



The New Silk Road and Greece

Benefits, Opportunities, Challenges

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Introduction

The main objective of this paper is to showcase the importance of the New Silk Road for Greece, and to explore advantages, opportunities and challenges that may arise for Greek businesses and the national economy. The topics to be discussed will be the New Silk Road and Europe, the benefits to be drawn of this initiative by Greek enterprises and the challenges of attracting Chinese investment to Greece.

The New Silk Road, or The One Belt, One Road (OBOR) initiative, is China's vision of a zone of seamless economic activity, honouring the legacy of the old trade routes that used to connect East Asia with the Middle East and Europe in the past. This large scale policy initiative aims to foster economic development through collaboration of the countries that share the historical background of the Silk Route, by placing extra emphasis on infrastructure investment.

With the Economic Belt on land and the Maritime Road, China aspires to facilitate trade and investment by promoting a win-win international economic cooperation, as means to foster lasting prosperity and political stability. In addition, China seeks opportunities to emerge in new markets, as well as to strengthen its trading partnership with the European Union, its biggest foreign investor.

EU-China relations, have intensified significantly thanks to their membership in the global economy and international trade. One manifestation of this rapprochement, is China's growing interest in the port of Piraeus, as part of the China-Europe maritime corridor, and as an element of China's investment policy in ports world-wide.

In 2009, the Piraeus Port Authority (OLP) awarded a 35 year contract to Piraeus Container Terminal S.A., owned by COSCO Pacific, which resulted in a significant increase in Sino-Greek trading relations. The contract includes the operation of a large section of the container area (piers II and III) and the improvement of their capacity. In early 2016, COSCO placed an offer on a 67% stake in OLP, which is expected to consolidate Chinese involvement in the port.

Piraeus has prospects to develop into a major container hub in the Mediterranean, due to its competitive position, as compared to other Mediterranean ports. The prospective inclusion of Piraeus in the OBOR initiative holds enormous potential in the areas of infrastructure development and connectivity with Europe. Greek businesses could benefit to a great extent by the acquisition of modern facilities and technology and a positive impact on the national economy could be expected by rendering Greece more attractive to foreign investment.

The New Silk Road and the European Union

Over the last decades, the relations between the European Union and China have deepened and expanded significantly, as indicated by the growth of their economic interaction. China is the EU's second most important commercial partner, whereas the EU is China's biggest trading partner and biggest source of technology. Total trade with China was worth €520,657 million for fiscal year 2015 (which accounted for 14.8% of the European Union's trade worldwide).¹ The strategic partnership with China is one of the most sought-after external trade relationships for the EU, and has been actively pursued since the mid-1990s. In 2003 it was announced that China was to be a formally designated strategic partner, making the EU-China relationship the most mature of the new-generation "strategic partnerships" of the Union.

The Silk Road Economic Belt connects Central and Northern Europe with China via Central Asia and Russia, and Mediterranean Sea with China via the Central Asia and the Middle East. The Maritime Road will connect Europe with Chinese coastal cities through the South China Sea and the Indian Ocean (Image 1, 2)². The areas where China will focus with regarding to the European parts of the OBOR are infrastructure investment and development of a new trade policy. Access to natural resources, new routes and the European market are of great importance to China as well.

However, the inclusion of the European continent in the New Silk Road is not due to merely the historical heritage or the Strategic Partnership with the EU alone. Three decades of rapid increase in bilateral trade, and significant investment from European countries in China indicate a significant bond between economies on both sides. Therefore, it is highly likely that the One Belt, One Road initiative could inaugurate a new era of cooperation between China and the European Union.

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¹ European Commission Statistics. (2015) *Top Trading Partners*.

² Leung, K. P. (2015) "One Belt One Road" - Implications for the European Union.

The first European country to commit to the New Silk Road, was Hungary. The countries' foreign ministers signed a memorandum of understanding for the One Belt, One Road initiative in Budapest, in June, 2015. One of the most important projects of the New Silk Road in Hungary, is the construction of a railway connecting the country to Serbia - and further south to Piraeus in Greece by using the existing railway infrastructure.³ Hungary has benefited from excellent political relations with the China over the last ten years and is one of the most committed partners of China in Central Europe. There have been mutual high level visits and Budapest took the leading role in forming the 16+1 cooperation (initiative for dialogue between countries of Central and Eastern Europe and China in 2012). Hungary has received by far the largest amount of Chinese foreign direct investment (FDI) in the Central and Eastern Europe (CEE) region as of 2014, while the strategic location of the country might provide further economic opportunities.⁴

A very positive sign of the commitment and common support the EU and China have shown in their "flagship" initiatives, is the latter's contribution to the Investment Plan for Europe. On 28 September 2015, during the High Level Economic and Trade Dialogue in Beijing, it was announced that China was to contribute to the €315 billion plan⁵, thus becoming the first non-EU country to take part in the project.

