

| Global Research | 4 October 2016

Geopolitical economics – Key chart

- There are many ‘city hubs’ in the world but only a handful qualify as global/world cities
- Population size does not indicate power or influence; these seem still to reflect the older world order
- Global cities are self-reinforcing hubs, driving globalisation and reshaping identities and world views

Global cities: symbols and engines of globalisation

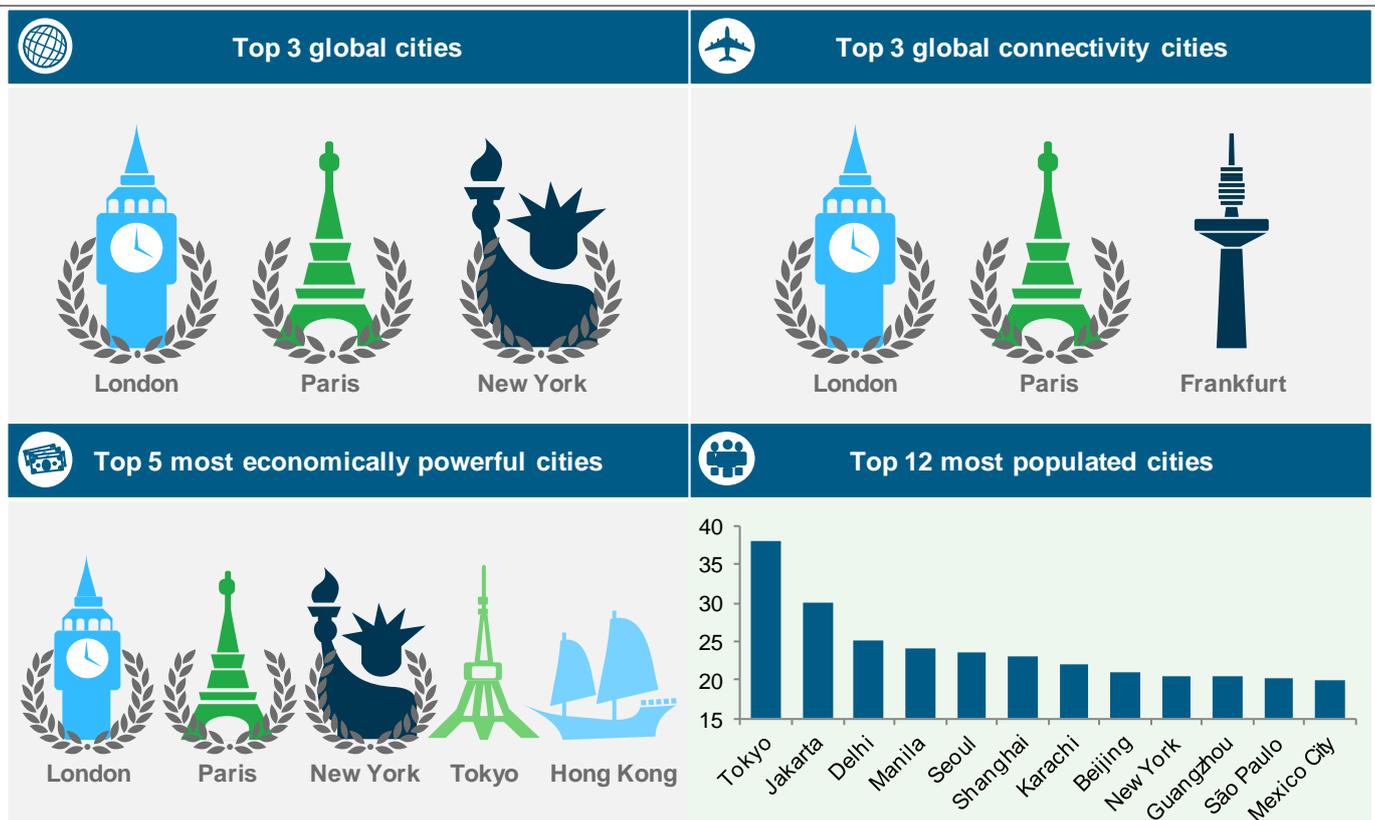
In the new world order, the place occupied by ‘global cities’ has become pre-eminent as they represent the point of greatest interaction between global spheres of political, economic and technological power. Assessing the power of cities can be a subjective exercise. In Figure 1 we use various metrics to attest to the power of several ‘global cities’. While population size is often put forward for its ease of understanding and tangibility, it does not necessarily correlate with how powerful or ‘global’ a city is. The world’s most populous cities tend to be in emerging markets and reflect their demographic dynamics. But the ‘world cities’ tend to still reflect an older world order.

