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China’s ‘dragon head’ to Europe crumbling

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Beijing is ready for big infrastructure investments in cash-strapped Greece to make it China’s gateway to Europe. In April, the Greek government inked a deal to sell to COSCO Shipping majority stake in Piraeus Port, a key peg in China’s *‘One Belt One Road’ project. But the deal hit snag as COSCO Shipping accused the government of altering the terms of agreement. If Greece wants to lift its people out of despair, it must abandon its obstructive approach and start dealing in good faith with key foreign investors like China.*

“Greece, which is the first stop on China’s way to Europe, can become a bridge between China and the West, between Asia and Europe,” Prime Minister Alexis Tsipras said during his official visit to China earlier in July in a campaign to win the hearts and minds of Beijing and its deep pockets.

Ships are docked at Piraeus port in Athens, Greece

The five-day trip was meant to underscore the growing links between the two countries, consolidated after Chinese companies snapped up the most significant asset that Athens has sold off so far – the Piraeus port, a key peg in China's 'One Belt One Road' project.

China's recreation of the ancient trade route connecting East and West through largely infrastructural investment spans some 40 countries and touches down right in Greece's ports in the hopes that Athens will become China's gateway to Europe.

In Beijing, the cash-strapped government in Athens has found a ready buyer, and one that has a proven record of achieving high returns on its Greek investments. Before COSCO, the Chinese shipping company, bought into Piraeus, the port was handling a measly 166,000 TEU a year. Seven years later, in 2015, the volume of cargo handled rose to 3.36 million, making it the 8^{th} biggest in Europe.

Ahead of Tsipras's trip, Chinese Ambassador to Greece Zou Xiaoli spoke of Piraeus acting as a bridge, or "dragon's head," for cooperation in other areas. There are even reports of Greece trying to sell the Skaramangas shipyard to the Chinese, though it is currently owned by a foreign investor.

Now, COSCO has its eye on TRAINOSE, the Greek national rail network operator, with a view to bringing similar investments and improvements in efficiency to those seen at the port. Alongside Piraeus, TRAINOSE would act as the conveyor belt of Chinese goods into Europe, snaking their way from the Suez Canal up to the Balkans and Europe's heartland. In return, Greece obtains the massive investments in its infrastructure which it badly needs but cannot afford to pay for itself.

China's design for Greece would seem straightforward enough but, thanks to Syriza's foot dragging, it has not been. The source of the problem lies in the state of friction between the government and the Hellenic Republic Asset Development Fund (HRADF), which was set up in 2011 to oversee the divestiture of an expected €50 billion in state assets ranging in everything from Athens' sewerage system to its state buildings.

The Fund, which operates independently of the Greek government, has authority over the privatization process, deciding what gets sold, to whom it gets sold and for how much. An onerous imposition for any government to bear, to be sure, but when a country loses a quarter of its GDP over several years and charts eye-watering unemployment rates, extraordinary measures are called for lest Greece remain in a state of prolonged perma-crisis.

While Tsipras was shaking hands and rubbing shoulders with the heads of the CCP, back in Athens the HDRAF-managed sale of the Piraeus port to COSCO came to an acrimonious impasse with the Chinese accusing the Greek government of altering the terms agreed to by the two parties and offering the altered version to parliament for approval.

With the Chinese already having invested significantly in the Kumport Terminal in neighboring Turkey as a possible alternative to Piraeus, it is hard to fathom why Tsipras' government would resort to such underhanded maneuvers unless they are purposely trying to sabotage the deal.

This obstructive approach to dealing with investors was once again on display earlier this year when energy minister Panos Skourletis became embroiled in a public and unseemly run-in with the Eldorado mining company when he accused the CEO of shorting the company's shares.

The accusation, which was dismissed as "utter nonsense," came during querulous negotiations surrounding Eldorado's application for a license to develop a number of mines in Greece. Skourletis had previously revoked Eldorado's license attacking the company for "blackmailing" the environmental watchdog into approving its permits, and polluting the environment with its practices. Skourletis was quick to invoke the image of Greece as a country subjected to financial imperialism, calling Eldorado "colonialists, not investors."

Defense Minister Panos Kammenos had a similar reaction when he tried to oust owners Abu Dhabi MAR from Skaramangas and unify the administration of the shipyards.

This is not encouraging language for Greece's trading partners to hear and neither is it likely to endear Beijing and the Troika to Greek appeals to have its debt restructured and its primary surplus target lowered.

If Greece wants to achieve any kind of surplus in the coming years and lift its people out of despair, it badly needs foreign investment. With a second bailout review pending this autumn, Syriza should give up throwing tantrums and start dealing in good faith with its partners.

In the early days of government, they had nothing to lose by adopting such an abrasive stance, but with the prospect of the long-sought-for debt restructuring on the near horizon, they now have everything to lose.

But so far, their distempered approach to implementing the package they signed up to has only served to validate the criticisms of their opponents: that Syriza is a protest party, not a credible party of government. China's "dragon head" to Europe might run out of puff sooner than expected.