"... the two sides agreed to set up a joint working group to increase cooperation between the EU and China that will include experts from China's Silk Road Fund, the Commission, and the European Investment Bank (EIB). The European Commission and the Chinese government also signed a Memorandum of Understanding on the EU-China Connectivity Platform to enhance synergies between China's "One Belt One Road" initiative and the EU's connectivity initiatives such as the Trans-European Transport Network policy. The Platform will promote cooperation in areas such as infrastructure, equipment, technologies and standards. This will create multiple business opportunities and promote employment, growth and development for both sides, and it will be done in cooperation with the EIB".

Source: European Commission. (2015) *Investment Plan for Europe goes global: China announces its contribution to #investEU*.

³ Coghil, E. (edt.)(2015) Hungary first European country to sign up for China Silk Road plan, Reuters.

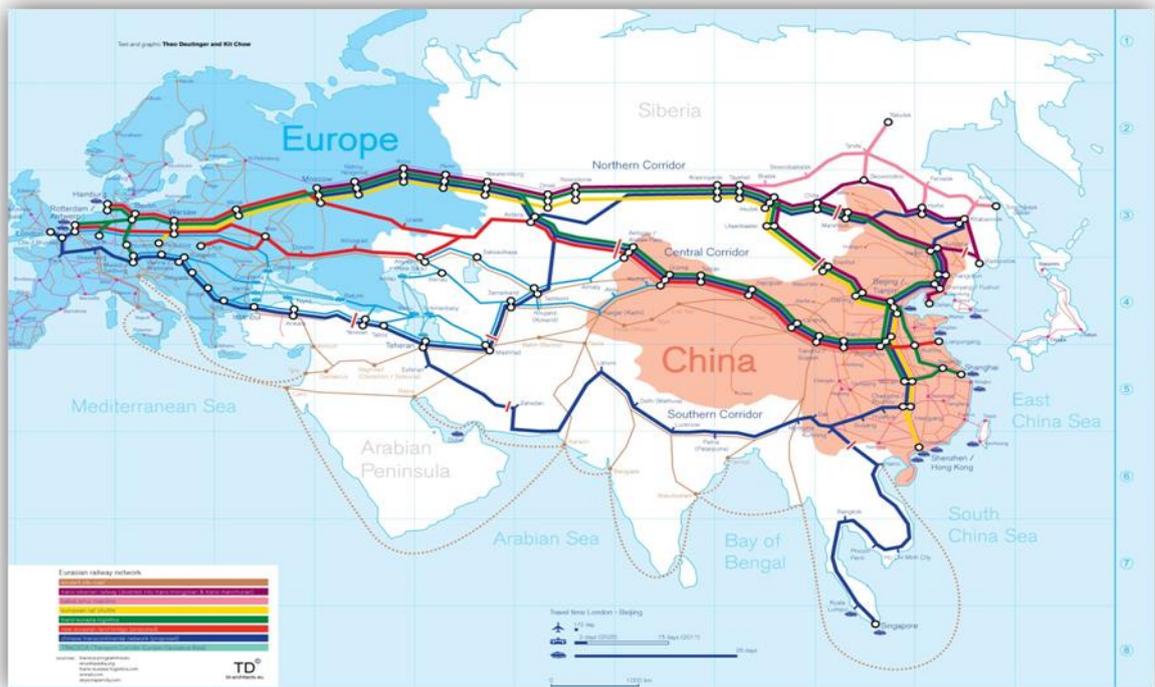
⁴ Huotari, M., Otero-Iglesias, M., Seaman, J. and Ekman, A. (eds.) (2015) *Mapping Europe-China Relations; A Bottom-Up Approach*.

⁵ European Commission. (2015) *Investment Plan for Europe goes global: China announces its contribution to #investEU*.

Image 1. The New Silk Road Routes on land and sea. Source: Xinhua Net.

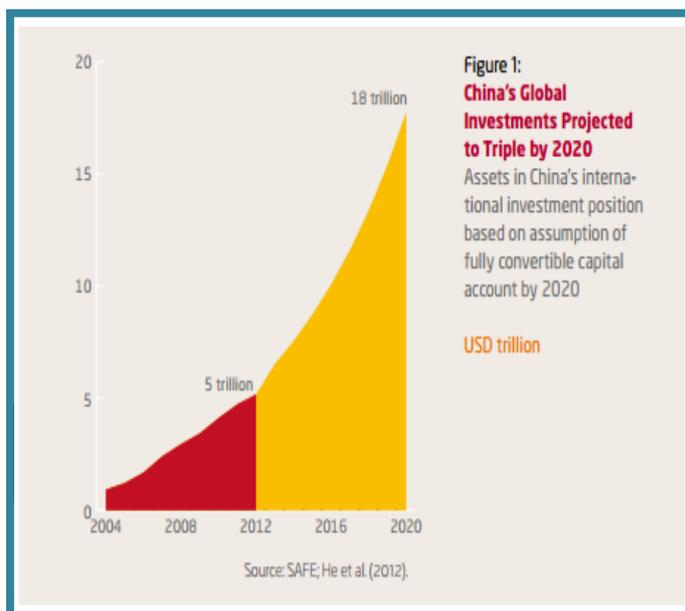


Image 2. The Eurasian Rail Network (Lines for the proposed Chinese Transcontinental network and for the Chinese Land Bridge, Blue and Red line respectively). Source: www.natocouncil.ca.



