

Targeting the World's Top Cities, As Nations Decline

WINNING GLOBAL MARKETS

How Businesses Invest and Prosper in the
World's High-Growth Cities



PHILIP AND MILTON
KOTLER

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Praise for *Winning Global Markets*

“We noticed that the world economy is more and more unscattered by Globalization, which is not flat essentially. This is just what has been put forward by the Kotler brothers and we are very lucky and thankful to have their brilliant insights of 600 world cities generating a high percentage of the world's wealth. It provides Chinese enterprises a new and creative way to audit and make their international marketing strategies.”

—Zhang Ruimin

CEO, Haier Group, Qingdao, China, the largest home appliance maker in the world

“An important contribution for policy makers and corporations as the world reorients itself towards a new pattern of geographical concentration in economic activity.”

—Nirmalya Kumar

Member, Group Executive Council, Tata Sons;
Professor of Marketing at London Business School

“Our company is a global company. Our future is tied to the great urban market centers all over the world. Our problem is how to change the national culture of our company to a truly global culture. The Kotler brothers point the way in their important new book.”

—Adi Godrej

Chairman, Godrej Group

“Research in economic sciences is preoccupied with business firms and nations. The Kotler book explains why

the focus should move to cities. This is further supported by the emerging logic of service as efficient value-in-use through resource integration and co-creation. Cities are the most concentrated and complex networks of service systems created by Man, integrating contributions from businesses, governments and the commons. Business school research and education should take a leading role in this development.”

—**Evert Gummesson**

Emeritus Professor of Service Management and Marketing,
Stockholm Business School (SBS), University of Stockholm, Sweden

“A blueprint for any city or municipal leader to generate economic growth with the right combination of tools in their toolbox.”

—**Nancy Berry**

Mayor of College Station, Texas;
Home of Texas A&M University

“Philip and Milton Kotler are on a crusade to tackle marketing challenges, and they hold sole authority on it. Investing in growing nations can be challenging, and if you like to expand your influence, *Winning Global Markets* is a step in the right direction.”

—**A.J.M. Muzammil**

Mayor of Colombo, Sri Lanka

“A fascinating perspective on why companies must organize their business around global cities instead of organizing around countries and regions. Each chapter generated a new ‘a ha’ moment for me and made me think differently.”

—**Dr. Jagdish N. Sheth**

Charles H. Kellstadt Professor of Marketing, Goizueta
Business School, Emory University

“With a refreshing data-based, analytical perspectives, the Kotlers show how a global firm should appraise what cities to gain a presence, a critical decision in the ever changing world scene.”

—**David Aaker**

Vice-Chairman of Prophet;
Author of *Aaker on Branding*

“AVIC International Holdings is expanding our commercial businesses globally. Many cities in Africa, U.S., Latin America, and elsewhere are coming to us with investment opportunities. The Kotler brothers' new book, *Winning Global Markets*, gives us the first systematic method for selecting the best new city markets to enter for our real estate, hotels, airports, department stores and other enterprises.”

—**Wu Guang Quan**

CEO, AVIC International Holdings, Beijing, China

“This brilliant book of the Kotler brothers provides Chinese cities with a new perspective to merge into the global innovation of industries, and more important, inspires Wuhan city to become an international city.”

—**Mayor Tang Lianzhi**

Wuhan city, the commercial center of central China, with
10 million city population

“This is an essential book to read for any C-level executives of multi-national corporations wanting to grow and expand

in the first third of the twenty-first century. The Kotlers correctly point to the ever more urban global economy and the rapid growth of cities in developing countries as two key trends global CEOs must adapt to in order to lead and thrive in this new century.”

—**David Houle**

Futurist;

Author of *Entering the Shift Age*

“The Kotlers have provided a wonderful guide for both major cities (who will be the largest consumers of products and services) and major organizations (who will be the largest providers of products and services) in tomorrow's changing world.”

—**Marshall Goldsmith**

New York Times best-selling author of *MOJO* and *What Got You Here Won't Get You There*

“The increasingly volatile global macro-economic factors and the rapidly changing demographics and environmental aspects constantly challenge businesses, countries, and cities to review and refocus growth strategies and optimize resources. As corporate and city leaders and managers seek winning solutions in the face of such dynamic demands, they will be forced to venture into unfamiliar territory and take less trodden paths as never before. This book provides many facts, insights and thought provoking ideas that will test and transform conventional thinking and lead to the development and implementation of innovative solutions for the challenges that lie ahead. I believe this book will be a much sought-after handbook for company strategists and city marketers as they guide their entities to greater prosperity.”

