The BRI and Southern Europe – the case of Greece

Conference: “Belt And Road Initiative - 500 Days After The 2017 Beijing Summit – Developments and prospects”

Rome, 1 October 2018

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A word about the BRI

• More than just a collection of projects; a “grand design” with China taking the long view
• “soft power” +, reflecting China’s new stature and ambitions
• The geo-political and economic implications potentially vast and long-term
• To some, the BRI is a mechanism for transforming transnational governance
• Needs to be understood in the current environment and challenge to multilateralism
The Middle East and the Med

- Since the turmoil in North Africa, Gulf states a prosperous ‘special zone’ in contrast to other Arab countries
- The Mediterranean basin: Egypt, Algeria, Morocco
- Sectors like electricity, transportation and infrastructure (Egypt - Suez Canal Corridor; Algeria - transshipment port; Morocco - industrial and residential park)
- Turkey particularly significant in China’s approach to the Mediterranean Basin
- No doubt China’s approach vis-à-vis the Middle East and the Mediterranean has been given a new push since 2013
The “Balkan Silk Road”

- “Balkan Silk Road”: the transport route and logistics corridor China has begun to establish in the Balkans under the BRI
- Why? Complementarity with Chinese investment in “core” Europe + prices for acquisitions are lower
- Balkan countries in more need of capital; they have more difficult access to international financial markets
- Embedding Chinese investment in Balkan economies is seen as a hedge against Russian and Turkish involvement
- Politicians framing the narrative as a win-win strategy: countries opening up to China, but also China opening up to SE Europe with investments and lending
Greece as the “gate to Europe”

• Greece constitutes a central piece within the BRI strategy: point of entry to the Balkans and especially Europe
• A logistics hub for connecting China with European markets and the Middle East.
• Establishing a large Eurasian market via a European bridgehead to enable and facilitate Chinese manufacturing industries to export
• Chinese investment in Greece: At its core port infrastructure investments and logistics
• An initial maritime focus, but investments have expanded to other sectors, most prominently tourism and energy
Cosco and the Piraeus port

• Chinese position in Greece predates BRI – the first major investment was in the Piraeus Port Authority (OLP) in 2009
• OLP a formerly state-owned company; largest Greek port, one of the biggest in Europe (container volume turnover), run in a system of concessions contracts
• In Nov 2008, the government agreed to lease half of the container port to China Ocean Shipping Company (COSCO) for a 35-year period
• Contract operational in Oct 2009 - upfront payment of €678m million and follow-up infrastructure investments of €230m
• Not politically easy – opposed by many at the time.
Buying the Piraeus port

- From the outset COSCO expressed interest to buy a majority shareholding in OLP.
- In August 2016 COSCO acquired 51% of OLP for €280 million.
- The Greek privatization fund (HRADF) still holds 23%, other investors 26%.
- The sales agreement stipulates that should COSCO fulfill investment conditions up to €300 million in the next five years, it will pay an additional €88 million and increase its stake to 67%.
From cargo to tourism

• Following the purchase: a multi-million investment project to turn OLP into a major cruise hub and logistics center for travel and trade to SE Europe.
• New focus on tourism reflects rising demand from Chinese travellers to Greece.
• Air China has now direct flights between Beijing and Athens with onward embarkation for Chinese passengers at Piraeus Port onto cruise ships for the Aegean, the Adriatic and the Med
• Similarly, COSCO Shipping signed an agreement with China Eastern Airlines in 2017 for charter flights bringing Chinese groups to Greece
From transport to energy

• In 2016 China's State Grid Corporation, the world's largest utility, purchased a minority stake (24%) in Greece's power grid operator ADMIE (fully-owned subsidiary of PPC)

• To acquire the stake in ADMIE, CSGC participated in one of Greece’s privatization projects, as mandated in its 3rd bailout

• Not only in Greece: also equity funding by CSGC in Portugal (25% in REN in 2012), Italy (35% in CDP Reti in 2017) and Spain (bidding for E.ON’s grid)

• CSGC gradually establishes a regional electricity grid portfolio in EU; a remarkable development as it contrasts with low level of cross-border grid investments in the EU by European companies
A growing portfolio

- China unique to have the financial capacity, the risk appetite and a long-term investment strategy in Greece.
- It has established a credible track record with Greek political authorities and the business community. It is now in a first-mover position, submitting binding credible offers for projects.
- The initial Piraeus investment served the purpose of an anchor investment that attracted follow-up investments in sectors beyond maritime ports and container shipping.
- In the context of the BRI strategy for Greece, the priority sectors will continue to be transport infrastructure, logistics and energy.
- But these sectors are starting to attract new Chinese interest: tourism, commercial real estate, insurance, banking, telecoms.
## Chinese investments in Greece

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese Company</th>
<th>Greek Company</th>
<th>Sector</th>
<th>Value in €m</th>
<th>State of Investment</th>
<th>Nature of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>COSCO</td>
<td>PPA</td>
<td>Transport Port</td>
<td>678</td>
<td>Completed</td>
<td>Concessions Contract</td>
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<tr>
<td>2014</td>
<td>China Development Bank</td>
<td>Costa Mare</td>
<td>Container Shipping</td>
<td>1,100</td>
<td>Completed</td>
<td>Official Lending</td>
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<tr>
<td>2014</td>
<td>Export-Import Bank</td>
<td>Thenamaris Ocean bulk</td>
<td>Container Shipping</td>
<td>340</td>
<td>Completed</td>
<td>Shipping Infrastructure</td>
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<tr>
<td>2014</td>
<td>ICBC</td>
<td>Libra Diana Shipping</td>
<td>Container Shipping</td>
<td>490</td>
<td>Completed</td>
<td>Shipping Infrastructure</td>
</tr>
<tr>
<td>2014</td>
<td>China National Aero Technology</td>
<td>Veritas Ship Management</td>
<td>Container Shipping</td>
<td>158</td>
<td>Completed</td>
<td>Shipping Logistics</td>
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<tr>
<td>2016</td>
<td>COSCO</td>
<td>PPA</td>
<td>Transport Ports</td>
<td>280</td>
<td>Completed</td>
<td>Majority Shareholding</td>
</tr>
<tr>
<td>2017</td>
<td>State Grid Corp. of China</td>
<td>Ind. Power Transmission Operator (ADMIE)</td>
<td>Energy/Electricity</td>
<td>320</td>
<td>1st stage completed Ongoing</td>
<td>24% Shareholding (Right to acquire 66% majority)</td>
</tr>
</tbody>
</table>

**Total** 4,247

Source: Jens Bastian (2017), “The potential for growth through Chinese infrastructure investments in Central and SE Europe along the “Balkan Silk Road”, report for the EBRD
Concluding remarks

- Chinese investment in Greece multi-dimensional and cross-sectoral; strategic in nature
- It combines with similar investments in other countries in ports (“a global terminals portfolio”), energy, roads,…
- Direct and indirect benefits to the Greek economy clear (jobs, investments to restructure ailing sectors,…)
- China came to Greece when others would not
- But concerns about China controlling a number of strategic infrastructure assets is growing
- At the end of the day, it’s about what kind of player China wants to be in the global economy; and under what kind of rules