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URBAN RENAISSANCE, ARTS AND CULTURE:  
THE BILBAO REGION AS AN INNOVATIVE MILIEU

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## **1. INTRODUCTION**

The Bilbao Metropolitan Area is currently experiencing an extraordinary process of regeneration. Over the last ten years, this traditional steel and shipbuilding region has been gradually transformed into a modern cultural and tourist destination for people from all over the world. The Guggenheim Museum Bilbao and the firm commitment of the local authorities, embodied in a strategic plan for the revitalisation of the region, are two major factors in generating a different climate in the greater Bilbao area and in implementing a shift in local perception and production.

Just 15 years ago, Bilbao was a grey, cold and unfriendly industrial city. Foreigners came only for business motives and normally avoided staying over the weekend. Today tourists, sightseeing bus tours and menus in other languages are common sights in the streets of Bilbao. New hotels, language courses for barmen and shop owners, additional leisure and cultural activities, new souvenir shops, galleries and restaurants abound. Culture and cultural tourism is now a major feature of life in Bilbao. But the question to be asked now is: is the change permanent? Has it really altered the mindset and the concept of the metropolitan region? Is it capable of supporting the regional economy in the long term? Will it usher in an era of creativeness and innovation, with new entrepreneurs, new services and new productive sectors? In short, has Bilbao achieved the shift towards an innovative milieu?

## **2. URBAN REGENERATION, INNOVATIVE MILIEUS AND CREATIVE CITIES**

Urban regeneration based on culture and the concepts of innovative milieus and creative cities are increasingly seen as interconnected. Today, the dependence of urban regeneration projects on cultural facilities and activities, together with the promotion of culture in regenerated areas, is a major issue in many cities. As Landry (2000) pointed out, the discovery of “culture as a creative resource” and a raw material of the city, “replacing coal, steel or gold”, signalled the appearance of new museums, concert halls, science and entertainment centres, festivals and musicals with the mission to revitalise local economies. It also created a fashionable field for regional scientists, economic geographers and other urban researchers. Studies examined culture and cultural industries as an economic sector, the value of culture and creativity in urban development and the importance of emblematic cultural projects for the regeneration process of cities and regions. Lim (1993), for instance, studied the use and impact of culture in the context of urban and economic regeneration. Others, such as Amendola (2000) and Zukin (1995) analysed the new image of the post-modern city and the importance of “culture as a means for framing space.”

Meanwhile, research into innovation networks and, in particular, of innovative milieus concentrated for almost 20 years on analysing theoretical approaches and on empirical inquiries into innovative behaviour and the processes of spatial, economic and technological development. One specific aspect of innovative milieus is the pattern of local relationships that enable networking and collective learning processes to commence and flourish.

A combination of the two approaches should now help towards identifying new possibilities for urban regeneration processes and in the promotion of innovation and regional

development. The use of culture as a creative resource in the city and as a tool for developing a new innovative milieu – in this case a creative milieu – offers city regions opportunities for both inner-city regeneration and for the long-term shift towards new ways of thinking and networking, new production sectors, innovative activities and new sources of employment.

In this study we examine the latest developments in the Bilbao metropolitan region, focusing on new cultural projects, the regeneration process and the development of creative business sectors. The study is based on the hypothesis that an innovative milieu linked to cultural resources and creativity is emerging in the Bilbao region.

In the context of this study, an *innovative milieu* may be defined as “the set, or the complex network of mainly informal relationships in a limited geographical area” (Camagni 1991), which “brings together in a coherent whole a production system (technology, production, capital and market relations), a technical culture [mentalities, creativity, values] and protagonists” (Maillat and Crevoisier 1991).

Landry (2000) defines a *creative milieu* as “a place – either a cluster of buildings, a part of a city, a city as a whole or a region – that contains the necessary preconditions in terms of ‘hard’ and ‘soft’ infrastructure to generate a flow of ideas and inventions.”

In the framework of this study we will use the term **innovative milieu based on creativity** to emphasise both the use of culture and cultural projects as a resource for creativity and the importance of regional creativity in the generation of an innovative milieu. The following chapters provide a brief presentation of the Bilbao case and analyse the emergence of an innovative milieu.

### 3. BILBAO: A CASE STUDY

Culture, in particular one cultural facility (the Guggenheim Museum) has achieved a major shift towards a new image for the Bilbao region. But the Guggenheim Museum is not the city’s only new facility. Major infrastructure works as part of the Plan for Revitalisation have improved several substantial areas in the Metropolitan Region, including the transport system, inner-city brownfield areas, the sewer system and river cleaning, etc. Both locals and visitors who knew Bilbao as it used to be fully appreciate the improvement in the quality of life in general, in air and water quality, connectivity and transport, urban spirit and architectural charm.

However, the local production system (i.e., knowledge, production capital and the local players) is still based on the traditional vision. Employment is created principally in industry and, within industry, in the traditional subsectors, and only to a lesser extent in the (tourism-related) services sector or in knowledge-based industry.

Although achieving the shift from the old industrial region to a culture-based, post-modern one is by no means easy, the changes of recent years have clearly regenerated economic vitality in the region after a long period of recession. While the machine tool, automotive components and steel industries continue to predominate, other industries, such as aeronautics, telecommunications and energy, show high levels of innovative contents.

