Dragoman Digest

Xi's common prosperity crackdown extends to Hong Kong and Macau
Casinos and property tycoons are in the firing line
Hong Kong and **Macao** are feeling the effects of paramount leader Xi **Jinping'**s push for "common prosperity". Two of the territory's most profitable sectors, property and gambling, have become clear targets of Beijing's crackdown. The conspicuous displays of wealth seen in Macao's casino industry and amongst Hong Kong's property tycoons are antithetical to Xi's vision.

Hong Kong's biggest property firms – including CK Asset, Henderson Land Development, Sun Hung Kai Properties and New World Development – have traditionally been highly influential in Hong Kong's economy and politics. It is common for property tycoons to hold seats in the local government. At one point they held over a quarter of seats on the 1,200-member election committee.

Now, Chinese officials are urging developers to be more patriotic and demonstrably supportive of Beijing's interests in the city. Beijing wants greater efforts to ease the city's housing shortage and has pushed developers to help ease the housing crisis. Hong Kong has the least affordable housing market in the world. House prices tripled in the past 15 years, with average house prices 20.7 times median household income in 2020. Chinese officials partly attributed the protests of 2019-20 to the rising cost of living – despite clear opposition to Chinese interference being an underlying motivating factor. Big property players have got the memo. Companies like New World and Henderson Land have voluntarily donated rural land as reserves for social housing in recent weeks.

In Macao, Beijing is poised to tighten its grip on the casino sector. On September 15, Beijing's proposal to revise the city's gaming law led to a plunge in casino related stocks. Six leading casino operators, including Wynn Macao and Sands China, lost a combined US$14 billion in value – a third of their total market capitalisation. Beijing has already appointed government officials to supervise gaming companies, indicating a level of scrutiny previously not seen in Macao.

Despite the potential disruption to economic growth, Beijing appears content damaging overtly ostentatious business interests to enforce its vision.

Race for 6G dominance
China is facing allied competition in the development of next generation technology
The development of 6G has become an important point of competition between major economies. States are racing to obtain 6G patents even before 5G networks have been made widely commercially available. According to a report by Nikkei and Tokyo based research company Cyber Creative Institute, **China** currently leads the race on patents, with 40 percent of 6G patent applications. The **US** follows closely with 35 percent whilst **Japan** trails behind with 9.9 percent of patent filings. According to Nikkei, countries with more patent filings tend to be leaders in the relevant technology and, importantly, can influence nascent industry standards.

China's Huawei has led these efforts, with 13 per cent of the world's 6G patents. Despite US sanctions on Huawei imposed by former US President Donald **Trump** in 2019, Huawei hopes to launch 6G products by 2030. China has also reportedly launched experimental satellites and opened a 6G-research centre in **Canada**.

In a bid to counter a China-led communications network, in April this year, US President Joe **Biden** and outgoing Japanese Prime Minister Yoshihide **Suga** agreed to jointly invest US$4.5 billion in the development of 6G technology. As part of the agreement, the two states have extended their cooperation on telecommunications to other countries. Japan signed an agreement with **Finnish** telecom supplier Nokia in June. The US has also formed the Next G Alliance initiative, which includes **South Korean** multinational Samsung Electronics Co, along with Apple Inc, AT&T Inc, Qualcomm Inc and Google.

The US-Japan partnership would benefit from co-operation with **EU** and South Korea, which account for 13 percent of 6G patent applications. A combined effort could help challenge Chinese dominance.

Ford exits sluggish Indian market

Ford's exit a blow to Modi's Make in India agenda

By early 2022, Ford Motor Company will cease car manufacturing in **India**, after racking up more than US$2 billion in losses over the past decade. Ford entered India in the mid-1990s, hoping that India would rival **China** as a growth market. However, the carmaker struggled to assert itself in the Indian market, which is dominated by cheaper cars. By 2020, Ford held only a 1.42 percent market share, against **Japan'**s Suzuki Motor Corp and **South Korea's** Hyundai Motor Co who together held more than 60 per cent of the market. The government's high tax regime, which imposes levies as high as 28 percent on gasoline vehicles, has been a significant roadblock for Ford, along with the decline of the passenger vehicle market from 3.37 million sales in 2018 to 2.71 million in 2021.

Ford's departure marks a significant setback for Prime Minister Narendra **Modi**'s Make in India agenda. Announced in 2014, the initiative encouraged foreign companies to manufacture in India. Modi wanted 25 percent of India's GDP to come from manufacturing by 2022, a big increase from 15 percent at the time. On this measure India has actually gone backwards, with manufacturing accounting for only 13 per cent of India's GDP this year according to the World Bank.

General Motors, which ceased manufacturing in India in 2017, and Harley Davidson Inc which closed its Indian operations last year, are two other prominent examples of automotive companies packing up shop. Not everyone has given up on India though. For its part, Tesla is negotiating with the Indian government to lower import duties on electric vehicles to 40 percent in exchange for opening a local Tesla factory. With electric vehicles sales predicted to grow by 26 percent in 2022-2023, Indian automotive manufacturing might yet turn around.

Turkey's footprint in Africa grows

Turkey's commitment to expansion in Africa is creating competition with China and providing opportunities for co-operation with Japan

Turkey has sought to cultivate strong bilateral relationships and challenge **China's** economic dominance across Africa. The number of Turkish embassies in Africa has increased from 12 in 2002 to 43. Since 2003, President Recep **Erdogan** has visited 28 African countries 38 times – the most prolific visitor of all global leader.

According to Engineering News Record's Top 250 international contractors ranking, Turkey had the third most contracts in Africa, with 40 active companies. China though, was well ahead with 78 companies winning contracts. Chinese enterprises have dominated the financing and development of critical infrastructure in Africa, in line with its Belt and Road initiative. China is Africa's biggest trade partner, with Sino-African trade hitting US$139 billion in the first seven months of this year.

Japan has made significant moves to partner with Turkey to challenge China's influence in the continent. Last year, Japan opened a Bank for International Cooperation (JBIC) office in Istanbul, with the goal of cooperating with Turkish firms in Africa. JBIC has been used to finance multiple joint construction contracts with Turkey in Africa, including expanding a small hydropower plant in **Malawi** and redeveloping the Cassinga mine in **Angola**.

Growing cooperation between Turkey and Japan and their construction businesses – whilst unlikely to outcompete China – will allow both states to pick up a larger share of projects in Africa.

Sudan's failed coup

Attempted coup underscores Sudan's volatile democratic transition

Sudanese military officers and civilians loyal to the deposed President Omar al-Bashir regime attempted a coup on Monday. Prime Minister Abdallah **Hamdok** labelled the plot as an organised effort to derail Sudan's democratic transition. Sudan has been on a turbulent path to democracy after the military overthrew long-time dictator al-Bashir in April 2019. A ruling body called the Sovereign Council currently runs Sudan under a power-sharing deal between the military and civilians. With elections scheduled for 2024, the current structure is designed to oversee a return to full civilian rule.

Yet, plans to create a legislative body have still seen no progress, as deep divides between the civilian and military elements of the government have clouded Sudan's transition. Further, Sudan has been battling persistent economic hardship. The International Monetary Fund (IMF) has been overseeing a US$2.5 billion reform program, yet protests erupted last year when the government introduced a series of difficult reforms to stem inflation – including cutting subsidies, and partially floating the Sudanese pound.

An attempted coup does not bode well for Sudan's place in the international system. The **US** only decided to lift decades-old economic sanctions last year – in return for its government agreeing to recognise **Israel**. If Sudan were to fall under al-Bashir loyalists, Sudan would be back to square one.