“Who Will You Help, the One Who Helped You, or the One Who Slapped You?”:

An Analysis of Greek Austerity and Shifts in Foreign Investment

Basiliki Speros
New York University

I. Introduction

Greece’s cycles of debt and economic crisis following the Great Recession of 2008 have left the nation in a unique position, as the EU nation with the weakest economy and highest debt to GDP ratio, and perhaps the greatest channel through which foreign influence can shake the EU. As Greece begins to privatize countless formerly public strategic ports and open national companies up to foreign investment, shifts in the country’s economic output, tourism, and most importantly, political decision making, become easier to understand. In this paper I analyze how the Great Recession of 2008 and Greece’s subsequent debt crises led to shifts in investment and allegiance from the EU to Russian and ultimately Chinese interests. I conclude that despite increased political attention and infrastructure development, Greece’s privatization has done little to combat the nation’s staggering unemployment figures or shift ownership to domestic hands.

II. The Greek Debt Cycle and the Current State of the Economy

The financial crises which beset Greece in the past 8 years might have set the nation’s economic growth back decades, but they also opened the nation up to foreign multi-national attention. These shocks to the Greek economy have made life irreversibly difficult for Greek citizens, many of whom have either lost their jobs, held onto jobs with substantially lower pay, or fled the nation to find work. As the Greek economy recovers with a Eurozone deal to end
financial crisis and open the nation up to privatization this year, it is important to understand the
backdrop behind which new investment and growth will blossom in the next chapter of
Greece’s economic development. Are foreign multi-national corporations set up to succeed
given the structure of Greece’s private sector, and if they do, will the Greek populace benefit?

Greece’s financial issues can be traced back to its inclusion in the list of nations using the
Euro. Following a series of debt crises in the 1990s, Greece was approved to join the euro in
2001 because its deficit was below the 3% of GDP required to join.¹ National leaders admitted
in 2004 that financial ministers altered official debt counts to reach this level, but Greek
borrowing costs nonetheless plummeted at the time. The country successfully adopted a
currency backed by the European Central Bank, which led to an overestimation of stability and
confidence on the part of investors who seemingly ignored the nation’s past credit issues.²
These circumstances caused the Greek economy to shrink by roughly 25% during the 2008
financial crisis, when debt ballooned to an unprecedented level. The measures take to combat

*Quartz*, 30 June 2015. *Quartz*, qz.com/440058/

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this in Greece’s first economic bailout committed the nation to painful austerity measures in exchange for 110 billion Euro. These strict conditions caused an already weak economy fall into a tailspin, and a second bailout in March 2012 did little to help.

Both the public and private sector of the Greek economy suffered under austerity measures which constrained the Greek government and swayed individual households from spending. President of the Athens Chamber of Small Businesses Pavlos Ravanis said in an interview with the financial times in 2018, “Of the companies that were doing well before the crisis, about 20 per cent have innovated successfully and are flourishing, and another 40 per cent are getting by, servicing debt but not making money”. The remaining 40 percent of businesses fail to pay their taxes or meet debt obligations. It is clear that even with steady growth in the future, it will take years for Greece to recover to pre-crisis levels of domestic business activity.

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The greatest toll of the series of financial crises Greece faced following the Great Recession was the effect austerity and ballooning debt had on individual Greek citizens. Due to the decrease in employable positions from disappearing businesses, the disposable income of Greek citizens has shrunk by one-third, and over 300,000 people have left Greece to find work in foreign countries since 2010. Unemployment is at 20 percent, and youth unemployment is an astronomical 43 percent. University of Athens professor of Business and Economics Panos Tsakloglou believes this lack of employment stems from the shrinking public sector, a source of jobs which the central government can no longer afford to bolster. He said in August 2018, “It’s going to take some years for Greeks to realize that a job in the public sector – long the most popular choice for graduates – isn’t going to be the best and safest option in the future, as most of the well-paid jobs will be in the private sector”. Even among the employed or otherwise

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financially supported, wages have fallen by close to 20%, while pensions and welfare payments were cut by 70% since 2010. Unprecedented “brain drain” and lower economic freedom has left the Greek populace struggling to thrive.