—**Amal Cabraal**

Former Chairman/CEO, Unilever Sri Lanka;
Director, John Keells Holdings;
Hatton National Bank;
Ceylon Beverage Holdings;
Lion Brewery Ceylon

“Cities are the window into developing economies and the best door to take for entering these burgeoning markets. Philip and Milton Kotler give marketers and strategists a clear look through this window along with compelling advice on how to choose where and how to capitalize on the opportunities in cities.”

—**George Day**

Professor, Wharton School, University of Pennsylvania;
Author of *Strategy from Outside In: Profiting from Customer Value*

“Global companies must decide carefully in which global cities to plant their resources and future. This book does an excellent job helping companies understand and evaluate different global cities and where they should be.”

—**Harsh Mariwala**

Chairman, Marico Ltd., India

“Having managed different business growth strategies in China for twenty years, I know how crucial it is to understand the economics of cities. Companies must carefully choose the urban regions in which to plant their resources, marketing focus, and future. Yet understanding how your choice of cities drives growth is a topic that business schools have not yet grasped. This book does an excellent job helping companies understand and evaluate different global cities and where they should be.”

—**SY Lau**

Senior Executive Vice President of Tencent Holding
Company, Shenzhen, China

“I am impressed with the fact that 600 city regions contribute 67 percent of global GDP. Every major global company must plant its roots in these cities.”

—**Dr. Chen Bin**

CEO, Continental Hope Group, Chengdu, China

“*Winning Global Markets* is extremely relevant and timely as the majority of the world's population now lives in urban areas. Big cities shape the way we live and connect, and this book shows how marketers can take an active part in this transformation. This is particularly significant for Japan, where consumer behavior is defined by a highly urbanized population in some of the world's largest cities. By describing the role of big cities, Philip and Milton Kotler help us identify synergies between the public and private sectors, to invest in the future and create long-term value for business and society at the same time.”

—**Kozo Takaoka**

President and CEO, Nestle, Japan

“This book is a must-read for entrepreneurs and mayors. The Kotler brothers helped us a lot on our aviation park; I believe their new book will bring great value to the market.”

—**Jin Qian Sheng**

Director, China (Yanliang) Aviation Industry Base

Winning Global Markets

**How Businesses Invest and Prosper in
the World's High-Growth Cities**

Philip and Milton Kotler

WILEY

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Milton Kotler:

I dedicate my contribution to this book to all of my colleagues at Kotler Management, with offices in Beijing, Shenzhen, Shanghai and Wuhan. Without their devotion to the mission of our company to enhance the marketing skill of Chinese companies and local government authorities, neither our company nor this book would be possible.

Philip Kotler:

I dedicate this book to my nine grandchildren, who will live and thrive in the new world economy of multinationals and megacities: Jordan, Jamie, Ellie, Abby, Olivia, Sam, Shaina, Sapphire, and Dante.

Preface

This is a book that centers on cities and companies. Cities need to grow and prosper. Companies also need to grow and prosper. It turns out that the fortunes of the two entities—cities and companies—are intimately interconnected.

How? A city needs to develop not only an attractive social life but also a strong economic life and future. Much has been written about the social life of cities, but much less has been written about their economic life. A city's economic life depends on its ability to attract and nurture small businesses, medium-size businesses, and large domestic corporations and multinational companies (MNCs). This book focuses on the attraction of MNCs. These businesses carry out research, investment, production, distribution, and sales that drive the city's economy. Cities have gross domestic products (GDPs), just as nations do. We can measure how much GDP a particular city generates. The GDP provides a picture of jobs and household, business, per capita, and median income—all good measures of a city's “economic” condition.

We can also talk about the rate of growth of a city's GDP. If GDP growth is strong, the city is generating new jobs and its citizens prosper. If GDP growth is low, zero, or even negative, the city is barely surviving. Many top cities are falling behind or even failing—such as Detroit and Flint in Michigan; Cleveland, Dayton, and Youngstown in Ohio; and Stockton and Riverside in California—because they stopped being attractive to business. This is a concern to the city's businesspeople, to its jobholders and job seekers, to its politicians, and to its citizens.

Companies are making decisions all the time on where to invest, where to produce their goods and services, and where to sell them. Companies that are growing have to find new locations and choose them carefully. Companies also must periodically reassess the locations of their current economic activities because locations change in their desirability. Many domestic-based companies are facing new competitors who come in with lower prices, better quality, or both, all because of the opening of trade around the world and the facilitation of trade made possible by advances in technology. Domestic companies can't stand still. They have to defend themselves, and they have to move to new, promising locations where opportunities are growing.

