

CKH ports sale sparks mixed reactions amid geopolitical concerns

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Industry experts remain divided on Beijing's potential intervention in the \$22.8 billion port sale, with the fate of these strategic shipping assets hanging in geopolitical balance.



CK Hutchison Holdings (CKH), the conglomerate owned by Hong Kong billionaire Li Ka-shing, has announced the sale of its extensive global ports portfolio to a consortium led by BlackRock and Terminal Investment Limited.

Valued at \$22.8 billion, the landmark deal includes a 90% stake in Panama Ports and an 80% stake in other global port operations spanning 43 locations across 23 countries, with Chinese ports notably excluded. CKH anticipates receiving over \$19 billion in cash proceeds from this significant transaction.

The Panama Ports, which include the strategically positioned Balboa and Cristobal terminals, are crucial components of global shipping infrastructure due to their proximity to the Panama Canal—a vital international trade artery.

This high-profile divestment has triggered notable geopolitical tensions, particularly from Beijing.

Chinese state media has characterised the move as a "betrayal," highlighting concerns about transferring such strategically important assets to entities aligned with US interests.

However, CKH has maintained that the sale is purely commercial and unrelated to political developments, asserting that it aligns with shareholder interests.

The deal has prompted mixed reactions from industry experts regarding whether China will block the sale of these strategic assets to US-aligned interests.

While some experts believe Beijing may intervene given the ports' geopolitical significance, others doubt China's ability to halt transactions outside its jurisdiction.

OPTIMISTIC OUTLOOK



Steve Alain Lawrence
Balfour Capital Group

Steve Alain Lawrence, CIO of Balfour Capital Group, expressed optimism about the deal's completion, highlighting BlackRock's strategic expertise and resilience.

"Despite these criticisms, it is highly likely that the deal will ultimately close, driven strongly by BlackRock's

influence and strategic interest," Lawrence told *AsianInvestor*.

He acknowledged that ports are viewed as strategic infrastructure and could face scrutiny under national security or antitrust regulations.

However, he said that political risks, though genuine, might be less impactful than initially perceived.

"While Chinese authorities could use media coverage as a geopolitical tool, BlackRock's proven capability in managing political and diplomatic intricacies, coupled with strategic economic rationale, strengthens its position," Lawrence said.

Lawrence also emphasised the economic fundamentals underpinning the transaction. He highlighted the critical logistics role these ports play for BlackRock's portfolio companies, such as FedEx, UPS, and Maersk, reinforcing the deal's strategic importance.

"The timing of the deal, originally aligned with the Trump administration, underscored logistical efficiency and speed, critical components valued by stakeholders, including Walmart, Amazon, and Home Depot," Lawrence added.

"The economic fundamentals underpinning the transaction, especially given the critical logistics role these ports play for BlackRock's extensive portfolio companies such as FedEx, United Parcel Service (UPS), Maersk, and Costco Wholesale, reinforce the transaction's value proposition," Lawrence said.



Brock Silvers
MSIP

Market pressures may exist, but Lawrence is certain that BlackRock's financial resilience and influence can offset investor caution driven by Chinese criticism.

Daniel Tan, portfolio manager at Grasshopper Asset Management shared the same sentiment.

"As the 43 ports are in Panama and outside China, there may be little legally that the Chinese authorities can do to block the sale," Tan told *AsianInvestor*.

This would allow CKH to offload the port assets at a time when Trump's administration has been vocal about reclaiming control of trade routes, Tan added.

CHINA'S PRESSURE

However, Brock Silvers, SPV chairman, Morgan Stanley Infrastructure Partners (MSIP), was more cautious about the deal completion and highlighted the potential influence of Beijing's criticism. He suggested that if China's objections are serious, CKH may face pressure to abandon the deal.

"If authorities are just blowing off steam or making a fuss for public consumption, then CKH should be quite keen to proceed," Silvers told *AsianInvestor*.



Daniel Tan
Grasshopper AM

Silvers noted that the offer is financially attractive, and said that in a non-political vacuum, CKH would surely want to execute while the offer is open.

However, no one operates in such a vacuum, and politics will outweigh the economics, he said.

"If Beijing is truly serious about not wanting the deal to move forward, then CKH will have little choice but to accede," Silvers said.

"If I had to guess, I'd say that the BlackRock group will end up being extremely grateful if they had the foresight to negotiate a fat breakup fee," Silvers concluded.

WHAT CAN CHINA DO?

While China could apply political pressure by taking further action at other parts of the conglomerate, Li Ka-Shing has been lowering his conglomerate's exposure to Greater China in the last few decades.

As of now, only 12% of CKH's revenue comes from its operations in China and Hong Kong, while Europe, North America, and Australia make up the bulk of its remaining revenue.

"China could possibly put pressure on Li's real estate arm, CK Asset Holdings Ltd, which is more invested in China relative to the Group," Tan said.

However, he said that the real estate arm is invested in China to a lesser extent than other Hong Kong property majors, such as Swire Properties Ltd and New World Development Co. Ltd.

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#port**