



# Unlocking Potential: A Multifaceted Approach To City Competitiveness Enhancement

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**ABSTRACT:** Cities are the engines of the global economy, playing a crucial role in innovation, job creation, and overall prosperity. However, in an increasingly competitive world, cities must constantly strive to unlock their full potential and enhance their competitiveness. This paper proposes a multifaceted approach to city competitiveness enhancement, drawing on insights from leading organizations like the IMD World Competitiveness Center and the World Economic Forum. The paper argues that a successful approach goes beyond traditional economic factors. It emphasizes the importance of considering a broad spectrum of dimensions, including: Economic Vitality, Social Equity and Inclusion, Environmental Sustainability, Infrastructure and Connectivity. By adopting a multifaceted approach, cities can unlock their full potential, enhance their competitiveness, and become thriving centers of economic growth, social progress, and environmental sustainability.

**KEYWORDS:** City Competitiveness, World Economic Forum, Globalization, Global city

## 1. INTRODUCTION

Increasingly, cities are exposed to greater competition and must enhance their economic performance to keep pace. There is greater pressure to enhance factors that drive competitiveness, align economic infrastructure, and facilitate growth of trade and investment in cities and between cities in regional networks. Concerned governments and stakeholders are challenged to secure and manage the resources and investments needed to grow and develop their urban economies. Strategies are needed to address deficiencies and harness the forces of competition to ensure more equitable, efficient and environmentally sustainable urban development. Strategies to enhance competitiveness seek to create mechanisms through which cities: unlock their potential to attract investment and capital; develop their human capital base, infrastructure and knowledge; and trade and grow their way out of poverty. This paper discusses factors and strategies to enhance city competitiveness and suggests an agenda for the international community to support local governments in evolving their urban systems.

This paper proposes a multifaceted approach to city competitiveness enhancement, drawing on insights from leading organizations like the IMD World Competitiveness Center and the World Economic Forum. We argue that moving beyond traditional, narrow economic measures is crucial for success. We propose a framework that considers a broader spectrum of dimensions, encompassing factors like a skilled workforce, social equity, environmental sustainability, and robust infrastructure, alongside economic vitality.

By adopting this multifaceted approach, cities can foster a thriving urban environment that attracts talent, businesses, and investment, ultimately leading to sustainable economic growth, social progress, and a resilient future. This introduction sets the stage for your research by:

- Highlighting the growing importance of cities.
- Framing competitiveness as a key challenge for cities.
- Introducing the concept of a multifaceted approach.

## 2. OBJECTIVES

The objectives of this work are to encourage city leaders, policy-makers at local, regional, national and international levels, and academic and other experts to focus on competitiveness at the city level; and, to encourage a rich global dialogue on this issue and shine a light on creative and path-breaking initiatives that address the multiplicity of challenges facing today's cities. The Forum's global network is in a unique position to contribute to this dialogue through the inputs of its many contributors from public policy, business, non-governmental organizations (NGOs), academia and think tanks.

## 3. METHODOLOGY

The approach is qualitative and descriptive, based on case studies of individual cities around the world. The intent is not to try constructing another index of city competitiveness. Several are already available, such as the Global City Competitiveness Index of the Economist Intelligence Unit, A.T. Kearney's Global Cities Index, City Lab's Global Economic Power Index and the Mori Memorial Foundation's Global Power City Index. With focused case studies for drawing useful comparisons and lessons, this report complements rather than replicates quantitative-based studies. First, global "megatrends" are reviewed, starting with urbanization, and their relevance today to city competitiveness is highlighted. The report then provides a definition of city competitiveness, and creates a simple taxonomy of four drivers of city competitiveness. This is applied to a "big basket" of cities from the United States, Latin America, Europe, Africa, the Middle East and Asia. The taxonomy is also applied but in a more detailed, systematic way to a "small basket" of seven cities, chosen from different countries and regions and at different levels of economic development (low-, middle- and high-income cities). Lessons distilled from these big and small baskets are collated into a "how to reform, what to reform" checklist for city competitiveness. Each city studied, whether as a mini or full case study, has one or several important lessons that are highlighted and can be useful to city leaders elsewhere.