Many companies have moved their manufacturing from developed countries to developing countries in their search for lower costs. In doing this, these companies had to evaluate which cities and locations are the best. If French car manufacturer Peugeot wants to expand in the Asian market, where should it establish its new management and production branches? It already has a joint production venture with Dongfeng, based in Wuhan. Should it strengthen its production presence in East China's top cities, such as Shanghai, Hangzhou, or Guangzhou? Peugeot assembles in Bangkok, but should it produce there, as it does in Indonesia?

The economic standing of different cities and metropolitan areas is of primary concern to business leaders and managers, who have to know how much product they can sell locally and trade outwardly, how much they should invest, and where they should invest for the growth of their enterprise. Economic standing is also of primary concern to politicians, who need business growth to generate city revenue to pay the bills they incur and to provide jobs for their citizens.

Successful business owners and managers have to know all dimensions of a city's life: the land and housing costs, the city's amenities and features, the direction in which the city is going in the next 10 or 20 years. Companies need to know who, what, when, where, why, and how buyers purchase goods and services. They have to know the laws and the ease of establishing businesses and trading and exporting goods.

The politicians in a city have to understand what different companies require from a city to operate successfully. Not every company has an interest in a particular city. Every city has to determine its main attractions and which industries, as well as which companies in those industries, can find the city's resources and ambitions a good fit. Politicians need the skills to attract the right businesses to their city and thus generate enough prosperity to pay the city's bills, create jobs for its citizens, and get themselves reelected or reappointed.

Citizens generally know little about the economy of their city. They are concerned with jobs, family, friends, neighbors, and personal pleasures. Scholars and thought leaders have neglected the study of the economy of cities because they thought the key to economic development lay in the policies of nations, not those of cities.

In the last three decades, matters have changed. National governments have pursued a regime of global free trade. Capital investment, consumption, and trade have crossed national borders. Companies in the developed world have moved from thinking exclusively about domestic production and consumption to shifting their manufacturing to the East. This has allowed them to reduce their costs and to fine-tune their marketing and financial strategies so that they engineer high demand for their brands throughout the world and thus achieve maximum market share and profits.

Meanwhile, the developing world has continued to learn how to make money by making things. Developing countries have been learning how to market their goods and services. There has been a great increase in the number of MNCs coming out of the developing world, and arising MNCs from the East are posing strong competitive threats to the long-dominant MNCs of the West.

Rural people have continued to migrate in growing numbers from farms into large cities. Great industrial cities, such as São Paulo and Jakarta, have grown in the developing world, becoming megacities. Large cities of up to 5 million people and megacities of more than 10 million people have begun to dominate the GDP of nations. In the developing world, massive industrial production has filled old and new cities with rural populations. Developing countries have absorbed investment for infrastructure, manufacturing, natural resources, and trade. They have rapidly urbanized their populations as a vast labor force and developed an indigenous middle class for consumption and a wealthy upper class for investment.

At the same time, great commercial centers in the developed world—such as New York, London, Paris, Stuttgart, Milan, and Tokyo—have sustained their wealth by attracting domestic and global talent and investment for a new mix of industries and creative media.

The massive change of urban market scale has induced the merger of domestic companies to consolidate into massive MNCs, which have come to dominate national GDPs and the gross world product (GWP). By 2010, 8,000 companies around the world generated 90 percent of the GWP. Six hundred cities yielded 50 percent of the GWP. Of these, only 100 cities yielded 38 percent of the GWP. Trend projections only advance this concentration at both ends of the exchange between companies and cities.

From an economic point of view, we are living in a world of MNCs and global cities. Companies and cities have overwhelmed the economic force of nations. Companies and cities constitute the platform of investment decisions by business leaders and marketers and are the major concern of political leaders, who must position their cities in this trend.

Small businesses play an important role in job creation and economic growth but a smaller role in generating economic value. They play an important role in the political and social life of a country but a smaller role in its economic life. Most successful small businesses are absorbed by MNCs.

What happened to the economic development role of the nation-state? Developed nations spent their energy advancing the level of public welfare with deficit spending. They pursued political programs and trade integration and engaged in regional wars. They promoted a marketing and financial system to drive consumption. As sovereign powers, they spent more time planning their relations abroad than they did at home. They let both the real economy and their cities take care of themselves.

