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The complex relationship between Europe and Chinese investment: The case of Piraeus

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About the author

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Abstract

In 2010, in the midst of a deep financial and economic crisis, Greece carried out significant budget reforms that included a strong privatisation programme of national infrastructure. Among the privatised assets was the Port of Piraeus, which was acquired in 2016 by the Chinese state-owned enterprise (SOE) China Ocean Shipping (Group) Company (commonly known as COSCO). As a result of COSCO's management and investment, Piraeus experienced astounding growth and an increase in productivity. However, most recently, the relationship between Chinese investors – especially SOEs – and national European governments has become more complex. Chinese investment in critical infrastructure all over the EU has raised security concerns, and less stringent labour and environmental practices among Chinese companies have antagonised local communities in which those companies operate.

Piraeus is no exception, with its Chinese management increasingly seen in the EU as a security liability. In 2016, it became the flagship project of the Belt and Road Initiative (BRI) in Europe, gaining strong media attention in China as a success story for the Chinese government. The increase in Piraeus's revenue following its acquisition by COSCO has been welcomed by some stakeholders in Greece, especially the Greek Government and the shipowners' lobby, but it has found resistance from communities and local organisations that face being negatively impacted on by the investment. For example, local businesses see COSCO as having created a monopoly in the region, which is driving out smaller competition, while labour unions have criticised the increased precarity of jobs and the reduction in workers' salaries.

These factors influence, at the same time, the profitability of COSCO's investment in Piraeus. This paper presents an analysis of the perspectives and relationship between the main stakeholders in the port and COSCO. It concludes that the key factors undermining COSCO's profitability in Piraeus are:

- antagonism from relevant stakeholders;
- the contractual relationship with the Greek government, which could change if political trade-offs shifted balance, and;
- the existence of attractive alternatives that could provide greater profit to COSCO while equally fitting to the Chinese Government's BRI framework and policies.

Introduction

In Greek, Piraeus (Πειραιάς) means 'choke-point on the passage'. Piraeus has been the main port of Athens since the time of Themistocles (about 500 BCE) due to its strategic trans-Mediterranean position, lying about 10km southwest of Athens, on Phaleron Bay. Since the 2010s, it has been known as the 'Dragon Head' of the BRI: it is strategically located, with railways connecting it to Central and Eastern Europe, and is the closest Mediterranean port on the European continent to the Suez Canal–Gibraltar shipping route. This has made it particularly attractive to Chinese investors who were seeking to expand their commercial maritime capabilities to keep up with demand resulting from the Chinese Government's 1978 'Opening-up' and 1999 'Go West' policies, which enabled China to become the world's largest exporter of manufactured goods.

In 2010, Greece was immersed in a deep financial and economic crisis, stemming from massive sovereign debt and a lack of revenue. This was the result of systematic tax evasion, high unemployment, and a competitiveness gap from its having joined the EU single market with strong structural differences (such as a lower productivity rate that made Greek goods and services far less competitive) compared to the most advanced economies. Having adopted the euro, Greece was not able to devaluate its currency further, worsening its trade balance and contributing to increased debt. With the global financial crisis, the threat of Greece's defaulting on its debt was high, which triggered bailouts from the EU and the International Monetary Fund (IMF) in 2010 – conditional on specific budget reforms and austerity policies – that resulted in a deep recession lasting until 2017.[1]

In 2010, the EU and the IMF provided €110bn in emergency funds to Greece, plus €172.6bn in 2012 and €86bn in 2015,[2] together with a viable repayment plan whereby Greece was required to privatise some of its state assets, such as the Port of Piraeus, amounting to €50bn.[3] COSCO was already present in Greece, having won in 2008 a concession to manage two of the three piers of the container terminal of Piraeus – Piers 2 and 3 – for €100m per year for 35 years[4] from 2009 to 2044. In 2016, COSCO launched a bid to purchase 51 per cent of the shares of the port for €280.5m, with the prospect of receiving an additional 16 per cent if it fulfilled several investment obligations (amounting to €294m until 2021) stipulated in the Concession Agreement.

Despite those obligations not having been fulfilled, the Greek Government, arguing that the delays were due to bureaucratic and administrative reasons not attributable to COSCO, sold the additional 16 per cent share of the Piraeus Port Authority (PPA) to COSCO for €88m – plus €11.87m in accrued interest and a letter of guarantee of €29m, which was in turn ratified by the Greek parliament.[5]

In 2019, COSCO submitted its Investment Master Plan for a complete reform of the port, so as to increase its profitability and efficiency. The Plan included complementary infrastructure such as four luxury hotels, a mall, car terminals, a new cruise ship terminal

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[1]Featherstone, K. (2011). 'The Greek sovereign debt crisis and EMU: A failing state in a skewed regime'. *Journal of Common Market Studies*, 49(2): 193–217.