## 4. CITY COMPETITIVENESS IN THE GLOBAL ECONOMY: MEGATRENDS

Adam Smith and David Ricardo, influential economists, pondered the wealth of nations, with Ricardo famously calling it "the grandest of all questions in political economy." Today, the concept of "national competitiveness" is central to discussions about wealth creation at various levels—nations, regions, and localities. The Global Competitiveness Report, published annually by the Forum, examines policies and institutions that enhance national productivity, thereby influencing competitiveness and growth.

Before the rise of nation-states, cities were the primary units of political, economic, and cultural organization. Today, a new perspective on the global economy emerges—one where cities are the focal points of interconnectedness across borders through trade, investment, migration, and technology exchange. Historically, cross-border economic activity has thrived between coastal cities, driving prosperity and innovation.

In contemporary times, policy innovation predominantly occurs at the city and subnational levels, surpassing national governments and international forums. This decentralization allows for flexible policymaking, experimentation, and learning. American and European cities have been particularly proactive in policy innovation amid governmental challenges. However, the narrative of city competitiveness and national wealth is increasingly shifting towards the emerging world, particularly Asia, driven by urbanization trends and economic shifts.

In essence, cities play a crucial role in shaping the global economy, with their competitiveness influencing the prosperity of nations in an interconnected world.

#### **4. 1 Megatrend 1: Urbanization, Demographics and the Emerging Middle Class**

Urbanization has accelerated unprecedentedly, with over half of the world's population residing in cities since 2010. Cities generate over 80% of global GDP, and this trend is set to continue with rapid urbanization projected, particularly in non-Western regions. By 2050, an additional 2.4 billion people are expected to urbanize, bringing the global urban population to 6.3 billion.

The top 100 cities, as per McKinsey Global Institute, accounted for 38% of global GDP in 2007, projected to rise to nearly 60% by 2025. Developing countries will drive this urban growth, contributing close to half of global GDP by 2025. China will have 242 cities among the top 600, with Latin America and South Asia also significant contributors.

#### **4. 2 Megatrend 2: Rising Inequality**

Market reforms and global economic integration, particularly from the 1980s to 2007, have led to remarkable prosperity and significant poverty reduction globally. However, within countries, inequality has been on the rise. While global inequality has decreased, primarily due to significant poverty reduction in China and India, in-country inequality, as measured by metrics like the Gini coefficient, has increased in many nations, including OECD members and developing countries like China, India, Russia, and South Africa.

#### **4. 3 Megatrend 3: Sustainability**

Sustainability involves long-term economic development that aligns with available natural resources and environmental preservation. As global population and incomes rise, the strain on resources and the environment intensifies. Per-capita energy consumption has doubled since 1950, and global energy demand could surge by up to 50% by 2030, particularly in developing Asia due to industrialization. Despite efforts to promote renewable energy, the rising demand will lead to increased fossil fuel consumption and carbon emissions. Additionally, the growing demand for food faces challenges due to limited agricultural land, while energy and food production strain water resources.

#### **4. 4 Megatrend 4: Technological Change**

Technological advancements have historically driven urbanization by reducing transport and communication costs. While dispersing economic activity globally, they've also concentrated it in specific locations, particularly cities. Cities benefit from economies of scale, talent clustering, and innovation, leveraging their agglomeration advantages throughout history. Today's technological landscape, with its rapid communication speeds and widespread internet and mobile phone access, intensifies these effects. Technological change is disruptive, shifting manufacturing and service jobs globally. Cities reliant on single industries may decline, while adaptable ones thrive, exemplified by London, New York, and Singapore. Cities remain best positioned to harness technological change, offering access to global markets, educational opportunities, healthcare advancements, and innovation hubs.

