

Draft
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Regional Economic Transformation In Today's Global Economy

Midwestern Urban Leaders Visit Emerging Global Centers in Europe

Lyon, France & Turin, Italy

Context for the Study Tour

The German Marshall Fund of the United States (GMF) has launched the Transatlantic Initiatives Fund (TIF) to nurture an active transatlantic exchange of ideas, experiences and best practices with urban American community leaders who are well-positioned to act as strong catalysts for urban growth and renewal in their regions. The TIF initiative is organized through sponsoring community foundations in four cities to date: Cleveland, Miami, Milwaukee, and Pittsburgh. Over the past thirty years the GMF has initiated, organized and led study tours to Europe engaging US community leaders, advocates, and journalists to examine alternative approaches to the many challenges the United States shares with its European counterparts.

The TIF pilot project seeks to help urban American leaders, identified and organized with the help of regional community foundations, explore approaches to regional economic growth and development with European counterparts successfully achieving urban economic transformation.

During the initial TIF exchange in November 2003, civic leaders from Pittsburgh and Cleveland explored approaches to regional economic growth and development with European counterparts having success at regional economic transformation in Lyon, France and Turin, Italy.

Implications and Insights from the Trip - Overview

From outer space, the places on earth that are the economic engines of the world economy appear as bright shining arcs -- crescents of light where people, work and knowledge congregate -- London-Paris-Frankfurt in Europe, the Los Angeles Basin to San Diego, and the Northeast Corridor in the United States.

But there is also another crescent of light, an arc of economic activity that is very bright when seen from satellite photographs. From Milwaukee/Chicago in the west, across south-central Michigan, through Northern Ohio to Pittsburgh, a massive economic region lies along the southern rim of the Great Lakes. This region is the historic home of America's

manufacturing might -- autos, steel, chemicals, pharmaceuticals -- and the financial and corporate hubs that supported them. Termed the Rust Belt during the '80s, this region has made a partial transition towards becoming a new economic world center of technology-based industry and R&D.

It is now commonplace to argue that any metropolitan region in the world can be a locus for knowledge work, just as any city or community is at risk of losing its people, companies and comparative advantage to other regions, quickly. In a wired, interdependent global village, in which mobile capital, labor and quick communications and transportation allow people to choose where to live and work and where to produce goods and services, cities and their regions are now engaged in a pitched battle to identify and nurture their own unique advantages, and to make themselves a talent and innovation magnet in the world.

But it takes more than just a smart city-region to compete successfully. As Michel Rivoire, an executive with the global biotechnology firm Biomerieux, told the recent GMF delegation to France, *"Today it takes 20 million people to make a good fight in the world."*

Other economic regions in the world are organizing for this fight. European cities such as Barcelona, Lyon, Turin, and Stuttgart are organizing their own regions to, address the core question: "What are our cities' roles in the world?" Answer: "Building and marketing our particular economic specialties and competencies, and cultivating our unique quality of life and place necessary to attract and keep "talent" and creative class/knowledge workers.

Civic, political and business leaders from Pittsburgh and Cleveland are now examining their own competitive positions and global strategies, through a series of structured visits to leading-edge regional communities in Europe sponsored by the German Marshall Fund, the Cleveland Foundation and the Pittsburgh Foundation. The first study tour took place in November 2003; another is planned for June 2004. Through these exchanges, regional leaders are broadening their perspectives and learning from the strategic visioning and actions taken by their European counterparts.

Going beyond a parochial city-centered view, European leaders with vision are developing broader cross-border strategic identification and positioning, linking major cities across arcs of development, interlocking economic development strategies, and forging transportation and communications links. For example, GMF delegates met with forward thinkers who envision an arc of development across Southern Europe —Madrid to Kiev – soon to rival the North-South arc running from London to Milan.

On a more local level, the regional capitals of Geneva, Switzerland, Lyon, France, and Turin, Italy are defining themselves as the "Alpine Diamond" region, planning and realizing new economic, transportation and marketing links among their communities. Within this context, Turin and Lyon are historically industrial communities with strong research universities similar to Pittsburgh and Cleveland. These communities are rapidly retooling as centers for knowledge work, aggressively supporting new industry incubation, and nurturing their quality of life, recreation and aesthetic appeal as key elements of regional comparative advantage.

