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## Experience of Leading European Global Cities in Attracting Foreign Direct Investments and Labor Migrants: Opportunities for Use in Russia

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**Abstract.** This research examines how Russian cities can learn from leading European global cities in attracting foreign direct investment (FDI) and foreign labor migrants. It emphasizes the link between migration and investment flows in global cities specialized in specific services. Global cities play a crucial role in attracting transnational factors of economic growth, with migration being a significant factor. The study analyzes the potential benefits of migration to global cities, including increased trade and capital flows. This benefits both the countries of origin through remittances and the global cities themselves through FDI. European global cities, including London, Paris, Amsterdam, Stockholm, Madrid, Frankfurt, Vienna, Zurich, Dublin, and Berlin, are major centers attracting FDI and labor migrants. Each city has its own specialization and competitive advantages, contributing to the global division of labor. Building on previous research, the study analyzes the attracting factors identified by the City of London for FDI and foreign-born skilled personnel. It aims to identify applicable opportunities for Moscow and St. Petersburg, the leading Russian global cities. While Moscow and St. Petersburg are well-ranked, other Russian cities have limited recognition. The research plans to expand to other Russian global cities, contributing to a comprehensive understanding of global city development. The research explores how Russian cities can leverage the experiences of leading European global cities to attract FDI and foreign labor migrants. By doing so, Russian cities can foster economic growth and enhance their global standing.

**Key words:** Europe, foreign labor migrants, Moscow, St. Petersburg

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## Опыт ведущих глобальных городов Европы по привлечению иностранных капиталовложений и трудовых мигрантов: возможности использования в России

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**Аннотация.** Целью исследования является изучение опыта ведущих европейских глобальных городов по привлечению прямых иностранных инвестиций (ПИИ) и трудовых мигрантов из-за рубежа, а также оценка возможностей его применения в различных российских городах. Рассматривается взаимосвязь между миграцией и инвестициями в глобальных городах, а также потребностью в квалифицированной рабочей силе в этих центрах из-за их специализации на определенных сферах услуг. Считается, что миграция в глобальные города способствует увеличению торговых потоков и капитала между страной — импортером и страной — экспортером рабочей силы, что приносит пользу как странам происхождения через переводы денежных средств, так и самим мировым городам через ПИИ. Иерархический характер глобальной экономики и концентрация транснациональных факторов в глобальных городах подчеркивают важность изучения потоков капитала и миграции в этих центрах. Исследование сфокусировано на десяти европейских глобальных городах, включая Лондон, Париж, Амстердам, Стокгольм, Мадрид, Франкфурт-на-Майне, Вена, Цюрих, Дублин и Берлин, которые постоянно занимают высокие места в различных рейтингах. Каждый город имеет свою специализацию и конкурентные преимущества, которые способствуют его позиции в «разделении труда» между глобальными городами. Исследование сфокусировано на выявлении применимых возможностей для Москвы и Санкт-Петербурга, ведущих российских глобальных городов. Работа позволяет увидеть потенциал для российских городов в адаптации опыта европейских глобальных городов в привлечении ПИИ и иностранных трудовых мигрантов. Используя этот опыт, российские города могут стимулировать экономический рост и повысить свою значимость в глобальном масштабе. Анализ ведущих европейских глобальных городов раскрывает отдельные практики привлечения ПИИ и иностранной рабочей силы, подчеркивая уникальные стратегии и характеристики каждого города. Применение этих уроков позволит Москве и Санкт-Петербургу улучшить инвестиционный климат, сосредоточиться на конкретных секторах и повысить свою конкурентоспособность на мировой арене.

**Ключевые слова:** Европа, иностранные трудовые мигранты, Москва, Санкт-Петербург

**Заявление о конфликте интересов.** Авторы заявляют об отсутствии конфликта интересов.

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### Introduction: Theoretical and Methodological Approach

The research aims to apply the experience of the leading European global cities in attracting foreign direct investment (FDI) and foreign labor migrants to various Russian cities.

We focus on studying the particular role of global cities in attracting transnational factors of

economic growth. Despite many different approaches, transnationalism implies that international actors transcend to the national economic landscape through specific points and create connections between old and new jurisdictions (Tedeschi, Vorobeva & Jahiainen, 2022). In this case, the link between migration and investment flows seems to be evident, because empirically investments tend to attract migrants (Bang & MacDermott, 2019). And

highly qualified labor is also needed in order to govern new transnational connections. Vice versa, migrants (especially skilled ones) could also bring investments to the sphere of their economic activity (Cuados, Martín-Montaner & Paniagua, 2019), not to mention an obvious link between migration and remittances.<sup>1</sup>

In recent years, proponents of neoclassical theories of migration, inter alia the international market concept (Borjas, 1989; 1990), as well as globalization theories, have studied and effectively explained labor migration to European global cities. The demand of developed economies for highly skilled labor, including from global cities, can be explained by the instrumentality of dual (or segmented) labor market theory (Piore, 1979; Sassen, 2001). Since most global cities are concentrated in advanced post-industrial economies, where advanced service industries form the foundation of their economic activity, it is not feasible to outsource them to labor-surplus regions, as in the case of manufacturing firms. In other words, global cities have a structural demand for both skilled labor and for low-skilled manual workers in the service sector. The specialization of global cities in particular types of services increases the demand for certain occupations.

It is believed that migration to global cities can facilitate increased trade and capital flows between the host country and the exporter of labor. In this context, it can be assumed that the influx of foreign labor to global cities benefits not only the exporting countries of the migrant workers, which receive remittances (transfers) from them, but also the global cities themselves that receive FDI, including from the home countries of foreign workers (Castles, de Haas & Miller, 2014).

<sup>1</sup> Interrelations Between Public Policies, Migration and Development. Paris : OECD Publishing, 2017. P. 156. <https://doi.org/10.1787/9789264265615-en>

Both transnational actors follow differences in productivity, tax rates, and education,<sup>2</sup> and in general this situation reflects the core — periphery structure of the world economy (Tedeschi, Vorobeva & Jahiainen, 2022). Given the hierarchical character of the global economy, one might assume that global cities' structure is also based on hierarchy, specialization and “division of labor.” This can be explained by the fact that such cities attract the vast majority of labor migrants and FDI coming to national states. Thus, a close scrutiny of capital and migration flows to these centers is needed. The novelty of this research lies in assessing the amount and character of capital and migrants to European global cities, as well as trying to figure out general and specific attracting factors with a view to expending this approach to Russian global cities.

The concept of global cities put forward by S. Sassen postulates that these are the cities in which globalization takes specific economic, political and cultural forms (Sassen, 1999). Given this character, transnational factors tend to be localized in global cities because they need to be well serviced and managed. The importance of global cities for the international movement of capital and international labor migration is also noted in the concepts of new transnational actors (Lebedeva, 2019) and global cities as hubs of new transnational actors (Sluka, Karyakin & Kolyasev, 2020). A significant number of global cities are located in Europe. This statement can be underpinned by the rating of the leading global cities prepared by the Loughborough University (UK). In accordance with it, approximately one fifth of the 236 cities are located Europe.<sup>3</sup>

<sup>2</sup> Buchardi K., Chaney T., Hassan T. The Effect of Migration on Foreign Direct Investment // Centre for Economic Policy Research. November 12, 2016. URL: <https://cepr.org/voxeu/columns/effect-migration-foreign-direct-investment> (accessed: 02.03.2021).

