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The BRI and Southern Europe – the case of Greece

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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

Year	Chinese Company	Greek Company	Sector	Value in €m	State of Investment	Nature of Investment
2009	COSCO	PPA	Transport Port	678	Completed	Concessions Contract
2014	China Development Bank	Costa Mare	Container Shipping	1,100	Completed	Official Lending
2014	Export-Import Bank	Thenamaris Ocean bulk	Container Shipping	340	Completed	Shipping Infrastructure
2014	ICBC	Libra Diana Shipping	Container Shipping	490	Completed	Shipping Infrastructure
2014	China National Aero Technology	Veritas Ship Management	Container Shipping	158	Completed	Shipping Logistics
2015	ICBC – Sinohydro	Terna Energy	Energy	880	MoU	Energy Generation
2016	COSCO	PPA	Transport Ports	280	Completed	Majority Shareholding
2017	State Grid Corp. of China	Ind. Power Transmission Operator (ADMIE)	Energy / Electricity	320	1st stage completed Ongoing	24% Shareholding (Right to acquire 66% majority)
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