



# 3S RECIPE - Smart Shrinkage Solutions

## Fostering Resilient Cities in Inner Peripheries of Europe

### LE HAVRE (FR) POLICY BRIEF #1 • RESILIENT URBAN ECONOMY & MUNICIPAL FINANCE

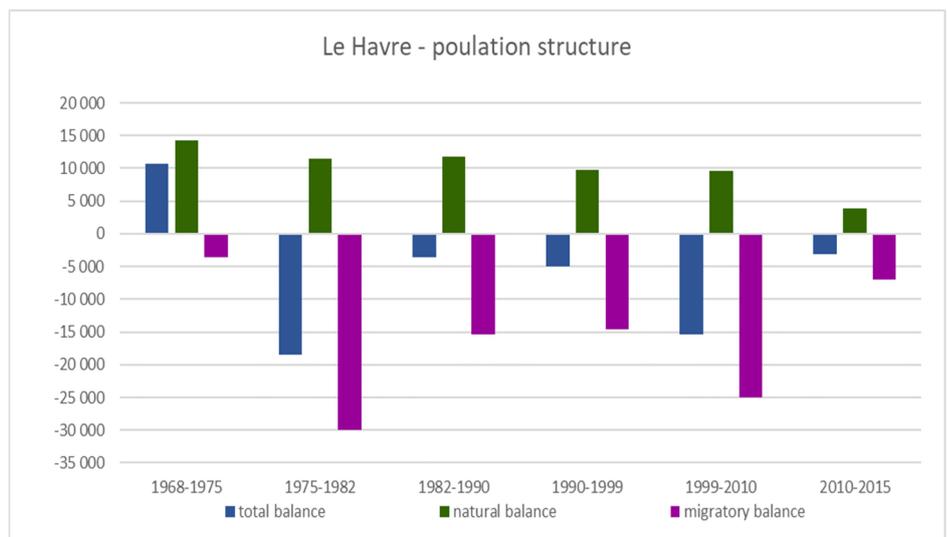
#### EXECUTIVE SUMMARY

This policy brief showcases a solution to **regenerate industrial areas through strong local cooperation, without being subordinated to public policy.** This has been implemented since 2015 in Le Havre – a medium-size industrial port city on the French west coast, coping with economic restructuring and demographic decline. Building on local knowledge and the stakeholders’ experience in implementing this project, this brief demonstrates how to develop a solid evidence base to lead industrial regeneration that works effectively for the whole port-city. The key lesson learnt is that to build a resilient urban economy, a global approach is required, combined with diverse collaborations and local support, added to a green approach of the economy. The brief offers several policy recommendations to enable this process.



#### INTRODUCTION

Le Havre is the **number one container port in France** for TEU<sup>1</sup> (2013: 2.5 million). However, the population in the city has been continually shrinking since 1982 with the number of households now stabilised around 81,000. The population decline is mainly due to a negative migration balance, which is less and less compensated by a positive natural balance. Le Havre is not a major university city, but offers some specialized schools in business, engineering and maritime management. Its student population is growing slowly, but constantly, with 11,626 students in 2017.



The port activities of Le Havre are not that tightly related to global flows. It is the first French port for container traffic, and a medium-sized hub in the northern range ports. Local officials and national governments had high ambitions for the port, which have never been fulfilled. In 2009, they projected a yearly flow of 4,630,000 TEU for 2017. In fact, in

<sup>1</sup> Twenty-foot Equivalent Units

2017, only 2,858,000 TEU transited through the Le Havre platform. From 2010, the traffic has grown by 21%, far behind its northern competitors such as Antwerp, or Hamburg. After several isolated actions to compensate or even reverse this process, local stakeholders have been adopting since 2015 **a new strategy based on new integrated governance and coordination for industrial regeneration.**

## COORDINATE LOCAL POLICIES: A KEY MECHANISM FOR INDUSTRIAL REGENERATION

As a key ingredient of its regeneration agenda, the coordination of several local stakeholders is promoted. Indeed, In France, economic development is a shared competency between many public and private institutions that can choose either to compete and overlap or to adopt an integrated approach. Le Havre hosts three major economic actors: the metropolitan institution (CODAH), in charge of local economic development and attractiveness, the local Chamber of commerce, as a former affluent industrial pole the CCI is still in charge of endogenous development, and lastly the Port Authority in charge of land management and exogenous development. This last stakeholder owns the major industrial zone of the area, where all the logistics, chemical and oil industries are located.