<sup>3</sup> The World According to GaWC // Loughborough University. 2020. URL: <https://www.lboro.ac.uk/microsites/geography/gawc/world2020t.html> (accessed: 02.03.2021).

European global cities are very important actors in the world's FDI: more than a third of the world FDI stock is located in developed Europe — 15.5 trillion out of 41.4 trillion USD<sup>4</sup> and the bulk of this investment is concentrated in European global cities. Europe also attracts most of the world's migrant workers — according to the latest available data, out of 164 million labor migrants, about a third (52 million) worked in Europe, mainly in Western Europe (39 million).<sup>5</sup> Most of them also settled in global cities.

In addition to the above rating, there are other ratings that reflect the complex nature of global cities,<sup>6</sup> as well as ratings that focus on individual aspects of these cities — their role as international financial centers (IFCs),<sup>7</sup> as objects of foreign investment, as innovative centers.<sup>8</sup>

<sup>4</sup> World Investment Report 2021 // UNCTAD. URL: [https://unctad.org/system/files/official-document/wir2021\\_en.pdf](https://unctad.org/system/files/official-document/wir2021_en.pdf) (accessed: 02.03.2021).

<sup>5</sup> World Migration Report 2020 // International Organization for Migration. URL: [https://publications.iom.int/system/files/pdf/wmr\\_2020.pdf](https://publications.iom.int/system/files/pdf/wmr_2020.pdf) (accessed: 02.03.2021).

<sup>6</sup> See: 2019 Global Cities Report // A.T. Kearney. 2019. URL: <https://www. Kearney.com/global-cities/2019> (accessed: 02.03.2021); Arcadis Sustainable Cities Index // October 30, 2018. URL: <https://www.arcadis.com/en/news/global/2018/10/european-and-asian-cities-lead-in-arcadis-sustainable-cities-index> (accessed: 02.03.2021); Global Power City Index 2019 // The Mori Memorial Foundation. URL: [http://mori-m-foundation.or.jp/pdf/GPCI2019\\_summary.pdf](http://mori-m-foundation.or.jp/pdf/GPCI2019_summary.pdf) (accessed: 02.03.2021); Hot Spots. Benchmarking Global City Competitiveness // The Economist Intelligence Unit. 2012. URL: [https://web.archive.org/web/20230123105705/https://www.citigroup.com/citi/citiforcities/pdfs/eiu\\_hotspots\\_2012.pdf](https://web.archive.org/web/20230123105705/https://www.citigroup.com/citi/citiforcities/pdfs/eiu_hotspots_2012.pdf) (accessed: 02.03.2021); Cities of Opportunity // PwC. April 2016. URL: <https://www.pwc.com/gx/en/asset-management/real-estate-insights/assets/real-estate-cities-opportunities.pdf> (accessed: 02.03.2021).

<sup>7</sup> Wardle M., Mainelli M. Global Financial Centres Index 29 // Z/Yen Group Limited. March 2021. URL: <https://www.longfinance.net/publications/longfinance-reports/global-financial-centres-index-29/> (accessed: 02.04.2021).

<sup>8</sup> Innovation Cities Index // 2thinknow. 2019. URL: <https://www.innovation-cities.com/index-2019-global-city-rankings/18842/> (accessed: 02.03.2021).

For the purpose of the study, the authors reached a general consensus on the selection of these ten European global cities based on the fact that they occupy the highest positions compared to the other European global cities included in these ratings. London and Paris are among the top ten European global cities in all 10 ratings, Amsterdam and Stockholm are among the European leaders in 9 ratings, Madrid — in 8 ratings, Frankfurt-am-Main, Vienna and Zurich — in 7 ratings, Dublin — in 6 ratings, Berlin — in 5 ratings.

At the same time, each global city has its own specialization, bolstered by main competitive advantages. These advantages may appear spontaneously in the process of development and may depend on specific political (and other) decisions and actions (Arner, 2009). The identification and development of such advantages (attractive factors) is important for maintaining the status of the global city, since they will obviously determine its place in the “division of labor” (Palan, 2015) between global cities.

Probably the most detailed and “canonical” list of such attracting factors was developed by analysts of the City of London. They refer to the following as the main attracting factors of global cities (in order of importance): skilled personnel, regulatory environment, access to international financial markets, availability of business infrastructure, access to customers, fair and just business environment, government responsiveness, corporate tax regime, operational costs, access to suppliers of professional services, quality of life, culture and language, quality and availability of commercial real estate, personal tax regime.<sup>9</sup> Although the list was for IFCs, it can be applied to global cities because IFCs are important elements of

<sup>9</sup> Yeandle M., Mainelli M., Berendt A. The Competitive Position of London as a Global Financial Centre // Corporation of London. 2005. URL: <https://www.zyen.com/media/documents/LCGFC.pdf> (accessed: 02.03.2021).

their economic structure. The paper follows the above taxonomy of attracting factors with the focus on FDI and foreign-born skilled personnel.

This paper continues the research conducted by the authors in their previous articles on the attractiveness of European global cities for FDI (Bulatov, Habarta & Sergeev, 2020) and foreign labor immigration (Bulatov, Habarta & Sergeev, 2021), and aims to identify the opportunities suitable for applying these global cities' experience to Moscow and St. Petersburg. The former is included in 8 ratings of global cities, the latter — in 3 ratings. Other two Russian cities (Kazan and Novosibirsk) are ranked solely in 2 ratings, the next twelve are mentioned only once at the end of the long list of global cities (about 500) in the Sustainable Cities Index. This is the reason why in the paper Moscow and St. Petersburg are studied as the leading Russian global cities. The authors also hope that in the future they will manage to collect enough data to research other Russian global cities in the light of global cities' development.

### **Practices of Major European Global Cities in Attracting FDI and Foreign Labor**

#### ***London***

Attracting half of the UK's FDI inflows, London performs three main roles in this process: as an international hub for transit FDI, as a regional hub for subsequent investing assets to other regions of the country, and as a direct magnet for investment in the city's own urban economy.

The first role of London can be assessed as the most important, based on the fact that the UK has an extensive foreign offshore network near the coast of the country and in the Caribbean, as well as the location of the overwhelming majority (3/4) of all European regional headquarters of multinational corporations (MNCs) in

London.<sup>10</sup> A little less than half of the UK's inward FDI is in transit to other countries,<sup>11</sup> and the overwhelming part of these assets passes through the London IFC. Transit foreign investment, i.e., investment incoming to a global city and then flowing out to other jurisdictions, constitutes a very important aspect of London due to its numerous business connections with foreign countries based on its large financial services network, including financial companies with immigrant staff (see below).

