



# **Chinese Investment in Greece: Status, Issues and Prospects**

Plamen Tonchev

# Introduction:

## Chinese Investment in Greece

1. Not always viewed in its appropriate dimensions, due to a wide array of factors:

- insufficient understanding of China's pursuits;
- shortage of accurate data;
- shortage of transparency (a secretive attitude?);
- expectations-driven interpretations;
- political expedience.

2. Greece and China's viewpoints and pursuits:

- Beijing: A transport corridor from the Greece to Central Europe; increased presence in the Mediterranean.
- Athens: economic recovery; since 2015, political support against creditors and political pressure for reforms.

# Chinese Investment in Greece (1)

## Sectors – the Big Five

### 1. Transport - COSCO's investment in Piraeus:

- 2008: Concession agreement worth €831.2m, envisaging a 35-year management lease for two of the three piers.
- 2016: Purchase of 51% of the shares of the Piraeus Port Authority (PPA) worth €280.5m; €88m to be paid for another 16% in 2021, on condition that COSCO invests an additional €350m by then.
- Impressive increase in the throughput of the Piraeus port: nearly 4 million TEU in 2017; growing passenger flows.

# Chinese Investment in Greece (2)

## 2. Energy - China State Grid's investment in IPTO/ADMIE

- 2016: Purchase of a 24% stake in Greece's Independent Power Transmission Operator (IPTO/ADMIE)
- Interest in the EuroAsia Interconnector? A strategically important project aiming to link the power supply systems of Israel, Cyprus and Greece (via Crete). The three countries have agreed to develop a 1,520 km sub-marine cable, with a capacity of up to 2,000 MW and onshore stations in each country.
- Interest in building a Balkan portfolio?

# Chinese Investment in Greece (3)

## 3. Other sectors - not really FDI:

- Telecommunications: Huawei selling equipment (mobile phones) and investing in the creation of R & D centres; ZTE selling equipment in Greece, and providing network and big data management services.
- Real estate: Hellenikon development project (Fosun involvement); 48.2% of Golden Visa holders are Chinese citizens, and their share is expected to grow.
- Tourism: approx. 200,000 Chinese tourists in 2018 – and counting; direct flights between Beijing and Athens; emphasis on cruises.

# Chinese Investment in Greece (4)

## Data saga

Volume of Chinese investment in Greece:

- Bank of Greece: as of December 2017, €629m, i.e. €40m from mainland China and €589m from Hong Kong. Obviously, these figures clearly are too low, due to rigid FDI definitions, the Balance-of-Payment methodology and time delays.
- Other sources, including the Institute of International Economic Relations: possibly, in the range of €2 billion to date.
- Still, a tiny fraction of what the Greek economy needs, with a view to its huge investment gap.

# Greece's Investment Gap, 2017-2022

## (PwC-2017)

***Investment needs for 2017-2022, compatible with rapid economic growth trends, are estimated at around € 270bn, but foreseeable funding flows are not enough to cover them***

INVESTMENT (2017–2022)		SOURCE OF FUNDING (2017–2022)	
Type of investment	Funds	Type of investment	Funds
<b><u>Firms</u></b>		<b><u>Investment</u></b>	
1. Investment (at the current rate)	€ 66bn	Foreign Direct Investment (average rate of 2015-2016)	€ 12bn
2. Additional investment for growth	€ 43bn	Public Investment Program (at the current rate)	€ 37bn
3. Equipment maintenance investments	€ 74bn	Equity & credit funds (at the current rate)	€ 46bn
<b>Total</b>	<b>€ 183bn</b>	European Commission flows (e.g. NSRF Funds)	€ 20bn
<b><u>Infrastructure</u></b>		<b>Total</b>	<b>€ 115bn</b>
1. Small infrastructure projects	€ 48bn		
2. Large infrastructure projects	€ 21bn		
<b>Total</b>	<b>€ 69bn</b>		
<b><u>Real Estate</u></b>			
1. Investment (at the current rate)	€ 7bn		
2. Additional investment	€ 12bn		
<b>Total</b>	<b>€ 19bn</b>		
<b>Recurring investment</b>	<b>€ 216bn</b>		
<b>Additional investment</b>	<b>€ 54bn</b>		
<b>Total investment</b>	<b>€ 270bn</b>	<b>Total funding</b>	<b>€ 115bn</b>
<b>Average annual investment</b>	<b>€ 45bn</b>	<b>Average annual funding</b>	<b>€ 19bn</b>

The **funding gap for 2017-2022 stands at about € 155bn (€ 26bn per annum)**. Investment funds to cover the funding gap could come from:

- additional equity
- credit extension
- “soft” financing

# Chinese Investment in Greece: Not a Bed of Roses

- 2013: Fosun loses bid for OPAP (gambling monopoly)
- 2016: COSCO backs away from Thriasio freight centre
- 2016: COSCO backs away from TRAINOSE's privatisation (despite interest expressed by PM Li Keqiang himself)
- 2017: Fosun loses bid for Ethniki Asfalistiki
- 2018: Gongbao's bid for Ethniki Asfalistiki turned away

# Perceptions of Chinese Investment in Greece



Ινστιτούτο Διεθνών Οικονομικών Σχέσεων  
Institute of International Economic Relations

## China's Image in Greece 2008-2018



Plamen Tonchev (ed.)  
Angelos Bentis, Caroline Carulas,  
Chris Mihalaris and George Papoutsas

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# Chinese Investment & Expectations: Societal Level (1)

*Πιστεύετε ότι η Ελλάδα πρέπει να επιδιώξει την ανάπτυξη στενότερων  
οικονομικών σχέσεων με την Κίνα;*