The legacy of the West's great wealth and power masked the tectonic shifts in the global economy toward the East until the financial crisis of 2008. That crisis knocked the socks off of the overleveraged developed world and slowed the growth rate of the developing world. Central governments and their central banks provided meager economic stimulus, some by courting self-destructive austerity programs, but they primarily used their energy to save their top banks with cheap money in the hope of restoring a flow of credit for economic stimulus. This did not occur.

While nations were saving their banks, their cities were on their own to repair their economies with expensive bond money, and large companies were on their own to reap the profit of cheap money. Global cities competed with one another to attract MNC investment. Companies used their cash for investment to grow their brands in the developing world, which, unlike the West, was far from saturating its demand.

So we come to the setting for this book. The destiny of the economic world today is in the hands of the interplay between global MNCs and global cities. Our purpose is to assist business leaders to pick the right places for investments in the best global-growth cities and to assist marketing managers to intensify their marketing campaigns to reap the harvest of these investments. Our corollary purpose is to help the political and civic leaders of global cities to attract global MNCs that are choosing among many competing cities. We give some attention to the role that national governments can play to facilitate the economic growth of their top city regions by attracting suitable MNC investment.

Chapter 1 illuminates the economic power of global cities. Chapter 2 examines what cities are doing to maximize their market power. Chapter 3 reveals the immense economic power of MNCs. Chapter 4 investigates how MNCs select new cities for market expansion. Chapter 5 discusses what cities can do to win the competition for MNC investment. Chapter 6 considers how national governments can assist their top cities to grow economically. Chapter 7 examines the social and moral responsibilities of MNCs and cities in the brutal game of economic competition. Finally, Chapter 8 assists marketing managers to strategically and tactically optimize value for their companies in a world of global city markets.

We present a lot of data and case examples to put flesh on the bones of a proposition that the future of marketing depends on how effectively business marketers use the resources of their large companies to win share and profits in the ever-narrowing sphere of concentrated urban global markets. We also explain how city marketers can use the strengths of their cities in the competition to successfully attract global MNC investment for employment, higher income, public revenue, and civil prosperity.

There is nothing permanent in the landscape of an economy. Change occurs all the time. But we can say with confidence that for the next two decades, the global market economy will rest on the interplay of MNCs and large city regions.

Acknowledgments

Philip Kotler

As an economist trained at the University of Chicago and the Massachusetts Institute of Technology, I focus my attention on how local, national, and international economies interact and operate, paying particular attention to how midsize and large multinational organizations locate their activities and entities—factories, distribution centers, retail outlets, and financial and marketing operations. Among the management thinkers who most influenced my thinking about the activities of multinationals are Peter Drucker, Michael Porter, Gary Hamel, Jim Collins, and Vijay Govindarajan.

For many years I have also been researching how *cities* choose which industries and companies to attract. I formed a research project with professors Irving Rein and Donald Haider of Northwestern University to study this question. We published our findings in 1993 in *Marketing Places: Attracting Investment, Industry, and Tourism to Cities, States, and Nations*. Our book describes the theory and techniques of how cities position, differentiate, and market themselves to an array of interest groups, including companies, employees, citizens, and government organizations. Later we invited different co-authors to join us in researching and publishing how foreign cities operate abroad. I want to acknowledge the distinct contributions of Christer Asplund (Europe, 1999), Michael Hamlin (Asia, 2001), and David Gertner (Latin America, 2006).

As Asia's role grew more prominent in the global picture, I began to focus more attention on developments in Asian

cities and regions. I carried out research with Hermawan Kartajaya from Indonesia and Hooi Den Hua and Sandra Liu from Singapore, and we published *Repositioning Asia: From Bubble to Sustainable Economy* (2000) and *Think ASEAN* (2007).

I want to acknowledge Simon Anholt's contribution in starting the journal *Place Branding*, which publishes empirical studies of how cities around the world plan their company attraction and retention campaigns. I want to acknowledge Rainisto Seppo from Finland for his excellent book *Place Marketing and Branding: Success Factors and Best Practices* (2009). I also benefited from discussions with other experts in place marketing, such as Magdalena Florek (Poland), Nina Marianne Iversen (Norway), Joao Freire (Portugal), and Guiseppe Marzano (U.S.).

I am grateful for the ideas and help of the Wiley staff and Richard Narramore, Tiffany Colon, and Susan Cerra of Wiley.