[2] European Court of Auditors (2017). *The Commission's intervention in the Greek financial crisis. Special Report Nº 17*.

[3] Walker, A. (2015, July 14). 'Greece: Selling off the silver'. BBC News. Available at: <https://www.bbc.com/news/business-33511507> (Accessed 2 April 2022).

[4] Psaraftis, H. N. and Pallis, A. A. (2011). 'Concession of the Piraeus Container Terminal: Turbulent times and the quest for competitiveness'. *Maritime Policy & Management*, 39(1): 27–43.

[5] Ekathimerini (2021). 'COSCO adds another 16% to its stake in Piraeus Port'. Available at: <https://www.ekathimerini.com/economy/1169359/cosco-adds-another-16-to-its-stake-in-piraeus-port/> (Accessed 2 April 2022).

and a logistics centre, and amounted to €612m, as approved by the Greek Port Planning and Development Committee.[6]

This paper explores in depth the point at which, and under what conditions, it remains profitable for COSCO to stay in Piraeus, and what factors might compromise its investment.

The Master Plan: The Silk Road

The Port of Piraeus is a key point in China's BRI. With its roots on the ancient Silk Road that connected China, Central Asia and Europe during the Han dynasty (206 BCE–220 CE), the BRI is a global infrastructure project that combines land and maritime networks to promote global trade. Since its launch in 2013 by President Xi Jinping,[7] it has become the flagship project of his presidency. Chinese investment in the Port of Piraeus was carried out through COSCO, which is itself an SOE. Thus, its investment projects fit quite nicely within the broader policy framework and narrative put forward by the Chinese Government around the BRI, together with the 'Going Global Strategy'/'Go Out Policy' (走出去, *zou chuqu*) initiated in 1999 by Jiang Zemin[8] to promote Chinese investment abroad and the globalisation of its SOEs to make them financially sustainable.

Beyond the narrative level, Piraeus is at an important geostrategic point: it connects to continental Europe by railway networks ending in Budapest, Hungary, where three cargo trains arrive from Piraeus each week with goods to be distributed across Europe. China needs Piraeus as the maritime entry point for all these goods so that it can deliver them to Hungary as the land logistic hub of the BRI.[9] Therefore, COSCO has a key strategic position in China's economy, especially because shipping is an important industry for China's national economic lifelines, and is highly controlled by the state to ensure the provisioning of its domestic population. COSCO is one of the main three Chinese SOEs in the shipping industry, together with Sinotrans and the China Changjiang National Shipping (Group) Corporation.

It is important to note that SOE managers are often directly appointed by the Organization Department of the Chinese Communist Party (CCP), which is in charge of a cadre rotation system that directly appoints all the top leaders of vice-ministerial-level enterprises,[10] like Wan Min as CEO and Party Secretary of COSCO. In the evaluation system, senior executives are rewarded on their financial performance[11] and are therefore incentivised to align their company's plans and actions with those of the CCP to obtain promotion.[12] Beyond these non-commercial considerations, market dynamics and financial profitability still need to be considered, as future appointments and bonuses

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[6] Ekathimerini (2019). 'COSCO's Piraeus plan approved, in part'. Available at: <https://www.ekathimerini.com/economy/245471/cosco-s-piraeus-plan-approved-in-part/> (Accessed 2 April 2022).

[7] Belt and Road Portal (2019, April 22). 'The Belt and Road Initiative: Progress, contributions and prospects'. Available at: <https://eng.yidaiyilu.gov.cn/zchj/qwfb/86739.htm>

[8] Eisenman, J. (2018). *Contextualizing China's Belt and Road Initiative*. USCC. Available at: <https://www.uscc.gov/sites/default/files/Eisenman_USCC%20Testimony_20180119.pdf>

[9] Investigate Europe (2021). 'From Budapest to Belgrade: A railway line increases Chinese influence in the Balkans'. Available at: <https://www.investigate-europe.eu/en/2021/from-budapest-to-belgrade-a-railway-line-increases-chinese-influence-in-the-balkans/> (Accessed 2 April 2022).