Unlike their European and other competitors, Midwest regional communities such as Pittsburgh and Cleveland do not picture themselves as part of a linked economic region. Although painfully familiar with the impact of globalization on jobs and home-town economies, regional leaders are only beginning to grasp how the intense competitive pressures of globalization are transforming economic development strategies for cities and metropolitan regions around the world. They monitor and lament the movement of firms and labor, compete with each other *as well as* with other regions and countries to attract “new economy” firms, while also attempting to provide the culture, quality of life and modern lifestyle amenities expected of a world-class (globalized) city.

Cleveland and Pittsburgh have not yet figured out how to create competitive advantage in this new environment. Instead, the impact of globalization is compounding the struggles that most American cities already face with respect to urban revitalization, income disparity, affordable housing, environment and education. And given the infamous dysfunctions of our major city regions -- political and social fragmentation, territorial battles, eroding tax bases, and neglect neighborhoods and infrastructure -- American cities are in dire need of a new strategic approach that will effectively address their historical struggles and help them find their place in the new globalized economy.

Pittsburgh and Cleveland tend to view themselves as separate, aging, industrial hubs, struggling and competing with each other for a new place in the world economic order. There are no governmental structures or organizations like the European Union that force regional leaders to look beyond their narrowly defined regions, , to see these regions as a potential economic power in the world, and to help decide how to fuel regional economic growth in powerful and complementary ways. As a broad region, Midwest leaders do not appreciate, nor capitalize on the fact that collectively these cities have some of the greatest research universities in the world, all pursuing similar research and incubation. They constitute a global hub for corporate decision-making, R&D and manufacturing in areas such as the automobile and robotics industries, and emerging fields such as micro/nanotechnology.

There is not an economic vision for the region as whole. Within each regional community – Cleveland and Pittsburgh – civic leaders have not yet organized their assets, their political and civic infrastructure for planning and citizen participation, nor articulated clearly their core economic competencies on a community-wide basis.

They have not yet answered the central questions:

- What is our city’s role in the world?
- What is our broader regional vision of our role in the world?
- And then...how do we realize that vision?

Lyon, France & Turin, Italy

A number of European cities and pan-city regions have been redefining their missions and economic development strategies for decades. These cities have shown that a new approach to the demands of globalization, which includes new strategic planning processes, large-scale citizen participation, and new forms of regional governance, can effectively transform local

government and economic development policies within and between urban regions. With the support and encouragement of the European Union, some strong models based on inter-municipal and inter-regional cooperation have emerged from over ten years of community dialogue and innovative policies in a number of European city-regions. The “European Cities in the Making,” or “Eurocities” initiative, through which 15 cities participated, provides a forum through which city leaders have shared their ideas and strategies with each other since 1986. This effort was spear-headed by France’s second largest metropolis, Lyon.

Lyon and Turin, Italy recently hosted a delegation of Pittsburgh and Cleveland civic leaders, who studied the transformative processes taking place in these and other European cities as part of the first trip organized under the auspices of the Transatlantic Initiatives Fund, a partnership between the German Marshall Fund of the United States and leading American community foundations.

Lyon is France’s second largest metropolitan region, centered in the southeast Rhone-Alps province. With a population of 2.5 million within a 60-mile radius., Lyon is historically a center of the French auto, chemical, textile and agri-business industries. To counter the region’s economic decline over the past couple of decades, the city’s leaders have focused on remaking Lyon into a cosmopolitan, high-tech center for knowledge industries. Lyon has four universities – encompassing 20,000 researchers, and 120,000 students – and is developing new academic centers of research in information, communications and technology (ICT), health and bioscience sectors. Thanks to these efforts and resources, Lyon is now viewed as a “European regional capital,” housing hundreds of corporate headquarters, numerous research and development centers, and a high quality of life drawn in large part from the city’s rich history, gastronomy, and location near the Alps. Lyon's political and civic leadership in recent years has worked to position the region as a lead player in three rings of regional development: the immediate Rhone-Alps; the “Alpine Diamond” of Lyon-Geneva-Turin; and, most broadly, a southern European arc, uniting Barcelona, Marseilles, Lyon, Geneva and Turin.

Turin is a province of 2.2 million inhabitants and 315 municipalities in the center of Italy’s northwest Piedmont region, an historic manufacturing, textile and metalworking center most famous as the home of Italian auto production (Fiat most notably). Due to a number of factors, Turin has experienced a more difficult economic restructuring than Lyon, thus qualifying it to receive EU structural fund investment in urban development efforts. Turin is also pushing itself towards a future as a center of advanced research and technology, and has established itself as a leader in manufacturing, robotics, telecommunications and the food and beverage industry. Host of 2006 Olympic Games, Turin’s mayor describes a “total transformation – a city that was for over 100 years the automotive capital and the industrial capital in the Italian and European scenario, is now asserting itself in the field of new technologies and as a center of international prominence in the ICT sector.” Turin's civic leaders see their regional economic efforts intertwined with the emerging communities of the “Alpine Diamond” and “Latin Axis” of leading urban centers across Southern Europe,

What Do These Cities Have in Common with Pittsburgh and Cleveland?