Despite these disappointing developments, there is hope that the Greek economy can recover in coming years. In June 2018, the EU ended the 8-year bailout program, with EU commissioner Pierre Moscovici noting “There have been enormous sacrifices, but at last Greece will be capable of moving on its own two feet”. This means that the nation will have to stick to monitored austerity reforms for over 40 years, some of which include high budget surpluses. This decision follows a 1.9% for the fiscal year and led Greek benchmark 10-year bonds to ease

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by 0.2 points with a main stock index increase of 1.6%. Moreover, innovative start-ups and private companies which survived the crises have begun making profits and attracting investors in the past year. Other companies which failed have utilized strategic flexibility to meet market demand. Greece’s deputy minister of finance Stergios Pistorlas said to the Financial Times, “It’s starting to happen. Greek companies realized during the years of crisis that they have to turn to exports to survive”. Despite this growth, Greece remains the EU’s most economically vulnerable nation, with debt at close to 180% of GDP, the highest rate in Europe.

This combination of tentative growth and economic vulnerability explains the newfound prominence of foreign multi-nationals in Greece and foreign direct investment in the nation. With Chinese state-owned groups like Cisco purchasing majority stakes in pivotal European ports like the Port of Piraeus near Athens, and Russian real estate groups brokering deals with foreign investors interested in Golden Visa programs near Thessaloniki, Greece’s ever-developing relationship with other EU nations must be re-evaluated. Analyzing the EU’s response to Greece’s foreign investment is critical to understanding whether the nation bloc approves of these development as positive influences on Greece and Europe as a whole, or whether the bloc regards these as threats to European sovereignty the growth of the domestic sector.

III. EU Investment, Greek Privatization, Divisive Stance towards China


10 Hope, Kerin. "What the crisis changed in Greece – and what it did not." Financial Times, 8 Aug

Despite increased instances of foreign multi-national interest and foreign investment, Greece is still largely dependent on the EU. No matter how much foreign interest the nation garners, dislodging both its cultural and its financial marriage to the rest of Europe would be impossible in its current state. For instance, Greece is still dependent on EU nations as they hold the vast majority of current Greek debt. A combined 52.9 billion euros of bilateral loans were gifted to Greece during its first bailout in 2010, all given by Euro zone governments through the Greek Loan Facility.\textsuperscript{12} Looking at both the first and second bailouts of 2010 and 2012, Germany constitutes the biggest debtor, with loan totals close to 57.23 billion euros, followed by France with 42.98 billion euros, Italy with 37.76 billion euros, and finally Spain with 25.1 billion euros, ignoring even more money contributed through IMF loans.\textsuperscript{13} Additionally, these nations extended their loan maturities from 15 to 30 years by 2015 to allow even more time for Greece’s economy to recover and repay their loans.\textsuperscript{14} Taking this into consideration, it is important for Greece to maintain a positive relationship with the EU and their collective interests, as the EU will always have both the capacity and responsibility to help an EU member state.

In a similar vein, Greek commerce depends more on EU member nation consumption than any foreign nation’s consumption or tourism. Nearly half of Greece’s exports go to other EU nations, 53\% towards merchandise and 54\% towards services. Other competing nations outside the EU like Russia, who recently took an interest in Greek commerce, are only ranked as Greece’s 21\textsuperscript{st} biggest merchandising exporter.\textsuperscript{15}

\textsuperscript{15} Ghemawat, Pankaj. "In charts: here's why Greece is making a mistake by turning to Russia for help." Quartz, 27 Apr. 2015.
Moreover, all but two of Greece’s top 10 FDI investment stocks belong to non-EU members. Russia and China have rarely place within the top 10 in the past twenty years. Perhaps most significantly, close to 70% of international tourists arriving in Greece come from other EU nations. Clearly, as it stands today, no foreign nations could come close to the EU in terms of their importance to Greece’s tourism and merchandising industry.

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16 Ghemawat, Pankaj. "In charts: here's why Greece is making a mistake by turning to Russia for help." Quartz, 27 Apr. 2015.
17 Ghemawat, Pankaj. "In charts: here's why Greece is making a mistake by turning to Russia for help." Quartz, 27 Apr. 2015.
In spite of this dependence, negative feelings towards the crippling austerity measures placed against the Greek populace have created anti-EU sentiments, which have pushed the nation to be more open to investment and tourism from outside nations. Greek politician Costas Douzin made said in relation to Chinese and EU investment, “If you’re down and someone slaps you and someone else gives you an alm… when you can do something in return, who will you help, the one who helped you or the one who slapped you?” His comments connected to changes in Greek EU voting to be more defensive of China’s position in the South China Sea and less aggressive against proposed statements by the EU to chastise China’s human rights record. Other commentators like Stergios Pitsiarlos, Greece’s deputy economics minister, echo Douzin’s sentiments as they relate to Greek economic prosperity but not necessarily as they relate to aggression against the EU. He said to the BBC in 2017, "We think Greece should take advantage of these new opportunities that the Chinese strategy opens up. Our strategy is to take advantage

of our geographical position and to attract foreign investment” but “we will always respect European regulations.” Despite their divisive opinions on the EU and how the Greek debt crisis was handled, it seems most Greek economists and politicians agree that investment and commerce from nations outside the EU is a positive for the country overall.