#### **4. 5 Megatrend 5: Industrial Clusters and Global Value Chains**

Global value chains (GVCs) are a defining feature of contemporary international trade, facilitated by the ICT revolution and market openings. They involve fragmenting production across borders, with different segments of the value chain situated in various countries. GVCs, prominent in manufacturing, especially ICT products, rely on supporting services like finance, telecommunications, and logistics. They drive productivity, growth, and employment globally, integrating exports, imports, foreign direct investment, technology, and intellectual property seamlessly.

#### **4. 6 Megatrend 6: Governance**

The globalization of markets and the proliferation of technology are reshaping societies worldwide. While technology concentrates economic activity, it also empowers individuals and decentralizes decision-making. Despite these dynamic shifts, global governance remains static, with nation-states and intergovernmental organizations dominating. However, decentralizing forces favor subnational governance, fueled by increased access to information and rising expectations for transparency and accountability.

This creates an opportunity for provincial and city governments to play a more active role, particularly in decentralized political systems like the United States. In conclusion, cities must navigate these megatrends, balancing centripetal forces like urbanization with centrifugal ones such as technological advances and governance trends. They must address challenges like inequality and environmental pressure while leveraging their competitive advantages to thrive in the evolving global landscape.

## 5. CITY COMPETITIVENESS: A DEFINITION AND TAXONOMY

### 5.1 Definition

MGI categorizes cities as metropolitan areas with populations exceeding 150,000. These cities are further classified into "small middleweight" cities (up to 5 million), "large middleweight" cities (up to 10 million), and "megacities" (populations exceeding 10 million). While some cities are part of elongated multi-city corridors like "Chicagoland," others are rooted in wider subnational regions such as Bilbao in the Basque Country of Spain. The report primarily focuses on cities as metropolitan areas.

**City competitiveness** can be defined as the set of factors – policies, institutions, strategies and processes -- that determines the level of sustainable productivity of a city. Sustainability encompasses economic, environmental and social issues.

### 5.2 City Competitiveness Taxonomy

The taxonomy's four parts are:

- (1) Institutions,
- (2) Policies and Regulation,
- (3) Hard Connectivity And
- (4) Soft Connectivity.

## 6. CASE STUDY

**Singapore** – High-income; a city state and Global city

### 6.1 Introduction

Singapore and Hong Kong SAR stand out as leading city-states today, reminiscent of historical counterparts like Venice and Genoa. Singapore, alongside global hubs like London and New York, serves as a key global city where business transcends languages, currencies, and jurisdictions. Unlike other global cities, Singapore functions as a city, state, and island combined, navigating geopolitical vulnerabilities by embracing global markets.

With a population of 5.4 million in less than 700 km<sup>2</sup>, Singapore boasts a GDP of around \$340 billion and a GDP per capita of \$62,400, ranking among the highest globally. Despite its lack of natural resources, it has achieved virtually full employment and consistent budget surpluses since the 1980s. Singapore's economy is highly globalized, with trade accounting for about 400% of GDP and substantial foreign investment.

However, Singapore's journey from poverty to prosperity is remarkable, with its GDP per capita soaring from just over \$500 at independence in 1965. Embracing the global economy has been pivotal to Singapore's development, fostering adaptability and resilience in the face of evolving global conditions.

Established as a British colony in 1819, Singapore thrived as a free port, relying on entrepôt trade and openness to immigrants. This legacy of global engagement continues to shape Singapore's institutional framework and policies, driving its ability to adapt swiftly to global changes. Under the leadership of Lee Kuan Yew, Singapore emerged from post-war challenges to chart its own path, exemplifying a remarkable transformation "from Third World to First."