London plays the role of a regional hub primarily for the rest of South-East England: in 2019 this region accounted for 59% of UK projects based on FDI, including London itself — 48.5%. If in the previous decades London urban economy was attractive for FDI primarily as a place for projects in sales and marketing, nowadays foreign investors are increasingly considering London as a technologically and innovatively advanced city. In 2019 in foreign Europe from all projects in the field of digital technology on the basis of FDI, the UK provided itself with 30% of projects (432) and this was mainly the merit of London, on which 289 such projects accounted for.<sup>12</sup>

The share of London in the total number of migrant workers in the UK is about 1/3. Although most immigrants work in industries

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<sup>10</sup> Stewart I. Power Up: UK Inward Investment. Key Drivers of Foreign Investment and Its Value to the UK Economy // Deloitte Insight. March 1, 2019. URL: <https://web.archive.org/web/20210421190003/https://www2.deloitte.com/xe/en/insights/focus/technology-and-the-future-of-work/power-up-uk-inward-investment.html> (accessed: 02.03.2021).

<sup>11</sup> Damgaard J., Elkjaer T. The Global FDI Network: Searching for Ultimate Investors // IMF Working Paper. 2017. No. 2017/258. URL: <https://www.imf.org/en/Publications/WP/Issues/2017/11/17/The-Global-FDI-Network-Searching-for-Ultimate-Investors-45414> (accessed: 02.03.2021).

<sup>12</sup> Trends in Foreign Direct Investment in Great Britain's Towns. EY Attractiveness Survey: UK // Ernst & Young. May 2020. URL: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/topics/attractiveness/ey\\_ukas\\_cft\\_regional\\_report\\_may2020.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/attractiveness/ey_ukas_cft_regional_report_may2020.pdf) (accessed: 02.03.2021).

with a predominance of low- and medium qualified jobs, in some industries with a predominance of highly qualified labor their share is sufficiently high. For example, the share of immigrants operating in financial and insurance services (mainly in London IFC) was estimated at 118 thousand people, making up a very significant amount — about 40% of those working in the city in this sector. This is largely due to the need of numerous London financial companies (about 60,000), banks (264) and numerous MNC regional headquarters to maintain sustainable business relations with all countries of the world, which is largely provided by highly qualified immigrants. For immigrants, the two main motives for their relocation to London are work and education (30% of all students London in are foreigners).<sup>13</sup>

### **Paris**

Paris attracts more than 50% of all incoming FDI into the country. The growth of the investment attractiveness of Paris contributes to its strong orientation on innovation (40% of national spending on research and development (R&D)).<sup>14</sup>

Paris hosts a large number of local headquarters of the largest MNCs, but almost all of them are somehow associated with French rather than foreign assets (unlike in London), which speaks of the weak international transit role of Paris. Another specific feature of the city is a relatively low regional transmission function, as a significant part of FDI remains here and does not flow to other regions. FDI in Paris is linked to a long-time specialization of Paris in high-tech industries and logistics.

<sup>13</sup> Facing Facts: The Impact of Migrants on London, Its Workforce and Its Economy // PwC. March 2017. URL: <https://www.pwc.co.uk/legal/pdf/facing-facts-the-impact-of-migrants-on-london-its-workforce-and-economy.pdf> (accessed: 02.03.2021).

<sup>14</sup> Paris Region Key Figures // L'Institut Paris Region. 2019. URL: <https://en.institutparisregion.fr/resources/publications/paris-region-key-figures-2019/> (accessed: 02.03.2021).

The Paris agglomeration also has its own distinguishing features in terms of the inflow of foreign labor migrants. First, the share of African migrants is relatively high (about 47%) and the share of European migrants is relatively low (about 32%).<sup>15</sup> Second, the main areas of residence of migrants are concentrated in areas where the income level is low by Paris standards.<sup>16</sup> Thus, we can say that the structure of labor migrants in the city does not quite correspond to the high-tech profile of Paris.

### **Amsterdam**

Up to 80% of all incoming FDI immediately leaves the country being sent both to offshore jurisdictions or other countries with a low tax rate regime (primarily to Ireland) and to large economies (primarily the United States and the United Kingdom).<sup>17</sup> The main part of transit FDI passes through Amsterdam, mainly through “mailbox” companies (special financial units), which actively use their preferential tax regime.

It is difficult to talk about Amsterdam's role as a regional hub, as other global cities of the country are themselves quite active in attracting FDI. In 2017, about 45% of all FDI-related projects in the country were accounted for Amsterdam, but two other Dutch global cities — Rotterdam and the Hague — together provided about 25% of the projects.<sup>18</sup>

The main sectors of the city's economy hosting non-transit FDI include the information

<sup>15</sup> Ibid.

<sup>16</sup> Working Together for Local Integration of Migrants and Refugees. Paris: OECD Publishing, 2018. <https://doi.org/10.1787/9789264085350-en>

<sup>17</sup> 80 Procent Inkomende Investerings Direct Doorgesluisd // Centraal Bureau Voor Statistiek. December 13, 2018. URL: <https://www.cbs.nl/nl-nl/nieuws/2018/50/80-procent-inkomende-investerings-direct-doorgesluisd> (accessed: 15.02.2021).

<sup>18</sup> Nederland Blijft Overtuigen Als Investeringsland. Barometer Nederlands Vestigingsklimaat 2018 // Ernst & Young. May 2018. URL: <https://userfiles.mailswitch.nl/c/7560a4386bec8c35b5c162b152c15bdb/3243-7fa63dbb7bae5f3d3add96d7852f3aa.pdf> (accessed: 20.05.2021).

and communication technology (ICT) sphere, creative industries, and especially real estate<sup>19</sup> and new technological industries (more than 10% of all European data centers are located in Amsterdam).<sup>20</sup>

For skilled labor migrants, the city's attractiveness consists in its good transport infrastructure, high quality of life, excellent indicators of access to digital technologies, the predominance of highly qualified and also English-speaking labor in the city, as well as a relatively low cost of living (compared to other global cities). The population of Amsterdam is the most "internationalized" of all Dutch cities: about 56% of its inhabitants have a migration background (migrants in the first or second generation, according to OECD terminology). The city's migrant structure is dominated by "non-Western" migrants (65%), but the share of "Western" residents in the city (35%)<sup>21</sup> is much higher than the national average (10%),<sup>22</sup> largely at the expense of the citizens of the UK and the U.S. At the same time, there has been an outflow of indigenous inhabitants from the downtown, with a significant proportion of them settling in other parts of the Amsterdam agglomeration (where the ratio of the indigenous population to migrant-originated population is approximately 62 : 38).

<sup>19</sup> Macro Economische Verkenning, 2019 // Centraal Planbureau. URL: <https://web.archive.org/web/20211227225544/http://www.cpb.nl/sites/default/files/omnidownload/Macro-Economische-Verkenning-MEV-2019.pdf> (accessed: 20.04.2021).

<sup>20</sup> Macro Economische Verkenning 2016 // Centraal Planbureau. URL: <https://web.archive.org/web/20191014034837/https://www.cpb.nl/sites/default/files/publicaties/download/macro-economische-verkenning-mev-2016.pdf> (accessed: 20.04.2021).