The EU governance, in contrast, has made it clear they are not as welcoming of the same foreign institutions based on domestic competition with their own steel and robotics companies, and measures taken to block Europe from speaking in one voice on the topic of China. For example, in 2016, German industrial robotics company Kuka was blocked from Chinese acquisition by the German government’s reaction of toughening foreign investment laws. Two years later in 2018, the German government directly vetoed an attempted Chinese takeover of a German machine tool manufacturer. Similarly in 2017 the UK saw a record high of Chinese investment before creating a new policy which increased government power to prevent foreign acquisitions, which focused on Beijing’s proposed transactions. Greece does not compete in these same industries as Germany and the UK, meaning the nation has no qualms about accepting new Chinese businesses and acquisitions. Fotis Provatas of the Greek Chinese Economic Council in Athens said of the European car and industrial industries, “we do not have [these] industries so we do not compete with the Chinese in that way. [In Europe] they are competitors.”

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19 Hosken, Andrew, and Albana Kasapi. "Why is China investing heavily in south-east Europe?" BBC, 17 Oct. 2017
20 Blazyte, Agne. "U.S. and Europe are getting tougher on Chinese investment." Statista, 21 Aug. 2018
21 Blazyte, Agne. "U.S. and Europe are getting tougher on Chinese investment." Statista, 21 Aug. 2018
22 Hosken, Andrew, and Albana Kasapi. "Why is China investing heavily in south-east Europe?" BBC, 17 Oct. 2017
This disparity between Greece’s stance towards Chinese investment and the EU’s stance is only further complicated by Greece’s shift in voting trends to a more favorable stance towards China. In June 2017 Greece vetoed a joint EU statement on China’s human rights records to the UN, following a 2016 opposition against the adoption of an EU statement on the South China Sea dispute. 23 Angela Merkel was quoted at the time as saying, “Europe must work hard to defend its influence and above all to speak with one voice to China… Seen from Beijing, Europe is more like an Asian peninsula. Obviously, we see things differently”. 24 These opposing stances toward and against China beg the question of what Chinese state-owned multinationals hope to gain in investing in Greece, and what the nation’s ultimate goal is in relation to the region. Moreover, how do Russia’s increased investments compare to China’s, and has either nation’s investments truly helped the Greek populace and the Greek economy in comparison with the EU?

IV. Russia’s Interests, Tourism, Infrastructure for Aid

Greece’s third bailout program opened the nation up to interest from Russian investors in particular, based on visa programs, the nation’s cultural and geographic proximity to Russia, and the comparative failure of Greece to recover from the financial crisis in relation to other EU nations. Sergei Storchak, a Deputy Finance Minister of Russia, admitted in 2016 that Russian companies were “looking forward to being more involved in Greece’s economy in terms of direct investments”, elaborating, “I think that this will help the Greek economy”. 25
has proved to be an attractive force for Russian real estate firms. The prices of apartments in Athens have shrunk by over 45 percent in the period between 2008 and June 2017 according to Bank of Greece data, and prominent Russian realtor George Kachmazon noted that “Greece’s real estate market is one of the remaining few in Europe that hasn’t recovered since the 2008 economic crisis” while high liquidity in Spain, Portugal, Hungary, and Ireland have led to pre-crisis price levels. This means that foreign realtors can easily turn profits by buying cheap Greek properties and waiting for the market to recover with increased tourism, especially in regions close to Eastern Orthodox monasteries, which religiously connect Greece and Russia. For instance, Eight hotels in regions close to significant Eastern Orthodox monasteries like Halkidiki near Mt. Athos were purchased in joint Greek-Russian ventures since 2008, and Gregoris Tassios, chairman of Halkidiki’s Hotel Association, says "there is great interest from Russia for the purchase of land, businesses, summer houses and hotels, and tourist numbers are rapidly rising". Moreover, to Russians interested in obtaining EU visas, Greece is the easiest location to exploit, considering the low rental costs and property-ownership visa programs. The average price of land per square meter is close to 2,846 euros, three times cheaper than Italy and Austria, one and a half times cheaper than Spain and Germany, and almost 1,000 euros cheaper than the nation with the most similar golden visa program to Greece, Portugal. It’s clear that

due to complications related to delayed development and failure to thrive in a post-recession world, Russian investors are more interested in Greece than any other EU member nation.