Singapore's economic transformation has progressed through four distinct phases:

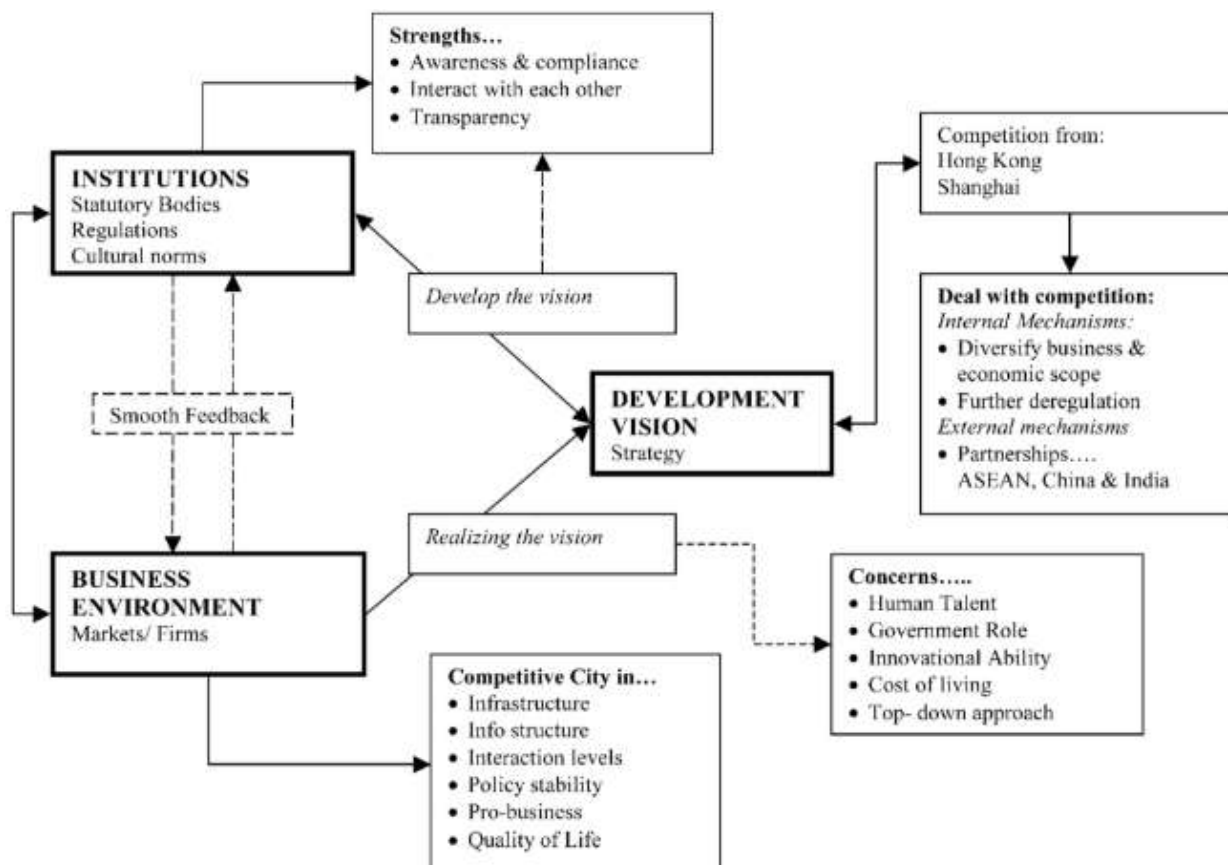
**Phase 1 (1960s and 1970s):** Singapore focused on attracting multinational enterprises (MNEs) for labor-intensive, export-oriented light manufacturing, including textiles, garments, plastics, and low-end electronics.

**Phase 2 (late 1970s and 1980s):** As real wages increased, Singapore shifted towards capital-intensive production, particularly in electronics (e.g., Dynamic Random Access Memory [DRAM]), petroleum refining, and ship repair.

**Phase 3 (late 1980s and 1990s):** Singapore transitioned to higher-value and knowledge-intensive goods and services, such as electronics, pharmaceuticals, life sciences, and financial services.

**Phase 4 (late 1990s to the present):** Singapore evolved into a global city, specializing in high-end services like niche financial services (wealth management, offshore finance), business services, casinos, integrated

resorts, commodities trading, education, healthcare, transport, and logistics. Additionally, high-end manufacturing in electronics, life sciences, petrochemicals, marine, and aviation engineering thrived. Singapore, alongside Hong Kong SAR, emerged as the services hubs for Asia.