[10] Wang, J. (2014). 'The political logic of corporate governance in China's state-owned enterprises'. *Cornell International Law Journal*, 47: 632–669.

[11] Szamosszegi, A. and Kyle, C. (2011). *An Analysis of State-Owned Enterprises and State Capitalism in China*. Washington, DC: Capital Trade.

[12] Brockman, P., Rui, O. M. and Zou, H. (2013). 'Institutions and the performance of politically connected M&As'. *Journal of International Business Studies*, 44: 833–852.

depend on them. This shows how deeply embedded top leaders of Chinese SOEs are in China's political institutions.[13] In the early 2000s, Piraeus was targeted by the Chinese Government for its strategic significance, and Captain Wei Jiafu, COSCO's CEO at the time, a CCP senior member and Vice-Minister (*fubuji* 副部级) of the Chinese state administration, was tasked with acquiring influence in Piraeus and securing the deal with the Greek Government.

In the context of increasing securitisation around Chinese investment in Europe along the lines of the 'China threat' narrative,[14] it is relevant to discuss the rationale and perspectives of the main stakeholders in the port and COSCO's bid. In this context, what follows is an analysis of the main factors that may affect the financial performance of COSCO's investment in Piraeus and what alternatives could potentially substitute COSCO were it to become unprofitable.

The main stakeholders in COSCO's investment

Labour unions

Traditionally, labour unions have been unfavourable towards privatisation deals, as employees fear loss of jobs. This is why, from the beginning, they featured extensively in the Concession Agreement between the Greek Government and COSCO, which established the conditions and obligations for those employed by the PPA before its privatisation. However, from 2008 to 2016, this extended only to those employees who remained under the umbrella of the PPA: those in Pier 1. Learning from previous experience – that of Napoli in particular – COSCO invented a solution to avoid a revolt from the labour unions. It divided its workers into *de facto* two 'worlds'. The world of the OLP (Οργανισμός Λιμένος Πειραιώς or PPA in English) was under public ownership; after the privatisation, all or most of the workers there kept their jobs, while the government lost its supervisory role and the dock workers' collective agreements were to be negotiated from that time on with the privatised PPA. The world of the PCT (Piraeus Container Terminal, a subsidiary of COSCO) was regulated by looser labour standards, and often complaints arose regarding low pay, abundant overtime, a lower-safety work environment, and overall labour precarity,[15] leading to repeated strikes called by the ENEDEP dock workers' union.

These two worlds made the transition towards a new status quo in 2016 – with the full privatisation of the port. By then, the political environment had conceivably changed, with a new government in charge of enforcement and a different context as Greece moved on from its crisis years. This poor regulatory compliance was made possible by severe legal and institutional gaps in Greece when it came to enforcing compliance. In particular, '[i]n the 2008 concession of Cargo Terminals II and III, references to environmental protection were vague and stipulated no penalties (Law 3775/2009)'.[16] The Nea Demokratia (ND) Government under which the 2008 concession agreement was signed imposed regulatory standards with laxity. This changed under the Syriza government in

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[13] Ma, Y. and Peverelli, P. J. (2019). 'Strategic decisions in Chinese state-owned enterprises as outcome of the sensemaking of the CEO: The case of COSCO's emerging involvement in the Port of Piraeus'. *Transnational Corporations Review*, 11(1): 50–64.

[14] Rogelja, I. and Tsimonis, K. (2019). 'Narrating the China threat: Securitising Chinese economic presence in Europe'. *The Chinese Journal of International Politics*, 13(1): 103–133.

[15] Hatzopoulos, P., Kambouri, N. and Huws, U. (2014). 'The containment of labour in accelerated global supply chains: The case of Piraeus Port'. *Work Organisation, Labour & Globalisation*, 8(1): 5–21.

[16] Tsimonis, K., Rogelja, I., Ciută, I., Frantzeskaki, A., Nikolovska, E. and Pesha, B. (2020). 'A synergy of failures: Environmental protection and Chinese capital in Southeast Europe'. *Journal of Current Chinese Affairs*, 48(2): 171–200.

2015, which refused seven different versions of the COSCO Master Plan (covering all existing port operations and future infrastructure upgrades) on technical, financial and environmental grounds.[17] Arguably, COSCO was 'unprepared and unwilling to comply with the existing regulatory framework' after 2015, 'understanding environmental issues as of secondary importance' and 'treating compliance as a matter of bilateral negotiation', a 'bureaucratic box-ticking exercise'.[18]

The port workers, although able to complain through the dock workers' union, staged rolling strikes and overtime bans,[19] and accused COSCO of using employment subcontractors that hire temporary and unskilled workers on much lower wages than union members,[20] thus effectively diluting the level of coverage of the union itself. The relationship between COSCO and the labour unions is, at best, mixed, as COSCO has to deal with the costs resulting from repeated strikes, which are a right in Greece protected by the Greek Constitution and Law 1264/1982.