Both Lyon and Turin are seeking to remake themselves from parochial industrial centers to leading regions in the global economy, a challenge also faced by Pittsburgh and Cleveland. In addition to this shared challenge, Turin and Lyon have the following attributes that make their recent successes of great interest to civic and business leaders in Cleveland and Pittsburgh:

- **Both share a history as traditional manufacturing and regional trading hubs.** In the context of their broader national and European economies Lyon and Turin have been regional capitals – “second cities” – to the larger, internationally-oriented urban centers of Paris and Milan.
- **Both have experienced a significant decline in traditional mass production industries.** Turin is most analogous to the Cleveland/Pittsburgh experience. Historically, the center of Italy’s auto industry and Fiat Motor Corporation, at its peak the city counted over 280,000 autoworkers. The concentration of blue-collar workers made Fiat and Turin the center of Italy’s trade union and leftist political movement. As auto jobs disappeared during the ‘70’s and ‘80s (down to less than 30,000 today), social unrest and radical politics made Turin the hotbed of Italian political upheaval, further degrading the city’s reputation. Sitting at the confluence of the Saone and Rhone Rivers, Lyon suffered from its reputation as the smoky, sooty, chemical and textile town to be bypassed on the way to the South of France.
- **Both are dealing with a more diverse population and workforce.** Both communities have attracted significant immigration from northern Africa and other Muslim countries (particularly in Lyon’s case), and from Eastern Europe as well in the case of Turin. While the absolute number of new immigrants is relatively small compared to American cities (10-15% of the regional population may be considered ethnic minorities), the newfound diversity is challenging the traditional culture and organization of civic life in what have been historically homogenous populations.
- **Both are struggling with economically distressed neighborhoods as well as neighborhoods of concentrated poverty** which challenge regional economic and social policy. Whereas in American cities, the impoverished neighborhoods are concentrated in the urban core, in Lyon and Turin, as in most European cities, high poverty neighborhoods are concentrated in the outer ring of the city, in neighborhoods dominated by public housing, poor social services, and new, transient populations.
- **Both Turin and Lyon have looked to other cities as models for economic revitalization, just as Cleveland and Pittsburgh are now looking to others for inspiration.** Both have been inspired by Barcelona, once a struggling provincial seaport that has succeeded in recasting itself as a postmodern global center, promoting its reputation as a center for world art and culture. And twenty years ago, the leaders of Turin looked to Pittsburgh’s makeover from “steel town” to a corporate headquarters town, as a model to follow.

➤ **Both Lyon and Turin have had forward-looking political and civic leadership over the past ten years** who have led the communities in re-imagining their roles in the world and engaging in serious strategic planning and regional political integration initiatives.

Leaders in Lyon contrasted their experience with that of Marseilles – once a strong candidate to be France’s “second city” – offering it as an example of how politics can inhibit or even derail growth. Continued political infighting and bickering has crippled Marseilles’ regional planning and organization, and Lyon has now emerged as France’s second economic center after Paris.

The city of Lyon is blessed with unique scenic, cultural and positioning gifts. It is the gateway to the Alps, a vital and historic old city on the banks of two rivers at their confluence, the uncontested gastronomic capital of France, and is now just a two-hour TGV (high speed train) ride to Paris. Despite its history as a sleepy industrial town, Lyon’s unique physical and cultural assets make it difficult to draw a direct comparison with Cleveland and Pittsburgh. And the highly centralized French system of government, and particularly a fully formed regional governance structure, facilitates the kind of regional economic development strategy and public service provision that Midwest regional communities sorely lack.

Turin was more familiar to visitors from Pittsburgh and Cleveland. While facing similar economic challenges and dislocations, including the loss of 200,000 auto jobs in the ’70’s-’80’s, Turin’s political environment is also more familiar, with a large number of competing local jurisdictions within its greater metropolitan region.

How Do Lyon and Turin Differ from Cleveland and Pittsburgh?

