

Malaysia power shift hits China's infra projects



Mahathir Mohamad (C) celebrates with leaders of his coalition following the 14th general elections in Kuala Lumpur. (File photo- AFP)

● Kuala Lumpur's previous regime, led by scandal-mired Najib Razak, had warm ties with China

AFP | Kuala Lumpur

Malaysia was once a loyal partner in China's globe-spanning infrastructure drive but a new government is now pledging to review Beijing-backed projects, threatening key links in the much-vaunted initiative.

Kuala Lumpur's previous regime, led by scandal-mired Najib Razak, had warm ties with China and signed a string of deals for Beijing-funded projects, including a major rail link and a deep-sea port. But the long-ruling coalition was unexpectedly turfed out of power last month by voters disgusted at allegations of corruption and angered at rising living costs. Critics say many agreements lacked transparency, fuelling suspicions they were struck in exchange for

help in paying off debts from a financial scandal which ultimately helped bring down Najib's regime. The new government, led by political heavyweight Mahathir Mohamad, has pledged to review Chinese deals seen as dubious, calling into question Malaysia's status as one of Beijing's most cooperative partners in its infrastructure push.

China's ambitious initiative to revive ancient Silk Road trading routes with a global network of ports, roads and railways -- dubbed "One Belt, One Road" -- was launched in 2013 and is the economic crown jewel of President Xi Jinping's presidency.

Malaysia, along with Beijing ally Cambodia, were seen as bright spots in Southeast Asia, with projects in other countries often facing problems, from land acquisition to drawn-out negotiations with governments. "Malaysia under Najib moved quickly to approve and implement projects," Murray Hiebert, a senior associate from the Center for Strategic and International Studies, told AFP.

France, Germany close to eurozone reform pact

● An agreement could be finalized on Tuesday, when Angela Merkel and Emmanuel Macron are scheduled to meet near Berlin

● An agreement is close at hand, Le Maire said on Twitter after talks with his German counterpart in Hamburg

AFP | Paris

Paris and Berlin are very close to an agreement on eurozone reform after months of divisions, French Finance Minister Bruno Le Maire has said.

"An agreement is close at hand," Le Maire said on Twitter late Saturday after final negotiations on the subject with his German counterpart in the northern German city of Hamburg.

The minister added that he hoped an agreement could be finalized on Tuesday, when German Chancellor Angela Merkel and French President Emmanuel Macron are scheduled to meet near Berlin.

Paris and Berlin are racing to bridge the gap between Macron's vision of grand European Union reforms and Chancellor Angela Merkel's more prudent approach by a crunch eurozone summit on June 29.

"There are two or three remaining issues" to sort out, a European source close to the negotiations told AFP. "But



German Chancellor Angela Merkel and French President Emmanuel Macron (File photo)



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these are clearly defined and limited."

The source added that "real progress had been made on the sensitive issues that remained to be decided, especially regarding the eurozone budget."

Germany and other northern European states have balked at Macron's calls to give the eurozone its own big budget, fearing the more fiscally prudent north will have to pick up the tab for overspending by the more profligate south.

Earlier this month, Merkel made some concessions, agreeing to support Macron's call for an investment fund to help poorer European countries catch up in the areas of science,

technology and innovation.

But the size of the fund remains a major bone of contention, with Merkel saying it should be "at the lower end of the double-digit billions of euros range," while Macron has called for a budget amounting to "the equivalent of several points of the GDP of the eurozone."

The French president is on a drive to reconcile Europeans with the EU after years of austerity and mass migrant flows have helped fuel the rise of anti-immigrant and nationalist parties.

He has championed EU reform proposals such as a common finance minister and budget.

Invest in North Korea: Money pit or golden opportunity?

● Trump showed Kim a movie of high-speed trains and soaring tower blocks -- pitching a future for Pyongyang it gives up its weapons

AFP | Pyongyang

Donald Trump dangled the carrot of foreign investment in front of North Korean leader Kim Jong Un at their nuclear summit, but analysts say few will want to put money into one of the highest-risk business environments in the world.

The US president showed Kim a movie of bright lights, high-speed trains and soaring tower blocks -- pitching a future that could be possible if Pyongyang gives up its weapons.

Optimists say that with mineral wealth, cheap labour, and a helpful geographical location, the North has huge potential.

But the history of overseas firms who have tried to set up operations in the isolated, impoverished country is a long and sorry one. Rules that can change on a whim, bills that are never paid, and the threat of expropriation hang over foreigners who step into the wildest of wild east investment destinations.

For now, dozens of restric-



In a photo taken on June 17, 2018 a scorekeeper sits at a computer during the Pyongyang Open annual International Table Tennis Federation match in Pyongyang. / AFP PHOTO / Ed JONES

tions apply under the various sanctions regimes imposed on the North over its nuclear ambitions.

Joint ventures are banned by the UN Security Council, the European Union blocks financial transfers of more than 5,000 euros, and US regulations mean international banks are loath to enable transactions of any kind -- so much so that even humanitarian organisations struggle to fund their activities.

And even if they are lifted, there are major challenges to working in the North.

Infrastructure is poor, and analysts say corruption is widespread.

Crucially, said a diplomatic source in Pyongyang, "legal guarantees for business are very weak".

Huge cultural gaps

During the Sunshine Policy, a previous period of warmer ties, South Korean conglomerate Hyundai poured hundreds of millions of dollars into a tourist resort for Southerners to visit the scenic Mount Kumgang.

But the trips came to an abrupt

halt when a North Korean soldier shot dead a woman from the South who strayed into a forbidden zone.

Many South Korean firms set up operations in the joint-venture Kaesong Industrial Complex where they employed cheap labour from the North, but Seoul closed the project in 2016 over Pyongyang's weapons programmes.

Egyptian telecom firm Orascom poured hundreds of millions of dollars into setting up the North's first mobile phone network, Koryolink, only for the



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NAGUIB SAWIRIS
ORASCOM OWNER

government to set up a rival operator of its own.

The company was also unable to get its money out.

"I am taking all the hits," Orascom's billionaire owner Naguib Sawiris told Bloomberg last month. "I am being paid in a currency that doesn't get exchanged very easily, I have put a lot of money and built a hotel and did a lot of good stuff there."

Construction giant Lafarge-Holcim last year disposed of its stake in a North Korean cement plant for an undisclosed sum, nursing significant losses.

"Governance is weak, information is lacking and there are huge cultural gaps with local partners," said Geoffrey See, founder of Choson Exchange, a

non-profit that trains entrepreneurs and economic policymakers in the North.

The most successful foreign firms in the North, he added, focus on trading activities to avoid having assets in the country that are vulnerable to seizure.

Kim undoubtedly wants to make his country better off. He declared earlier this year that having completed the development of his nuclear arsenal, "socialist economic construction" was now his top priority.

State media's coverage of the Singapore summit included extensive pictures of the prosperous city-state, a port, and even Kim's motorcade passing a Cartier advert -- images that would not have been shown in the past.

It was an indication of "permissible aspiration", said an Asia-based diplomat.

The highly secretive North has been quietly bringing in reforms for several years, allowing private traders to operate in informal markets, giving state-owned enterprises some freedoms to operate, and turning a blind eye to private company operations.

The moves are reminiscent of China's "reform and opening" under Deng Xiaoping, which propelled the country from a basketcase to the world's second-largest economy.