Local businesses

In 2019, COSCO's plans to build a new cruise ship terminal and an adjacent upscale shopping mall for €612m were stopped due to fears raised by local businesses that they would be driven out by competition from Chinese imports.[21] The plans had previously been sized down by the Port Planning and Development Committee, with the condition that the mall would be built before passport control on the cruise pier – meaning it would only target tourists so as to protect local businesses. Until 2019, the Syriza Government had been delaying approval of the Master Plan to protect small local businesses, as the Plan included the construction of a mall designed to mimic the duty-free areas in international airports, which promoted price-beating products. The return of a left-wing government in the 2023 spring elections could mean that those plans remain frozen for the foreseeable future. Due to the COVID-19 pandemic and its effects on international travel, COSCO's 2019 Master Plan to build the hotels was further postponed.

Several actors have allied with the local community to delay the Plan – such as the Central Archaeological Council of Greece, appointed by the Ministry of Culture and Sports, which characterised a large part of Piraeus as an area of archaeological interest that should be protected (meaning stricter building licence regulations and land uses) – and voted unanimously against the plans to build a mall and hotel complex.[22] Therefore, the opposition of local businesses, supported by key government and party stakeholders, is limiting COSCO's future profits by stopping – or at least slowing down – its infrastructure development plans for the port area. The opposing parties fear the Plan aims to create a tourist and logistics hub that will have a dominant, even monopolistic, market position, driving smaller local businesses out.

The prevention of plans to build a shipyard, car terminal, mall, logistics hub and hotels threatens the financial viability of COSCO's project, and, even if the government –

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[17] Ibid.

[18] Ibid.

[19] Barnard, B. (2015, January 28). 'New Greek government pulls privatization of Piraeus port'. *Journal of Commerce*. Available at: <https://www.joc.com/article/new-greek-government-pulls-privatization-piraeus-port_20150128.html>

[20] Alderman, L. (2012, October 10). 'Under Chinese, a Greek port thrives'. *The New York Times*.

[21] Financial times (online). 'Piraeus port deal intensifies Greece's unease over China links'. Available at: <https://www.ft.com/content/3e91c6d2-c3ff-496a-91e8-b9c81aed6eb8> (Accessed 26 January 2022).

[22] Tsimplakis, A. (2019, March 5). 'Prospect of declaring most of Piraeus as area of "archaeological interest" generates sharp reax'. *H Naftemporiki*. Available at: <https://www.naftemporiki.gr/english/152798/prospect-of-declaring-most-of-piraeus-as-area-of-archaeological-interest-generates-sharp-reax/> (Accessed 28 January 2023).

especially the Ministry of Infrastructure, Transport and Networks, and the Ministry of Shipping and Island Policy – supports COSCO, it is still accountable to, or at the very least influenced by, the local business community. Any attempts to find a middle ground that could unlock the decision and allow the construction of the mall and the realisation of the rest of the Plan might not be considered good enough by COSCO, as any provisos could imply reduced revenues and a significantly lower profit margin. Protests temporarily blocking COSCO's economic activity and forcing the local and regional authorities to intervene have already taken place, such as one staged by Perama's citizens against COSCO's trespassing on municipal land.[23] If social unrest and distrust were to increase, protests could become more frequent and, in time, permanent, causing real disruption to COSCO's activities and the sustainability of the project.

In sum, local businesses believe that COSCO has not lifted the local community as much as they had hoped it would. They favoured the privatisation deal in the beginning, but they now believe it has gone too far.[24] They believe that COSCO has created a parallel world or 'mini-China', as all of the materials and products used by the Chinese, including their food, are imported from China, thus not benefiting the local community through purchases or taxation). They also believe that the new Master Plan, especially the hotel complex, would introduce unfair competition in a highly tourism-dependent economy. This is topped by waste- and pollution-related environmental concerns[25] aggravated by the fact that COSCO has not organised any kind of public consultation and has refused to meet with civil society representatives – despite its commitment to do so – further alienating the local community.

