing urban infrastructure and services, economic and community development, and affordable housing, together with promoting urban “Best Practices” through a national competition and awards program.

EUROPEAN UNION

In May 1999 the European Union (EU) Council of Ministers Responsible for Regional Planning adopted the European Spatial Development Perspective (ESDP), which called for a more balanced and “polycentric” urban system across the EU, intended to spread the benefits of economic prosperity, environmental sustainability, and social cohesion more widely throughout Europe. The ESDP has become even more important with the accession of 12 new countries to EU membership in the past three years, such that it now covers a total of 29 European countries (27 EU member states plus Switzerland and Norway).

To help realize the goals of the ESDP in terms of urban development policy, the EU has established the European Spatial Planning Observation Network (ESPON), which

is the largest collaborative, publicly funded urban policy research effort in the world. During the first round of ESPON research from 2002 through 2006, more than 600 expert scholars and professionals conducted 34 separate research projects. These projects were coordinated by the ESPON Coordination Unit, which is housed inside the Ministry of Interior and Spatial Development in Luxembourg. The ESPON Coordination Unit has produced a final synthesis of the 34 separate research reports, published in October 2006 under the title, *Territory Matters for Competitiveness and Cohesion: Facets of Regional Diversity and Potentials in Europe*. They also helped synthesize the findings of the 34 reports by publishing a combined ESPON Atlas of maps and interpretive data, and an ESPON Scientific Progress Report on methodological and technical issues. The first round of the ESPON Program (2002-06) was funded at an amount of 12 million Euros, and the results were considered by the ESPON Monitoring Committee and European Commission to be so worthwhile, that a second round of ESPON Program research projects has now been authorized to cover the period from 2007 to 2013, and this second round has been funded at a total amount of 47 million Euros, a nearly four-fold budgetary increase.

The EU also sponsors a European Community Initiative that is more policy, program, and action-oriented called INTERREG (International Regions). INTERREG is primarily designed to promote and support regional cooperation across national borders, including metropolitan areas that span two or more countries. The funding mainly comes from EU Structural Funds, specifically the European Regional Development Fund (ERDF), with additional funding from the various national governments on a project-by-project basis.

JAPAN

Japan's national government has several decades of successful experience with metropolitan industrial policy, by encouraging the creation and growth of advanced technology industry clusters in urban locations throughout the country, by investing substantial resources into higher education institutions, research and development facilities, technology commercialization, transportation and telecommunications infrastructure, financial subsidies, trade promotion and market development, business networking, supplier linkages, technical assistance for business start-ups and small/medium enterprises (SMEs), and many other forms of support. The best known of these initiatives, dating back to the 1980s, is the Technopolis Program, managed by the former Ministry of International Trade and Industry (MITI, which has since been reorganized and renamed as the Ministry of Economy, Trade, and Industry, or METI). The Technopolis Program helped foster the development of 26 regional sites, spread throughout the country, to decentralize and at the same time strengthen metropolitan-based advanced technology industry clusters.

Since 2001, the national government through the newly renamed METI has launched a new Industrial Cluster Project, focusing on 19 metropolitan areas. More than 500 national government officials working for the Regional Bureaus of Economy, Trade, and Industry are collaborating with nearly 6,000 local small and medium-sized businesses and with researchers from more than 200 universities to provide employment and entrepreneurship training, to support research and development of technology-based products and production processes, and to generate information exchange and

organizational cooperation between industry, academia, and government. An example of this approach is the Technology Advanced Metropolitan Area (TAMA) association located in suburban Tokyo. TAMA was founded in 1996 with the encouragement and assistance of METI, particularly its Kanto Regional Bureau. TAMA focuses on strengthening and developing technology-oriented businesses and industries in the western parts of metropolitan Tokyo, with a particular emphasis on electronically automated mechanical instruments and control systems (“mechatronics”). The TAMA service area covers three local prefectures and 74 municipalities, in which 300 companies and 34 universities currently belong to TAMA. It helps these businesses and university researchers gain access to new technologies, domestic and international export market information, and product development facilities. TAMA has established its own Technology Licensing Office to assist in patenting, licensing, and commercialization.