A striking contrast between Cleveland and Pittsburgh on one hand, and Lyon and Turin on the other, is the size of urban minority populations, as well as where they are concentrated in the region, and the degree to which they shape regional politics and economic realities. White flight, segregation and high concentrations of poverty among African-American populations are defining attributes of Cleveland and Pittsburgh, where racial and socioeconomic disparities and tensions color and complicate regional governance and decision-making. In contrast, Lyon and Turin, like most European cities, are fairly homogenous, and have only begun to experience rapid growth in minority populations in the last thirty years. In American cities, the urban core is made up of distressed neighborhoods; in Europe the urban core is its center of activity, and the distressed neighborhoods are on the outskirts of the cities, largely out of sight of the average tourist and middle- and upper-class residents.

Also clearly evident is the fact that these communities have historical and geographical assets quite different from those of Cleveland and Pittsburgh. The Alps are close enough to make both cities the primary jumping off points for Alpine recreational opportunities. The Greater Rhone region includes both Grenoble (1968 Winter Olympics) and Albertville (2002 Winter Olympics). Turin has earned the Winter Olympics in 2006, which has accelerated and subsidized a large number of public works projects, and has also fostered a sense of civic pride and shared purpose.

Both Lyon and Turin also benefit from their rich gastronomic, architectural, and historical assets that attract and support cultural tourism, and are integral elements of their high quality of life.

Finally, Lyon and Turin are proximate to the major international economic and political centers of Paris and Milan, connected by high-speed rail lines which are effectively integrating them into a broader regional economy (the Turin-Milan high speed link is projected to be completed in 2006). Especially in the case of Lyon, this allows the cities to attract young graduates and professionals seeking a more manageable lifestyle and richer quality of life, while still maintaining access to the business, political and social centers of a large international metropolis like Paris or Milan.

How These Communities Became “Regional Economic Transformers”

Both communities and their leadership developed a vision of their city’s place and role in the world as the first step toward regional economic transformation. Both have a clear perception of the future economic links to Europe and the world that are there to be forged. They believe that a multi-polar, decentralized European, *and* global, economy spells opportunity for them as a “regional center” and affords the chance to compete on an equal basis with any region in the world.

In different ways and in different languages, civic, political and business leaders conveyed the same basic message: “Every city needs a mission!” And they challenged the delegation to answer the question: “What is your city’s mission in the world?” in order to provide an organizing framework for regional transformation.

Leaders in Lyon and Turin suggested that every city needs a “specialty,” a set of economic sectors where that city has a unique expertise and thus a comparative advantage. Again, they challenged the delegation to do what they have done, and answer the question: “What is your specialty?” Once that is determined, civic leaders can then go about the business of organizing community resources to build critical mass in that specialty.

It was instructive that both Lyon and Turin had recently looked to Barcelona for inspiration, and, in the case of Turin, invited Barcelona’s former Mayor, Joan Clos i Matheu, and civic leaders to share their insights and recommendations. Barcelona was once an economically downtrodden city. Over the last decade it is perceived to have redefined its role in the world by promoting its regional arts and culture, its special independent spirit, and its place in a new, growing arc of development across Southern Europe. In Barcelona as well, the Olympics games were an organizing catalyst and an opportunity to showcase Barcelona’s new identity.

Political Leadership Helped to Forge a New Forward Look

Raymond Barre (former French Prime Minister and former mayor of Lyon) is credited by many with bringing a new perspective to Lyon when he returned to the city following his term as prime minister, and was elected mayor in the mid-‘90s. Barre actively encouraged a new global vision for Lyon, nurtured the idea of the region as world player, and launched a

set of community-wide strategic planning processes, called *Millénaire 3*, that sought and incorporated citizen input into a new vision of Lyon's future.

Similarly, Valentino Castellani, mayor of Turin during most of the '90s, was a former leftist leader who worked to quell the radical politics of the city and to build community consensus on the city's future, while maintaining good relations with the radicals and leftists for whom Turin was famous. Castellani also sponsored a broad, public "re-imagining" and strategic planning process called *Torino Internazionale*

The strategic planning processes pursued by these leaders, encouraged by the Eurocities initiative and the success of other cities such as Barcelona, were organized around three major components:

- a large-scale comprehensive visioning process which included representation from all communities and municipalities;
- a clearly-defined mission that represents the region's goals and interests; and
- robust organizations, partnerships and governmental leadership to implement, assess and follow through with an extensive strategic planning process.