Finally, I want to recognize my wife, Nancy, as my constant inspiration and companion in my work and life.

Milton Kotler

As a marketing strategist who has lived and worked in China for 15 years, I owe my knowledge of Chinese and Asian companies and city economies to my company colleagues, business and local government associates, and well-informed friends throughout China and the West.

Because my company serves Chinese company and local government clients, I have a unique perspective on the country's urban growth, outward investment, and global business perspective. Cao Hu, President, Kotler Marketing China, takes first place in advising me on this book. I thank

him for his brilliance in thought and management, and his kindness, patience, and loyalty.

This book also rests on the research assistance and insights of Esther Wang, Au Tong, Yao Mumin, Sam Wang, and Colin Qiao of our urban development team. I also learned a great deal from a valued advisor, Qin Yang Wen, of Co-Stone Capital.

My perspectives in this book have been guided by many Chinese CEOs: Zhang Rumin, Haier; Wu Guang Quan, AVIC International Holdings; and Dr. Chen Bin, Continental Hope. They have informed my understanding of the growth of Chinese multinational companies.

I have learned much from the mayors and other local and provincial officials of Zhengzhou, Dalian, Wuhan, Tianjin, and other great cities of China with whom I have worked. They have given me a profound understanding of the urbanization policy and urban and industrial development practices of China.

Many American and European friends and associates have also helped my understanding of the role of cities and multinational companies in the expansion of the global economy. Philip Kotler, my dear brother and marketing mentor, has been the finest co-author with whom to work. Vidur Saghal has been a constant advisor on the cities and companies of India. Hermann Simons has been helpful for Europe. I owe special thanks to my U.S. urban development colleagues: Jeff Lee, an American land designer; architects Ed Feiner and Steve Manlove of Perkins+Will; U.S. developers Alex Green of JStreet Companies in Washington and Stephen Gutman of the Corcoran Group in New York City; and finally, real estate attorney Robert Diamond of Reed Smith, LLC.

I would like to thank the McKinsey Global Institute for tracking the trends of globalization, urbanization, and the changing landscape of multinational business, and for making this rich research material publicly available.

No book of mine can be successfully executed without discussions with my beautiful and brilliant wife, Greta Kotler, a global business manager in her own career.

Chapter 1

The Economic Power of Global Cities

Companies—midsize and large multinational companies (MNCs)—need to figure out where to sell their goods and services. In their home market, they must decide geographically where to plant their headquarters, regional offices, production, distribution, and sales management. Companies have to choose the right cities, because city advantage is more decisive for business success than national advantage.

As companies move abroad, they decide which nation or nations to produce and sell in and choose specific locations where they intend to carry out their administration, production, distribution, and sales work. If a company chooses to sell in China, where does it locate its headquarters for China? Will it be Beijing, Shanghai, Hong Kong, or any of a dozen other cities? And in each Chinese city where it plans to operate, the company needs to develop specific presences and locations. Choosing a pattern of locations around the world is a gigantic task that can make a major difference in the company's success.

Every nation contains a set of cities that differ in their importance and national and global reach. Some of the world's cities are bigger than many nations. The 2007 Greater Tokyo metropolitan region of 13,500 km² had 35 million residents. It was roughly equal to the population of Canada and larger than that of Malaysia, the Netherlands, and Saudi Arabia.¹ Other megacity regions include Shanghai, Beijing, Mumbai, Delhi, New York City, Los Angeles, London, Mexico City, São Paulo, Buenos Aires, Rio de Janeiro, Dhaka, Lagos, Moscow, Cairo, and Istanbul, and

they are likewise bigger than many country populations. These cities generate a huge level of gross national income for the nation. Each has extensive economic, political, and social relations with other cities and nations.

We assert that the growth of nations is intimately tied to the growth of their major cities. Top cities have grown faster in gross domestic product (GDP) than the rate of their country's GDP growth. Major cities are the source of a nation's wealth, not the other way around. In the markets of a nation's major cities, investment, trade, and consumption take place.

Yet development economists have spent the last nearly 70 years focusing on nation building and national economic growth, not city growth. Following World War II, the United Nations, World Bank, and International Monetary Fund, as well as the hegemonic powers of the United States and the Soviet Union, pursued policies of building national economies as the route to economic development and growth. Nation building deals with central government policy and structure, military modernization, social planning, large-scale infrastructure, global and bilateral trade agreements, global financial integration, and agricultural support.