During the past decade TAMA has succeeded in raising the visibility of SMEs with large corporations and with government policymakers, has significantly expanded industry-university relationships, and has helped create a more unified regional identity in a highly fragmented metropolitan area. The example of TAMA is multiplied by many similar associations around the country, all of them created and funded by the national government through the Ministry of Economy, Trade, and Industry. Other examples include the Super Cluster Promotion Project in Hokkaido to promote information technology and biotechnology industries, and the Bio Cluster project in the Kinki Region, which includes the cities of Osaka, Kyoto, and Nara. All together, METI is supporting 19 regional industrial cluster projects with a total budget of \$350 million.

In addition, the national government's Ministry of Education, Culture, Sports, Science, and Technology (MEXT) is investing \$410 million in the Knowledge Cluster Initiative to encourage universities to work with area industries and financial institutions and venture capitalists to commercialize new technologies. METI and MEXT collaborate on these complementary projects, through industry cluster forums in each region and at the national level, as well as regional Cluster Promotion Committees. For example, MEXT's Sapporo Information Technology Creation Project and METI's Hokkaido Information Technology Cluster Initiative have worked together on the research and development of new commercial technologies and have provided technical assistance to enable SMEs to utilize these new technologies both in their production processes and as new products.

DENMARK AND SWEDEN (THE ORESUND METROPOLITAN REGION)

One of the world's most ambitious examples of cross-national pro-metropolitan policy is the Oresund regional economic development initiative jointly undertaken by the Governments of Denmark and Sweden, with additional support from the European Union. The Oresund Region has a total population of 3.5 million, and includes both Copenhagen, Denmark's national capital and largest city, and Malmo, Sweden's third largest city. Now increasingly joined together into one region, Oresund is fast becoming the largest and most dynamic metropolitan economy in the Baltic Sea area. Combining the institutions located on both the Danish and Swedish sides of Oresund together into one coherent and interactive metropolitan area make this region the fifth largest in all of Europe in terms of the total resources devoted to scientific research, whereas the Danish

side on its own (Copenhagen metro) ranks 21st in Europe. It is precisely for this reason that the Danish and Swedish governments signed an agreement in 1991 to build a combination railway and motorway bridge connecting Copenhagen and Malmo across a body of water known as the Oresund strait that links the Baltic Sea to the North Sea and the Atlantic Ocean. The Oresund Bridge was completed in 2000. It is 17 kilometers in length (10.6 miles), making it the longest fixed cable road and railway bridge in the world.

While the bridge was under construction, the Governments of Denmark and Sweden, working with the European Union, began designing coordinated metropolitan economic growth strategies and environmentally sustainable urban development plans, issuing a joint publication in 1999 entitled *Oresund: A Region is Born*. Total funding provided by the European Union's INTERREG (international regions) program for the Oresund initiative between 1996 and 2006 is 45 million Euros, which was equally matched by contributions from the Danish and Swedish governments, plus another 2 million Euros from the private sector. To quote a recent study by the European Institute for Comparative Urban Research: "The Oresund Area is by far the largest concentration of activity in the Nordic countries; it is the major cross point of Scandinavia and the most important gateway to the Baltic Sea Area...The area is a model for European integration."

The Oresund Region is strong in knowledge-intensive industries such as medical products and pharmaceuticals, information technology and telecommunications, and environmental technologies, and it also has a large food processing industry cluster. It contains a total of 20 universities, including Lund University, one of the largest in

Sweden, and the University of Copenhagen, Denmark's oldest and largest university. And it now includes the new Oresund University consortium, established in 1997 as a collaboration of 12 existing universities employing 10,000 researchers, located both in the Danish Province of Zealand and in the Swedish Province of Scania. Oresund University was specifically created to foster cross-border cooperation in anticipation of the opening of the Oresund Bridge, through expanding scientific education and research, along with generating and supporting interdisciplinary networks between academic researchers, business executives, and government officials by identifying key dynamic industry clusters and helping create cluster associations. Some of these recently established networks include the Medicon Valley Academy, the Oresund Information Technology Academy, the Oresund Food Network, and the Oresund Environment.