Broad worldview

Perhaps most striking in contrast to the mindset of the civic leaders from Cleveland and Pittsburgh was the broader geographic and historical view of development taken by their European counterparts. Biomerieux's Michel Rivoire, stating, "20 million inhabitants is enough for a good fight," (i.e., to compete effectively as a region) illustrated that among these civic leaders there is a broader framework than traditionally used to conceive of economic development in the United States. That Lyon and Turin leaders *think this way*, look at the long-term development arcs and flows, and envision how a broader region which combines the strengths of several cities can become one unified economic actor and asset is beyond the experience of the most American civic leaders.

Working with Geneva and Turin, Lyon and its partners defined themselves as the "Alpine Diamond" region, identifying their cities' cross-border region as a locus of economic development. They began with simple exercises, including drawing a map to show a future of East-West integration (Madrid-Barcelona-Kiev), creating an economic development arc that includes Turin and Lyon and that can be developed and accelerated in its agglomeration through public and private action. They view this arc as not only desirable, but imperative to balance the historic North-South European axis (London-Paris-Frankfurt-Geneva-Milan-Rome).

These leaders are closely watching developments in Europe and the wider world, the emerging markets in Eastern Europe and the former Soviet Republics, and the phenomenal growth, opportunities and challenges of the Chinese market as well. They recognize that the ability of people and goods to move freely means that the quality of a place and its unique assets are key factors in economic growth, and broad regions must strategically organize and combine these assets in order to succeed.

Develop and communicate a message about the community

Both communities are redefining who they are to the world, answering the questions: what is your city's mission? What is your particular specialty in the world?

One lesson from these cities and from the Eurocities initiative has been that an economically competitive city must also be socially competitive. In other words, economic development is equitable; multiculturalism and immigration are seen as assets rather than challenges; and citizens are involved with community decision-making. The cities of the Eurocities initiative learned that a fragmented metropolitan area limits itself in the context of intense international competition. And fragmentation will hinder the effectiveness and consistency of a regional strategy implementation.

For Lyon, their image makeover has included promoting its aesthetic attributes as a beautiful, high quality-of-life metropolitan region, with special appeal as a magnet for new economy industries. Slogans such as “Lyon – the entrepreneurial spirit” and “Lyon – the Sleeping Beauty” are combined with a strategy to create and market its quality of life to the young upwardly mobile knowledge worker. City lights, high-end retail shops, first-class restaurants, recreation assets, and a vibrant, accessible downtown are being used to market the city to 25-35 year olds.

Turin, an old industrial city but one rich with history and culture, also leads with its unique quality of life. Turin's marketing slogan is to “Enjoy living in Italy, while being part of Europe.” It has sought, like Barcelona, to brand itself as a new, progressive city, a diverse “new urbanism”, a city of social cohesion where diverse populations live in harmony.

The Integrated Approach to Regional Transformation

Lyon and Turin both articulated to the delegation their regional economic transformation processes that rely on several key elements. Civic leaders must:

- ❑ Develop a picture of the whole community first, and then work simultaneously on industry cluster/sectoral economic growth, as well as new business incubation in emerging sectors.
- ❑ Raise education levels and organize workforce development and job training strategies to support key sectors. A major focus of both communities has been attracting research talent to nurture their reputations as noted R&D centers in key sectors.
- ❑ Plan thoughtfully and attend coherently to the overall urban/regional design, land use and physical attributes of the core city and region.
- ❑ Value and cultivate a high quality of life as a central *economic* asset by enhancing and elevating the arts, culture, and recreation opportunities.

- Ameliorate economic disparities through a focus on social cohesion by increasing economic opportunity for all, and working towards economic justice and full participation for poor and marginalized groups.

Key Strategies of Regional Economic Transformation in Lyon and Turin

The comprehensive approach to regional economic transformation has led Lyon and Turin to follow a set of core strategies that support their global repositioning. These include:

- Regional strategic planning
- Industry sector/“clusters” identification, incubation, agglomeration
- Research and university assets as economic drivers
- Quality of life as comparative advantage
- Urban core attributes as economic asset
- Broad citizen/public participation
- Social cohesion

The following are some examples of how they are developing each of these elements in practice.

Regional Strategic Planning

Greater Lyon has become a leader in regional planning among European metropolitan regions. Facilitated by a French law that encouraged decentralization and confederation within regions, Greater Lyon (the formal name for its regional governance structure) has united 55 municipalities and 1.2 million people under a regionalized tax structure and one governmental authority of 155 elected leaders. Voting on projects is proportionally weighted to the population represented by each elected leader.