<sup>21</sup> Authors' calculations based on: Kerncijfers Amsterdam. Onderzoek, Informatie en Statistiek // Gemeente Amsterdam. 2020. P. 2. URL: <https://onderzoek.amsterdam.nl/publicatie/kerncijfers-amsterdam-2020> (accessed: 20.05.2021).

<sup>22</sup> Westerse Migratieachtergrond // Volksgezondheid en Zorg Info. 2018. URL: <https://web.archive.org/web/20221003175600/https://www.vzinfo.nl/bevolking/regional/migratieachtergrond> (accessed: 14.02.2021).

## Stockholm

Stockholm attracts almost half of the FDI flowing into the country.<sup>23</sup> However, Stockholm (like Paris) is not characterized by a focus on transit FDI. The city is specialized primarily in the FDI inflow in its urban economy. Stockholm is characterized by a very high orientation to modern industries — pharmaceuticals, electronic engineering, ICT, finance, scientific research, as well as foreign trade (29% of Swedish exports and 43% of imports fall on the city).<sup>24</sup> Manufacturing (mainly modern) gives 16% of the city's GDP, trading services (including foreign trade) — 12%, and the rest is mainly produced by other services. In the first half of the last decade, 51% of new FDI went to the high-tech industries of Stockholm; although at the same time a significant part (about a quarter) was invested in financial services.

This double orientation — to modern industries and foreign trade — provides additional attractiveness of the city for MNCs in addition to its other valuable aspects (highly qualified labor, relatively low taxes, and good infrastructure). Half of the regional headquarters of MNCs operating in Northern Europe are located in Stockholm,<sup>25</sup> and they invest mainly in the above-mentioned sectors.

However, the problem of attracting business FDI to the city lies in the high cost of labor. Another problem (not only for FDI, but for the entire economy of Sweden) is the shortage of highly qualified labor force, which the country

<sup>23</sup> Stockholm Business Region // Invest Stockholm. 2019. URL: <https://www.stockholmbusinessregion.com/> (accessed: 20.04.2021).

<sup>24</sup> Parilla J., Trujilo J. L., Marchio N., Kho K. Global Stockholm: Profiting the Capital Region's International Competitiveness and Connections // The Metropolitan Policy Program at Brookings. November 16, 2015. URL: [https://www.brookings.edu/wp-content/uploads/2016/07/GCI\\_Stockholm\\_Nov16final\\_LoRes-1.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/GCI_Stockholm_Nov16final_LoRes-1.pdf) (accessed: 02.03.2021).

<sup>25</sup> Stockholm: Setting Standards for Scandinavia and Europe // FDI Intelligence. URL: <https://www.fdiintelligence.com/article/27644> (accessed: 05.04.2021).



is trying to solve partially by inflow of immigrants. The share of first and second generation immigrants in Stockholm's population is 33%. Nevertheless, the level of qualifications of migrants remains insufficient: in 2017, the share of the residents of Stockholm born in Sweden who had a university education accounted for 63%, while among migrants it was 48%. The latter figure was good by international standards, but not enough for Stockholm. It led to migrants' high unemployment — in 2019, it was 2.6% for Sweden-born habitants of Stockholm and 9.8% for those born abroad.<sup>26</sup>

### **Madrid**

The Madrid agglomeration absorbs about 60% of the FDI entering the country. Madrid's leading role in attracting FDI is based on the large concentration of national MNCs and Spanish branches of foreign MNCs (37% of the total number of them in Spain), the Madrid Stock Exchange and the headquarters of major Spanish banks. Madrid also hosts the regional headquarters of the *Inter-American Development Bank* (IADB), the European Investment Bank and the International Organization of Securities Commission (IOSCO). Therefore, the role of Madrid as an international financial hub is noticeable.

The main sphere of FDI in Madrid is the service sector (72.5% of the total volume of accumulated FDI); the second place is occupied by manufacturing (17.3%). In the service sector, financial services dominate — 20.8%, followed by real estate operations — 11%, advertising services and market research — 9.4%.<sup>27</sup>

<sup>26</sup> Migrant and Refugee Integration in Stockholm. A Scoping Note // OECD. 2019. URL: <http://www.oecd-inclusive.com/wp-content/uploads/2019/05/Stockholm-Migrant-Integration.pdf> (accessed: 20.03.2021).

<sup>27</sup> Madrid Strengthened Its Leadership as a Recipient of International Investment in 2020 // Madrid Investment Attraction. April 15, 2021. URL: <https://madridinvestmentattraction.com/noticias/madrid-strengthened-its-leadership-as-a-recipient-of-international-investment-in-2020/> (accessed: 16.08.2021).

The city is the main center of attraction of foreign labor in the Iberian Peninsula. 53% of the immigrants who arrived in the Spanish capital in recent years were immigrants from Latin America and only 11.5% — citizens of the EU countries and North America.<sup>28</sup> Labor migrants from developed countries are mainly occupied at the enterprises and offices of MNCs, the remaining categories of migrants work in the service sector and industry.

### **Frankfurt and Berlin**

Germany's leading global cities are predominantly regional hubs and objects of FDI in their urban economies, although some of them also function as international hubs. For example, Frankfurt-am-Main has a notable IFC due to the high concentration in the city of German (40) and foreign (162) credit institutions,<sup>29</sup> the presence of the European Central Bank, the Bundesbank and a number of other major European and German supervisory and regulatory institutions, as well as an extensive network of financial services companies. In 2021, the city considerably increased its competitive advantages and ranked 9th according to the Global Financial Centres Index (GFCI). This was partly due to Brexit, because financial companies opted for the city.<sup>30</sup> Nevertheless, a maximum of 20% of the FDI arriving in the city is invested in the financial sector preferring ICT, business services, trade and transport, i.e., mainly urban economy.<sup>31</sup>

<sup>28</sup> Madrid, Focal Point of Foreign Investment in Spain // Madrid Investment Attraction. January 9, 2019. URL: <https://madridinvestmentattraction.com/madrid-focal-point-of-foreign-investment-in-spain/> (accessed: 16.08.2021).

<sup>29</sup> Financial Center Frankfurt // Germany Trade & Invest. URL: <https://www.gtai.de/en/invest/industries/services/financial-center-frankfurt-80228> (accessed: 02.06.2021).

<sup>30</sup> Financial Centres of the World 2021: Focus on Frankfurt // Z/Yen Group Limited. 2021. URL: <https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/events/focus-frankfurt/> (accessed: 16.08.2021).

<sup>31</sup> Deutsche Wirtschaft muss mehr in ihr Wissenskapital investieren // DIW Wochenbericht Nr. 31. 2019. URL:



In Germany, the competition between global cities is very tangible, which leads to a high spray of inflows of FDI and labor migrants between cities. Thus, in 2021, Frankfurt accumulated about 9% of FDI projects compared to 6% in Berlin.<sup>32</sup> Berlin's specialization is in real estate and start-ups. Such a narrow specialization is caused by the lower attractiveness of East Germany for FDI compared to West Germany and the competition between cities and federal lands in Germany and their specialization.