**Figure 1. Development Strategy**

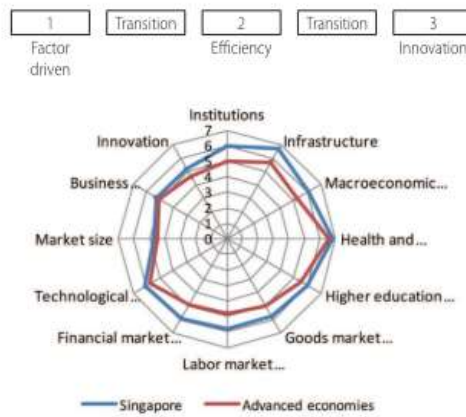
## 6. 2 Challenges and prospects

Singapore, much like Hong Kong SAR, grapples with the challenges of being a highly successful global city and a city-state. Its ongoing success demands constant adaptation and agility to remain ahead. With its advanced stage of development, achieving high growth rates becomes increasingly difficult, necessitating a focus on innovation and productivity gains rather than traditional inputs of land, labor, and capital.

The effects of 21st-century globalization exacerbate inequality, particularly in Singapore's highly open economy and global city environment. Despite rising middle-class status and expectations among Singaporeans, there's a growing sentiment that the pressures of being a global city erode local heritage and identity, amplifying concerns about societal gaps, immigration, housing, and living costs.

Historically, the Singapore government provided concrete solutions to tangible issues, benefiting from a political monopoly. However, as society grows wealthier and more politically pluralistic, demands for activism, redistribution, and immigration control rise. Nonetheless, Singapore's strength lies in its role as a global city, emphasizing the importance of robust institutions, connectivity, and focusing on fundamental principles.

Rather than pursuing a European social-democratic path, which risks economic stagnation, Singapore should uphold competitiveness through increased competition and economic freedom. Government intervention should prioritize rule-setting and umpiring, rather than direct involvement in the economy, to enhance productivity and maintain Singapore's global edge.



**Figure 2. Stage of Development, Source: Schwab**

### 6. 3 Lessons for other cities

The Singapore story has manifold lessons for other cities. It has lessons for cities in the developing world that start poor or at a middle-income level, but that aspire to be rich. Leadership, vision, taking advantage of crises, building sound institutions, getting the basics right on policy, building hard as well as soft connectivity – these are all valuable takeaways. Singapore’s record in maintaining and improving competitiveness also has lessons for other high-income cities, and indeed for aspiring global cities. But Singapore will have its hands full dealing with its own more complex challenges. It has plenty of unfinished business.

## 7. CONCLUSION

The conclusion offers four key observations:

**Flexibility and Adaptation:** Successful cities must adapt swiftly to changing conditions, avoiding single-industry legacies. Diversity and openness are crucial to prevent monocultural decline.

**Interconnectedness:** City leaders should not view the four-part taxonomy in isolation but understand the interaction among its components. For instance, planning digital infrastructure impacts various aspects like business regulation and public service delivery.

**Tailored Approaches:** Priorities for city development should be tailored to specific conditions and stages of development. While certain lessons apply universally, the right mix of strategies varies based on a city's endowments, starting points, and level of development.

**Opportunistic Reform:** Municipal-level reform presents opportunities for significant change when national reform is challenging. Initiatives like charter cities, emphasizing freedom and inclusivity, can drive rapid progress and experimentation.

The focus on city competitiveness is crucial, with the hope that this report serves as a starting point for developing new strategies and policies suited to the diverse realities of cities worldwide.

## 8. REFERENCES

This case study was written by Kevin X. Murphy, President and Chief Executive Officer, J.E. Austin Associates, USA, and President, Partners for Sustainable Development. Murphy is co-author of the World Bank guide Clusters for Competitiveness, an adviser to competitiveness initiatives in 15 countries, and a Member of the Global Agenda Council on Competitiveness.

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