To sum up developments in recent years, the metropolitan region took advantage of

- a regional vision held by all major public authorities and bodies involved in development and economic regeneration,
- the major stroke of fortune that enabled the Guggenheim Museum to open in the region,
- a pivotal factor –the Museum– that changed the internal and external perception of the region and acted as a huge marketing ploy for the Bilbao Metropolitan region, and
- the traditional entrepreneurial milieu (including the network of economic players, the informal organisation of information and R&D, etc.) that underpinned the evolution of innovative new sectors and which also generated high innovative and creative capacity in traditional industries.

These days it is generally accepted that economic development and the attraction of business and industry depends on both hard locational factors such as the workforce, space, infrastructure and training amenities and, increasingly, on soft factors such as regional image, cultural offer, landscape and open spaces, quality of life and so on. This is not merely the result of an increased demand for a higher quality of life in general; to a great extent it is due to the new types of industry and businesses that can then be attracted.

Gone are the big, vertically integrated manufacturing firms based on mass production and rigidity looking for new localisations, at least in the industrialised countries. What we have now are more and more small and medium sized firms, outsourced business services, research units and laboratories or flexible production of high quality goods, services or hybrids, as is the case of the new media (software, films, Internet contents, etc.).

Creativity as a means to innovation, efficiency and evaluation is the new key to productivity, at least in knowledge-based industries and services.

A new sort of employee, the knowledge worker, is also required by such firms, an employee who is in turn looking for different living and working environments: an innovative, creativity-based milieu.

This is so because of the growing importance of “relational capital” and the intellectual property in subsectors employing these knowledge workers. No longer just human capital, workers now combine various intangible assets, codified knowledge and the ability to learn. In turn, they require a stimulating environment that helps to underpin their intellectual development as well as their cultural and leisure activities. Language heterogeneity, a broad cultural offer and the digitalisation of day-to-day life in knowledge-based communities are expressions of this current trend.

An innovative milieu provides this type of special environment, helping to reinforce industrial activities linked to the new media and information technologies, while also strengthening knowledge-intensive activities (R&D, design, accounting, marketing) related to traditional subsectors.

After analysing several studies and enquiries into culture and creativity as an instrument for urban/regional development, we look at recent developments in Bilbao from the viewpoint of

regional creative potential. While stressing the importance of culture in innovation and creativity, we also emphasise the risk of depending exclusively on flagship projects.

For Bilbao, we considered that the Guggenheim Museum and its general impact helped to enhance the innovative capacity of a region and its competitiveness by generating an innovative milieu, in particular through

- A. Enhancing the regional cultural offer
- B. Creating a regional identity
- C. Increasing the region's attraction for people and business
- D. Generating a social and political climate open to innovation and change in regional governance and politics.

So the research focuses on the question if and (assuming the answer to be affirmative) how the Guggenheim Museum sparked the generation of an innovative milieu that helped to develop the above-mentioned factors and enabled the region to overcome the economic crisis and to spur entrepreneurial and innovative activities.

#### **4. TURNING BILBAO INTO A NEW CITY?**

To check our ideas, in spring 2001 we carried out a series of structured interviews with key players linked to economic, social, institutional and environmental development in the Bilbao Metropolitan area. Interviewees included representatives from the Bilbao Tourist Information Centre, the Biscay Provincial Council, a local Business Incubator, the regional Economic and Innovation Development Agency, the Planning Department of Bilbao City Council and the regional Association of Hotel and Restaurant Owners.

Interviewees confirmed the positive effects of the recent changes in the Bilbao region on intangible assets such as quality of life, regional identity, attractiveness, social welfare and the generation of employment and economic activities. They identified the Guggenheim Museum as a central factor in initiating those changes.

However, its role is perceived as more symbolic and especially important for visitors and tourists. According to the interviewees, the real force behind the new Bilbao was supplied by the strategic revitalisation plan and major infrastructure improvements such as the ongoing campaign to clean up the river, the construction of the Metro and the new waterfront development.

Interviewees also noted a "spirit of change and optimism" in local people. It has as yet not been possible to name and quantify direct results in terms of jobs or GDP increase, but all interviewees confirmed that indicators should be available in a relatively short time.

With regard to the factors now influencing the creation of an innovative milieu, the interviews presented the following results:

- A. Enhancing the regional cultural offer:

The Guggenheim Museum obviously enhanced the regional cultural offer, being a well-known Modern Art institution active on a global scale, offering collections with a high prestige value and not a little controversy, which is always good for marketing. (“Are motorcycles an object of modern art? Or clothes?”)

Thanks to its impressive, unique building, which is itself a work of art and for many people more admirable than the art inside, Bilbao attracted further cultural activities like film presentations, concerts, street theatre, audio-visual shows and dance, all of them looking to use the Museum as a visual background.

Moreover, most of the interviewees mentioned a direct or indirect relation to the enhancement of the cultural offer in general as a result of an increased demand by foreign tourists, cultural visitors looking for further attractions. Though difficult to prove with hard evidence, the impact of the Museum here is clear.

