

THE DOWNSIDE OF THE INTERNATIONAL IMPACT OF CITY BRANDING

Agustí Fernández de Losada, Director of the Global Cities Programme, CIDOB
[@AgustíFdeLosada](#)



594

OCTOBER
2019

A version of this article was previously published in the El País blog *Seres Urbanos*

Big cities have well-defined strategies for brand consolidation and attracting investment. These global outreach efforts are being rewarded with the mobilisation of major assets for their economies. However, besides this evident beneficial impact, international action also has negative externalities that need to be dealt with and mitigated.

All big cities make a considerable effort in the area of international action, especially in outreach and finding opportunities that favour their economic and social development. These efforts are rewarded with the mobilisation of major assets for their economies, which might take the forms of direct investment, establishment of headquarters, attracting scientific projects, bringing in talent and visitors, and the organisation of fairs and other international events. A study carried out by CIDOB, in collaboration with the Metropolitan Area of Barcelona, in which strategies for international action of six great global metropolises—Durban, Seoul, Montreal, Medellín, Vienna, and Barcelona—are compared, reveals that these plans have an undeniable impact in terms of employment, economic activity, and tax yield. However, none of these metropolises tends to take into account the fact that there are also negative externalities that can arise from becoming consolidated as a globally prestigious brand. These externalities can come to be important and can also condition the form and development of the city.

If the internationalisation strategies analysed in the study coincide in anything, it is that they project an image of innovative, creative, dynamic, and diverse cities, committed to knowledge, quality of life, social cohesion, and environmental sustainability. And they are very efficient in doing so, by means of well-defined strategies, through specialist agencies, and with highly professional teams, considerable budgets, and well-consolidated brands. Indeed, the Financial Times has recently ranked Barcelona as the European city with the best strategy for attracting investment, and Montreal and Medellín as being among the top four in the Americas.

The results and impact of the six internationalisation strategies show that they have been highly beneficial for the respective cities. Montreal, for example, reports that, in 2018, it attracted more than 2.4 billion dollars in direct investment, with the establishment of 63 international companies which have generated more than 6,000 jobs with high added value, and a tax impact of almost 500 million dollars. Vienna and Barcelona are among the leading cities of the world in terms of attracting fairs, congresses, and international gatherings. These developments generate thousands of jobs, a very dynamic service sector, and can act as a lever for promoting highly innovative sectors. For example, the Mobile World Congress that takes place in Barcelona each year and has greatly contributed to the evolution of the city's ICT sector.

The six metropolises analysed in the study have been able to position themselves as very appealing places that can attract international headquarters of multilateral organisations, transnational corporations (from the business sphere or of civil society), scientific research centres, and cultural infrastructures. All of this means high-profile jobs, services with high added value, innovation, diversity, cultural dynamism, etcetera. Barcelona, for example, has just announced the establishment of a new Innovation Community in Urban Mobility which, promoted by the European Institute of Innovation and Technology, could come to mobilise more than €1.5 billion.

To varying degrees, the six metropolises analysed make considerable efforts to account for their internationalisation strategies, making available data on job creation, economic growth and an increase in tax revenues. But the impacts of a city's international projection are not only positive. Internationalisation also creates negative externalities that are not usually mentioned in review reports. This is not because these externalities are not relevant or serious but, rather, because they are indirect effects, occurring over the medium and long term, and not easily linked with international action. As a result citizen pressure holding local governments accountable is generally low.

Let us consider some examples. The most notorious negative externality is that deriving from tourism. For a city like Barcelona, which received more than 12 million tourists in 2018, the impact, taking the forms of overcrowding, rising prices, tourist flats, and the expulsion of local businesses in some parts of the city, has become a major problem, together with other environmental problems and the precariousness of employment that characterises the sector. The decision of some of the metropolises analysed to become world-class references in organising fairs, international meetings, and different kinds of sporting and cultural events, generates considerable economic activity and employment but it also conditions the job market since the organisation of these events heavily relies on low-skilled labour.

At the same time, the effort to strengthen innovative ecosystems, attract headquarters of transnational organisations and research centres, with the aim of bringing high-level jobs and attracting international talent to the city is not exempt of complexities either. On the one hand, the arrival of international talent can create tensions in the job market, especially for less-qualified local professionals that who are having difficulties in finding employment. On the other hand, the high salaries usually paid to expatriate talent tend to give rise to uncontrolled increases in rent and other

living costs, which can lead to the displacement of less-qualified sectors of the population. This phenomenon is aggravated by the arrival of international capital investment, which further distorts a city's real-estate market.

Being aware of these externalities should not in any way entail abandonment of internationalisation strategies. As shown by the study, the effects in economic and social terms can be very positive. But neither should international outreach work be in denial of its negative impacts on citizens' everyday lives; as if the financialisation of the city's economy, the precarious nature of the job market, and rising levels of contamination bore no relation with positioning the metropolis in various global leagues.

The challenge metropolitan governments today face is to develop internationalisation strategies that take into account potential negative externalities and formulate appropriate mechanisms to mitigate them. Some cities are starting to work in this direction. The tourist plans now being promoted by a number of cities, among them Vienna and Montreal, tend to be guided by the principles of environmental and social sustainability. Nevertheless, there is still much to be done. In particular, this process will require the political will to make more effort in establishing appropriate mechanisms for citizen participation and accountability. It needs a major commitment from the city governments to move forward with a more strategic and less short-term vision.