Altogether, the Metropolitan area, the Chamber of commerce and the Port Authority concentrate most of local policy levers in favour of economic development. They meet each other on a regular basis, at least every two months, in order to coordinate their strategies. In the 1990s, together they founded an economic development agency, equally funded by each of them, “Le Havre Développement” (LHD), endowed with an annual €1 million budget. LHD focuses on exogenous development and strategic thinking. It leads executive studies on the local economic dynamics, and targets foreign companies that might find some interest to establish a new branch in Le Havre. LHD has developed in the Le Havre area very specific and original tools for prospecting companies, which are complementary to the existing ones.



To identify the mechanisms driving industrial regeneration processes, we have used a distinctive in-house **Urban Futures Method** designed to facilitate stakeholders' collective reflection on and learning about this solution, its benefits, and the necessary conditions for effective urban regeneration and smart shrinkage practices (Lombardi *et al*, 2012). In particular, the local stakeholders have collectively stressed the need for two main **intended benefits**: (1) **improving the industrial system** with the development of new economic sectors, services industry and local start-ups which could create a need for new engineering schools in the urban area (2) **diversifying the economy**, this means promoting a new reputation of freedom and creativity in order to attract the creative class and new tourists (especially cruises, etc). Consequently, according to the local stakeholders, there were four sets of **necessary conditions** (see below) to create the enabling context for a powerful economic area - the smart shrinkage solution - to deliver its intended benefits.

## Enabling conditions

## What are the mechanisms to make it happen?

1. <b>Coordination and collaboration</b>	A collaboration that engages the two other cities in Normandy (Rouen and Caen) is necessary. In the same way, an integrated governance in the HAROPA port group could improve collaboration and prevent the creation of zones of services and activities of too similar in nature.
2. <b>New infrastructure and connectivity</b>	The Seine Valley could be a great logistical corridor and would reinforce Le Havre as the port of Paris. Infrastructures like a railway and waterway are still lacking and would require billions of investments. Only the state would be able to finance it.
3. <b>Permissive environmental norms</b>	For local stakeholders, improving the industrial system requires the expansion of industries even if the estuary is partly protected for environmental reasons.
4. <b>Market</b>	In order to motivate investors, buyers and developers from the local and international economy, different changes are necessary, in particular, prioritising the attractiveness of the city for new higher income residents and students, as well as the creation of a university complex for training a high-tech workforce for future industries.
5. <b>Politics</b>	Political stability at the national and local level is required. Budget cuts for municipalities and metropolitan areas could destabilise investments for industrial regeneration. Moreover, there is a lack of an overriding ambitious policy for major industrial cities in France.

## RECOMMENDATIONS: LEARNING FROM LE HAVRE

### ➤ Engage in a strong cooperation with the local stakeholders into the design of joint economy strategy

Making the adopted political economy strategy effective in tackling complex urban shrinkage problems depends on the willingness and capacity of decision-makers to take up the coordination of the policy. The objective is to have a common understanding of economic consequences, in order to maximise the locally available technical expertise and reduce delays and uncertainty when everyone agrees. This approach should result in better uses of resources and an increasingly shared feeling of community among the local economic stakeholders.