#### B. Creating a regional identity:

All interviewees confirmed the importance of the Guggenheim Museum in the diffusion of a Bilbao or Basque identity on a global scale. As a host of publications and articles have already pointed out, the Guggenheim Museum “has put Bilbao on the map”. Nevertheless, the Guggenheim Museum only initiated the global recognition of Bilbao and its region as an old industrial European, Spanish, Basque, waterfront city. Other complementary promotion activities, mainly organised by the Basque Government and the Provincial Council, were needed to fill this identity with information about people, history, food and gastronomy, culture, architecture, customs and so on. In short, such activities created a regional identity for external consumption.

The same complementary activities are still essential in conveying a more complete vision of the Basques to one-day or weekend visitors to the Museum. These activities are still needed to create a solid image that will act as a basis for the next factor for analysis: attracting people, residents and workers, and not just tourists or business.

In truth, the internal, regional identity of the Basque people has not been directly affected by the Museum, despite its international art content and the international orientation of the Guggenheim. Regional artists are only marginally represented in the collections and the conservation and promotion of Basque culture is obviously not a goal for Museum management.

#### C. Increasing regional attractiveness for people and enterprises

The Guggenheim Museum definitely attracted people to the Bilbao region, but until now they have been almost exclusively tourists. Hopes of attracting the headquarters of consolidated firms to the new waterfront development site or to the Technology Park have not been fulfilled.

However, attracting new residents, workers and firms does not depend solely on centrality and the new image generated by the Museum. Other factors are also important. With regard to the Bilbao region, the problem of ETA directly affects the working conditions of regional businesses and entrepreneurs and serves indirectly as a major obstacle to foreign investment.

Although the Museum has made Bilbao far more attractive for international tourism than it ever used to be, the impact on high-value attraction has so far not been able to overcome internal regional barriers.

#### D. Generating a socio-political climate open to innovation and change in regional governance and politics

During the interviews, this factor was identified as the most difficult to determine and to relate to the Museum. After all, the regional peculiarity of the Basque Country defines the general policy framework in most areas and it is virtually impossible to separate the nationalist question from simple policy content or organisation. Nevertheless, the public policy framework is qualified as innovative and quite efficient, albeit not as really open or tolerant.

The Museum's influence and its effect on this set of factors can only be determined indirectly. Interviewees confirmed its positive effect on innovation in political institutions and activities, mostly through the generated need to recognise new areas of competition for regional and provincial government and to fulfil new requirements – largely having to do with tourism and the services sector.

In general, the impact of the Guggenheim Museum tends to lose its cultural meaning in this area, becoming more of a political instrument, a strategic tool for the development of the Bilbao region. The quantifiable definition of its impact also becomes political, as we enter the field of institutions and traded as well as untraded interdependencies.

## 5. THE STEP FROM A NEW CITY TO AN INNOVATIVE MILIEU

Thus far we have analysed the factors influenced by the Guggenheim Museum, observing its more or less positive effects. Now we need to check the real importance of these factors for the generation of an innovative milieu based on creativity and the impact on the regional development of the Bilbao Metropolitan Region.

After the first round of interviews, two main lines of direct and indirect impact of the Museum on the region came into view. To understand these impacts, the Museum must be seen from two different perspectives:

→ as an **economic project** in itself (attracting tourism, promotion of cultural offer, image changing) and

→ as a **strategic instrument** for regional development and the evolution of regional governance (innovation in institutions and shifts in policy framework, learning in the region)

The impact of the Museum, therefore, needs to be seen from this twofold perspective if we are to fully understand its importance (or otherwise) in the transformation of the region into an innovative, creativity-based milieu.

For this reason, we designed a development matrix model including these two perspectives which presented four possible prospective scenarios concerning the generation of an innovative milieu in the region. This model and related scenarios are described in the following chapter.

## **5.1 INNER AND OUTER CREATIVITY**

After analysing the factors that go to make up the basic components for an innovative milieu based on creativity (although there are obviously many more components exercising positive or negative influence) and proving their existence and significance for the Bilbao Metropolitan region, we thought about structuring and presenting these factors and their interrelations in as clear a way as possible. Like other studies, where different qualitative aspects of innovation systems were evaluated (participation and identity in Storper 1993, competence, efficiency, flexibility and synergy in Camagni and Capello 1990, and creativity, communication and learning in Kunzmann et al. 2000) we tried to link the intangible character of creativity with more tangible aspects.

We obtained the following classification. The twofold impact of the Museum also affects the generation of an innovative, creativity-based milieu in two ways.

→ First, as an economic and cultural project, it increases the “creative value” of Bilbao for the public, with an increased cultural offer, strong cultural identity and the international attraction of cultural tourists. In this context, quantitative changes can be observed which also directly influence the attraction of business and workforce as an improvement on regional diversity and attractiveness (see also Vazquez Barquero 1999).

→ Secondly, as a strategic instrument it has the capacity to improve “inner creativity”, defined here as a regional, innovative and open climate and the redefinition of political institutions and governance frameworks. In short, a creative socio-political background. This effect refers to institutional innovation, which also indirectly affects regional attractiveness (see Hudson 1994).