FINLAND

Finland, which until quite recently was a relatively underdeveloped economy, has become transformed into one of the most dynamic technology-oriented national economies in the world, particularly in the fields of information and communications technology (ICT). One of Finland's largest companies, Nokia, is now a global leader in mobile telephones and similar advanced technology goods and services such as the Global System for Mobile Communications (GSM), and the country as a whole is now a strong net exporter of technology products. Finland has accomplished these goals by joining the European Union in 1995 to expand its market access, by investing heavily in its educational systems to ensure the widespread availability of a highly qualified workforce, by investing substantially in its telecommunications infrastructure (it is

ranked among the top 20 countries in the world in terms of per capita Internet connectivity, tied with the UK), by investing heavily in research and development (Finland now has the second highest R&D expenditures as a percentage of GDP, ranking just behind Sweden. Total combined public and private sector R&D spending in Finland rose from less than 1.5 percent of GDP in 1985 to more than 3 percent of GDP by 1998, with massive increases during the 1990s both by the Finnish government and by Finnish corporations.), by dramatically increasing venture capital and business financing for small, medium, and large advanced technology enterprises, and by investing in a first-class urban transportation and land-use system that enhances urban mobility, environmental sustainability, and overall quality of life.

The World Economic Forum (Davos) Global Competitiveness Report ranked Finland in first place among all of the world's nations from 2002 through 2005, and Finland is currently ranked in second place behind Switzerland. Similarly, a recent OECD report states that the Greater Helsinki Region (GHR), Finland's national capital and largest city, which is the location of nearly 40 percent of all Finnish jobs and close to half of the nation's ICT employment, is ranked among Europe's leading metropolitan regions in terms of economic competitiveness. The 2005 World Knowledge Competitiveness Index includes Helsinki among its top 20 metropolitan regions globally.

According to a recent study by the European Institute for Comparative Urban Research, "The deep recession in the Finnish economy in the early years of the [1990s] decade crumbled the old basis of manufacturing and brought mass unemployment to many big cities. The idea of 'cities as engines of growth' became a guiding principle of urban policy. Combined with the consistent technology policy by the national

government, the Center of Expertise Program launched in 1994 has turned out to be a success. In the latter half of the 1990s, the major city-regions of Finland (Helsinki, Tampere, and Oulu especially) experienced strong growth in the knowledge-intensive industries, which brought an employment growth of over 20 percent in these cities. The big cities became winners in the new global economy and pulled the rest of the Finnish national economy into a rate of growth nearly unmatched in the European Union. The flagship of Finnish urban policy is the Center of Expertise Program. Most programs are implemented by local development companies that are organized according to the ‘Triple Helix Model’ (a partnership of the university, the city, and business enterprise). The Regional Center Program, launched in 2000, encourages strategic cooperation among various actors in urban regions and promotes key projects mostly aimed at strengthening the competitiveness of local business. This regional program covers 34 regions and includes most cities, except for the capital region. However, in 2004, a Helsinki Region Commission, led by the Minister of Regional Development, was installed to deal with urban policy challenges and measures in the Helsinki region.”

An example of this “Triple Helix Model” in action is the Helsinki Region Center of Expertise Culminatum Limited, a public-private partnership with one-third of its shares owned by local universities and research institutes, one-third by the City of Helsinki and its neighboring municipalities and the Uusimaa Regional Council, and one-third by private companies, financial institutions, and science park development and management firms. Helsinki Culminatum manages regional industry cluster-building activities focused on six sectors of the knowledge-based economy, funded primarily by local governments and national government innovation programs. A key initiative is

enabling university researchers to spin-off commercial technology applications into thriving business ventures, with funding from the National Technology Agency (Tekes). In addition, Helsinki Culminatum is working to develop a coordinated metropolitan innovation strategy to turn the Helsinki region into an “Ideopolis.” This involves 26 separate projects by universities, government, and the business community to promote international visibility and attract investment in local research and development, foster innovative new industry clusters, improve public services and support for R&D, and create a new 21st century model of university-industry partnerships in designing and developing science parks.