Chinese Investment in Europe

The announcement of the New Silk Road vision by President Xi Jinping in 2013 was the beginning of a new era for China's position in international trade. Chinese capital is entering a new phase; policy liberalization and an increase in global, cross-border investment within the next decade. Forecasts predict that Chinese assets from global investment will triple by 2020 from \$6.4 trillion to almost \$20 trillion.⁶ Such a process is



expected to have significant implications for the host countries and the global economy.

China's new position in the global market will require economic policy adjustment from the countries Beijing shares economic relations with for two reasons: i) economic policy re-configuration will be needed, so that all sides benefit from the new *status quo* in global economic integration, ii) a coherent economic policy towards China, so that new risks

are minimized. As an area of interdependent economy with China, European countries should focus on policy development both on national and EU level.

Chinese investment in EU member counties has soared. From nearly non-existent in the mid 2000's to a striking 14 billion Euros in 2014. There have been more than 1,000 greenfield projects and acquisitions in Europe that are worth more than 46 billion Euros collectively⁷. China's changing OFDI strategy is an excellent opportunity for Europe to attract much needed capital and investment, especially in energy, automotive, food and real estate.

Although core member states of the European Union are major recipients of Chinese FDI (e.g. the UK, Germany and France), investment is becoming more diverse geographically. For example, Portugal, Ireland, Italy, Greece, Spain, and Cyprus' economies' share in total Chinese investment, grew from less than 10% in 2011 to 30%

⁶ Hanneman, T. and Huotari, M. (2015) *Chinese FDI in Europe and Germany: Preparing for a new era of Chinese capital*, Mercator institute for Chinese Studies and Rhodium Group.

⁷ Hanneman, T. and Huotari, M. (2015) *Chinese FDI in Europe and Germany: Preparing for a new era of Chinese capital*, Mercator institute for Chinese Studies and Rhodium Group.

in 2012-2014.⁸ However, the inflow of Chinese capital will not be indefinite, and that is why Europe has to implement structural reforms to ensure the long-term attractiveness of the area. In addition, it is of great importance that Europe should protect the traditional openness of national economies to FDI. Last but not least, Europe should devise new strategies for investment promotion in order to compete for global FDI flows.

Over the past five years, the context of Sino-European relations has changed dramatically. China has expressed interest in a number of areas within the continent; from the Nordic countries to achieve better access to natural resources, to Southern Europe to increase investment and improve its political image. Despite economic interdependence between the European Union and China, there is not a common, coherent approach among European states as to their economic relations with China, and this can pose challenges for fully benefiting from Chinese FDI and the OBOR Initiative. The reason behind those differences in terms of European approaches to Chinese capital and investment matters, is that they seriously impede coordination of actions and effectiveness of EU's trade policies. China on the other hand, has been demonstrating a formulaic behaviour towards European states.

China considers Europe to be of great significance strategically, and maintaining good relationships with European states has been high on Beijing's international agenda. Their relations are being labelled in every positive manner possible (although those labels tend to only be an expression of good will at best). For France, their international relations are being named "global, close and lasting", for Germany "all dimensional" and for Italy "stable, friendly, long-term and sustainable". Another common element in terms of the way China chooses to approach European countries is by addressing their common historical experiences and cultural similarities to highlight their ties. Last but not least, there is a growing trend of thinking of different countries as platforms for forging relations with new regions, especially when it comes to former colonial powers. All of the above are expressions of the importance placed on China's relations with each state, while showing an understanding of the differences within Europe⁹.

At the same time, European states' approaches towards China have been varied, as an effect of the different dynamics in terms of economic and political power. While the investment relations between China and Europe are growing rapidly and the creation of frameworks of bilateral cooperation are becoming a priority for the European Union, national positions tend to be different. There are different levels of openness to Chinese capital influx, and different investment needs. For example, Portugal being the most open to Chinese capital from South European countries, has welcomed an remarkable amount of investment for her size. UK, Germany and France in turn, are willing to

⁸ Huotari, M., Otero-Iglesias, M., Seaman, J. and Ekman, A. (eds.) (2015) *Mapping Europe-China Relations; A Bottom-Up Approach*.

⁹ Huotari, M., Otero-Iglesias, M., Seaman, J. and Ekman, A. (eds.) (2015) *Mapping Europe-China Relations; A Bottom-Up Approach*.

accept Chinese investment, but are more keen to increase their own investments in China. In both cases, European countries will be aiming at investment in accordance to their macroeconomic goals, such as greenfield or job-creating projects. Also, regarding the pressure Chinese exports are placing on all national economies, there is not yet an agreement, as to how the Chinese market should be treated, with legal uncertainty making matters worse¹⁰.