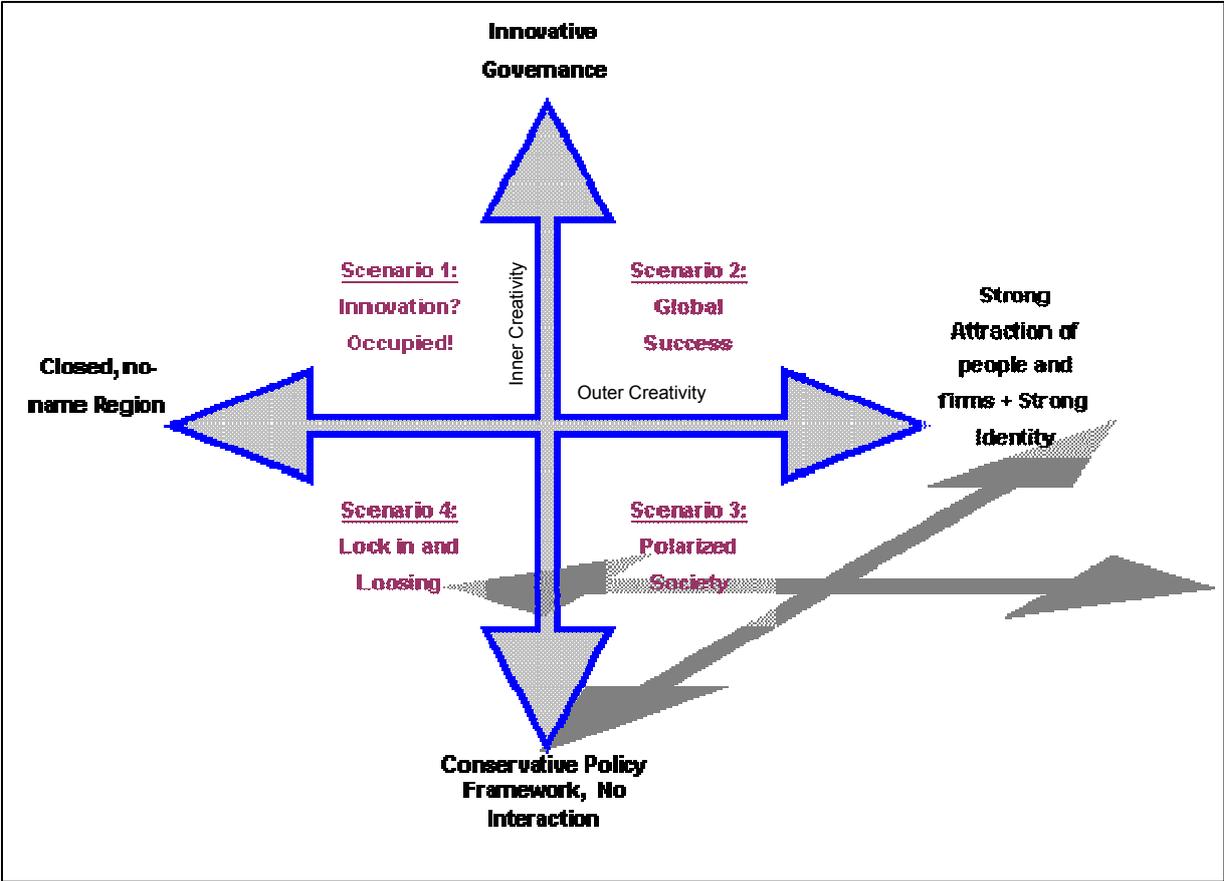
Hence, the Museum’s impact on the generation of an innovative milieu based on creativity affects two complementing aspects, which can be summarised in two broad lines and present the axes of the following development matrix:

- Creativity towards the outer world (cultural offer, identity, attraction of people and firms) – the **Creativity Image or Outer Creativity**.
- Creativity within the region (networking, new forms of governance) – **Real Creativity or Inner Creativity**.

The more the region tends to develop towards the perfection of both of these features, the more it will represent an innovative milieu based on creativity and therefore initiate and

sustain innovation and technological change, as well as sustainable economic and social development.

Figure 1: The Development Matrix – Inner and Outer Creativity



Source: own elaboration

**5.2 CREATIVE SECTORS IN THE BILBAO METROPOLITAN REGION**

Having presented possible scenarios for the development of the Bilbao metropolitan region subsequent to the opening of the Guggenheim Museum, we analysed the economic situation in Bilbao and the sectoral composition of businesses in Bilbao to check the scenario hypothesis in relation to movements towards more creative activities.

We based our analysis on a series of prospective studies of a range of *creative economic sectors and subsectors* such as “Hotels, bars and restaurants”, “Tourism”, “Arts and Galleries”, “Graphic Arts and Publishing”, “Audiovisual Production”, “Translation and Secretarial”, “Advertising Agencies” as well as a general analysis of the development of the economic sectors in Bilbao in recent years. All these studies were carried out from 1998 to 2001 by the Bilbao Local Employment and Economic Development Agency, *Lan Ekintza*. To guarantee comparability, we used figures from this period, since no comprehensive studies exist for the year 2002 or later.