	ΣΥΝΟΛΟ
Ναι	56,3
Μάλλον ναι	27,2
Μάλλον όχι	7,7
Όχι	6,2
Δεν γνωρίζω/ Δεν απαντώ	2,6

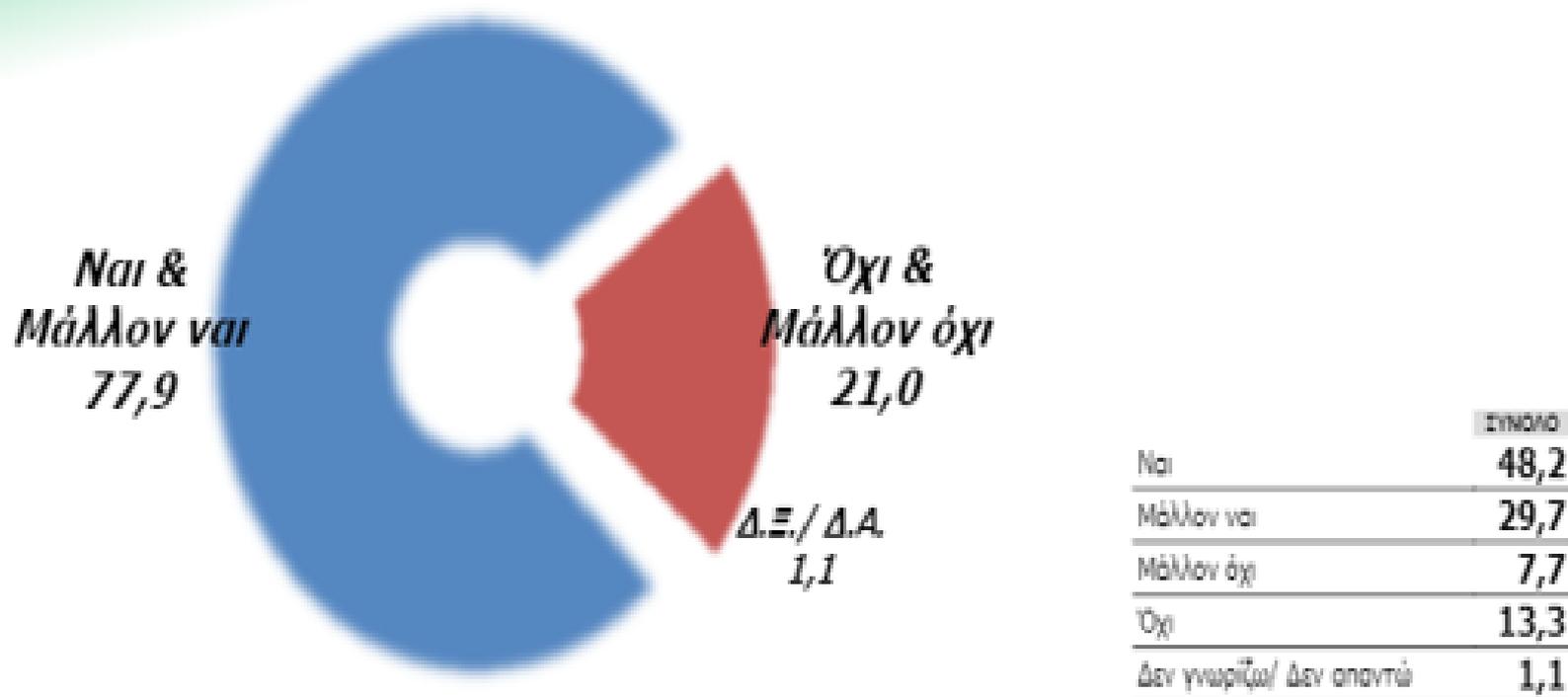
*Ναι &  
Μάλλον ναι  
83,5*

*Όχι &  
Μάλλον όχι  
13,9*

*Δ.Ξ./ Δ.Α.  
2,6*

# Chinese Investment & Expectations: Societal Level (2)

*Η είσοδος κινεζικών επιχειρήσεων στην ελληνική αγορά μπορεί να δημιουργήσει νέες θέσεις εργασίας;*



Source: GPO, December 2016

# Political Gestures to China: Government Level

1. July 2016: Athens backs Beijing on the South China Sea dispute.
2. June 2017: Greece blocks EU statement on the state of human rights in China (UN HR Council)
3. June 2018: Greek PM announces that Greece is considering accession to 16+1.
4. August 2018: Chinese and Greek Foreign Ministers sign a BRI MoU.

# Issues Worth Raising (1)

1. No real green-field investment – so far, takeovers and stock purchase in existing enterprises.
2. Greece interested in a longer list of sectors, not necessarily related to BRI.
3. The real meaning of the “win-win” catchphrase?
  - Mutually beneficial co-operation, but who gets what?
  - Lack of transparency as to benefits drawn by China – Piraeus as a case in point.
  - Would a 90:10 split of benefits qualify as “win-win”?

# Issues Worth Raising (2)

4. Since 2015, Greece has been looking for alternatives to the EU and other western partners.
5. Sino-Greek relations based on a “strategy and a half”?
  - An ambitious Chinese vision; an evolving strategy.
  - A half-baked Greek strategy, based on facile assumptions.
6. More talk than investment – relevant discourse still more about expectations than achievements.

# Prospects of Chinese Investment in Greece

1. Volume of Chinese investment expected to grow.
2. BRI – expected to remain a key driver of Chinese investment in Greece.
3. The current meaning of “win-win” will have to be revisited one way or another, though it won’t be easy.
4. Unless Chinese investment delivers tangible benefits to the Greek economy soon, a “China fatigue” not inconceivable.