During the past decade, Greece has shown greater openness towards Chinese investment due to a noteworthy increase in Sino-Greek relations. Chinese interest in the European market along with the precarious condition of the Greek economy, have created a more favourable environment for economic cooperation between the two countries. COSCO's investment in the port of Piraeus is, to date, the best example of this new phase of Sino-Greek relations.¹¹

¹⁰ Huotari, M., Otero-Iglesias, M., Seaman, J. and Ekman, A. (eds.) (2015) *Mapping Europe-China Relations; A Bottom-Up Approach*.

¹¹ Huotari, M., Otero-Iglesias, M., Seaman, J. and Ekman, A. (eds.) (2015) *Mapping Europe-China Relations; A Bottom-Up Approach*.

China's Involvement in Piraeus: what are the benefits for Greek economy?

The Chinese government considers Greece as the European 'bridgehead' for its Maritime Silk Road, as Greece's biggest port, Piraeus is seen as the premium Maritime Silk Road gateway to Europe. Through Piraeus, Chinese exports are expected to make their way into Southern, Eastern and Central Europe. In addition, Piraeus is seen as a key hub for seaborne transportation across and around the Mediterranean Sea.

China's involvement in Piraeus began in 2009, when COSCO, a government-owned company of the People's Republic of China, obtained a concession from the Greek government to operate part of the port's container terminal for a period of 35 year, which relates to piers II and III of the container terminal. Under the agreement, pier I was to remain under the management of the Piraeus Port Authority, the Greek state-owned entity that previously operated the entire container terminal. COSCO was to pay an initial sum of €50 million to the Greek state, plus a percentage of consolidated revenues each year, as well as a lease related to the surface size and length of the berthing docks. This would amount to a nominal total sum of €4.3 billion over the 35-year concession period.¹²

In January 12 2016, the Hellenic Republic Asset Development Fund (HRADF) announced the conclusion of the competition for the sale of a majority stake in Piraeus Port Authority (OLP). COSCO was the only bidder for the 67% stake, and an improved offer was required by HRADF.¹³ A few days later, COSCO'S improved offer of €368.5 million (€22 per stake) was accepted.¹⁴

Why Piraeus?

Although Greece, a relatively small EU member state, is in a difficult economic position and consequently politically less stable, it has

"Piraeus has the potential to be the link connecting the maritime Silk Road and the Eurasian logistical belt in the supply of existing and future industrial clusters with Chinese participation in Europe."

¹²Frans-Paul van der Putten (2014). *Chinese Investment in the Port of Piraeus, Greece: The Relevance for the EU and the Netherlands*. The Hague: Netherlands Institute of International Relations Clingendael

¹³ ΤΑΙΠΕΔ(2015). *Δελτίο Τύπου για την Διαδικασία αξιοποίησης για την διάθεση ποσοστού 67% του μετοχικού κεφαλαίου της εταιρείας ΟΛΠ ΑΕ*.

¹⁴ ΤΑΙΠΕΔ(2015). *Δελτίο Τύπου, Αναλυτική ανακοίνωση ΤΑΙΠΕΔ για ΟΛΠ*.

developed increasingly close economic ties with China.

The Piraeus port is a strategic location for Europe-China trade. Its location north of the Suez Canal towards Eastern Europe is indeed ideal both as a hub for distribution in the Mediterranean Sea towards Southern Europe and the Northern Europe, as a good transshipment location for goods and for the emerging networks of production in the Balkans and Eastern Europe. This could save from four to ten days than using alternative ports such as Hamburg, Rotterdam and Antwerp. Piraeus has the potential to be the link connecting the maritime Silk Road and the Eurasian logistical belt in the supply of existing and future industrial clusters with Chinese participation in Europe. As Greece is said to be the most eastern point of Europe, it is of great value for China's economic interests.

The following Critical Success Factors can be identified:

1. The dominant position of Piraeus in the Greek and Mediterranean container market;¹⁵
2. Links between the terminal operating company and the major COSCO shipping line, which will increase its ability to meet the throughput guarantees;
3. The strong financial position of COSCO (as from now, the concessionaire), which has the resources to absorb several years of losses if necessary;¹⁶
4. The ratification law granted COSCO Pacific various income tax exemptions in terms of VAT and depreciation obligations, which are more favourable compared to the standard obligations of a Greek corporation, including that of the Piraeus Port Authority (OLP). Also, accumulated losses could be offset against the taxable profits of later periods without any time constraint.¹⁷

Piraeus port presents comparative advantages over other European ports:

¹⁵ Container traffic in Piraeus (which accounts for almost 90 per cent of the Greek container market) more than tripled in 2012 compared with 2010, handling a cargo capacity of 2.7 million Twenty-foot Equivalent Units (TEU). In comparison, traffic in other Mediterranean ports increased by about 20 per cent during the same period. (Container Ports: An Engine of Growth, Sectoral Report National Bank of Greece April 2013, <https://goo.gl/xB6ZMX>)

¹⁶ Total revenue of the Cosco Group for the year 2014 was 64,374,456,245.65 RMB, equivalent to €9million.