The particular studies offered the following situation:

In the Bilbao area, there were 735 companies (39% of the total province) in the **hotel, bar and restaurant sector**. The businesses are mostly small and medium sized and located in the city centre. 38% are situated in the Abando district (new city centre around the Guggenheim Museum) and about 25% are located in the Old Quarter (Casco Viejo) district. In the Basque Country in general, this is a highly important sector (especially restaurant and haute cuisine) with a long tradition. It depends to a high degree on general tourism flows, seasonal and economic cycles and the mobility of the workforce. The fourteen hotels with three or more stars have 2,138 rooms in all and employ 1,310 people. After the inauguration of the Guggenheim Museum (GM), Bilbao established itself as a weekend destination for Spanish and foreign tourists. For that reason, the sector has been enjoying a positive period since 1997, with a genuine bonanza in the hotel subsector. Since 1998, more than 6 new luxury, high standing hotels opened, including two art- and design-specific hotels. A further hotel is due to open in 2004. The hotel sector's reservation and client structure underwent a major change. Formerly, business trips and overnight stays during the week predominated. Now, however, occupation rates owing to tourism and weekend leisure stays have increased. Nevertheless, the tourism bonanza seems to have reached a climax and both the number of museum visitors and overnight stays decreased slightly in the last few years. In 2000, the region received about 20,000 visitors less than in 1999. To turn the tendency around, in October 2001 the 14 hotels with three stars or more created a new association designed to promote Bilbao and fight the reduction in occupation levels (about 13.5% in 2000).

The hotel and restaurant sector also benefited from the new congress and performing arts centre '*Palacio Euskalduna*', built on a site close to the Guggenheim Museum. More specifically, although hotels benefited from overnight stays by congress visitors, they lost much of their income gained from hiring out meeting rooms for congresses. These new amenities induced the development of new offers and new skill requirements: knowledge of foreign languages, tourist packages, wider range of food on offer, improved and enhanced advertisements, strategic alliances between restaurants, hotels and tour operators are all now a reality in the sector. Especially in the summer months, bars and restaurants noted the lack of an experienced workforce, one consequence of training opportunities not having adapted to increased demand. To sum up, the optimism originated mainly by the new facilities, the Guggenheim Museum and the *Palacio Euskalduna*, is still rife in the sector, especially in the districts near the Museum and in the Old Quarter.

The **tourism sector**, involving travel agencies, tour operators and tourist guide and reception firms, currently comprises 141 businesses, 60.5% of all provincial tourism firms. They are mainly small businesses with fewer than 10 employees; 71% of them are located in the Abando district, near the Guggenheim Museum. The sector is definitively booming and many new businesses have been created since the flow of visitors attracted by the Museum began. This has led to the appearance of businesses with a low degree of professionalism and to a fragmented sectoral structure. Although highly dependent on economic development and the socio-political situation in the Basque Country, the sector is optimistic about the future. The new ICTs, Internet booking, marketing and so on are creating new opportunities.

The **art sector** in Bilbao, i.e. antiquarian shops, restaurateurs, art galleries, museums, painters and artists, comprises 179 firms from a total of 317 in the Biscay province. The percentage of very small firms (1 or 2 employees) and self-employed artists is high. About 46% are located in the Abando district, although there are also many art businesses in the Old Quarter,

traditionally the centre of creative and artistic activities in Bilbao. In this context, two depressed areas (Bilbao La Vieja and San Francisco) in long-term decline and the current targets of a regeneration plan, are gradually becoming the focal point of a more avant-garde artistic movement. An artistic and exhibition centre, BILBO ARTE, was established in 1997, and it is planned to move the Fine Arts Department of the Basque Country University to this area. The sector has enjoyed a certain dynamism since the Guggenheim Museum inauguration, with a growing interest in artistic work and products. Nevertheless, this is still more a consequence of public investment in art infrastructures than a bottom up movement of an active art scene. For the art trade, galleries and antiquarian shops, the image and marketing effect of the Guggenheim Museum has been very important. However, with regard to sales figures, the effect has been relative.

The **graphic arts and publishing sector** (layout, printing, stitching and binding) in Bilbao has 266 businesses, 60.73% of the firms in the province. With regard to publishing houses, Bilbao accounts for 75% of the provincial total. However, only 18 of the 130 publishers in Bilbao published in 1998 more than 2 books and many of the businesses are branch offices and fulfil distribution functions for parent firms in Madrid and Barcelona. Because of the more 'industrial' printing activity and the need for more space, most businesses are installed in industrial areas outside the city centre or in surrounding towns. Although not directly linked to the arts and creative activities, the sector is an important part of the 'cultural industry'. For Bilbao businesses, products published in the Basque language and the proximity to other European markets are more important factors than the Guggenheim Museum. The sector has developed steadily in recent years, with growth in production volume achieved without expansion into new markets (Latin America).

Most of the 220 **advertising agencies** in Bilbao, which account for 71.7% of firms in the sector in Biscay, are situated in the Abando district (60%) and involve independent professionals, meaning small businesses. In comparison with other Spanish regions, the sector has not developed particularly well. The Basque industry has a more auxiliary character with fewer consumer goods and products at the end of the value chain. The sector is related directly through subcontracting to other subsectors like photography, graphic arts, audiovisual production and the media. Businesses in the sector are not as optimistic as those in sectors related more directly to the arts and culture. The impact, if any, of the Guggenheim Museum on these firms has been more indirect, largely through the use of the Museum as a background for advertising campaigns, but not through an increase in production in Bilbao.