Shipowners' lobby

The shipowners' lobby is the strongest force behind keeping COSCO in Piraeus. In fact, it was they who brought in COSCO at the beginning. They had a crucial role in strengthening the bilateral ties between China and Greece. Long before Greece started to talk about economic diplomacy, Greek shipowners realised the advantages of dealing with China. They started benefiting from China's easy loan policies and secured multi-year chartering to Chinese operators, forming strategic alliances with Chinese stakeholders in the transport sector and gaining valuable know-how. There is strong evidence that Greek shipowners urged their policymakers, especially Prime Minister Kostas Karamanlis, to visit China and kick off the COSCO investment plan in Piraeus.[26] It is widely agreed that China would not have shown any particular interest in Greece and Greek ports beyond its fit within the BRI Master Plan if the shipowners' lobby had not been so insistent and efficient in promoting economic deals and co-operation, or – most importantly – if it had not managed to get the support of its political representatives. This goes back to the shipowners' lobby prime position in the Greek economy: according to the Bank of Greece, revenues from shipping in 2015–18 exceeded, on average, €2.5bn annually (about 6.8 per cent of GDP), representing 37 per cent of total balance

[23] Papastathopoulou, C. (2018, October 10) 'Tensions in Perama' ['Ξεσηκώθηκε το Πέραμα']. *Efymerida ton Syntakton*. Available at: <https://www.efsyn.gr/ellada/koinonia/167668_xesikothike-perama> (Accessed 1 July 2019).

[24] Kidera, M. (2021). '"Sold to China": Greece's Piraeus port town cools on Belt and Road'. [Online.] *Asia Nikkei*. Available at: <https://asia.nikkei.com/Spotlight/Belt-and-Road/Sold-to-China-Greece-s-Piraeus-port-town-cools-on-Belt-and-Road> (Accessed 26 January 2022).

[25] Boutsi, M. (2021, November 29). 'How Chinese giant COSCO has been dumping dangerous waste off the Athenian coastline with the government's permission'. *Reporters United*. Available at: <https://www.reportersunited.gr/en/6957/how-chinese-giant-cosco-has-been-dumping-dangerous-waste-off-the-athenian-coastline-with-the-governments-permission/> (Accessed 2 February 2023).

[26] Huliaras, A. and Petropoulos, S. (2013). 'Shipowners, ports and diplomats: The political economy of Greece's relations with China'. *Asia Europe Journal*, 12: 215–230.

of services revenue.[27] The Greek surplus in the services sector is based on shipping services.

Since their initial stages, relations between the Greek shipowners and the Chinese shipping sector are stronger than ever, and highly profitable at both ends. The infrastructure that COSCO is building in the port – such as the cruise terminal and the third (and potentially fourth) deck, which will bring increased commerce from both the passenger and merchandise sectors – is highly useful to the shipowners as well. The shipowners benefit from improved port infrastructure, resulting in increased economic opportunities at home and abroad (especially in China), and a more favourable financial situation due to their deals with China on loan policies and shipbuilding.[28] The pre-eminent situation of the shipowners' lobby in the Greek economy, its connections and its influence over the government makes the shipowners' lobby the most powerful actor keeping COSCO in Greece.

Greek Government

The Greek Government's deep interest in COSCO's staying in Piraeus goes back to its poor financial situation after the 2010 crisis and the 2015 bailout agreement signed with the European Commission, the European Central Bank and the IMF (popularly referred to as 'the Troika'). In this, the government agreed to privatise the PPA under Law 4336/2015.[29] COSCO was the sole bidder in the 2016 tender, acquiring 51 per cent of the PPA, extending to an additional 16 per cent in 2021 (Law 4404/2016). Greece started selling its assets to create a more business-friendly environment, but this also created an aura of Euroscepticism, in which China did not raise animosity but instead appeared as a welcome source of cheap money. Therefore, the government and most of the parties across the spectrum (with differing levels of receptivity) were welcoming towards China for domestic political gains, including the steering of Greece's economic recovery and the potential offered to the Greek market from Chinese investment and open trade. In sum, a rising public debt, the inefficiencies and stalled growth caused by the poor state of Greek infrastructure, and the EU's urge towards privatisation even when it might not have been in the best interest of the nation shaped the ideal environment for Greece to open its doors to Chinese investment.[30]

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[27] Glass, D. (2020, February 5). 'Shipping's contribution to the Greek economy'. *Seatrade Maritime News*. Available at: <https://www.seatrade-maritime.com/finance-insurance/shippings-contribution-greek-economy> (Accessed 28 January 2023).