¹⁷Case Studies: Piraeus Container Terminal. MediaWiki: Wikipedia - <http://goo.gl/ntx2BT>

- Its geographical position places it at the crossroads of Asia, Africa and Europe, while its infrastructure and natural depths accommodate even the largest modern container ships.¹⁸

Table 1. Piraeus Port Distances

Source: OLP

http://www.olp.gr/GR_PDF/apostaseis%20apo%20limania.pdf

	Distance in Nautical Miles	Distance in Hours
Thessaloniki	252	11
Istanbul	352	15
Port Said	593	25
Ashdod	657	27
Constanza	548	23
Koper	835	35
Genoa	972	41
Marsaxlokk	517	22
Novorossiysk	808	34
Gibraltar	1481	65

- In addition, it operates under a free zone type II status¹⁹ and on a 24 hour - 365 day operation of the Container and Car Terminals. The scale of tariffs is also based on the volume of transshipment containers and cars, international regulations apply to operational and safety standards and the feeder services the port has obtained connect it with almost all main ports in the Mediterranean.

¹⁸ Distances from major Greek and European Ports, OLP - <http://goo.gl/MVE1KL>

¹⁹ The rules for **control type II free zones** are essentially the same as those governing customs warehouses. This means that, unlike with traditional-style free zones, the goods are subjected to a declaration in order to be able to benefit from the arrangement. (source: European Commission, <http://goo.gl/rArAUt>)

- Last, but not least, one major advantage is the competitive storage fees and the operational and safety standards which are in accordance with the international regulations.²⁰

²⁰ Piraeus Port Authority S.A (2015). Strategy – Vision. Official site of Piraeus Port Authority S.A. - <http://goo.gl/Bxmeht>

Benefits from the Chinese investments

It is evident that the investments made by COSCO in the Piraeus port have benefited both the port itself and the Greek economy.

Piraeus port became one of the fastest growing ports in the world, as its throughput reached 3.7 million TEU in 2014, a fold of nine times when it handled 433,000 TEU before the COSCO's involvement in 2008. The port has climbed to the fourth position among Mediterranean ports, after Algeciras, Valencia, and Port Said in the year 2014 reaching a record volume of 3.62 million TEUs. The growth could continue as COSCO expanded its investment in September 2013 by an extra €230 million in order to increase the annual capacity to 6.2 million TEU by 2020 by expanding pier III. For the time being, Piraeus is one of the transshipment hubs in Southern Europe with the highest perspective of growth.

COSCO's involvement benefits Piraeus in at least three important ways.

- COSCO has been investing in infrastructure and equipment beyond the contractual requirements. For example, piers II and III include, in total, six berths that are 14 to 16 meters deep. Also, there are 21 quay cranes, of which thirteen are the Super Post-Panamax (SPP) cranes that can handle the largest container ships currently in use²¹.
- COSCO itself is a major shipping firm on the China–Europe route and thus a major customer and service provider for the Piraeus terminal. COSCO is part of the Green Alliance²², which also includes K-Line, Hanjin and Yang Ming.²³ Since these companies pool their vessels on the Asia–Europe route, this means that these COSCO partners' ships also call at Piraeus. Moreover, most major shipping companies – including Maersk Line, the Mediterranean Shipping Company (MSC), the French Transportation Company CMA CGM, China Shipping

²¹ Frans-Paul van der Putten (2014). Chinese Investment in the Port of Piraeus, Greece: The Relevance for the EU and the Netherlands. The Hague: Netherlands Institute of International Relations Clingendael.

²² Photis M. Panayides, Robert Wiedmer (2011). *Strategic alliances in container liner shipping*. Department of Commerce, Finance and Shipping, Faculty of Management and Economics, Cyprus University of Technology - <http://goo.gl/hD8jqw>

²³ CKYH – the Green Alliance to reorganize service network for Asia-North Europe and Asia-Mediterranean trades in 2013 - <https://goo.gl/ymbnkc>

Container Lines and Evergreen Line²⁴ – also make use of Piraeus port facilities.

- There are indications that the handling costs per container at the COSCO piers are now lower²⁵, while the piers' productivity has grown, according to company reports, COSCO's Piraeus branch has posted an annual income of 178 million US dollars in 2014, up nearly 15 percent compared to 2013.
- In order to improve transit capacity, COSCO is also interested in investing in the railway link that was completed in 2013 between its terminal, and the national railway system²⁶. Moreover, the company has established a distribution centre at Piraeus.
- Last but not least, the Chinese government and Chinese companies have expressed their interest in also investing in ports other than Piraeus, as well as in several airports, the electricity grid, and in the construction of a high-speed railway in Greece. A well-established road/railway/maritime infrastructure would undoubtedly have positive effects for investment, employment and business opportunities in the targeted and surrounding areas.