The **audiovisual sector** in Bilbao includes movie and TV production and radio and television broadcasting, as well as photographic studios and laboratories. In all there are 121 businesses in the sector, i.e. 58% of all firms in Biscay. The animation subsector is currently enjoying a positive phase, as in other northern Spanish regions. Apart from animation, new local TV and radio channels, as well as production in the Basque language (dubbing) and new digital technology, are the main factors influencing development in the sector. Despite being part of the cultural industry, this sector has no direct relation to the Guggenheim Museum or the latter's effects on local and regional economy.

The 205 businesses offering **translation and secretarial services** in Bilbao account for 55% of such firms in the province. As in other sectors, small businesses predominate, the Abando district being the preferred location. The translation sector is directly related to the Museum and the attraction of foreign visitors, since it satisfies the increased demand for the translation

of brochures, documents, etc. Simultaneous translation and hostess and business centre services have benefited from the creation of the new conference centre ‘*Palacio Euskalduna*’ and the increased number of national and international conferences held in Bilbao. The most requested languages for translation are: English, French, German and Basque. Both sectors are continuing to enjoy major expansion. Nevertheless, this has not resulted in the creation of jobs or new enterprises, largely because existing businesses tend simply to recruit more free-lance professionals (translators, professors) and temporary workers (hostesses, students).

Our analysis of sectors most likely to be influenced by the creation of a new, creativity-based milieu after the inauguration of the Guggenheim Museum showed that, in the first 5 years since inauguration, the effects have been more indirect than tangible. Sectors already working with tourists mostly benefited from the Museum and the new climate in Bilbao. But there was no real boom in creative sectors substantially influencing production or profit. In order to check this first impression, we took a further look at the general evolution of sectors in Bilbao. We paid particular attention to the sectors with the most relevant positive or negative evolution between 1998 and 2000, i.e., between one and three years after the Museum’s inauguration. We selected the number of businesses as representative for the whole sector as an indicator, without looking at this stage at sales figures, employment or income.

The first table, giving positive sector evolution, includes the hotel and accommodation sector, general retail and trade, film- and video-related production and services, as well as the artistic, library and handicraft sector and the bar, cafeteria and diner services. All of these developed positively with increase rates between 41% and 12%.

Table 1: Business sectors and professional activities in Bilbao enjoying positive evolution 1998-2000 (No. of businesses)

BUSINESS & PROFESSIONAL ACTIVITIES	31/12/1998	31/12/2000	PERCENTAGE CHANGE 98-00
Assistant and social services in non- residential centres	32	52	+62.50%
Property and other Leasing not elsewhere classified	42	68	+61.90%
<b>Hotels and other commercial trade</b>	195	274	+40.51%
<b>Retail trade sector (general)</b>	65	90	+38.46%
<b>Production and services related to films and video</b>	49	64	+30.61%
Assistant and social services in residential centres	75	97	+29.33%
Electronic operations	212	273	+28.77%
Other hospitals, health resorts	157	201	+28.03%
Medical practitioners and clinics	47	60	+27.66%
Real estate and industrial property related services	160	202	+26.25%
Trade Intermediaries	161	201	+24.84%
Insurance assistants	155	192	+23.87%
Other services provided to businesses	484	599	+23.76%
Real estate promotion	608	743	+22.20%
Technical services (engineering, architecture, urban development)	273	327	+19.78%
<b>Self-employed, handicrafts and artistic professions</b>	92	109	+18.48%
Financial and accountant services	344	388	+12.79%
Temporal Business connections	112	126	+12.50%
Bar, Cafeteria and Diner services	123	138	+12.20%
Sport installations and sport schools	50	56	+12.00%
Market research enterprises	164	183	+11.59%
Education and commercial further training	122	136	+11.48%
Law Services	128	142	+10.94%

Other service-related professionals	84	93	+10.71%
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Source: Lan Ekintza – Bilbao (2000): “Radiografía Empresarial del Municipio de Bilbao”

Table 2 shows the sectors developing negatively between 1998 and 2000, generally industrial, manufacturing and retail and trade sectors. Another important result is that creative, arts and culture-related sectors are not in this group.

Table 2: Business sectors and professional activities in Bilbao with negative development 1998-2000 (No. of businesses)

BUSINESS & PROFESSIONAL ACTIVITIES	31/12/1998	31/12/2000	PERCENTAGE CHANGE 98-00
Illegal or moving retail trade (grey market, black market, flea markets)	400	324	-19.00%
Agricultural raw materials, food, beverages, and tobacco wholesale trade	377	306	-18.83%
Industrial and textile technical engineering	63	52	-17.46%
Manufacture of structural metal articles	153	128	-16.34%
Computer professionals and physical sciences	77	65	-15.58%
Bakery, confectionery, bread and cookies industry	73	62	-15.07%
Clothing and accessories manufacturing	107	91	-14.95%
Retail trade with meats, eggs, poultry	470	405	-13.83%
Manufacturing of carpentry components parquets and wood products	168	145	-13.69%
Commercial agents	820	710	-13.41%
Tailored clothes and accessories	85	74	-12.94%
Laundries, dryers, similar services	87	76	-12.64%
Manufacturing of wooden furniture	167	147	-11.98%
Jewellery and imitation jewellery	98	87	-11.22%
Retail trade with land vehicles, aircraft, boats	319	284	-10.97%
Retail trade with pharmaceutical products, perfumery	110	98	-10.91%
Retail trade with bakery and confectionery products, milk, milk products	595	535	-10.08%

