An upper middle-income Bangladesh starts with a livable Dhaka

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IN March 2019, Bangladesh's Prime Minister Sheikh Hasina reiterated the government's objective of becoming an upper-middle-income country by 2031, as outlined in its "Vision 2021."

As global experience has shown, no country in the world has moved up within the middle-income status without developing its cities. Most countries that achieved middle-income status, did so when the majority of their citizens were living in cities - high-income status is mostly accompanied with 70 to 80 percent of people living in cities.

Bangladesh is currently 38 percent urban. As its economy grows and more people move to urban centers, the country will need to ensure that fast-growing cities are livable and productive, and that the gains of urbanization are shared by all. Greater resilience and sustainability are key to achieving this goal.

However, Bangladesh faces challenges in the journey ahead. According to the World Bank's recent poverty assessment, progress in national poverty reduction has been slowing down in spite of economic growth. The trend is especially alarming in cities like Dhaka and Chittagong. In these urban areas, manufacturing has the biggest impact on poverty reduction, but job growth has slowed down. Bangladesh's biggest cities, which we expect would be driving national growth and prosperity, may, in fact, be slowing it down today.

Bangladesh's path to upper-middle-income status will hinge particularly on leveraging Dhaka, its economic and political center. Dhaka, Bangladesh's capital, is a "primate" city. Not only it is the country's largest city, but it is also disproportionately larger than other Bangladeshi cities.

In fact, Dhaka's population is more than four times greater than that of Chittagong's, Bangladesh's second largest city. Dhaka accounts for one-third of the country's total population, one-fifth of national GDP and one-third of all jobs. It is imperative for the country overall to translate the economic density of Dhaka into prosperity for all of Bangladesh.

Dhaka's experience as a primate city is not uncommon. For most developing countries, urban concentration follows an inverted U-pattern: at first, as national incomes rise, the largest cities' share of the urban population increases. Over time it starts to decline in favor of more equal spatial development. The tipping point is usually when national GDP per capita reaches the global average. Such trends tend to occur hand-in-hand with structural transformation, as the economy shifts away from agriculture and toward industry. Global empirical evidence shows that higher urban primacy can foster economic growth at earlier stages of development.

As experience in China and other countries has shown, restricting people from moving to the biggest cities is counterproductive – strong barriers to labor mobility constrain urban growth and may result in large income losses. In short, for a city like Dhaka, it is more costly to be too small than too large.

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Bangladesh can achieve its economic growth goals by transforming Dhaka into a well-functioning, livable megacity.

Dhaka's experience as a primate city is notable, not for its urban concentration per se, but for its unrealized economic potential. While it has one of the highest population densities in the world, the economic density in Dhaka is in fact lower than other similar metropolitan areas. The concentration of GDP is $55 million per square kilometer, lower than other major primate cities in Asia such as Bangkok ($88 million) and Singapore ($269 million).

Moreover, the economic density in Dhaka's core declined between 1996 and 2010, based on nighttime light intensity and economic census data.

Should Bangladesh look to secondary cities outside Dhaka to drive national economic growth and lift the country to upper-middle-income status? In other countries facing congestion and poor livability in their biggest cities, building new towns and relocating population often emerge as tempting policy options. The growth and prosperity of secondary cities should be supported, and efforts should be made to promote the development of a diverse and complementary system of cities.

Boosting incentives for investment through higher economic density and proximity – to support clusters of firms, and to more efficiently connect workers with firms.Increasing access to services, amenities, and housing for poor and middle-class residents.

However, global experience shows that top-down policies to induce urban growth disconnected from economic and livability incentives have faced challenges in providing the right drivers to residents and firms to relocate.

Bangladesh can achieve its economic growth goals by transforming Dhaka into a well-functioning, livable megacity.

The key is to make its "economic mountains ", such as metropolitan areas like Dhaka and Chittagong, taller, with higher economic density and more higher-value industries. For this to happen, investment in the largest metropolitan areas will need to be prioritized.

Well-planned, compact, connected, and resilient cities can increase economic efficiency and boost competitiveness while improving livability and protecting the natural environment. Global evidence shows that if well-managed, cities can spur economic development in two ways:

To unleash Dhaka's economic potential, the government will need a set of integrated policies that improve livability through the provision of infrastructure and basic urban services , and that promote more diverse and competitive economic activity in the city center and the periphery.

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REUTERS/FILE

Workers survey the construction site of the terminal for a new Beijing airport in China.

US, China mini-deal offers 'breathing space' for Chinese economy

AFP, *Beijing*

A truce in the US-China trade war offers Xi Jinping breathing space as he faces a slowing economy and political trouble in Hong Kong, but experts warn 2020 will be another tough year for the Chinese president.

The pared-down "phase one" deal announced Friday includes a reduction in US tariffs on China, in exchange for an increase in Chinese purchases of US goods and better protections for intellectual property.

But tussles over the most controversial Chinese trade practices -- including steep state subsidies -- have been left to future talks.

The trade war launched nearly two years ago by President Donald Trump isn't over, analysts say, as there's always the risk of Beijing not upholding its end of the bargain and the mercurial US leader throwing more tariff bombs.

The mini-deal is a "delay tactic to buy the Chinese Communist Party breathing space and allow it to stay in the game against overwhelming odds," said Larry Ong, senior analyst with risk consultancy SinoInsider.

Growth of the Chinese economy slowed to six percent in the third quarter -- its most sluggish rate in nearly three decades -- as demand for exports cooled and Chinese consumers tightened their belts.

In November exports fell 1.1 percent from a year earlier, the fourth straight fall, and exports to the US nosedived 23 percent as the trade war disrupted supply chains and left investors on edge.