The contribution of Piraeus port to the Greek economy is, undoubtedly, huge. In particular, shipping accounts for €13.5 billion on an annual basis – according to data available for 2013 – or equal to 7.3 percent of the gross domestic product, according to a survey of the Boston Consulting Group (BCG)²⁷. Moreover, over the period 2000-2013, net receipts to Greece from sea transports accounted for 3.7% of GDP on average, while covered 16.6% of Greek imports of goods. In comparison, the tourism industry accounted for 4.2% of Greek GDP and covered 18.9% of imported goods over the same period. Thus, the need to render Greece and Piraeus a transit route for goods is imperative, given also that the logistics industry, including transportation, contributes between 10 to 12 percent to Greek GDP.²⁸

To highlight the importance that shipping has for the Greek economy, it is noted that Greek owners operate almost 20% of the global fleet of merchant ships – with a fleet

²⁴ Photis M. Panayides, Robert Wiedmer (2011). Strategic alliances in container liner shipping. Department of Commerce, Finance and Shipping, Faculty of Management and Economics, Cyprus University of Technology - <http://goo.gl/GBMzrK>

²⁵ "The shipping fleet recorded a year-on-year decrease in average fixed vessel costs per container per day. As at 31December 2014, out of our owned shipping fleet, capacity of vessels with 8000 TEUs above further improved to 52%." – Annual Report 2014, China COSCO Holdings Company Limited.

²⁶ E-Kathimerini (2014), *Chinese premier vows to invest in Greek railways to improve transport link to Europe* - <http://goo.gl/nzq5Er>

²⁷ The Boston Consulting Group (2013). *Impact Assessment of Greek Shipping on the Economy and Society*. - <http://qoo.gl/jO6u6Y>

²⁸ Jonathan Stearns (2014). *Piraeus Port Becomes Hub in Greek Logistics-Industry Push*. Bloomberg L.P, interview with Sotiris Trichas, president of the Athens-based Greek Logistics Association

size of 4,150 ships worth \$106.5 billion – and account for around 7.5% of the Greek economy, employing more than 200,000 people. Almost half of the European Union’s fleet is Greek-owned.²⁹ As far as the employment opportunities are concerned, since COSCO’s involvement in Piraeus, 4,000 to 5,000 jobs were created while COSCO employs 13 hundred people directly, while “there are other people who work around the port, such as our suppliers, water vendors, tow trucks, and construction workers”, according to China Central Television (CCTV). Also, from 2010 until the end of 2014, 400 million euro worth of taxes was paid to the Greek government.³⁰

The indirect benefits that are introduced include, inter alia, the know-how and technology transfer.³¹ Moreover, the further development of the Greek railway network and the greater exploitation of port and rail links in the country for the transshipment of goods may lead to a major improvement to Greek competitiveness in this sector. The Thriasio Freight Centre has the potential to turn into a transshipment hub and fulfil this role.

²⁹ (2015). Greek Shipping Industry Extends Its Dominance. Greece: Portnet.gr
<http://goo.gl/Csroa2>

³⁰ Laura Lou (2015). COSCO creates 4k jobs in Piraeus port. China: China Central Television -
<http://goo.gl/YHooy8>

³¹ Styliia Kampani (2015). Sino-Greek relations and their impact on Europe. Greece: China and Greece.

Thriasio Freight Centre

One of the most ambitious investment plans in Greece nowadays is the construction of the freight centre in Thriasio, in a building area of about 588 acre property of GAIAOSE SA. It is a pioneering project for the Greek reality. The project involves the construction of a modern complex, which will bring together rail and freight activities currently carried out in facilities scattered in various areas of Athens. The transfer of these facilities into a single location, outside the residential complex of Athens, will have significant environmental and spatial benefits for the entire urban area of the capital.

The complex will include: a sorting station, a terminal for containers, customs, a commercial station, warehouses and all the necessary facilities to serve the activities taking place in the centre.

The project of construction includes two operational phases:

1. First Operational Phase: The construction of infrastructure, rail and road works, irrigation networks, water supply, sewerage and fire fighting works.
2. Second Operational Phase: finishing the railway lines within the complex (ie except those carried out under the First Operational Phase), construction of building complexes, signalling - telecommanding, electrification of lines within the complex, supply - installation of special equipment.¹

According to GAIAOSE, the tender process involves the commercial development of 588 acres of property, which is expected to develop the trade center and complement the development of the commercial port of Piraeus. The tender process relaunched on the 20th of November with a deadline of binding proposals on March 31st, 2016 and another tender is expected to be launched again in the following year for the works to be made to the property of 1,200 acres of OSE. The investment of over € 250 million. euros is expected to create around 3,000 new jobs within 10 years time and will make Greece an important player in international combined transport. The project will be implemented through concession. As regards the duration of the concession area, this will be for forty years with the possibility to reach and fifty years. In the previous bidding processes, the Chinese Cosco, the Grivalia Properties, the Sarmed, the Goldair, the Food Link and the consultants Med Log and re.de-Plan had expressed their interest and, reportedly, they are still interested up until today.