Source: Lan Ekintza – Bilbao (2000): “Radiografía Empresarial del Municipio de Bilbao”

These results indicate that the Guggenheim Museum has affected the business structure in Bilbao, mainly in sectors dealing directly with tourists (hotels, restaurants, and retail) but also other cultural and creative sectors.

However, the decline of industrial and manufacturing sectors and of some commercial activities unrelated to tourism and high value products, may well be the result of a general trend in Bilbao, underpinned by the establishment of the Museum, towards a service economy.

### **5.3 THE GUGGENHEIM MUSEUM AND ITS (INNOVATIVE) EFFECT**

After this sectoral analysis, we can now draw some conclusions about the development of an innovative milieu in the Bilbao region. The prior assumptions were based on a twofold impact of the Guggenheim Museum. First, as an economic and cultural project affecting the creative

value of the region and, secondly, as a strategic instrument affecting the inner political creativity of Bilbao.

To return to our development matrix, in the sectoral analysis we observed that the Bilbao region had evolved positively with regard to the creativity towards the outer world, which materialised in a positive development of tourism-related economic sectors. Other cultural and creative sectors underwent a more indirect effect, such as growing interest, but were not able to translate this indirect Guggenheim effect into a direct economic effect.

Measuring creativity within the region, meaning the development of new governance structures, has not been possible to date using tangible indicators. In addition, the socio-political situation in the Basque Country is too particular to allow a general conclusion. Unfortunately, since the end of the 15-month cease-fire declared by ETA in September 1998, the region has suffered renewed, though more sporadic terrorist attacks, hindering free, tolerant development of the local arts and culture sector.

However, in analysing such a limited period of time (5 years after the Museum's opening), we were much more likely to find short-term tangible effects rather than intangible impacts on governance factors such as networking, social factors like trust and self-confidence or long-term economic and professional shifts in the economic structure, new training schemes or SME capital schemes.

In short, innovation and creativity are complex and on-going processes and unlikely to be triggered by a single new cultural infrastructure. Many other factors have to be favourable for development on several levels (society, government and the economy). Direct effects have been measured concerning the attraction of visitors, overnight stays and the number of hotels and their capacities. Indirect effects have been noticed in almost all tourism-, arts- and culture-related sectors as well as in relation to qualitative changes such as a new image of the region, etc. But the creation of an innovative milieu, including the necessary changes in governance and social structures, has not been observed so far. Nevertheless, the analysis did enable us to show that the Museum induced social and economic developments that will lead to profound changes in the long term.

## **6. THE FUTURE OF BILBAO – SCENARIOS**

Based on the development matrix, we used the scenario writing tool to identify possible future developments in the Bilbao region. Rather than relying on diffuse qualitative indicators, the future analysis of the emergence (and possible consolidation) of an innovative milieu will be compared to real evolution with the scenarios described below. Each scenario stands for a different situation within the creativity (inner and outer) framework.

The first scenario describes the situation after a low development of Outer Creativity and the rise of Inner Creativity:

*Scenario 1: Innovation? Occupied!*

In this case, regional governance presents a high degree of innovation and openness, and networking within the political framework of institutions is high and functions well.

Some new institutions – mostly public-private partnerships – work together and although they sometimes develop redundant activities, they secure the proactive and innovative character of political activities to promote industrial activities with success.

However, the Guggenheim effect has ceased and the flow of international tourists stopped.

Without complementing cultural activities and tourist attractions and the growing number of “Guggenheim-like” architectures all over the world, Bilbao is confirmed as a regional, third-tier city within the European city network. The level of visitors to the museum has dropped from initial 1,200,000 per year to a consolidated figure of between 400,000 and 600,000 people a year. Several hotels have closed since the number of visitors dropped, and the Bilbao Exhibition Centre has moved from Bilbao city to Barakaldo, in the peripheral area of the Bilbao region.

Industrial activity has slowed, public services have become the dominant employer and high value added services are only present at the Zamudio Technology Park, beyond the Bilbao Metropolitan Region.

Innovation and creativity are not characteristics of the Bilbao region. In Spain, cities such as Madrid, Barcelona, Valencia and Palma de Mallorca have become creative centres of excellence in innovation and focal points for foreign investment.

The second scenario describes a state of high Outer Creativity and high Inner Creativity:

#### *Scenario 2: Global Success*

In this case, as in the first scenario, regional governance presents a high degree of innovation and openness, and institutional networking is high and functions well.

Some new institutions – mostly public-private partnerships – have also been created and cooperate effectively.

Furthermore, the Guggenheim effect has lasted and the flow of international tourists continued. The number of visitors to the Guggenheim Museum stabilised at 1,000,000 people a year, and hotel occupation satisfies the high expectations of hotel managers and the Bilbao Tourist Information Centre.