Trump has cancelled a new round of tariffs that had been due to kick in on Sunday and would have affected smartphones, toys and laptops among other goods, while Beijing also called off levies planned in retaliation.

In another major concession, Washington will also slash in half the 15-percent tariffs imposed on $120 billion in Chinese goods, like clothing, that were imposed on September 1.

However, this "unexpected" tariff rollback will only have a "marginal" impact on China's economy, said Lu Ting of Nomura bank.

"The worst is not yet over and 2020 looks set to be yet another tough year."

On the political front, Washington's decision to back the pro-democracy movement in Hong Kong and to criticise China's mass detention of mostly Muslim minorities has cast a shadow over trade negotiations.

Xi has faced six months of increasingly violent demonstrations in Hong Kong, while on the other side of the world Trump is facing a congressional vote on impeachment for abuse of office next week.

And with Trump's 2020 reelection campaign gathering pace, he needs to show voters that his habit of starting bruising trade wars is bearing fruit.

Barry Naughton, an expert on China's economy at the University of California in San Diego, said the mini-deal -- which caused US stocks to whipsaw -- may have been announced too soon.

"People worry that both sides were under so much time pressure to conclude something before Sunday, that they may have once again prematurely announced an agreement," he told AFP.

US Trade Representative Robert Lighthizer said he expected the deal to be signed in early January, taking effect 30 days later.

US officials also said China has promised to import $200 billion worth of US goods -- including farm produce, energy and services -- over the next two years, but China declined to offer any details.

"Different interpretations of what has been agreed upon are potential obstacles to completing the deal," Lu from Nomura said.

Trump said existing tariffs of 25 percent on $250 billion of Chinese imports would stay in place pending further negotiations on a second-phase deal.

Although he tweeted Friday that talks will start "immediately", the Chinese side are treading more cautiously.

Telenor says Huawei will still play role in 5G rollout

REUTERS, *Brussels*

TELENOR will use equipment from Huawei in building Norway's 5G network, the telecoms operator said on Sunday, one of several companies to continue working with the Chinese company despite US pressure.

Huawei faces increased official scrutiny in Europe amid US allegations that it poses a security threat. The company rejects the charges.

State-controlled Telenor on Friday picked Sweden's Ericsson to help roll out its fifth-generation (5G) telecoms network.

Huawei, with which Telenor has collaborated for more than a decade on 4G, will continue to play a role in modernizing its infrastructure, Hanne Knudsen, Telenor vice president for communications, told Reuters.

"Ericsson has been introduced as a new vendor for 5G RAN, but we will also work with Huawei both to maintain the 4G network and also upgrade to 5G coverage in selected areas of Norway," Knudsen said in response to written questions.

"Huawei has delivered hardware for RAN, but not for the core network. When they will build 5G in selected areas for the modernization, this is also for RAN, not core," she said.

Telenor's Finnish subsidiary DNA also uses Huawei as one of several vendors for 5G RAN, Knudsen said.

RAN, or radio access network, refers to the radios and antenna that connect smartphones to the mobile network, and accounts for the bulk of the cost of a new network. It is not the core.

Huawei said it welcomed competition in 5G and looked forward to continuing its collaboration with Telenor.

Telenor is using Finnish company Nokia and Ericsson for building its core network.

Telenor Norway boss Petter-Boerre Furberg told Reuters on Friday that Huawei network components would be phased out over the next four to five years.

Last week, Telefonica Deutschland picked Nokia and Huawei to build its 5G network.

China's BAIC raising Daimler stake to unseat Geely as top shareholder

REUTERS, Beijing/Hong Kong/Frankfurt

DAIMLER'S main China joint venture partner BAIC Group has set in motion a plan to double its stake to around 10 percent and win a board seat in the German luxury car maker, as it aims to upstage rival Geely, two sources told Reuters.

State-owned Beijing Automobile Group Co Ltd (BAIC), which already owns a 5 percent shareholding in Daimler, has started buying the German company's shares from the open market, said the sources who were briefed on the matter.

BAIC is currently Daimler's third largest shareholder but a stake of 10 percent will make it the biggest shareholder, surpassing its Chinese automaking rival Zhejiang Geely Holding Group which owns 9.69 percent of the German automaker and is seeking to expand its partnership with Daimler in China.

With the shareholding of around 10 percent, BAIC is looking to secure a seat at Daimler's supervisory board, which Geely does not currently have, the sources said.

HSBC, which advised BAIC on its 5 percent stake purchase in Daimler earlier, is helping the Beijing-based group in the new investment, one of the sources said.

Daimler said in a regulatory filing last month that HSBC held 5.23 percent in Daimler's voting rights directly as well as through instruments such as equity swaps as of Nov. 15.

REUTERS/FILE

A visitor looks at the interior of a truck at the stall of the BAIC Group automobile maker at the IEEV New Energy Vehicles Exhibition in Beijing.

When asked by Reuters, Daimler said it had not received any notification about BAIC having raised its stake. Daimler's China chief Hubertus Troska said on Friday "we welcome long-term investors in Daimler". Asked about BAIC and its potential to become a larger shareholder, he added, "we like each other. Let us see how things develop."

A third source familiar with BAIC's thinking said that BAIC wanted to be a bigger shareholder than Geely in Daimler in order to be seen as the German automaker's senior-most partner in China.

BAIC and Geely did not respond to requests for comments made after usual business hours. HSBC declined to comment.

The sources declined to be named as they are not authorized to speak to media.

Reuters reported in November that BAIC had signaled intentions to extend its investment in Daimler, citing sources familiar with the matter.

BAIC has been Daimler's main partner in China for years and operates Mercedes-Benz factories in Beijing through the two automakers' main joint venture, Beijing Benz Automotive.