The migration situation in Berlin and Frankfurt is aligned with their status as major global cities. The share of the foreign population here is 19%<sup>33</sup> and 30%<sup>34</sup>, respectively, which is higher than the average for Germany (about 13%). If we try to estimate the share of inhabitants with a migration background (migrants in the first or second generation), then in Berlin this indicator is 33%<sup>35</sup> and in Frankfurt — 51%.<sup>36</sup> Most of them come from

[https://www.diw.de/documents/publikationen/73/diw\\_01.c.670900.de/19-31-1.pdf](https://www.diw.de/documents/publikationen/73/diw_01.c.670900.de/19-31-1.pdf) (accessed: 01.02.2021).

<sup>32</sup> Authors' calculations based on: Global FDI Annual Report 2022 // Investment Monitor. URL: <https://www.investmentmonitor.ai/whitepapers/global-fdi-annual-report-2022> (accessed: 01.12.2022).

<sup>33</sup> Engelbrecht P. 100 Jahre (Groß-)Berlin: Ausstellung im AIV // Architekten- und Ingenieurverein zu Berlin-Brandenburg e.V. 2019. URL: <https://www.aiv-berlin-brandenburg.de/100-jahre-gross-berlin-ausstellung-im-aiv-18-01-19-14-06-2019-2/> (accessed: 06.03.2021).

<sup>34</sup> Statistisches Jahrbuch Frankfurt am Main 2018 // Stadt Frankfurt am Main. 2018. URL: <https://frankfurt.de/-/media/frankfurtde/service-und-rathaus/zahlen-daten-fakten/pdf/jahrbuch/statistisches-jahrbuch-2018.ashx> (accessed: 06.03.2021).

<sup>35</sup> See: Destatis // Statistisches Bundesamt. URL: [www.destatis.de](http://www.destatis.de) (accessed: 15.02.2021); Zurich Ranked Among the Most Tech Cities in Europe // Switzerland Global Enterprise. June 17, 2020. URL: <https://www.s-ge.com/en/article/news/20202-zurich-important-tech-cities-europe> (accessed: 20.05.2021).

<sup>36</sup> Frankfurter Integrations- und Diversitätsmonitoring // Amt für multikulturelle Angelegenheiten. 2017. URL: [https://frankfurt.de/-/media/frankfurtde/service-und-rathaus/verwaltung/aemter-und-institutionen/amt-fuer-multikulturelle-angelegenheiten/pdf/frankfurter\\_integrations-\\_und\\_diversitaetsmonitoring\\_2017.ashx](https://frankfurt.de/-/media/frankfurtde/service-und-rathaus/verwaltung/aemter-und-institutionen/amt-fuer-multikulturelle-angelegenheiten/pdf/frankfurter_integrations-_und_diversitaetsmonitoring_2017.ashx) (accessed: 05.06.2021).

Türkiye, Italy, Eastern and Southeastern Europe, and the Middle East. The competence level of migrants remains insufficient for their active participation in the most productive sectors of economy.

### Zurich

The economic profile of Zurich as a global city is determined by its developed financial sector (the city has one of the leading European IFCs) and high-tech industries: Zurich is one of the main technological centers in Europe.<sup>37</sup> Of the total volume of accumulated FDI in the country about 60% is invested in financial and holding companies, and another 14% — in manufacturing.<sup>38</sup> In many ways, this structure is determined by Zurich, the main city of FDI application in Switzerland.

The city's IFC (which accounts for about half of the entire financial sector of Switzerland) specializes primarily in servicing transit FDI. Of European FDI accumulated in Switzerland (84% of all FDI in the country), more than 3/4 falls on transit investment, mainly from the Netherlands, Ireland, Luxembourg and Austria.<sup>39</sup> Another specialization of Zurich IFC is to manage banking assets of customers from other countries of the world: about 1/3 of Swiss bank accounts belong to private clients, which makes Switzerland (primarily at the expense of Zurich) the world leader in the management of private assets. 45% of the added value produced by IFC falls on insurance (mainly reinsurance) companies (and this is the third feature of Zurich IFC).<sup>40</sup>

<sup>37</sup> Zurich Ranked Among the Most Tech Cities in Europe // Switzerland Global Enterprise. June 17, 2020. URL: <https://www.s-ge.com/en/article/news/20202-zurich-important-tech-cities-europe> (accessed: 20.05.2021).

<sup>38</sup> Complete Annual Report 2019 // Swiss National Bank. 2019. URL: [https://www.snb.ch/en/mmr/reference/annrep\\_2019\\_komplett/source/annrep\\_2019\\_komplett.en.pdf](https://www.snb.ch/en/mmr/reference/annrep_2019_komplett/source/annrep_2019_komplett.en.pdf) (accessed: 16.04.2021).

<sup>39</sup> Ibid.

<sup>40</sup> Finanzplatz Zürich 2019/2020 // Kanton Zürich. 2020. URL: <https://finanzplatz-zuerich.ch/schweiz/assets/>

The manufacturing sector of the Zurich agglomeration, which lags behind the financial sector in terms of FDI inflows, attracts FDI due to its focus on high technology. Switzerland is one of the few European countries in which in 1990–2017 the share of the manufacturing industry in the country's GDP decreased slightly from 20.5 to 18.2%.<sup>41</sup> Only the Zurich agglomeration (primarily in Canton Zug) still produces a wide range of machinery, equipment and pharmaceuticals at a high technological level.

The orientation of Switzerland on FDI, primarily from Europe, is combined with its pro-European migration policy. The country is one of the leaders on the share of migrants in the total population (1/3). In Zurich, their share is even higher, close to the half of the population (taking into account not only the first, but also the second generation of migrants). More than 2/3 of them are immigrants from other European countries, primarily from Germany and Italy. Good level of proficiency of these migrants, combined with rather strict requirements of migration legislation, provides the city with a sufficient inflow of qualified labor force from abroad.

### **Vienna**

The capital of Austria positions itself as the best international center for establishing business relations with Central and Eastern Europe, as well as a large scientific and educational cluster and an IFC. As a result, more than 300 MNCs operating in Central and Eastern Europe have their regional headquarters in Vienna and its

surroundings.<sup>42</sup> Like Brussels, Vienna is the most popular location for international organizations in Europe.

Due to the large concentration of educational and research centers, the city is the largest ICT location in Europe after London, where more than 5.8 thousand ICT companies operate, and more than 1,000 foreign ones placed their regional headquarters in Vienna to carry out their activities in Central and Eastern Europe. Vienna is also generally considered as a place for the development of financial technologies: it is one of the leaders in the field of digitalization and the European cryptocurrency center.<sup>43</sup> Thanks to this, Austrian banks, whose headquarters are concentrated in Vienna, are among the leaders in the banking systems of Central and Eastern Europe in the 21st century, with which they also have a long-standing historical ties. The Vienna Stock Exchange is the largest in Central and Eastern Europe. Due to such factors Vienna is one of the regional centers attracting foreign investment — the city accounts for 65% of the FDI (2019) entering the country.<sup>44</sup>

30% of the population of Vienna has a foreign background. Currently, more than 184 nationalities live in Vienna, the largest of which are Serbs (4.1% of the city's population), Germans (2.6%), Turks (2.4%), Poles (2.3%) and Romanians (1.9%).<sup>45</sup>

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uploads/Chartbericht\_Finanzplatz-ZH\_2019-20\_web.pdf (accessed: 16.04.2021).