Greater Lyon’s regional planning powers encompass roads, water, wastewater, maintenance, transportation, parks (including physical spaces for industrial or “technoparc”), zoning, and land use planning. It also seeds and supports various economic development functions. In addition to Greater Lyon, there is also a “Greater Rhone” economic development agency. Both governmental entities in turn are able to combine their development funding to provide focused financial support for industry cluster initiatives within the region, as well as take a regional approach to transportation and land use planning, including the physical placement of economic development projects.

In Lyon, Barre’s *Millennium 3* initiative added additional public participation processes to this regional approach, involving those who have traditionally been least involved. *Millennium 3* held public debates which drew over 2,000 citizens, convened working groups to elaborate on strategies and actions, and organized events with community organizations. It was extensively publicized, heavily involved with other events such as seminars and forums, and issued publications on the progress of *Millennium 3* and other thematic debates on a regular basis. Its newsletter presented international perspectives gained from the Eurocities initiative, and internet, TV and radio were used to promote awareness and participation.

Lyon also created the Council for Development, a group of 350 people representing constituent institutions and citizens, to promote open and serious-minded dialogue on many of the fundamental questions of society. The Council's debates and reports instilled confidence in the participatory process and fed the implementation of the strategic vision by seeding the development of common projects.

The regional organization and strategic planning has brought new attention to the poorer areas—the suburban communities with poor housing and little economic opportunity, and communities confronting the challenges in integrating immigrants. Today, Greater Lyon's broad economic development and public service plan pays explicit attention to social cohesion and has focused resources on integrating its poorer communities.

In Turin, local leadership under Mayor Castellani combined with the Italian government's slow progression toward decentralization encouraged a regional strategic visioning initiative called *Torino Internazionale*, administered through a voluntary partnership of city and regional entities rather than a formal governmental organization with binding authority. This 1999 strategic planning process sought to “rethink the city,” with inspiration from Barcelona and elsewhere. It was organized as a voluntary process and 33 municipalities were invited to participate; 20 are now actively engaged. In essence, Turin sought a new concept of itself as a city in order to escape its radical politics, flagging economy, and auto-centered industrial past. Its leaders looked to Barcelona (and Pittsburgh) for models that would diversify the economy and reposition the city on the European, and hopefully world, map, and concluded that Turin could become a center for education, culture, high tech, while promoting social cohesion – a new urbanism.

Turin's strategic planning process defined the following goals:

- Urban improvement
- Social cohesion
- Environmental quality
- Revitalization of disused urban areas
- Community participation in social, economic, cultural sectors

It then defined six areas of community action:

- Transportation and communications infrastructure
- Greater Turin governance
- Training and research
- Technology innovation
- Tourism and culture promotion
- Urban quality of life and social cohesion

While this process was unfolding, Turin won its bid to host the 2006 Winter Olympics, which only added momentum and excitement as well as specific projects and energy to many of the strategies being developed in each area.

To date, Turin is one of the few cities in Italy that has succeeded in creating a working, voluntary regional governance structure, even while the culture and traditions of government

in Italy clearly inhibit this type of effort. While Turin still experiences more competition and discord among its municipalities than other metropolitan regions, Turin's success indicates the profound influence that other European cities can have in this process of making strategic adjustments in a changing and globalizing economy. As an ailing auto manufacturing center, Turin has realized competitive opportunities in coordinating its economic development strategy with other surrounding conurbations, such as Lyon, which face similar struggles.

Long-Term Industry Development

Both communities studied closely their existing industry and business competencies. As they developed their strategic plans, they undertook a complex analysis of their comparative advantages relative to the world. They attempted to answer the question with some precision, "What is your economic specialty?" and then worked to build critical mass in their specialties.

Leaders in Lyon and Turin view government's role in this process as two-fold: to help their mature or waning industries and workforces to re-tool, and to help new industries of the future to succeed.

They realized that long-term community economic success hinges not only on jobs, but on becoming an economic decision center for one or more industries. This led them to identify clusters which were already established as, or had the potential to become important decision centers. These leaders also recognized that knowledge-intensive industry sectors rely on strong research and development resources, and thus deliberately focused on transforming their cities into R&D hubs in key technology sectors.

Having identified these key sectors and industry clusters as their current or emerging economic assets, both communities then organized to support these sectors. The regional and municipal economic development entities fostered public-private partnerships around key clusters, including strong support of a variety of affinity, or networking, groups in key industrial sectors.