Further additional activities and long-term support frameworks have helped to create an important culture- and creativity-related sector (design, art schools and galleries, architecture and urbanism summer schools, leisure and education networks, new media production on culture, arts and history, etc.).

The Bilbao region is now an internationally recognised creative centre in the South of Europe. Creativity in politics and polity as well as the development of creative economic sectors has made Bilbao an attractive city for foreign artists and firms.

The third scenario relates to a situation with a well-developed Outer Creativity but low levels of Inner Creativity:

#### *Scenario 3: Polarised Society*

The economic situation is apparently good, but regional governance presents a low degree of innovation and openness. Networking within the political framework of institutions (local, provincial and regional level, public-private partnerships) does not in fact exist.

No new institutions have been built; a lack of proactive, innovative political activities to promote the economy has hampered the development of regional and local economic and technological initiatives. There is a lack of personal leadership and of a common will to innovate institutional structures.

However, as in scenario 2, the Guggenheim effect has lasted and the flow of international tourists continued. The number of visitors to the Guggenheim Museum stabilised at 1,000,000 people a year, and hotel occupation satisfies the high expectations of hotel managers and the Bilbao Tourist Information Centre.

However, the politicians of the Bilbao region have not been able to translate the attraction of tourists into long-term, stable economic development. The cultural image of Bilbao is limited to the Guggenheim and no other cultural industries or lasting projects have been developed. Apparently a wealth economy, the Bilbao region is now dependent on tourism and on services with no knowledge-intensive activities.

Speculation in the Bilbao city centre areas and increasing gentrification is driving out the poor and immigrant population groups. Unemployment rates and informal sector employment levels have risen.

The fourth scenario describes a situation with low levels in relation to both factors, Outer Creativity and Inner Creativity:

#### *Scenario 4: Lock-in and Loosing*

The economic situation is bad, regional governance presents a low degree of innovation and openness. Networking within the political framework of institutions (local, provincial and regional level, public-private partnerships) does not in fact exist.

No new institutions have been built; a lack of proactive, innovative political activities to promote industrial activities has hampered the development of regional and local economic and technological initiatives.

In addition, the Guggenheim effect has ceased and the flow of international tourists stopped. With the growing number of “Guggenheim-like” architectures all over the world, Bilbao has returned to its regional city status within the European city network. The level of visitors to the museum has dropped, some hotels have had to close, and the Bilbao region has lost its attractiveness to foreign visitors. As in the first scenario, industrial activity has slowed, public services have become the dominant employer, high value added services have moved away from Bilbao Metropolitan Region to other areas in the Basque Country and Spain. Innovation and creativity are definitely not publicly recognised characteristics of the Bilbao region, and in this scenario cities of the Mediterranean area such as Barcelona and Valencia, instead of Bilbao, have become creative centres of excellence in innovation and focal points for foreign investment in Spain.

## **7. CONCLUSIONS**

The results of the sectoral analysis allowed us, as far as possible, to assess internal innovation in the region and delimit the probable prospects for Bilbao as an innovative milieu. Keeping in mind the recent development, the most likely scenario to become reality for the Bilbao region in the future lies between the defined Scenarios 2 (Global Success) and 3 (Polarised Society).

Both show positive evolution in the region's Creativity Image, its potential to attract people and firms and an obviously strong identity. This evolution seems probable, since latest figures indicate another rise – after a decrease over a couple of years – of the number of visitors to each, the city and the Guggenheim Museum and a consolidation on a relatively high level.

Nevertheless, it is still not clear whether development of Real Creativity, i.e., creativity within the region's political, economic and social world, will develop in a similarly positive way. A sign for a positive development and for an innovative governance framework are the organisations *BILBAO RÍA 2000* and *Bilbao Metropoli-30*. *BILBAO RÍA 2000* is a mixed public organisation in which different Spanish and Basque administrations each hold a 50 % stake, and where big public companies such as the railway companies RENFE and FEVE and the port administration of Bilbao participate, offering the land they own in the inner city of Bilbao. It is active in the whole Bilbao metropolitan region since 1992. *Bilbao Metropoli-30* is a public-private partnership of several relevant actors in the Bilbao region (the city and its 30 surrounding municipalities, regional authorities, universities, firms, etc.). It arose within the development of the Strategic Plan for the Revitalization of Bilbao in the early 1990s and serves as a think tank and monitoring agency for the territorial, economic and social development of the region.

At present, Bilbao is experiencing the changes that became necessary after the severe economic crisis of the 1980s and the early 1990s. A host of factors have led to the innovations the region has undergone thus far. Although the Guggenheim Museum is undoubtedly one of these factors, stable, lasting change requires more accompanying measures and projects.

The development of an innovative milieu will be a long-term process which does not depend on one single resource, even if it is large in size and importance as well as extremely successful, like in the case of the Guggenheim Museum. There are a lot of factors that conform a change of the system. Also the interrelations between these factors have a huge importance for the collective action and the political attitudes and decisions. Bilbao has already taken a step in the right direction. Its future depends now on its collective capacity and will to evolve and learn.

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