<sup>41</sup> Swiss Economy — Facts and Figures // Eidgenössisches Departement für auswärtige Angelegenheiten EDA. 2020. URL: <https://www.eda.admin.ch/aboutswitzerland/en/home/wirtschaft/uebersicht/wirtschaft---fakten-und-zahlen.html> (accessed: 05.06.2021).

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<sup>42</sup> Austria: Foreign Investment // Santander Trade Portal. 2021. URL: <https://santandertrade.com/en/portal/establish-overseas/austria/foreign-investment> (accessed: 01.07.2021).

<sup>43</sup> Digital Agenda Vienna // Municipal Directorate Vienna. 2020. URL: [https://web.archive.org/web/20220811195014/https://www.partizipation.wien.at/sites/default/files/1603\\_digital\\_agenda\\_vienna\\_eng\\_franclin\\_book.pdf](https://web.archive.org/web/20220811195014/https://www.partizipation.wien.at/sites/default/files/1603_digital_agenda_vienna_eng_franclin_book.pdf) (accessed: 06.06.2021).

<sup>44</sup> Invest in Austria // Austrian Business Agency. URL: <https://investinaustria.at/en/> (accessed: 01.07.2021).

<sup>45</sup> Vienna in Figures 2020 // Province of Vienna. 2020. URL: [https://www.viennabiocenter.org/fileadmin/user\\_upload/VBC/Career/Why\\_work\\_here/Life\\_in\\_Vienna/viennainfigures-2020.pdf](https://www.viennabiocenter.org/fileadmin/user_upload/VBC/Career/Why_work_here/Life_in_Vienna/viennainfigures-2020.pdf) (accessed: 10.08.2021).

## **Dublin**

Dublin plays the same role in Ireland as London does in the British economy. Its main function (as an international hub for transit FDI) is largely played by the IFC of Dublin, which is growing rapidly on the basis of high concentration in the city of foreign MNC regional headquarters, mainly American. They actively use the liberal tax regime in the country as well as the proximity of Ireland to the other European markets and its membership in the EU. Thanks to MNCs, 29% of Dublin's jobs are located at MNC enterprises. The role of Dublin as a regional hub is comparatively limited as the FDI-based companies operating in the city distribute their network predominantly in the margins of the Dublin agglomeration (1/3 of the country's population). As earlier in London, Dublin's urban economy attracts FDI primarily in the retail trade sector; although in the other cities of Ireland they prefer the manufacturing industry, mostly high-tech.<sup>46</sup>

Although there are many foreign migrants in Dublin and in the country as a whole, they are rare in finance and insurance (the main industries for servicing transit FDI), unlike in London. This sector has one of the lowest proportions of foreign migrants in the Irish economy — only 6% compared to an average of 12% in the national economy.<sup>47</sup> These jobs are occupied by expats of Irish origin (the latter constitute the bulk of annual immigration into the country — their share ranges from 18 to 45%).<sup>48</sup>

<sup>46</sup> Annual Report & Accounts 2019 // IDA Ireland 2019. URL: [https://www.idaireland.com/getmedia/51218aa5-6dfe-401a-b497-5e0e59d48aa6/IDA\\_AR\\_2019-Final.pdf?ext=.pdf](https://www.idaireland.com/getmedia/51218aa5-6dfe-401a-b497-5e0e59d48aa6/IDA_AR_2019-Final.pdf?ext=.pdf) (accessed: 10. 08.2021).

<sup>47</sup> Szlovak P., Power J. Migrants at the Irish Economy // The Integration Centre. November 5, 2012. URL: <https://www.atlanticphilanthropies.org/wp-content/uploads/2015/09/report-migrants-irish-economy.pdf> (accessed: 02.03.2021).

<sup>48</sup> Ibid.

## **The Experience of Europe's Leading Global Cities**

To sum up the foregoing, the analysis of FDI and foreign labor migration flows to 10 leading European global cities allows coming to the following conclusions. Firstly, although many global cities play the role of international hubs for transit FDI (especially London, Dublin, Amsterdam, Zurich), some of them focus on attracting FDI in their urban economy (Paris, Stockholm, Berlin) or try to combine these two roles (Zurich, to some extent London and Vienna). At the same time, some cities actively play the role of regional hubs (particularly London). In addition, some cities have a high inflow of qualified foreign migrants (London, Amsterdam, Stockholm, Zurich, Dublin), while others have a low share of such migrants (especially Paris). In the case of high inflow of migrants they can cause some problems, for instance, they can lead to an outflow of native citizens (for example, in Amsterdam).

## **Discussion**

Looking at non-European global cities, we can conclude that many of them are economically global due to their active participation in international trade and not because of the inflow of FDI and foreign migrants. For example, in the list of 236 global cities of the Loughborough University, 47 US cities and 5 Japanese cities are ranked global<sup>49</sup> and most of them do not have substantial FDI and foreign-born residents, although they actively participate in international trade in goods and services.

Nevertheless, we presume that the modern economic globalization implies that a global city should actively participate in all major spheres of this globalization including global

<sup>49</sup> The World According to GaWC // Loughborough University. 2020. URL: <https://www.lboro.ac.uk/microsites/geography/gawc/world2020t.html> (accessed: 02.03.2021).

capital movements (particularly FDI) and labor migration. At the same time, we share the view that a global city economy goes through several stages in its way towards economic globalization, starting with international trade, as in the case of company globalization described in many books (e.g., see: (Katona, Árva & Schlett, 2013)).

From this point of view, the experience of major European global cities is useful for Russian global cities, which lag behind them by stages of economic globalization.

### **Opportunities to Apply European Experience to Russia's Leading Global Cities**

Thus, it would be reasonable to focus on Moscow and St. Petersburg in our attempt to apply the above experience of leading European global cities to the leading Russian global cities.

