The 10 Traits of Globally Fluent Metro Areas

Global Cities Initiative
A Joint Project of Brookings and JPMorgan Chase

COLOMBO

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$22,725,000,000 (1)</td>
<td>45%</td>
<td>$3,870</td>
<td>5,648,000 (1)</td>
<td>28%</td>
<td>161</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

As the capital and largest city in Sri Lanka, Colombo has a long history of international exchange with the West and East. The six-million-person metro area is still at a very early stage in terms of talent development and employment practices that can attract global firms, placing 109th in AON’s 2012 People Risk Index. As such it is assessed as a higher-risk prospect than all Indian cities except Jaipur (111th), although it is notably ahead of other South Asian centers such as Dhaka (122nd) and Karachi (122nd). Colombo is, however, a proficient outsourcing destination. Tholons ranks Colombo the 20th most established outsourcing center worldwide, comparable to Shenzhen and Calcutta, although again behind most Indian cities.

Colombo’s international business presence has yet to take off. The city places just outside the top 200 for business conventions, and it fell by more than 10 places in relative terms of connectivity with global firm networks since 2000, as other cities – such as Riga and Guadalajara – improved at a faster rate.7

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?

Established as a colonial port city and a node for transmitting European influence regionally, Colombo emerged as the capital of an independent trading nation in 1948. It immediately inherited political ties with its
former British rulers and commercial links associated with a plantation-based economy. The city’s colonial urban character was rapidly indigenized after independence, and several moves were made to assert national economic roles at the expense of Dutch and British business interests. The result was a reluctance of European and American capital to invest, even as the city took on an increasingly multiethnic and multi-religious character.

Colombo’s transformation in accordance with a new orientation toward the East began in the late 1970s. Government institutions were vacated from the colonial fort area, making room for the introduction of a high-rise business district adjacent to the new parliament buildings, in accordance with the government-led Colombo Master Plan Project. Several government headquarters, the military, and warehouses were switched to locations outside municipal boundaries, and the city was expanded into a metropolitan area. Export-processing zones with relaxed labor regulations were invited to more central locations, including next to Colombo’s airport, in order to attract South Korean and Taiwanese investment in textiles for the first time on a large scale. The city subsequently began to import commodities from Japan and attract the entry of banks from the Middle East and Malaysia. The period 1975 to 1990 can therefore be characterized as one in which Colombo was being reorganized by the state in preparation for its entry into a new regional market system.

Colombo’s path to global engagement stalled after the 1990s due to national political instability and a poorly maintained business environment. But the city now enters the new business cycle reassured by an improved outlook in domestic affairs, and it has been given an unprecedented opportunity to make itself open to a new chapter of international investment. In 2012 a $320 million metropolitan development strategy was set in process, financed by the World Bank, which aims to take advantage of recent peace to achieve rapid economic growth as a trading “Garden City of the East.”

The Metro Colombo Urban Development Project is focused on solving long-standing infrastructure constraints. First and foremost flood management technology and associated green space solutions will be implemented as the centerpiece of a revitalization plan. The city’s multiculturalism and hospitality are to be leveraged more effectively through the creation of new waterfront and lake developments. International oversight of the project is set to ensure rigorous organizational procedures and a rise in well-run public-private projects that receive foreign investment, starting with the Colombo South Harbour project.

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?

East Asian capital has been fundamental to Colombo’s recent urban and regional industrialization, given that Western-originated foreign investment declined after the sale of large public assets in the 1980s. In recent years investment flows have been volatile because of uncertainty surrounding low liquidity and market manipulation. As the business trajectory improves, Colombo is drawing the interest of Asian state investment arms, including Malaysia’s Khazanah Fund and Singapore’s Temasek, especially in telecommunications and real estate. Indian property investors play a key role in urban development projects such as Beira Lake, and Chinese firms are major investors in Colombo’s port. Further afield, South African gaming and hotel firms have made investment commitments in the city’s tourism and casino potential. Western firms are being enticed by the Colombo Stock Exchange’s introduction of a Standard & Poor’s Financial Services equity index that features 20 of the national market’s biggest firms.

In terms of trade, Colombo has strong and expanding links with China, with whom it has recorded high primary export and secondary import growth. There is also a strong orientation toward Australia, motivated by links in educational services. Colombo is also an active participant and beneficiary of the South Asian Association for Regional Cooperation, a wide-ranging political and cultural alliance. Overall international trade turnover in Sri Lanka is forecast to rise from $15 billion to $44 billion between 2005 and 2016, much of which will flow through the capital.

Colombo’s tourism has considerable visitor diversity. Excluding neighboring India, the three largest markets
are all in Western Europe – France, Germany, and the United Kingdom. Currently almost three times as many Western Europeans visit the city as East Asians, although the city is attracting growing numbers of visitors from China, Japan, and Malaysia. In addition, the United States, Canada, Russia, and the Maldives are all established sources of visitors.\(^{14}\)

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

Colombo’s international dimension is inextricably linked to its location along ancient sea trade routes and its role as a gateway to South Asia for imperial powers between the 15th and 19th centuries. Its first modern master plan was prepared by Patrick Geddes, whose designs left Garden City characteristics that provide potential advantages both in terms of appeal and urban management. The legacy of central city planning incorporates a strong structural grid of infrastructure, including Bus-Rapid-Transit (BRT) and traffic management, that is more easily enhanced, upgraded, and expanded to support metropolitan Colombo’s needs than is the case in other similarly developed cities.

Over the past three decades Colombo has received considerable national government backing, both financially and institutionally, as Sri Lanka’s voice to the world. National support has sought to leverage the city’s natural and hinterland assets rather than any particular trade or innovation expertise, but state interventions did concentrate (rather than disperse) Sri Lanka’s ethnic and religious heterogeneity within the city itself. These efforts have produced a powerful and attractive cultural mix that is the foundation for Colombo’s new approach to modernization and openness.

Colombo’s leadership is now becoming much more intentional about competitiveness, but the major barrier to its capacity to make the most of its scale to enter global markets is the lack of a metropolitan governance system. Basic mechanisms for multistakeholder metropolitan coordination remain absent. Although the city’s leadership is currently very outward-focused, there is no firm history of this trait, and a lack of systems in place for metropolitan coordination means it is uncertain if the current phase of global orientation will outlive the current leadership and generation of projects.

---

2. Ibid.
3. Ibid.
5. Ibid.
exchange-is-in-discussions-with-standard-poors-for-an-equity-market-index/


Acknowledgements
The authors would like to thank this case’s external reviewer: Rosanna Nitti, World Bank Task Team Leader, Metro Colombo Urban Development Project.