Source: Construction of Complex Facilities in Thriasio Field (2012), ERGOSE - <http://goo.gl/BeBCwx>

Next Steps

The port of Piraeus presents many incentives for investors but there are challenges, as well, that need to be tackled. There are also some necessary steps to be taken in order to fully take advantage of the Chinese investment, so as to revive the crippled Greek economy. This is why the Greek government needs to focus on the necessity of broader national shipping - port strategy, policies regarding competition protection and the establishment of a common institutional framework for all parties engaged in shipping and port related activities, elements often highlighted as structural defects of the Greek economy. Moreover, the reduction of bureaucratic procedures and the modernization of commercial and institutional framework as well as the specialized ship construction and ship repair works should be placed as a priority in order to allow companies to survive difficult market conditions and achieve a more favourable and competitive positioning on a global scale.

Challenges of Chinese investment in Greece: Greek government's stance and the public opinion

Despite the fact that Sino-Greek relations have increased significantly in the past decade, 2015, has been a year of challenges for Chinese investment in Greece. Obstacles and delays due to political instability and hostile public opinion, have caused a slowdown in privatization process and have shaken Beijing's confidence in Greek government.

"This situation of uncertainty has taken its toll on Chinese and other foreign investors. Unless the Greek government guarantees that the agreements will be honoured, China will seek to forge new partnerships."

Former Greek governments had welcomed Chinese investment and were proceeding with privatizations until the election of the left-wing party Syriza in January 2015³². The newly elected Prime Minister had stated that all privatizations, especially the concession of Piraeus Port, would be halted and reviewed. After many negotiations between the two countries, Greek government decided to proceed with the "Piraeus Port project"³³. In addition to the ambivalence of the Greek government, dockworkers' unions have been opposing the reforms.

While there is a share of citizens (especially in the poor suburbs of Piraeus such as Perama) who view Chinese investments favourably, a great percentage is against the privatisation of the Port of Piraeus. As ship owners prefer low-cost neighboring countries, loss of jobs has led to an emerging poor population in the suburbs of Piraeus. Those in favour of the privatisation hope that foreign investments will regenerate the local community and will give them the opportunity to compete with neighboring countries such as Romania and Turkey in the field of ship repairing³⁴.

Those against the privatisation, express concerns that these investments will be beneficial to foreign investors and ship owners only. This perception is encouraged by the local trade unions, that put great pressure to the government through strikes and

³² Huotari, M. Otero-Iglesias, M. Seaman, J. and Ekman, A. (eds) (October 2015). 'Mapping Europe-China Relations, A Bottom-Up Approach'. A report by the European Think-tank Network on China (ETNC).

³³ Smith, H. (2015). *Greece's port in a storm :anger as Syriza stops China extending hold on Piraeus*. September 2015. Available from: The Guardian.com <http://www.theguardian.com/world/2015/feb/09/greece-syriza-stops-china-extending-hold-piraeus>. Accessed: 20 December 2015.

³⁴ Palaiologos, Y. (2015). *China's newsilk road might save Greece. January 2015(updated April 2015)*. Available from: Politico.eu <http://www.politico.eu/article/chinas-new-silk-road-might-save-greece/>. Accessed: 20 December 2015.

demonstrations. Furthermore, they fear that COSCO will replace Greek manpower with Chinese employees and is going to provide inadequate wages and poor working conditions. They believe that the foreign investors would not respect their workers' rights and that the government is going to sell short important national assets^{35,36,37}.

At the same time, Greek government was declaring halt and reviewing of foreign investments, only to proceed with a large number of privatisations a few months later³⁸. In addition, the recent handling of the offers for the Port of Piraeus from the Hellenic Republic Asset Development Fund (HRADF) has caused a public reaction and has raised suspicion against the "COSCO project". During the competition for the Port of Piraeus, three major companies were going to submit offers; COSCO, APM Terminal (MAERSK) and the ICTS from Philippines. In the end, it was only COSCO that submitted its offer. The HRADF handled the procedure in secrecy and without giving any details to the public³⁹. Also, according to publications, when the representatives of dockworkers met the president of the Fund Mr. Pitsiolas, they accused him that COSCO's victory was previously agreed and the government and the fund have deceived the country, while warning that the strikes would continue⁴⁰.

This situation of uncertainty has taken its toll on Chinese and other foreign investors. Unless the Greek government guarantees that the agreements will be honoured, China will seek to forge new partnerships. In addition, inefficiencies in Greek infrastructure causes problems to Chinese companies. For instance, one time when TrainOSE was carrying containers of Sony to Hungary, the delivery was delayed ten hours because of heavy rainfall⁴¹. The case of Idomeni also affected foreign investors and specifically Cosco. From 18th of November until the 9th of December many commercial trains were

³⁵ Synodinou, M.(2015). *Στους δρόμους βγήκαν οι λιμενεργάτες*. December 2015. Available from: [Naftemporiki.gr](http://www.naftemporiki.gr) <http://www.naftemporiki.gr/story/1045085/stous-dromous-bgikan-oi-limenergates> Accessed: 21 December 2015.

³⁶ Smith,H. (2015). *Greece's port in a storm :anger as Syriza stops China extending hold on Piraeus*. September 2015. Available from: The Guardian.com <http://www.theguardian.com/world/2015/feb/09/greece-syriza-stops-china-extending-hold-piraeus>. Accessed: 20 December 2015.