#### ***Moscow***

Like many other European capitals, the capital of Russia attracts the lion's share of FDI inflows to the country — up to 69% in some years of the previous decade. As a result, the share of Moscow in the total volume of accumulated FDI in Russia was 49% at the end of 2020.<sup>50</sup>

The distribution by industries of accumulated FDI in Moscow is as follows: FDI is concentrated in financial and insurance activities (22.4%), professional, scientific and technical activities (20.7%), and wholesale and retail trade (19.8%). Real estate activities are also important (7.2%), as well as mining and quarrying (12.4% due to the location of the headquarters of leading mining companies in Moscow), while the shares of information and communication (3.8%),

<sup>50</sup> Direct Investment. Positions by Instrument and Industry in the Context of the Subjects of the Federation // Bank of Russia. 2021. URL: [http://www.cbr.ru/eng/statistics/macro\\_itm/svs/](http://www.cbr.ru/eng/statistics/macro_itm/svs/) (accessed: 02.03.2021).

transportation and storage (2.6%), construction (1.1%) and manufacturing (1.3%) are modest.<sup>51</sup>

It should be emphasized that Moscow, in its role as an international hub, does not focus on foreign transit investment (like European international hubs), but on the “round-tripping” of Russian investment (by origin). It is estimated that up to 3/4 of Russian inward and outward FDI stock originate from (are located in) the same set of offshore jurisdictions and transit countries (Cyprus, the UK, Ireland, the Netherlands, etc.) and are owned by Russian residents at home and abroad (Bulatov, 2017). Moscow as the financial center of Russia — it hosts the headquarters of most Russian and regional headquarters of foreign MNCs and concentrates 77% of the country's banking assets — plays a leading role in the “round-tripping” of Russian assets.

At the same time, Moscow plays an important role in the Russian economy as a regional hub for FDI. Many foreign MNCs preferred to start their business in this largest Russian agglomeration in order to later invest in other Russian regions. However, Russian statistics do not provide data on these investment flows, and only corporate reports confirm that they are substantial.

As an urban economy, Moscow attracts FDI predominantly to its wholesale and retail trade (the city ranks third in Europe in terms of consumer spending after London and Paris). The above statistics on the industrial distribution of FDI shows also that information and communication, transportation and storage, manufacturing and construction are less attractive to foreign investors in Moscow.

Given the fact that the city's Investment Strategy 2025<sup>52</sup> is aimed at improving the

<sup>51</sup> Ibid.

<sup>52</sup> Investment Strategy of the City of Moscow for the Period up to 2025 // Moscow Investment Portal. 2016. URL: <https://investmoscow.ru/media/3327475/moscow-investment-strategy-up-to-2025-in-english.pdf> (accessed: 12.06.2021).

investment climate without providing details on the distribution of investment (except for the focus on infrastructure and high-tech development), we offer some ideas on the implementation in Moscow the experience of leading European cities in attracting FDI.

Based on the list of attracting factors developed by analysts of the City of London (see above), we presume that Moscow has many competitive advantages, including access to customers in Russia and other CIS countries, availability of business infrastructure and commercial property, competitive tax regime, culture and language (Russian is still popular in many post-Soviet countries), skilled personnel (at least in some professions). These advantages of Moscow exist even in the situation when the attractiveness of Russia from the point of FDI inflow decreased in the last 7–8 years due to low economic growth of the country and Western sanctions.

As the leading IFC among the post-Soviet economies, Moscow has chances to develop its role as an international hub, particularly in case of re-orientation Moscow IFC from “round-tripping” of Russian investment to transit foreign non-Western FDI to Central Asia and the South Caucasus. Weak business infrastructure (especially financial) of these countries, their traditional business, cultural and language relations with Moscow make the city potentially attractive for transit non-Western FDI to these post-Soviet republics.

IFCs in these countries are comparatively dynamic, nevertheless the distance between them and Moscow IFC (takes the 57th place in the Global Financial Center Index 29) is great — Astana takes the 78th place in the Global Financial Center Index 29, Almaty — 101st, Baku — 107th. Vienna’s experience is a good example of a strong regional IFC (54th in the above index), successfully competing with the growing IFCs of Warsaw (61st), Vilnius

(62nd), Bratislava (66th), Prague (76th) and Budapest (85th).<sup>53</sup>

Another idea could be to make Moscow’s research and innovation potential more attractive for non-Western FDI. High concentration of this potential in the city and competitive tax regime (20% rate of corporate income tax rate) are a good background to realize this idea, as it was done in London, Paris, Amsterdam, Stockholm, and Zurich. Innovation ecosystem of Moscow includes 36 technological parks, 15,700 IT companies and covers about 20,000 entities in general.<sup>54</sup> These figures, as well as the high concentration of R&D, rapid digitalization and patent activity provide Moscow the 1st place by innovation development in Russia and the 5th place in Europe after Paris, London, Amsterdam — Rotterdam cluster and Cologne.<sup>55</sup> Although Western sanctions are an important obstacle for FDI in Moscow’s innovation ecosystem, even now the share of professional, scientific and technical activities in FDI is already substantial in the city (see above).

In terms of immigration to the city, historically Moscow has been developing as a multinational city. In 2020, about 2.4 million people were registered as foreign migrants in Moscow (about 1/5 of the city’s population).<sup>56</sup>

<sup>53</sup> Global Financial Centres Index 29 // Z/Yen Group Limited. 2021. URL: <https://www.longfinance.net/publications/long-finance-reports/global-financial-centres-index-29/> (accessed: 20.06.2021).

<sup>54</sup> Investments at the Start: How the Moscow Innovation Cluster Helps Find First Investors // Moscow Innovation Cluster. December 23, 2022. (In Russian). URL: [https://www.mos.ru/city/projects/cluster/?utm\\_source=search&utm\\_term=serp](https://www.mos.ru/city/projects/cluster/?utm_source=search&utm_term=serp) (accessed: 20.06.2022).

<sup>55</sup> Global Innovation Index 2020 // WIPO. 2020. URL: <https://www.wipo.int/publications/en/details.jsp?id=4514> (accessed: 20.06.2021).

<sup>56</sup> Selected Indicators of the Migration Situation in the Russian Federation for January-December 2020 with Distribution by Countries and Regions // Ministry of Internal Affairs of the Russian Federation. January 21, 2020. (In Russian). URL: <https://web.archive.org/web/20210126133552/https://xn--b1aew.xn--p1ai/Deljatelnost/>

Nowadays the majority of migrants are descendants from Central Asia working in construction, road construction, the service sector, domestic work, and to a small extent — in industries with a predominance of highly skilled jobs.

The concentration of immigrants in low-skilled industries helps the city to solve the problem of labor shortage in technologically simple industries, but has little effect on high-skilled jobs industries. In case of economic re-orientation of Moscow to non-Western partners in international trade and capital movements, there is also hope of attracting highly skilled migrants from Asian countries.

Another potential source of highly-skilled foreign labor in Moscow is numerous universities of the city (about 160) with their 60,000 foreign students (25% of the total).<sup>57</sup> The most popular fields of study among foreign students are engineering and technology (22%), medicine (20%), economics and management (39%), i.e., highly-skilled professions that are in high demand in Moscow.<sup>58</sup> The experience of London shows that it is possible to take advantage of this potential of qualified labor.

### ***St. Petersburg***

Comparing to Moscow, St. Petersburg is not such a powerful center of foreign capital attraction. It is not a substantial international hub: its share in FDI inflows to Russia in 2019 is 4.0% (i.e., too small for an international hub position in the national economy), although

[statistics.migracionnaya/item/22689602/](https://statistics.migracionnaya/item/22689602/) (accessed: 01.09.2021).

