

# Dragoman Digest

## Underdeveloped port infrastructure holding back 'China + 1' strategy

*China has few, if any, peers when it comes to getting infrastructure right*

Despite countries like **India**, **Indonesia** and **Vietnam's** claims as alternative and emerging manufacturing hubs, all three [lag](#) far behind **China** in terms of port infrastructure. After years of heavy investment in coastal port infrastructure, China now has 76 port terminals capable of handling vessels with over 14,000 twenty-foot equivalent unit capacity. The entirety of South and Southeast Asia have just 31 such terminals. China's largest port, Shanghai, runs 51 weekly services to North America – more than twice as many the largest port in Southeast Asia, Ho Chi Minh. Large ships account for around two-thirds of total shipping capacity between Asia and Europe.

Huge capital expenditure will be required to bring port infrastructure in South and Southeast Asia up to scratch. Terminals usually take around five years to be built, meaning there are substantial lead times even if capital can be found. Infrastructure gaps will make it difficult for countries like Vietnam to handle steep projected export volumes. India, for its part, is not resting on its laurels, targeting US\$82 billion in port infrastructure investment by 2035. However, China's manufacturing prowess and infrastructure advantage leave it entrenched as the world's leading manufacturing hub.

## Jakarta opens the way for corruption charges against presidential hopeful Anies Baswedan

*The country's anti-corruption body is being primed as a political weapon*

The potential disqualification of the former Governor of Jakarta Anies Baswedan from **Indonesia's** presidential election next year calls Indonesia's democracy into question. Anies has become a popular yet divisive candidate who has raised concerns among the country's elite. During his time as governor, Anies demonstrated a robust stance against corruption by forming a dedicated task force, the Jakarta Corruption Prevention Committee. Anies has profited from mobilisation of political Islam, securing support from the conservative Islamic Prosperous Justice Party, the National Democratic Party of the Coalition for Change, and the Democratic Party for his presidential bid.

Last week, the chair of Indonesia's Corruption Eradication Commission (KPK), Com Gen Firlil Bahuri, dismissed two key officials who refused to pursue a probe into Anies. One of the dismissed police officials stated there was inadequate evidence to justify a case. Bahuri is openly pursuing Baswedan, aiming to have him designated as an official suspect in the 2022 Jakarta Formula E corruption investigation. KPK officials have yet to lodge a formal investigation as no significant evidence of misconduct has surfaced.

The dismissal of two important KPK officials means Bahuri can pursue what appear to be politicised charges against Anies without hindrance. The amendments to the KPK law in 2020 – which converted KPK employees to civil servants and brought them under government supervision – has weakened what was once a powerful and independent institution. If Anies is prosecuted, it will have a provocative and certainly controversial impact on the election.

## Egypt's privatisation drive faces delays over conflicting regional and internal interest group agendas

*Egypt's recent privatisation campaign is more successful than its last*

Egypt's state-owned enterprise (SOE) privatisation drive is [struggling](#) to build steam amid disagreements on sale terms. Last December, Cairo notionally agreed to a US\$3 billion loan package from the International Monetary Fund on condition that the government reduce its presence in the economy. Shortly after, President **Al-Sisi** earmarked 32 state-owned companies for sale in a myriad of industries including military-owned companies SAFI natural water and Watanya Petrol.

After some progress, obstacles remain. One significant challenge is the valuation of the military-run SOEs, which have yet to be offered to investors despite promises to sell shares by mid-March. Another obstacle is **Saudi Arabia** and the **UAE's** demands for much larger stakes than Cairo will allow in assets such as the United Bank of Egypt.

Egypt's current privatisation drive has achieved more than its [last attempt](#) in 2018, which saw almost all of its planned sales delayed indefinitely. In its current campaign, Cairo has, at least, managed to sell some of its SOEs including major fertiliser companies Abu Qir Fertilizers and MOPCO. This time around, obstacles to privatisation are more procedural than ideological.

## The US is strengthening its alliance with the Philippines

*Four new military bases face the South China Sea*

The **US** is tightening its alliance with the **Philippines** as a means of countering **China**. Last week, the two countries [commenced](#) their largest annual Balikatan military exercise in 30 years. Over 17,600 military personnel from the two countries and **Australia** will participate, double last year's figure.

The exercises are an example of how the US is strengthening ties with the Philippines under **President Ferdinand Marcos Jr.**'s tenure. In April, the Philippines identified four new locations under the *Enhanced Defense Cooperation Agreement* (EDCA) in provinces adjoining the South China Sea and near **Taiwan**. Signed in 2014, the agreement allows the US to rotate troops in the Philippines for extended stays and to build and operate facilities in the country. This year, all five previously nominated EDCA sites received full funding (US\$82 million) from the US, after their utilisation had been stalled under former President Rodrigo Duterte.

Following China's assertiveness in the South China Sea, the Philippines seeks to establish more robust military alliances. The Philippines is [engaged](#) in discussions with the US and Australia on joint patrols in the South China Sea. Manila is also reportedly [exploring](#) a US-**Japan**-Philippines tripartite security agreement. Marcos Jr. is assiduously courting Chinese investment and will have to tread carefully between the two superpowers.

## Tightness in Europe's property market causes loan defaults

*A stressed property market could signal economic troubles for the EU*

The **EU's** commercial property market is [coming](#) under increased stress amid a number of loan defaults. Higher interest rates, decreased demand for office space and increased construction costs have created something of a 'perfect storm' in property markets. Last month, Blackstone, the world's largest commercial real estate investor, defaulted on a €512 million loan secured on a **Finnish** retail and office portfolio. In the same month, it was revealed

that **South Korean** investors Hana Financial Investment and IGIS Asset Management will restructure a €375 million debt secured against the Trianon tower in **Germany**.

Commercial real estate loans comprise nine percent of Europe's bank loans, raising concern over broader spillover effects. In total, Europe's commercial property market is backed by €1.5 trillion in debt. However, European banks have taken steps to limit the chances of a repeat of the 2008 financial crisis by reducing their exposure to the property market. Before 2008, Europe's banks handed out loans of up to 80 or 100 percent of the value of a building. Today, most bank ratios are down to 60 percent of property valuation.