In Lyon, InfoCité provides networking and other member services for IT firms. While managed by representatives from the private sector, various tiers of government support it financially by sponsoring trade missions, learning exchanges and by funding staff to organize the network activities themselves. They have also succeeded in building partnerships between their local industries and national research and technical institutes that act as incubators of new industry work.

Additional affinity and networking groups have since been created in Lyon in a range of sectors, including the sectors of IT/electronic games (Lyon is now the European capital of computer gaming), cyber-security, and biotech. Lyon reports there are 82,000 jobs in the biotech sector alone, involving 220 life science companies, 280 academic labs, 9 international research institutes, and 8-10 incubated companies each year.

In Turin, the best examples of this strategy include Torino Wireless – a joint enterprise involving the municipal, university, private and philanthropic sectors to foster a technology

district and incubator of wireless industry start-ups; and the Institute for Advanced ICT (Information, Communications and Technology) Studies, which manages public and private resources to encourage and rush to market new ideas in the IT field.

Research and university as the driver

Lyon and Turin both rely on the premise that “research is the foundation of competitiveness” – its engine of growth. Attracting and keeping researchers to fuel new knowledge and job creation, as well as to nurture the synergy among creative individuals in a community, are core principles and priorities for these communities’ economic transformations. Leaders in Lyon and Turin talk about building a strong brain trust in their community, and describe research and its applications as the “cocktail” that supports economic growth.

The major centers of higher education situated in these communities are considered strategic assets and are cultivated as such. For example, Lyon has at least four major universities (enrolling 100,000 students) as well as over 500 research labs. Turin’s goal is to reach American ratios of research investment – over the next five years, they plan to increase from 5% to 10% the amount of local GDP investment in research, and the numbers of researchers from 2,000 to 4,000-6,000.

Both cities are also working aggressively to attract global and European institutes of research to their communities, and are forging links to national research and technical institutes that can support innovation and technical assistance in key sectors, such as Lyon’s linkage to the French National Textile Institute. These connections have helped Lyon remain a center of the textile industry, moving from traditional production of silks, lace, and other fabrics, high-end textile development and manufacture to becoming the lead producer of “technical” textiles, or smart textiles, that do everything from holding road embankments in place, to reflecting light upward onto growing grapevines, to adjusting themselves in temperature and visibility.

The Greater Rhone area also includes the University of Grenoble, a world center in nano/microelectronics technology, and regional leaders there are also focusing efforts to build on Lyon’s history as a pioneer in drug and life science research to make Greater Lyon a center of the biotech industry. This includes development of “Canceropole,” or cancer research center of excellence, which enjoys strong support and funding from both public and private sources.

Lyon is also home to one of the French networks of 31 virtual public incubators, dubbed Crealys, in Lyon. The key feature of this model is the role played by former private sector staff who coach entrepreneurs, dedicating public funding of up to \$125,000 per project, and who help to organize key attributes of start-up progression from concept to commercialization. Crealys boasts an impressive success rate: 250 ideas germinated, 160 coached, 43 firms created (ranging from 50-5K in size now), 1700 jobs, and only 2 failures.

In Turin, the strongest example of university leverage is the ICT incubation center, on the grounds of the Polytechnic Institute. Focused on fiber optics and cyber security, the organization provides physical space, rewards, and incentives (i.e., bonuses for patent

registration) for academic researchers and entrepreneurs. In developing this center, Turin's leaders looked to the United States for models of technology transfer from university to the private sector.

Quality of life at lower cost

Lyon and Turin's new identities also seek to capitalize on their quality of life. Both market their high quality of life to outsiders and potential investors, particularly as an alternative to the frenetic pace and high cost of living in the competing "mega-cities" nearby (Paris/Milan) that are increasingly congested, offer poor housing stock and consequently a poorer quality of family life.

This approach is embedded in Turin's marketing slogan: "Work in Europe: Live in Italy". Both communities offer cities that are built on a human scale, and are walkable and aesthetically interesting. Both Lyon and Turin are working hard to preserve and enhance their urban cores as attractive environs. Through a variety of transportation and land use planning policies and activities, they are working to manage congestion, to preserve and celebrate their history, and to add to their special quality of place, in order to make their communities attractive to workers and families seeking a more livable city and better work/life balance.

Social cohesion – social and economic development for all

Leaders in Turin and Lyon both emphasized that "a socially competitive city is an economically competitive city". With significant increases in immigrant and minority populations, they are moving in their public rhetoric and actions to embrace multiculturalism and to view immigrants as a strategic and economic asset, rather than as a social burden.