When central planners in the Soviet Union, China, India, and other nations propounded central policy and held a tight rein on local initiative, many of their cities declined in economic growth, environmental quality, and social stability. The Soviet Union sank because its cities sank. The same warning could be applied to the United States. The federal government has paid little attention to the economic growth of key American cities. They let the cities economically decay in the face of suburban sprawl, financial liabilities, social engineering, and outmigration of businesses and talent to other parts of the country and

offshore. Cities were seen as a place to improve the lot of the poor, not places to launch economic growth. To a lesser extent this was true of Europe, as well.

The net result has been the rise of financially draining central government bureaucracies, sluggish economic growth, political polarization, major corruption, and persistent social upheaval. National resources are politically spread across the regions of a country, with little ability to concentrate resources in top market cities for accelerated growth and greater contribution to national revenue. This attenuation of resources to politically favored regions of the country is one of the economic perils of both democracy and autocracy.

The United States and India are good examples of this. U.S. grants-in-aid programs to states and cities spread federal resources across the nation's cities according to "fairness" criteria that bear no relation to the productive potential of recipient cities. It is too little for too many and never enough for what can spur economic growth. The National Congress Party of India has departed from an earlier policy of targeted infrastructure investment designed to stimulate economic investment to embrace a policy of guaranteed income and discounted grain to the countryside (at 10 percent of the market price). The result is a reduction from 9.3 percent GDP growth (2010-2011) to 5 percent GDP growth (2012-2013).² Because central governments are generally not able to invest resources in key growth cities, local city governments and city regions have been forced to step up to the plate and initiate investment promotion programs.

A good example is the work that Mayor Michael R. Bloomberg undertook to improve the economic prosperity of New York City. Later we describe the many initiatives he undertook to strengthen New York City's role in the global

economy. After his 11 years as mayor of the city, he created a high-powered consulting group to use his vast fortune to help reshape cities around the world. He views large cities as laboratories for large-scale experiments in economic development, public health and education, and environmental sustainability.³

This idea of stressing the key importance of major cities in the growth of a nation's GDP is also on U.S. President Barack Obama's mind. On December 13, 2013, Obama met with more than a dozen new mayors and mayors-elect and told them that the "nation's cities are central to the economic progress of the United States" and that he wanted "to work with mayors to provide an environment that makes them [the cities] key job creation hubs."⁴

There are strong reasons why global companies must focus investment on growing cities in the developing world. Major cities in the United States and Europe are declining in population, and their consumption, trade, and investment are weakening. They cannot be relied on by Western MNCs to provide sufficient markets for business growth and adequate return to shareholders. The fastest-growing cities are in developing countries, especially in Asia and Latin America, which are having rapid growth of their middle and affluent classes. This is where money can be made, and both developed- and developing-country MNCs and large domestic businesses are exploiting these opportunities. Western MNCs must move more aggressively before they are outpaced by new developing-country MNCs.⁵

We repeat: Midsize and large cities in developing countries generally have a growth rate exceeding that of their host countries.⁶ The sum total of a nation's top cities comprises the greatest part of its GDP. In developed countries, cities provide as much as 80 percent of the national GDP. In the

United States, cities contribute 79 percent of the national GDP. In developing countries, the range is 40 to 60 percent. Chinese cities contribute 60 percent of the national GDP and 85 percent of China's GDP growth rate. Thirty-five Chinese cities alone contributed just under 50 percent of China's GDP in 2013.⁷

Although many developing nations were in turmoil during the last decades of the twentieth century that precluded investment, they have since stabilized and attracted investment. The road to economic growth is still rocky in the Middle East and in parts of Latin America and Asia, but the major city regions of China, India, Brazil, South Africa, Chile, Colombia, Indonesia, South Korea, Mexico, Singapore, Vietnam, and elsewhere are open for business.

The premise of Western nation building has been that economic development springs from democratic institutions. Although democratic nations such as South Korea, Taiwan, India, Brazil, and Mexico are doing well, autocratic nations such as China, Singapore, Saudi Arabia, and the United Arab Emirates are doing just as well without democratic political institutions. Even Russia, a dubious democracy, is rising from her ashes.

If economic prosperity does not necessarily come from democratic institutions, where does it come from? Beneath the shell of nation building, developing economies have thrived through the rapid growth of cities and their dynamic interplay of rapid urbanization, industrialization, trade, consumption, and education. Cities have grown through external and internal investment, transplanted global industries, indigenous industries, innovative implementation of central government investment and enterprise policies, improved operations and marketing skills, and indigenous entrepreneurial talent and spirit.