³⁷ Synodinou, M.(2015). *Στους δρόμους βγήκαν οι λιμενεργάτες*. December 2015. Available from: [Naftemporiki.gr](http://www.naftemporiki.gr) <http://www.naftemporiki.gr/story/1045085/stous-dromous-bgikan-oi-limenergates> Accessed: 21 December 2015.

³⁸ Palaiologos,Y. (2015). *China's newsilk road might save Greece*. January 2015(updated April 2015). Available from: [Politico.eu](http://www.politico.eu)<http://www.politico.eu/article/chinas-new-silk-road-might-save-greece/> Accessed: 20 December 2015.

³⁹ Tsimplakis, A.(2015). *ΟΛΠ: Στην τελική ευθεία η πώληση, στην...εκκίνηση οι επενδύσεις*. December 2015. Available from: [Naftemporiki.gr](http://www.naftemporiki.gr) <http://www.naftemporiki.gr/finance/story/1044959/olp-stin-teliki-eutheia-i-polisi-stin-ekkinisi-oi-ependuseis> Accessed: 21 December 2015

⁴⁰ Synodinou, M.(2015). *Στους δρόμους βγήκαν οι λιμενεργάτες*. December 2015. Available from: [Naftemporiki.gr](http://www.naftemporiki.gr) <http://www.naftemporiki.gr/story/1045085/stous-dromous-bgikan-oi-limenergates> Accessed: 21 December 2015.

⁴¹ Palaiologos,Y. (2015). *China's newsilk road might save Greece*. January 2015(updated April 2015). Available from: [Politico.eu](http://www.politico.eu)<http://www.politico.eu/article/chinas-new-silk-road-might-save-greece/> Accessed: 20 December 2015.

blocked by refugees and migrants in Idomeni, after FYROM's decision to close its borders to those who were not Syrian, Afghan or Iraqi natives. According to the Exporters Association of Northern Greece (SEVE) the economic damage caused by this policy change was nearly €1.2 million for the transportation companies because of delivery delays. Hewlett Packard was forced to carry its products through the Port of Koper in Slovenia and COSCO reportedly considered this alternative as well. This incident has caused considerable damage to Greece's attractiveness for FDI.⁴².

⁴² (2015). *Ανοίγει σε τρεις μέρες η Ειδομένη -πόσα εκατ. χάθηκαν σε εμπόριο και πόσο σε μεταφορές-*. December 2015. Available from: I efimerida.gr <http://www.iefimerida.gr/news/239916/anoigei-se-3-imeres-i-eidomeni-posa-ekathathikan-se-emporio-metafores> Accessed: 20 December 2015.

Conclusion

It has been argued that the New Silk Road project is highly relevant to the Strategic Partnership between the EU and China, but not only in terms of the Route's destination. The EU member states are directly involved in the new Chinese capital inflows, as a result of China's shifting and expanding position in global FDI. While this inflow of capital is more than welcome, it is expected to challenge the EU member states, as a Union and on a national level alike, in terms of policy coordination and development towards China.

"This paper has already argued that Piraeus's involvement in the New Silk Road project will be largely beneficial for Greece. Still, unless the Greek government implements a coherent policy, it will be impossible to fully take advantage of the opportunities offered and rip the benefits of such an agreement."

Regarding the Chinese involvement in Piraeus, it is clear that Greece has a lot to gain from China. As Greece is considered less and less attractive to investors due to its high risk and low returns, it is crucial to get the maximum benefits China can offer.

In addition, more investments (like the interest in investing in the Freight Centre of Thriasio) can lead to better infrastructure, more jobs and, thus, lower unemployment and better macroeconomic scores. Last but not least, when these investments proceed, they can serve to improve the image of Greece in the financial markets and attract more FDI.

China's involvement in the privatisation of the Port of Piraeus has, and will probably continue to, face certain challenges. Those challenges relate to the Greek public's perception of the intentions of Chinese investment and to a series of mishandlings by the Greek government.

It is vital that the Greek government proceeds with reforms that will eliminate structural defects, so that an efficient business environment will be created. At the same time, it is important to negotiate aspects of the deal that are in the interest of Greek citizens in a transparent manner while proving itself trustworthy of an opportunity not to missed.

Issues raised from this paper

- Will European countries manage to adopt an effective policy towards Chinese FDI inflow on national level?
- Will European countries manage to adopt an effective policy towards Chinese FDI inflow on EU level?
- How can European countries fully benefit from the New Silk Road Initiative and from Chinese FDI?
- Will Chinese involvement in Piraeus be beneficial for the Greek economy?
- What can the Greek government do to fully rip the benefits of the Piraeus Port privatisation?
- Will the Greek government implement a coherent policy towards improving business environment?
- Who will be benefited the most by Piraeus's inclusion in the New Silk Road?
- Will the terms of the deal be favourable for Greek economy in the future?
- Will the terms of the deal protect workers' rights?
- Will the terms of the deal be environmentally sustainable?

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