### ➤ Local government should embark on the transition economy and not solely focus their efforts on industry

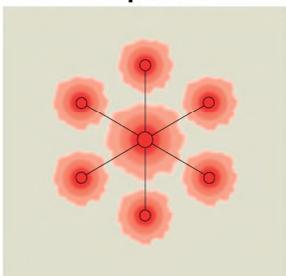
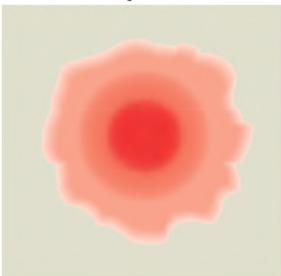
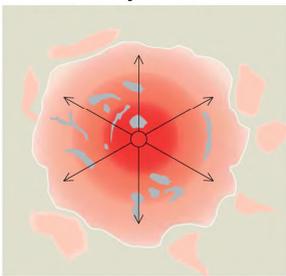
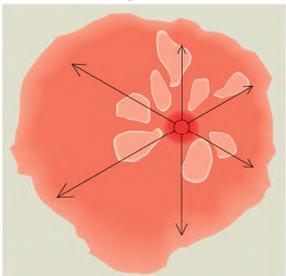
Developing a new economic strategy oriented towards the transition economy, generating better outcomes for a territory with complex socio-economic, administrative and political challenges requires a strong understanding and agreement and a joint leadership of the stakeholders with an ability to explore, to take risks, to invest, and to learn from 'failures'. Experimentation helps to explore potentially novel solutions.

### ➤ The welfare state is not on the agenda any more, due to the global context of low growth

In today's complex urban settings, making the right strategic decision is more important and more difficult than ever. Cities must continuously adapt to various challenges – globalisation, regulatory change, and technological disruptions. To make the right strategic decisions, local authorities must look at their actions more comprehensively, defining the risks and opportunities, and evaluating strategic options under alternative scenarios whilst choosing the best solution under financial constrictions.

## WOULD THIS ECONOMIC STRATEGY DELIVER THE SAME BENEFITS WHATEVER THE FUTURE BRINGS?

A smart shrinkage solution may be strategic (e.g., designing a CBD) or detailed (e.g., expanding parking space at a park & ride railway station). Whatever the short-term effect of a given solution, policy-makers must adopt a longer-term perspective to ensure its **continued performance** throughout its intended lifespan, despite changing conditions. The question to ask is, thus: Will today's smart shrinkage solutions deliver their intended benefits over a 40-year regeneration cycle, typically used for planning investment and development proposals? During this project, we have tested the likely future performance of each urban development and regeneration-related 'smart shrinkage solution-benefit pair' – that is, actions taken today in the name of sustainable urban development – in a series of possible future scenarios for the year 2060. If a proposed solution delivers a positive legacy, regardless of the future against which it is tested, then it can be adopted with confidence. Four **plausible but distinct** future scenarios were included into our analysis (see Lombardi *et. al.*, 2012: Table 2). A summary of these four global **urban future scenarios** is provided below:

New Sustainability Paradigm (NSP)		Key driver: Equity and sustainability
<b>Settlement pattern</b> 	<b>Description</b> An ethos of 'one planet living' facilitates a shared vision for more sustainable living and a much improved quality of life. New socio-economic arrangements result in changes to the character of urban industrial civilisation. Local is valued but global links also play a role. A sustainable and more equitable future is emerging from new values, a revised model of development and the active engagement of civil society.	<b>Philosophy</b> The worldview of the <i>New Sustainability Paradigm</i> has few historical precedents, although John Stuart Mill, the nineteenth century political economist, was prescient in theorising a post-industrial and post-scarcity social arrangement based on human development rather than material acquisition (Mill, 1848).
Policy Reform (PR)		Key driver: Economic growth with greater equity
<b>Settlement pattern</b> 	<b>Description</b> <i>Policy Reform</i> depends on comprehensive and coordinated government action for poverty reduction and environmental sustainability, negating trends toward high inequality. The values of consumerism and individualism persist, creating a tension with policies that prioritise sustainability.	<b>Philosophy</b> In <i>Policy Reform</i> , the belief is that markets require strong policy guidance to address inherent tendencies toward economic crisis, social conflict and environmental degradation. John Maynard Keynes, influenced by the Great Depression, is an important predecessor of those who hold that it is necessary to manage capitalism in order to temper its crises (Keynes, 1936).
Market Forces (MF)		Key driver: Competitive, open global markets
<b>Settlement pattern</b> 	<b>Description</b> <i>Market Forces</i> relies on the self-correcting logic of competitive markets. Current demographic, economic, environmental, and technological trends unfold without major surprise. Competitive, open and integrated markets drive world development. Social and environmental concerns are secondary.	<b>Philosophy</b> The <i>Market Forces</i> bias is one of market optimism, the faith that the hidden hand of well-functioning markets is the key to resolving social, economic and environmental problems. An important philosophic antecedent is Adam Smith (1776), while contemporary representatives include many neo-classical economists and free market enthusiasts.
Fortress World (FW)		Key driver: Protection and control of resources
<b>Settlement pattern</b> 	<b>Description</b> Powerful individuals, groups and organisations develop an authoritarian response to the threats of resource scarcity and social breakdown by forming alliances to protect their own interests. Security and defensibility of resources are paramount for these privileged rich elites. An impoverished majority exists outside the fortress. Policy and regulation exist but enforcement may be limited. Armed forces act to impose order, protect the environment and prevent a societal collapse.	<b>Philosophy</b> The <i>Fortress World</i> mindset was foreshadowed by the philosophy of Thomas Hobbes (1651), who held a pessimistic view of the nature of man and saw the need for powerful leadership. While it is rare to find modern Hobbesians, many people believe, in their resignation and anguish, that some kind of a <i>Fortress World</i> is the logical outcome of the unattended social polarisation and environmental degradation they observe.

The Urban Future Method does not favour any particular scenario. Indeed, for a solution to be determined to be robust and resilient to future change, the necessary conditions to support intended benefits being achieved over time must exist in all scenarios. Drawing on expertise, experience, and **knowledge of the local context**, we have graded the likely performance of Le Havre's necessary conditions in the future as follows:

Urban Futures Method applied to the economic development strategy in Le Havre				
Necessary Conditions	New Sustainability Paradigm	Policy Reform	Market Forces	Fortress World
Improvement of regional coordination between Le Havre, Rouen, Caen and the Normandy Region. These 3 cities are complementary but suffer from a lack of common governance.	Local competition is not on the agenda in this world. The emphasis is put on better coordination of stakeholders for regional sustainability	Strong policy guidance favours upper levels of governance (regional, national) to the detriment of city authorities	Competitiveness drives world development but the 3 Normandy cities need to cooperate to exist in this world competitive market	Defensibility and security are driving values, no coordination at regional scale
More integrated governance in the HAROPA port group, between Le Havre, Rouen and Paris. <i>Rouen and Le Havre Port Authorities operate almost similar services and zones, with scarce coordination</i>	The Seine Valley becomes a strong policy tool in favour of more sustainable transport and energy policies. Ports become more integrated.	Portuary policy becomes a national priority, as part of an infrastructure plan. Port becomes more integrated and better funded.	Integrated governance of HAROPA is necessary for the commercial development of Seine Valley ports at the world level.	Each local industrial and portuary elite aims at defending their own interests.
State funding for new transport infrastructures in the Seine Valley: railway, waterway. <i>Infrastructure projects in the Seine Valley are seen to be key to attractiveness, but require billions in investment</i>	Creating and maintaining alternatives to roadway transport is a governmental priority for low-carbon society	A coordinated government action is initiated for environmental sustainability	Profit-making drives business activities and focus is on short-term socio-economic gains	These projects interconnect rich elite and their protected enclaves, enabling access and control to the resources
Permissive environmental norms favouring port and industrial development. <i>Extending industrial zones in the Estuary has been becoming difficult, whereas local stakeholders still see it as key to development. Public institutions bargain about how to articulate environmental and industrial policies.</i>	Local environmental quality and quality of life have high priority. Industrial sprawl is highly contained	Policies support land recycling: industrial sprawl is contained and normed	The location and form of new development is market-led: industrial areas can be extended on former protected land	Environmental values are protected by the armed forces
The loss of the attractiveness of the Northern Range ports, because of major accidents, congestion and growing commuting times	The Northern Range ports are still attractive but priority is given to local and regional ports such as Le Havre and Marseille	Planning policies adopt a more regional focus: Normandy ports are in a privileged-position	Northern Range ports build on their existing economic advantages and there is no governmental incentives to counterbalance their monopoly	Deepening social and environmental tensions lead to reduced exchanges outside the fortress
Emergence of more local innovators and entrepreneurs <i>Le Havre's economy lacks SMEs and local innovators.</i>	Closer proximity and a high-tech base are highly encouraged	Decentralization of innovative clusters outside the biggest cities is supported, though local weaknesses in Le Havre are not addressed	No barriers to innovation and entrepreneurship. Although, ultimately, this world may be driven by global corporations with global strategies.	Innovation centres remained clustered in the Paris area and local initiatives focusing on entrepreneurship in impoverished areas are hindered or stopped

