

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

MUNICH

| GDP (country rank), 2012 ¹ | Share National GDP, 2012 ² | GDP/Capita, 2012 ³ | Population, 2012 (country rank) ⁴ | Share National Pop., 2012 ⁵ | GaWC Global City Ranking, 2010 ⁶ | # Global 2000 HQs, 2012 ⁷ | GDP/c Growth 1993-2012 ⁸ |
|---------------------------------------|---------------------------------------|-------------------------------|--|--|---|--------------------------------------|-------------------------------------|
| \$210,336,798 (3) | 6.62% | \$54,525 | 3,857,585 (4) | 4.72% | 34 | 9 | 1.48% |

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

Munich’s global roles are principally a product of its regional system for commercializing innovation. The city is rated first in Europe for technical “know-how” in the Tech Cities Index,⁹ and in Germany’s major domestic study of competitiveness the city has been an unchallenged frontrunner since 2003 due to its unsurpassed economic diversity and dynamism.¹⁰ Its position at the heart of a wealthy Bavarian region enabled it to become an “established transnational” financial services provider, ranked in the top 25 globally for its provision in this sector. Business services links at a global level have, unusually for a European city, improved relative to others since 2000, such that Munich is now well inside the top 40 most-connected cities in the global knowledge economy.¹¹

Munich is once again rated the best real estate investment prospect in Europe in 2013, having been consistently among Europe’s most attractive cities for international investors since the global financial crisis. The city continues to attract investment from major pension and institutional funds worldwide, including from the United States, not least because of competitive markets in biotechnology, environmental sciences, and media.¹²

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?

Munich's global success began with swift recovery from wartime damage in the years after 1945. Under the inspirational stewardship of Mayor Thomas Wimmer, the city's central neo-Baroque and monumental architecture was carefully and elegantly restored despite development pressures. By 1958, Munich's 800-year anniversary celebrations proudly declared that "Munich is Munich again."¹³

A major factor in Munich's corporate resuscitation was the decision by Siemens to relocate from Berlin in the 1950s. This stimulated the emergence of a critical mass of banking, insurance, media, and manufacturing firms, including BMW and Allianz. The city soon gained a reputation as a consummate automotive/aerospace center and insurance provider. Intensive clustering and organizational modernization was able to take place without far-reaching opposition from entrenched industrial or union interests. The city also clearly profited from the relocation of publishing, film, and advertising companies from troubled Berlin and from the positive relationships Bavaria's politicians had with the West German capital Bonn.¹⁴ Expertise in high-technology niches accelerated through close connections to the defense industry. As Munich became a magnet for talent, it became an international knowledge center for electronics and advanced manufacturing, producing a host of successful products for worldwide export.

Munich's winning Olympic bid renewed the city's commitment toward deterring congestion and investing in livability, with the promise that the 1972 event would be "the Games of good connections."¹⁵ Despite being overshadowed by terrorism, Munich managed to achieve the fiscal balancing, the retail and hotel development, and the public transport and walkability goals that it had set out to meet. Global economic links were dramatically enhanced. This later continued with a new international airport that gave Munich a critical business advantage over Hamburg, Cologne, and other national competitors after German reunification. In response to recent economic challenges, a culture of exchange and collaboration has flourished among the region's public institutions and public-private networks. An innovation agenda has focused on cluster densification, educational and infrastructural investments, and green economy initiatives. Munich has reasserted itself as Germany's premier high-technology exporter that supports the global market-entry potential of small and medium-size enterprises (SMEs) and larger firms alike.¹⁶ Key growth sectors today include medical equipment, aerospace, biotechnology, information and communications technology, and genetic engineering.

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?

International visitors reached a new high in Munich in 2010, comfortably exceeding two million, with an average 2.1-day stay. The United States continues to be the pivotal foreign visitor market, followed by Italy, the United Kingdom, and Switzerland, but Arab Gulf and Russian tourism are the biggest growth sources in recent years.¹⁷ The Oktoberfest brand continues to be the most synonymous with the city.¹⁸

Munich's headquarters of global firms and research organizations has drawn considerable immigration over the past 30 years. Today over 40 percent of Munich residents have some kind of migratory background.¹⁹ Munich's strongest international business connections are with the United States. There are more than 90 direct flights a week to nine U.S. cities, a level which has ensured that the United States is Munich's leading trade partner (60 percent exports, 40 percent imports), and over 500 U.S. firms have a presence.²⁰ Other nationalities with a strong presence in the city include Indian (3,000) and Chinese (4,000).

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

Munich's internationalizing trajectory since 1945 initially owed much to the good fortune of Berlin's political and economic regression, West German and American military sector investment, and a deeply conducive state-city governance structure. For over half a century, the city then gained from assertive and evidence-based leadership at the regional and state level, which ensured a steady upgrade of rail, road, and air services over the past four decades. Rather than the city and state having a shared agenda, the city's

direction has consistently emerged from more of an organic set of propositions, with both Bavarian and Munich governments adopting strongly rational behavior.