This view has in turn led these civic leaders to make conscious political and policy decisions that will empower citizens and ensure they are more actively involved in community decision-making. In addition to citizen participation in strategic planning, both cities have also instituted efforts to engage their citizens in major development and public policy decisions, including where and how to redevelop a neighborhood, as well as how best to improve the transportation infrastructure.

Leaders in both Lyon and Turin have also focused their attention on improving distressed neighborhoods and ethnic/new resident communities, often one and the same. For example, Lyon is in the midst of reclaiming *Le Confluent*, the large parcel of land where the two rivers meet that has historically been a site for heavy industry. Abandoned factories and industrial lots are being replaced or reclaimed in order to create a 'home' for the city's burgeoning biotech clusters – Biopole and Canceropole – as well as to incorporate new housing stock. Lyon is also concentrating resources on rehabilitating its distressed suburban neighborhoods on its outer ring. In Turin, a multi-faceted public-private development initiative has focused on Porta Palazzo – "The Gate" – the historic arrival point for immigrants to Turin across the centuries and today. A lively, thriving urban area, Porta Palazzo sports the largest open air market in all of Europe, and the city of Turin is embracing the cultural diversity found there, and incorporating the neighborhood into both the civic fabric and the cultural tourism industry.

Implications for the Future of Cleveland and Pittsburgh

In order to take advantage of the opportunities presented by the global economy, Cleveland and Pittsburgh must first define their roles as cities in a globalized world. What are their unique assets, advantages, attributes? What existing competencies can they build upon to create a critical mass?

A decade ago, both Lyon and Turin faced a choice – they could continue in their current form, or they could create a bold plan for their future. Their civic leaders cautioned the delegation to build on the existing assets of Cleveland and Pittsburgh, in defining new roles in the world. As one local leader asserted, “Before you think about what you can be, think about what you are - embrace your industrial past.”

A clear lesson from the Lyon and Turin experiences is that economic development must have a broader mission – *regional* transformation. Once a clear vision of the future is articulated, civic leaders must then craft a multifaceted approach that takes into account the disparate community attributes that are key to moving the community toward that vision. This approach must include core strategic elements similar to those employed by Lyon and Turin:

- organize processes for forging regional vision and regional governance,
- nurture key industry sectors and encourage innovation in mature industries,
- cultivate quality of life and place,
- foster social cohesion, and
- build the education system and talent pool to keep the community thriving.

All are a part of the puzzle.

Both communities have capitalized on their political structure and/or political leadership to forge a clear regional vision and efficient operating structure.

Both communities used citizen participation in developing their visions and regional plans, creating buy-in from influential opinion leaders and giving citizens a sense of ownership over the process.

Both communities combated their low self-esteem brought on by years of economic, industrial and social decline. Lyon and Turin, like Cleveland and Pittsburgh, had reputations as distressed, parochial cities, with dysfunctional political systems. Both succeeded in overcoming these negative stereotypes to realize a new picture of their respective (and intertwined) roles in the world.

While both Lyon and Turin have focused aggressively on nurturing existing and emerging industry sectors that add to their comparative advantage, a key element of each community’s rebirth has been their recognition of the power of a high quality of life to attract young, dynamic knowledge workers and entrepreneurs, and to emphasize this asset in marketing their regions. By shifting their view of their cultural institutions from cultural assets to economic assets, and by cultivating their environmental and recreational assets, Lyon and

Turin leaders are capitalizing on assets they have had all along to promote themselves as “livable cities.”

Next Steps in Cleveland and Pittsburgh

The November study tour has already made a strong impression on the participants from Cleveland and Pittsburgh. Again in conjunction with the German Marshall Fund, the Cleveland Foundation and Pittsburgh Foundation are planning a second study tour in June 2004 to look more closely at investments by the cities of Lyon and Turin in their physical and cultural assets, neighborhood regeneration and urban revitalization that have greatly improved their attractiveness to businesses and people, and to explore more deeply some of the interesting attributes of regional governance.

The November participants made several recommendations as to how lessons learned could be used to facilitate dialogue and progress in Cleveland and Pittsburgh. These included:

- Convening regional discussions with philanthropic, political, and economic leaders.
- Identifying core industry sectors of activity and new possibilities across within the immediate regions of Pittsburgh and Cleveland as well as between the two cities.
- Educating local and state elected leaders on what other world regions – the competition – are doing, using the example of the regional cooperation and transformation of Lyon and Turin.
- Involving other local and state leaders in study tours, exchanges and dialogues with their international counterparts.

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