[28] Paris, C. (2014, June 3). 'China's Exim Bank to lend more to Greek shipowners'. *The Wall Street Journal*. Available at: <https://www.wsj.com/articles/chinas-exim-bank-to-lend-more-to-greek-shipowners-1401796164?tesla=y> (Accessed 3 February 2023); Reuters (2011, March 5). 'China to double investment fund for Greek shipping'. Available at: <https://www.reuters.com/article/us-greece-china-shipping-idUSTRE7242AB20110305> (Accessed 3 February 2023).

[29] Tsimonis et al. (2020); see footnote 16.

[30] For instance, see: Athanasidis, I. (2010). 'Greece debt: Government sees hope in privatization despite protests', *The Christian Science Monitor*; Baltazar, R. and Brooks, M. R. (2001). 'The governance of port devolution: A tale of two countries', presented at the *World Conference on Transport Research*, Seoul, July; Bieling, H. J. and Deckwirth, C. (2008). 'Privatising public infrastructure within the EU: The interaction between supranational institutions, transnational forces and national governments'. *Transfer: European Review of Labour and Research*, 14(2): 237–257; Cullinane, K. and Song, D. (2010). 'Port privatization policy and practice'. *Transport Reviews*, 22(1): 55–75; Hulsink, W. (2001). 'Tides in infrastructure politics? Experiences with privatization, liberalization and regulatory reform in the Netherlands'. *29th Joint Session of Workshops of the European Consortium for Political Research*, 6–11 April; Juhel, M. (2001). 'Globalisation, privatisation and restructuring of ports'. *International Journal of Maritime Economics*, 3: 139–174; Kim, J. (2015). 'Lessons from British port privatisation'. *Journal of Distribution Science*, 13(2): 5–13.

The growing popular demand for more and better-quality infrastructure services – and the Government's economic, political and financial objectives – were closely watched by China, which, in the years up to 2008, adopted a wait-and-see attitude, until Greece was open to its help.[31] In fact, it was Greek shipowners, as noted above, who initiated the contact that led to the deal with COSCO. In particular, Greek shipowner and founder of Costamare, Captain Vassilis Constantacopoulos, was known as 'the shipowner that brought the Dragon to the Piraeus Port'.[32] Once the deal was closed, China adopted the Greek Government's narrative to appeal to the broader public and avoid social objection, stating its intention to create jobs and help the Greek economy to prosper: a win–win environment. Piraeus thus became the poster project for Chinese benevolence in Europe within the BRI framework. In a single narrative, China and COSCO were symbolically linked by the Greek Government itself to Greece's economic recovery and increased financial responsibility. This is an overly state-centric discourse that ignores the labour, environmental, de-territorialisation[33] and monopolistic threats.

Nonetheless, the relations between the Greek government and COSCO are complex. It was in fact the previous Syriza administration that closed the deal, which was ready and signed when Kyriakos Mitsotakis' New Democracy (ND) government came into power in 2019. Beyond its purely economic interest in the case of Piraeus, ND has tried to ease Chinese SOEs out of public tenders, refused to hold the summit in 2022 for the 17+1 Group, joined the other EU member states in condemning the abuse of human rights in Xinjiang and imposing sanctions against China,[34] even though previously it had in fact been Greece blocking the EU statements criticising China.[35] As a case in point, when Greece celebrated 200 years of independence in March 2021, the Greek government paid the Chinese government to light up the Great Wall of China, as with other major monuments around the world, but, the day before, the Chinese said there were technical difficulties.[36] Greek diplomats believe it was a diplomatic move, as, immediately after, the Chinese Ambassador abruptly left Athens and his replacement did not arrive until September: a clear sign of Chinese displeasure.[37]

Greek Prime Minister Mitsotakis has publicly remarked that he wants to have good relations with China, but recognises – following the EU line – that they are also a strategic competitor. Symbolically, Mitsotakis visited COSCO Shipping HQ during his first official visit to China, but not all the ministries are equally friendly to COSCO. The Minister for Infrastructure, Transport and Networks, and the Shipping and Island Policy Minister are its biggest proponents, with the latter claiming, for instance, that the EUR 294 million investment COSCO pledged in 2021 was 'crucial' for the city, the local community and the national economy, and even for the geostrategic position of Greece in the wider