more adaptability of the local business elite towards innovation and economic transitions	In MNEs, local development is now integrated as a business opportunity and a social responsibility	A greater regulation of development proposals leads to a change of behaviour of industrial decision-makers but also reduces possibilities of innovations	Among MNEs, industrial sites in Le Havre are not upgraded and more competitive regions are favoured at the global scale	Status quo prevails in economic strategies among local business elites, and cluster policies are not developed
growing exchanges in the world economy - especially between Asia and Europe	Ecological imperatives and local priority tend to reduce worldwide exchanges	Policy with more regional focus prioritises environmental sustainability but popular values of consumerism undermine these policies	Global market is developed through international networks	Deep social and environmental tensions lead to reduced exchanges outside the fortress
ring-fenced budgets for CODAH and the Port authority	Local and port authorities are key to the implementation of a sustainability paradigm	Coordinated government action is geared towards economic growth and investments in future economy	Local authorities are no longer legitimate to take part in the economic development	Budgets cuts are focused on local authorities that develop socio-economic policies, whereas central state reinforces defence and security capacities
success for neighbouring wind sea-farms in the next national calls for projects	Sustainable development is seen as a business opportunity and encouraged by the State, the local authorities and the citizens	Environmental sustainability is a priority	Environmental concerns are secondary, the success for neighbouring wind sea-farms depends on their economic viability and not on some national funds	Offshore wind farms are favoured by energy sovereignty policies. Because of powerful NIMBY interests, offshore wind power is preferred to casual technologies

Key: ■ condition highly unlikely to continue in the future ■ condition is at risk in the future ■ condition highly likely to continue in the future

## POLICY IMPLICATIONS

Implementing a regeneration policy in an industrial shrinking port-city with strong local cooperation is not an easy solution. It requires a set of complex and costly necessary conditions to be achieved, and with much continuing debate on its ability to deliver smart shrinkage benefits. The results of the methodology reported herein indicate that this strategy will deliver most benefits where social and environmental aspects are prioritised: Le Havre needs greener, more efficient industries, positioned on market segments with local support that fit with global competitiveness of a developed country. However, a global mismatch appears in this analyse between perceptions and objective interests for Le Havre's economy. On the one hand, most stakeholders place their hopes in a liberalised, global economy (MF), but on the other hand, most of the concrete 'necessary conditions' that are identified by local stakeholders show a need for strong financial support from the state (PR), and a sustainable transition of its industry (NSP).

## REFERENCES AND FURTHER READING

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