New York, London and Paris emerge as the most powerful cities based on multiple sub-indicators of these rankings: business activity, human capital, information exchange, cultural experience, political engagement (global cities ranking), economic clout, financial power, global competitiveness, equity and quality of life (most economically powerful city ranking), number of international cities connected through direct flights (global connectivity). Mumbai, Shanghai and Singapore have strong positive potential for the future.

Philippe Dauba-Pantanacce +44 20 7885 7277
 Philippe.Dauba-Pantanacce@sc.com
 Senior Economist, Global Political Analyst
 Standard Chartered Bank

Figure 1: Global cities – The world’s most globalised and powerful cities

Population size is not the main criteria



Source: Foreign Policy Atlantic CityLab, AT Kearney global cities, Rome2Rio Global Connectivity, Worldatlas, Standard Chartered Research



The role of global cities has been crucial in structuring and fostering globalisation

The concept of 'global cities' – sometimes referred to as 'world cities' – has developed in academic studies along with the understanding of the functioning of globalisation. The role of a few cities has been crucial in structuring and fostering globalisation over the centuries and even more so in recent history.

Global cities are interconnected, agenda-setting hubs of global integration

There had been a belief that new technologies – the internet in particular – would mean that globalisation would partly manifest itself through decentralisation processes (hyper mobility, global communication, neutralisation of place and distance). While this is happening to some extent, we find that over the last few decades certain cities have continued to drive the globalisation process.

A hub tends to be self-fulfilling: the more there is, the greater the appeal

The main characteristic of these cities is their very strong global linkages which have a direct impact on global affairs. *Foreign Policy*, AT Kearney and *The Atlantic City Lab* produce the 'Global Cities Index', and explain that "the world's biggest, most interconnected cities help set global agendas [...] and serve as the hubs of global integration". In many respects they are 'norm setters'. There are several major 'hubs' in the world but only a handful of cities rank high in many categories at once, allowing them to qualify as a global city. These categories include size, finance, culture, higher education and think tanks, economic power, the presence of global organisations, multiculturalism, political openness, good governance that includes tackling environmental issues, connectivity and infrastructure.

Many big cities in the world have various 'hubs' with a particular specialism; but very few are 'multiple hubs'

In almost all these rankings, New York and London come interchangeably top, with Paris third. In a world where economic size is shifting eastwards, the current levers of global power are still stuck in an older world and, if anything, the global dominance of New York and London in most metrics underpinning these rankings has increased recently. A hub tends to be self-fulfilling: global cities continue to attract powerful institutions, multinational headquarters, highly qualified personnel, higher education institutions, etc., and form a self-sustaining eco-system. The more there is, the greater the attraction. Paris' possibly surprising ranking is explained by legacy effects, with the presence of many international organisations (the OECD, IEA, UNESCO, many European agencies) but also strong rankings in most sub-indicators.

Shanghai, Mumbai and Singapore all have positive potential

Shanghai, Mumbai and Singapore all have positive potential. Each has the ability to improve on various indicators currently hindering them: pollution levels will improve as these cities become wealthier and economies become more service- than heavy industry-oriented. Seats of power could also slowly be redistributed, as has already been seen with the Asian Infrastructure Investment Bank's seat for China. Mumbai needs to close the gap in terms of infrastructure. High GDP growth rates for Shanghai and Mumbai will help increase education levels, cultural life and the presence of multinational headquarters, plus financial and economic strength indicators, and improve connectivity with the world. Seats of power and good governance that includes ways to tackle environmental issues (the recent signing of the climate change agreement is a positive) could take longer to materialise.