[31] Le Corre, P. (2018). 'Chinese investment in European countries: Experiences and lessons for the "Belt and Road" Initiative'. In: Mayer, M. (ed.) *Rethinking the Silk Road*. Singapore: Palgrave Macmillan, Ch. 10.
[32] Huliaras and Petropoulos (2013); see footnote 26.
[33] Hatzopoulos et al. (2014); see footnote 15.
[34] Financial Times (2021, 19 Oct). 'Piraeus port deal intensifies Greece's unease over China links'. Available at: <https://www.ft.com/content/3e91c6d2-c3ff-496a-91e8-b9c81aed6eb8> (Accessed 26 January 2022).
[35] Reuters (2017). 'Greece blocks EU statement on China human rights at UN'. Available at: <https://www.reuters.com/article/us-eu-un-rights-idUSKBN1990FP> (Accessed 2 February 2022).
[36] Ekathimerini (2021). 'The port of Piraeus deal and concerns about Chinese investments in Greece'. Available at: <https://www.ekathimerini.com/multimedia/podcasts/1170581/the-port-of-piraeus-deal-and-concerns-about-chinese-investments-in-greece/> (Accessed 2 January 2022).
[37] Ibid.

region[38], even if as mentioned such investment has not fully materialised yet; the ministers for Culture and for Employment, however, hold a more moderate view. This does not mean that they would like to see COSCO out, but they are more assertive on imposing the conditions of COSCO's stay – for instance, making sure that the local culture and architecture are well preserved and respected.[39]

Since 2015, the various Greek governments have recognised the labour and environmental risks of COSCO's acquisition and acknowledged the social discontent.[40] At the same time, the government is loyal to the agreement signed with COSCO and is willing to stretch its terms if it means COSCO stays – as observed with the granting of the extra 16 per cent in 2021, even though the terms of the first investment plan, which needed to be approved by the Greek government had not been fulfilled.[41] In the government's view, denying COSCO this additional stake through litigation would have destroyed the investment environment it had been trying to build from the very first day of the agreement, and would threaten Greek relations with a powerful third country. In particular, it pointed to COSCO's close ties with the state as an SOE, and to the deep interest in creating a climate of mutual trust and understanding between Greece and COSCO.[42] Plus, COSCO's introduction of the most modern equipment available has increased the productivity of the port, making Piraeus into a major trans-shipment hub in the Mediterranean.[43]

Chinese politics rely heavily on personal relationships, on *guanxi* (关系), which loosely translates as a system of social networks, trust and influential relationships that facilitates business and other dealings and can involve moral obligations and the exchange of favours. As his predecessor President Wei Jiafu did in 2008 to get the first Concession Agreement, COSCO's CEO Chairman Wan Min has been working towards building a personal relationship with the Greek Government,[44] testing if Greece would be a reliable and long-term partner, and ensuring that all the investments and plans COSCO has for Piraeus are moving forward without government interference. SOEs are efficient lobbyists against competition, as they have the backing of their government's diplomatic and political weight.[45] This has clearly been the case in Piraeus, and the SOEs managers have worked hard to build personal political connections with the home governments.[46]

In this context, there are legitimate fears about China's long-term interests in critical European infrastructure in the EU and, increasingly, in Greek circles posing a 'value for money' question: 'while China is investing in European infrastructures, it is not always

[38] Ports Europe (2021, September 29). 'Greek minister comments on COSCO's increased stake in PPA'. Available at: <https://www.portseurope.com/greek-minister-comments-on-coscos-increased-stake-in-ppa/> (Accessed 3 February 2023).
[39] Safety4sea (2019, April 8). 'Archaeology may forever halt COSCO's Piraeus port plans'. Available at: <https://safety4sea.com/archaeology-may-forever-halt-coscos-piraeus-port-plans/> (Accessed 3 February 2023).
[40] Tsimonis et al. (2020); see footnote 16.
[41] Financial Post (2021). 'Greece paves way for China's COSCO to raise Piraeus Port stake'. [Online.] Available at: <https://financialpost.com/pmn/business-pmn/greece-paves-way-for-chinas-cosco-to-raise-piraeus-port-stake> (Accessed 2 January 2022).
[42] Dams, T., Martin, X. and Kranenburg, V. (eds.) (2021). 'China's soft power in Europe: Falling on hard times'. Clingendael Institute, pp. 43–47.
[43] Van der Putten, F.-P. (2016). 'Infrastructure and geopolitics: China's emerging presence in the Eastern Mediterranean'. *Journal of Balkan and Near Eastern Studies*, 18: 337-351.
[44] Ma, Y. and Peverelli, P. J. (2019); see footnote 13.
[45] Nestor, S. and Mahboobi, L. (1999). 'Privatisation of public utilities: The OECD experience'. OECD, pp. 1–28.
[46] Ma, Y. and Peverelli, P. J. (2019); see footnote 13.