Munich exemplifies how effective global orientation can be achieved not so much through powerful government leaders but through the decisions initiated by rational interest groups and business communities. Durable collaboration between government, university, and private research firms since the 1950s has generated a responsive economic ecosystem capable of predicting and adapting to changing economic demands.

A culture of balance and collective compromise among chambers of commerce, trade unions, publishers, and universities has characterized decision making. Companies and universities became viewed as the actors best placed to understand the right kind of people the city needs to attract. Designers of the well-funded school system have enlisted companies and universities as stakeholders in the city. Munich-based SMEs are meanwhile viewed as allies whose agreement with local policy will bring sponsorship for cultural or social events. The city benefits from an environment in which many different institutions and civic leaders and entities believe they can contribute to a growth agenda, and they have a high propensity to take the initiative to win political support.

Munich's global roles have also been supported by investment in its aesthetic and functional infrastructure. Its heritage as a richly artistic and designed city has been effectively nurtured by a succession of politicians and institutional leaders who have grasped the assets of iconic and livable architecture.²¹ Historical assets have created an atmosphere of quality and conviviality in the city center's public spaces that fuels productivity and civic pride. Munich was one of the first cities in continental Europe to nurture attributes of tolerance and cosmopolitanism effectively in the postwar period, even despite a pervasive cultural conservatism. The city government has also shown commitment to fostering an integrated urban society, which is seen as a decisive factor in achieving day-to-day functionality of its high-performing internationally embedded economy.

Local hospitality has been matched by successive upgrades of intraregional and international transport links that have stimulated Munich's business attraction. Long-term investment in basic infrastructure both locally and regionally has enabled city firms to tap the entirety of the labor force and exchange people and goods with few delays.²² As such, global fluency from Munich's perspective requires not only a sincere engagement with global trends, but also a commitment to building up local assets, namely human capital and infrastructure.²³

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

⁸ Brookings analysis of Moody's Analytics and Oxford Economics data.

⁹ "Tech Cities Ranking 2012," Buck Consultants International, 2012.

¹⁰ "City Rankings 2011," IW Consulting, 2011.

¹¹ "The World According to GaWC; Classification of Cities 2010," Globalisation and World Cities Network, September 14, 2011, available at www.lboro.ac.uk/gawc/world2010t.html.

¹² "Emerging Trends in Real Estate Europe 2013," Urban Land Institute, 2013, p. 27, available at www.uli.org/wp-content/uploads/ULI-Documents/Emerging-Trends-Europe-2013.pdf.

¹³ Jeffrey S. Gaab, "Munich: Hofbräuhaus & History : Beer, Culture, & Politics," (New York: Peter Lang, 2000), p. 95 ; Mia Lee, "The Gruppe Spur," in Timothy Brown and Lorena Anton, eds., *Between the Avant-Garde and the Everyday*, (Oxford: Berghahn Books, 2011), pp. 11–30.

¹⁴ Marco Bontje, Sako Musterd, and Peter Pelzer, "Inventive City-Regions: Path Dependence and Creative Knowledge Strategies,"

(Farnham: Ashgate, 2011), pp. 72–73; Frank Hendriks, "Public Policy and Political Institutions," (Cheltenham: Edward Elgar, 1999), pp. 117–18.

¹⁵ Ibid.

¹⁶ Philipp Rode, Max Nathan, Anne von Streit, Peter Schwinger, and Gesine Kippenberg, "LSE Cities Next Urban Economy Series: Munich Metropolitan Region Staying Ahead on Innovation," Conference Paper, December 2010, available at http://aws1.cloud.globalmetros Summit.net/media/nue/2010_NUE_Munich_gmm.pdf.

¹⁷ "Munich Reports Record Number of Visitors in 2010," Travel Pulse, April 19, 2011, available at www.travelpulse.com/munich-reports-record-number-of-visitors-in-2010.html#.

¹⁸ "Newsletter," Invest in Bavaria, 2011, www.invest-in-bavaria.de/fileadmin/pdf/newsletter/2011_BusinessBavaria_09-2011_eng.pdf.

¹⁹ "Munich Because," City of Munich, 2011, available at www.wirtschaft-muenchen.de/publikationen/pdfs/raw_publikationen_e.pdf.

²⁰ "Location Information," City of Munich, 2011, available at www.wirtschaft-muenchen.de/publikationen/pdfs/Location%20information_USA_in_Munich.pdf.

²¹ Mia Lee, "The Gruppe Spur," pp. 11–30.

²² Frank Hendriks, "Public Policy and Political Institutions," p. 117.

²³ Philipp Rode et al., "Munich Metropolitan Region Staying Ahead on Innovation."

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