Global cities are reshaping inhabitants' world views and allegiance, changing the traditional relationship within territories

Global cities also shape a certain lifestyle and, eventually, individual world views. Multiple studies show that the increasing connectivity of these world cities with each other results in a convergence of general political inclinations, consumption patterns, leisure or cultural choices and even tastes. Conversely, global cities have led to a redrawing of people's sense of identity, allegiance or relationship with their sovereign state: there tends to be greater like-mindedness between global cities' inhabitants than between them and more rural and less connected citizens of the same territory. This breakdown of the relationship between those in global cities and their fellow citizens is partly responsible for the rupture between those perceived as the elites who have benefited from globalisation and the rest, creating new political fault lines disconnected from historical geographical boundaries.



Disclosures appendix

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

Global Disclaimer: Standard Chartered Bank and/or its affiliates ("SCB") makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document (including market data or statistical information). The information in this document, current at the date of publication, is provided for information and discussion purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. SCB does not represent or warrant that this information is accurate or complete. While reasonable care has been taken in preparing this document and data obtained from sources believed to be reliable, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. This document does not purport to contain all the information an investor may require and the contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, we are under no obligation to do so and there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this document, and we may have acted upon or used the information prior to or immediately following its publication. SCB is acting on a principal-to-principal basis and not acting as your advisor, agent or in any fiduciary capacity to you. SCB is not a legal, regulatory, business, investment, financial and accounting and/or tax adviser, and is not purporting to provide any such advice. Independent legal, regulatory, business, investment, financial and accounting and/or tax advice should be sought for any such queries in respect of any investment. SCB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SCB and/or its affiliates or its respective officers, directors, employee benefit programmes or employees, including persons involved in the preparation or issuance of this document may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities or financial instruments referred to in this document and on the SCB Research website or have a material interest in any such securities or related investments, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments and may have received compensation for these services. SCB has in place policies and procedures and physical information walls between its Research Department and differing public and private business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SCB expressly disclaims responsibility and makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. SCB also makes no representation or warranty as to the accuracy nor accepts any responsibility for any information or data contained in any third party's website. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This document is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors. This communication is subject to the terms and conditions of the SCB Research Disclosure Website available at <https://research.scb.com/Portal/Public/TermsConditions>. The disclaimers set out at the above web link applies to this communication and you are advised to read such terms and conditions / disclaimers before continuing. Additional information, including analyst certification and full research disclosures with respect to any securities referred to herein, will be available upon request by directing such enquiries to scgr@scb.com or clicking on the relevant SCB research report web link(s) referenced herein.

Country-Specific Disclosures – This document is not for distribution to any person or to any jurisdiction in which its distribution would be prohibited. If you are receiving this document in any of the countries listed below, please note the following:

United Kingdom and European Economic Area: SCB is authorised in the United Kingdom by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This communication is not directed at Retail Clients in the European Economic Area as defined by Directive 2004/39/EC. Nothing in this document constitutes a personal recommendation or investment advice as defined by Directive 2004/39/EC. **Australia:** The Australian Financial Services Licence for Standard Chartered Bank is Licence No: 246833 with the following Australian Registered Business Number (ARBN: 097571778). Australian investors should note that this communication was prepared for "wholesale clients" only and is not directed at persons who are "retail clients" as those terms are defined in sections 761G and 761GA of the Corporations Act 2001 (Cth). **Bangladesh:** This research has not been produced in Bangladesh. The report has been prepared by the research analyst(s) in an autonomous and independent way, including in relation to SCB. THE SECURITIES MENTIONED IN THIS REPORT HAVE NOT BEEN AND WILL NOT BE REGISTERED IN BANGLADESH AND MAY NOT BE OFFERED OR SOLD IN BANGLADESH WITHOUT PRIOR APPROVAL OF THE REGULATORY AUTHORITIES IN BANGLADESH. Any subsequent action(s) of the Recipient of these research reports in this area should be subject to compliance with all relevant law & regulations of Bangladesh; specially the prevailing foreign exchange control regulations. **Botswana:** This document is being distributed in Botswana by, and is attributable to, Standard Chartered Bank Botswana Limited which is a financial institution licensed under the Section 6 of the Banking Act CAP 46:04 and is listed in the Botswana Stock Exchange. **Brazil:** SCB disclosures pursuant to the Securities Exchange Commission of Brazil ("CVM") Instruction 483/10: This research has not been produced in Brazil. The report has been prepared by the research analyst(s) in an autonomous and independent way, including in relation to SCB. THE SECURITIES MENTIONED IN THIS REPORT HAVE NOT BEEN AND WILL NOT BE REGISTERED PURSUANT TO THE REQUIREMENTS OF THE SECURITIES AND EXCHANGE COMMISSION OF BRAZIL AND MAY NOT BE OFFERED OR SOLD IN BRAZIL EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS AND IN COMPLIANCE WITH THE SECURITIES LAWS OF BRAZIL. **China:** This document is being distributed in China by, and is attributable to, Standard Chartered Bank (China) Limited which is mainly regulated by China Banking Regulatory Commission (CBRC), State Administration of Foreign Exchange (SAFE), and People's Bank of China (PBoC). **Germany:** In Germany, this document is being distributed by Standard Chartered Bank Germany Branch which is also regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Hong Kong:** This document (except any part advising on or facilitating any decision on futures contracts trading) is being distributed in Hong Kong by, and is attributable to, Standard Chartered Bank (Hong Kong) Limited 渣打銀行(香港)有限公司 which is regulated by the Hong Kong Monetary Authority. Insofar as this document advises on or facilitates any decision on futures contracts trading,