committed to the idea of public service',[47] so that the economic profits from Chinese investment may not be compensated by the actions of Chinese actors that end up harming the public with pollution, bad working conditions and unfair competition. This is why the EU has been broadening its trade defence instruments, such as the foreign direct investment (FDI) screening mechanism, the International Procurement Instrument and the Foreign Subsidies Regulation, and the caution from the Greek Government seems to be growing. All in all, the Greek Government wants and even needs COSCO to stay - COSCO was the only bidder in the EU-supervised tender process in 2008. But, as with all democratic governments, this government's position and goodwill towards COSCO's plans will depend on the social sentiment over China remaining mostly favourable,[48] and in the face of more EU scepticism and confrontation with China, the government might take a more cautious and scrutinising approach in approving COSCO's future Master Plans. However, above all, the Greek Government will work hard to maintain a trusting relationship with COSCO and is likely to turn a blind eye as long as it is profitable for Greece and it creates growth for the Greek economy.

A network in the Mediterranean

Interestingly, COSCO is not only present in the Port of Piraeus: it has, in fact, been creating a network of ports in the northern Mediterranean, most particularly in Spain. Despite Spain not being part of the BRI, the port of Valencia is already considered a point on the Silk Road, and the Port Authority of Valencia (PAV) has close ties with China, having participated in multiple summits on logistics and the BRI since 2017. COSCO already holds 51 per cent of the largest container terminal in Valencia – the CSP Iberian Valencia Terminal – which it bought from Spain's leading port operator Noatum Ports. This is also the biggest container terminal in the Mediterranean. In Spain, COSCO is following a network expansion strategy: it also holds shares in two intermodal terminals, in Zaragoza and in Madrid, and holds 40 per cent of another maritime terminal in Bilbao. COSCO additionally owns a railway operator on the Iberian Peninsula to improve the connections between these four terminals and provide an integral system. Furthermore, it owns 40 per cent of the Vado Ligure Reefer and Container terminals in Italy, and 26 per cent at Kumport Terminal in Istanbul (Turkey).

Conclusion

The case of the Port of Piraeus illustrates the complex relationship that China has with the EU and its member states regarding investment. On the one hand, there is a clear economic interest and profit from it: Chinese SOEs have proven to be efficient managers of port infrastructure, making valuable investment in the expansion of infrastructure and innovative equipment, and catalysing future profits that spill over into the societies in which they are located. However, their presence in Europe has required a learning process and the acquisition of specific know-how: the EU requires specific and arguably stricter environmental and safety conditions than other less-regulated environments, with which COSCO was unfamiliar and for which it was unprepared. COSCO approached these conditions as red tape and matters for bilateral negotiation.

On the other hand, there is a growing 'securitisation' narrative surrounding Chinese investment in the EU, especially when it targets critical national infrastructure such as ports or airports and when it comes from SOEs – even though, increasingly, private investors are put in the same box. Following the 'China threat' narrative, Chinese investment is portrayed as a security threat for EU populations' privacy and safety, both by governments and think tanks around Europe. Moreover, public sentiment in the EU is

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[47] Le Corre, P. (2018); see footnote 31.

[48] Turcsányi, R. Q. et al. (2022). 'Trans-Atlantic public opinion on China: Great power competition amidst Russian invasion of Ukraine'. CEIAS.

becoming increasingly negative towards China, worsening especially after the COVID-19 pandemic, and as labour unions criticise conditions in Chinese-managed companies and infrastructure and continue to organise strikes and other knock-backs.

Nevertheless, COSCO's presence in Piraeus seems so far to be a win–win relationship, as the port has become a major trans-Mediterranean hub of increased profitability and efficiency, from which Greece benefits in economic terms. Even if tensions exist and do not appear to be fading between labour unions, the local society and COSCO, COSCO has powerful allies in the government and shipbuilding community, both of which have deep interests in COSCO remaining in Piraeus. This, together with the profitable network that it has built in the Southern Mediterranean – especially in Spain – suggests COSCO is destined to stay, beyond the increasingly heightened rhetoric and the portrayal of Chinese investment as a threat to European security. COSCO's investment in Piraeus is today the flagship project of the BRI, and it seems both projects may share the same fate: as the landmark projects of Xi Jinping, both might be too big to fail.