<sup>57</sup> Education of Foreign Students in the Russian Federation // Visasam. (In Russian). URL: <https://visasam.ru/russia/rabotavrf/inostranye-studenty-v-rossii.html> (accessed: 01.09.2021).

<sup>58</sup> Russia Entered the List of the Most Attractive Countries for International Students // RIA Novosti. March 3, 2020. (In Russian). URL: <https://ria.ru/20181210/1547722136.html> (accessed: 01.09.2021).

its stock exchange was the first in Russia to allow trading in foreign securities. Its role as a regional hub is also modest: foreign companies prefer the city itself and its agglomeration (the share of the neighboring Leningrad region in FDI inflows to Russia in 2019 is 2.5%). It is the urban economy of the city that attracts the most of FDI, and as a result the city systematically occupies the second place after Moscow in the annual number of new FDI projects.<sup>59</sup>

In contrast to Moscow, the largest share of FDI is located in manufacturing (20.1%) and, more importantly, in scientific and technical activities (28.5%). Other largest industries are represented by wholesale trade (19.7%), financial services and insurance (14.5%).<sup>60</sup> This implies that competitive advantages for capital attraction are located in city's economy itself.

The competitive advantages of the city include, firstly, its industrial capabilities, access to the sea and port infrastructure, ties with Northern European countries, and, what is also important, recreational resources. According to Russia's national ranking, St. Petersburg has the highest investment potential and the lowest risks,<sup>61</sup> although some difficulties could be observed in this sphere related to relatively poor regulation and institutions, investment risks and corruption (Volkov, 2018).

From the point of view of international migration, St. Petersburg is the second largest

<sup>59</sup> The Study to the Investment Attractiveness of Countries in Europe: Russia // Ernst & Young. June 2020. (In Russian). URL: [https://assets.ey.com/content/dam/ey-sites/ey-com/ru\\_ru/news/2020/european-attractiveness-survey-russia-2019-rus-final.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/ru_ru/news/2020/european-attractiveness-survey-russia-2019-rus-final.pdf) (accessed: 01.09.2021).

<sup>60</sup> Direct Investment. Positions by Instrument and Industry in the Context of the Subjects of the Federation // Bank of Russia. 2021. URL: [http://www.cbr.ru/eng/statistics/macro\\_itm/svs/](http://www.cbr.ru/eng/statistics/macro_itm/svs/) (accessed: 02.03.2021).

<sup>61</sup> 2020 RAEX Ranking of Investment Attractiveness of Regions // RAEX. September 22, 2020. (In Russian). URL: <https://raex-a.ru/ratings/regions/2020> (accessed: 09.07.2021).

center in Russia after Moscow and the only large center in the Northwest Federal District. According to official data published by the Ministry of Internal Affairs, the international labor migration to St. Petersburg could be estimated at about 167 thousand in 2020 (based on working permits), which is less than in 2019 (about 244 thousand). 97% of these foreign migrants come from only five countries (Tajikistan, Uzbekistan, Kyrgyzstan, Armenia and Azerbaijan).<sup>62</sup> Their distribution across sectors of economic activity (20% of migrants work in the service sector and 70% are employed in construction (Matveevskaya & Pogodin, 2019)) does not correspond to the overall structure of employment in the city, where 15% of employees work in education, 13% — in manufacturing, and 12% — in trade. This means that international labor migration to St. Petersburg is still directed to the sectors demanding relatively low and middle skilled labor. These are internal migrants from other Russian regions who occupy jobs requesting high qualifications. In 2019, the city's population grew by 20,023 people only due to internal migration (net international migration turned negative).<sup>63</sup> Potentially, further growth of manufacturing, scientific and technical activities would require more qualified migrants including foreign ones.

<sup>62</sup> Situation on the Labor Market of Saint-Petersburg in 2020 // Analytical Centre of Saint-Petersburg. March 2021. (In Russian). URL: [https://www.gov.spb.ru/static/writable/documents/2021/04/26/1\\_AC\\_Ситуация\\_на\\_рынке\\_труда\\_СПб\\_в\\_2020\\_году.pdf](https://www.gov.spb.ru/static/writable/documents/2021/04/26/1_AC_Ситуация_на_рынке_труда_СПб_в_2020_году.pdf) (accessed: 09.07.2021).

<sup>63</sup> Number and Migration of Population of Saint-Petersburg and Leningrad Region in 2019 : Statistical Bulletin // PETROSTAT. 2020. (In Russian). URL: [https://78.rosstat.gov.ru/storage/mediabank/t1etLBPD/14000320\\_%D0%A7%D0%B8%D1%81%D0%BB%20%D0%B8%20%D0%BC%D0%B8%D0%B3%D1%80%20%D0%BD%D0%B0%D1%81%20%D0%A1%D0%9F%D0%B1%20%D0%B8%20%D0%9B%D0%9E%202019.pdf](https://78.rosstat.gov.ru/storage/mediabank/t1etLBPD/14000320_%D0%A7%D0%B8%D1%81%D0%BB%20%D0%B8%20%D0%BC%D0%B8%D0%B3%D1%80%20%D0%BD%D0%B0%D1%81%20%D0%A1%D0%9F%D0%B1%20%D0%B8%20%D0%9B%D0%9E%202019.pdf) (accessed: 09.07.2021).

## Conclusion

In conclusion, this research highlights the significance of global cities in attracting foreign direct investment (FDI) and foreign labor migrants. By studying the experiences of leading European global cities, valuable insights can be gained for Russian cities, particularly Moscow and St. Petersburg, to enhance their global standing and foster economic growth.

The analysis of European global cities reveals that each city has different practices and characteristics for attracting FDI and foreign labor. London serves as a major global financial hub, while Paris focuses on innovation and high-tech industries. Amsterdam acts as a transit hub for FDI, and Stockholm specializes in modern industries. Madrid plays a leading role in attracting FDI to Spain, and Frankfurt and Berlin have different roles in Germany. Zurich and Vienna attract FDI in finance and high-tech sectors, while Dublin acts as an international hub similar to London. These cities use their strengths and competitive advantages to attract investment and skilled labor migrants.

Comparing European global cities to non-European counterparts, it is evident that economic globalization can be achieved through various means, such as international trade. However, active participation in FDI and labor migration remains crucial for a city's global status.

In the context of Moscow and St. Petersburg, both cities have their strengths and areas for improvement. Moscow attracts a significant share of FDI and serves as a regional hub, but it can further enhance its investment climate and target sectors such as research and innovation. St. Petersburg, while not as strong in attracting foreign capital, has industrial capabilities and ties with Northern European countries that can be leveraged. Both cities can benefit from a larger pool of qualified migrants to support their economic growth.

Overall, Russian global cities can improve their attractiveness to FDI and foreign labor



migrants by applying the experiences of leading European global cities. By leveraging their competitive advantages, addressing specific areas for improvement, and targeting sectors that align with their strengths, Moscow and St. Petersburg can strengthen their positions as

global economic centers and contribute to their countries' economic development. Further research can expand the analysis to other Russian global cities, contributing to a comprehensive understanding of global cities' development in Russia.

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