it is being distributed in Hong Kong by and is attributable to, Standard Chartered Securities (Hong Kong) Limited 渣打證券(香港)有限公司 which is regulated by the Securities and Futures Commission. **India:** This document is being distributed in India by Standard Chartered Bank, India Branch ("SCB India"). SCB India is a branch of SCB, UK and is licensed by the Reserve Bank of India to carry on banking business in India. SCB India is also registered with Securities and Exchange Board of India in its capacity as Merchant Banker, Investment Advisor, Depository Participant, Bankers to an Issue, Custodian etc. For details on group companies operating in India, please visit https://www.sc.com/in/india_result.html. The particulars contained in this document are for information purposes only. This document does not constitute an offer, recommendation or solicitation to any person to execute any transaction with SCB India. Certain information or trade ideas in this document may not be specifically permissible under Indian regulations; hence, users of this document should seek professional legal advice before acting on any information. **Indonesia:** The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or represent that any such future movements will not exceed those shown in any illustration. **Japan:** This document is being distributed to Specified Investors, as defined by the Financial Instruments and Exchange Law of Japan (FIEL), for information only and not for the purpose of soliciting any Financial Instruments Transactions as defined by the FIEL or any Specified Deposits, etc. as defined by the Banking Law of Japan. **Kenya:** Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya. This document is intended for use only by Professional Clients and should not be relied upon by or be distributed to Retail Clients. **Korea:** This document is being distributed in Korea by, and is attributable to, Standard Chartered Bank Korea Limited which is regulated by the Financial Supervisory Service and Financial Services Commission. **Macau:** This document is being distributed in Macau Special Administrative Region of the Peoples' Republic of China, and is attributable to, Standard Chartered Bank (Macau Branch) which is regulated by Macau Monetary Authority. **Malaysia:** This document is being distributed in Malaysia by Standard Chartered Bank Malaysia Berhad only to institutional investors or corporate customers. Recipients in Malaysia should contact Standard Chartered Bank Malaysia Berhad in relation to any matters arising from, or in connection with, this document. **Mauritius:** Standard Chartered Bank (Mauritius) is regulated by both the Bank of Mauritius and the Financial Services Commission in Mauritius. This document should not be construed as investment advice or solicitation to enter into securities transactions in Mauritius as per Securities Act 2005. **New Zealand:** New Zealand Investors should note that this document was prepared for "wholesale clients" only within the meaning of section 5C of the Financial Advisers Act 2008. This document is not directed at persons who are "retail clients" as defined in the Financial Advisers Act 2008. This document does not form part of any offer to the public in New Zealand. NOTE THAT STANDARD CHARTERED BANK (incorporated in England) IS NOT A "REGISTERED BANK" IN NEW ZEALAND UNDER THE RESERVE BANK OF NEW ZEALAND ACT 1989, and it is not therefore regulated or supervised by the Reserve Bank of New Zealand. **Pakistan:** The securities mentioned in this report have not been, and will not be, registered in Pakistan, and may not be offered or sold in Pakistan, without prior approval of the regulatory authorities in Pakistan. **Philippines:** This document may be distributed in the Philippines by, Standard Chartered Bank (Philippines) which is regulated by the Bangko Sentral ng Pilipinas (Telephone No. (+63) 708-7701, Website: www.bsp.gov.ph). This document is for information purposes only and does not constitute, and should not be construed as an offer to sell or distribute in the Philippines securities that are not registered with the Securities and Exchange Commission unless such securities are exempt under Section 9 of the Securities Regulation Code or such offer or sale qualifies as an exempt transaction under Section 10 thereof. **Singapore:** This document is being distributed in Singapore by SCB Singapore branch and/or Standard Chartered Bank (Singapore) Limited, provided that research reports relating to certain products may be distributed only to accredited investors, expert investors or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact SCB Singapore branch or Standard Chartered Bank (Singapore) Limited (as the case may be) in relation to any matters arising from, or in connection with, this document. **South Africa:** SCB is licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002. SCB is a Registered Credit Provider in terms of the National Credit Act 34 of 2005 under registration number NCRCP4. **Thailand:** This document is intended to circulate only general information and prepare exclusively for the benefit of Institutional Investors with the conditions and as defined in the Notifications of the Office of the Securities and Exchange Commission relating to the exemption of investment advisory service, as amended and supplemented from time to time. It is not intended to provide for the public. **UAE:** For residents of the UAE – Standard Chartered Bank UAE does not provide financial analysis or consultation services in or into the UAE within the meaning of UAE Securities and Commodities Authority Decision No. 48/r of 2008 concerning financial consultation and financial analysis. **UAE (DIFC):** SCB is regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority. This document is intended for use only by Professional Clients and Market Counterparties and should not be relied upon by or be distributed to Retail Clients. **United States:** Except for any documents relating to foreign exchange, FX or global FX, Rates or Commodities, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of Standard Chartered Securities (North America) Inc., 1095 Avenue of the Americas, New York, N.Y. 10036, US, tel + 1 212 667 0700. WE DO NOT OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS EITHER (A) THOSE SECURITIES ARE REGISTERED FOR SALE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH ALL APPROPRIATE U.S. STATE AUTHORITIES; OR (B) THE SECURITIES OR THE SPECIFIC TRANSACTION QUALIFY FOR AN EXEMPTION UNDER THE U.S. FEDERAL AND STATE SECURITIES LAWS NOR DO WE OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS (i) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL ARE PROPERLY REGISTERED OR LICENSED TO CONDUCT BUSINESS; OR (ii) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL QUALIFY FOR EXEMPTIONS UNDER APPLICABLE U.S. FEDERAL AND STATE LAWS. Any documents relating to foreign exchange, FX or global FX, Rates or Commodities to US Persons, Guaranteed Affiliates, or Conduit Affiliates (as those terms are defined by any Commodity Futures Trading Commission rule, interpretation, guidance, or other such publication) are intended to be distributed only to Eligible Contract Participants as defined in Section 1a(18) of the Commodity Exchange Act. **Zambia:** Standard Chartered Bank Zambia Plc is licensed and registered as a commercial bank under the Banking and Financial Services Act Cap 387 of the laws of Zambia and is regulated by the Bank of Zambia, the Lusaka Stock Exchange and the Securities Exchange Commission.

© Copyright 2016 Standard Chartered Bank and its affiliates. All rights reserved. All copyrights subsisting and arising out of all materials, text, articles and information contained herein is the property of Standard Chartered Bank and/or its affiliates, and may not be reproduced, redistributed, amended, modified, adapted, transmitted in any form, or translated in any way without the prior written permission of Standard Chartered Bank.

Document approved by
Sarah Hewin
Chief Economist, Europe

Document is released at
06:28 GMT 04 October 2016