More than just an interest in investment, Russian citizens have a penchant for visiting Greece as tourists based on Greece’s sites of religious importance and a cultural connection spanning centuries. Russian tourism to Halkidiki near the monastery at Mt. Athos is second in visitorship only to the Germans, representing a large shift in interest from their fifth position in 2007. 31 One hotelier near the site, Eleftherios Meletlidis, estimates that visits have increased tenfold since 2002, no doubt in part because of devout Orthodox President Vladimir Putin’s visit to Mt. Athos in 2005 and subsequent returns. 32 Although outnumbered by German tourists, the Hellenic-Russian Chamber of Commerce reports that Russians are proportionally bigger spenders on their visits, generating 11% of Greece’s total tourism service exports. 33 Additionally, the Chamber disclosed in 2012 that 7% of visiting Russian tourists went on to buy holiday homes in the region, which translated to 31,000 sales. 34 Ivan Savvidi, a former Duma deputy in Putin’s majority party United Russia, was even quoted as saying "If Greece asks the Russian business community then I can tell you that by October next year Greece will have become a prosperous country," he said. "Russia has not turned its back on Greece in a thousand years - it certainly will not now." 35 Undeniably, religious and cultural similarities between the nations prove to be a strong motivating force for commerce and tourism.

31 Christides, Giorgos. “Greece gets investment from Russia with love.” BBC, 26 Oct. 2012
32 Christides, Giorgos. “Greece gets investment from Russia with love.” BBC, 26 Oct. 2012
33 Ghemawat, Pankaj. "In charts: here’s why Greece is making a mistake by turning to Russia for help." Quartz, 27 Apr. 2015.
34 Christides, Giorgos. “Greece gets investment from Russia with love.” BBC, 26 Oct. 2012
35 Christides, Giorgos. “Greece gets investment from Russia with love.” BBC, 26 Oct. 2012
Realistically, despite direct investment and tourism surges, Russia’s influence over Greece pales in comparison to that of the EU. Russia’s Deputy Finance Minister Sergey Storchak told CNBC in 2017, Russia, of course, could be a friend (to Greece) from different points of view. But at this stage, it's rather difficult to say that we are in a position to grant financial credits, with a budget deficit and huge demand for money internally, we now are very conservative in terms of granting external credits."  

Likewise, Russia is only Greece’s 21st largest merchandise export destination, much smaller than the roughly 50% of its exports that arise from intra-EU trade. Despite the large amount of Russian Orthodox tourists visiting Mt. Athos, overall, only 6% of Greece’s tourists come from Russia, and close to 70% come from the

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36 Cutmore, Geoff. "Russia is Greece's friend, but don't expect too much from us: Dep Finmin." CNBC, NBCUniversal, 23 Sept. 2016  
37 Ghemawat, Pankaj. "In charts: here's why Greece is making a mistake by turning to Russia for help." Quartz, 27 Apr. 2015.
Ultimately, Russia’s role in Greece’s burgeoning economic growth is dwarfed by the EU. How does China’s influence compare?

V. China’s interests, BRI, Greek Ownership falls short

In contrast with the religious and visa-motivated interests of individual Russian investors and tourists, Chinese motivations for Greek investment are driven by larger plan for world trade and Chinese influence in the EU. Once welcomed as an alternative to IMF and American investment in regions of Africa and South America, China’s Belt Road Initiative (BRI), a massive intercontinental plan to connect the world through sea and land trading passages and infrastructure projects, is now hailed by some as more of a colonialist pursuit for world hegemony than global trade.  

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38 Ghemawat, Pankaj. "In charts: here’s why Greece is making a mistake by turning to Russia for help." *Quartz*, 27 Apr. 2015.
One study by the Rhodium Group concluded that FDI from mainland China to the European Union hit a record 35 billion euros in 2016, up from only 1.6 billion in 2010.\footnote{Seaman, John, et al., editors. "Chinese Investment in Europe: A Country-Level Approach." European Think-tank Network on China, Institut Français des Relations Internationales, 14 Dec. 2017} In the Balkans specifically, Chinese steel giant Hesteel recently bought a steel factory near Serbia’s capital in Belgrade, and plans to upgrade and transform rails, harbors, and airports in Macedonia, Serbia, and Greece. \footnote{Hosken, Andrew, and Albana Kasapi. "Why is China investing heavily in south-east Europe?" BBC, 17 Oct. 2017} One such plan involves a 7 billion euro project to vastly expand the Athens airport. \footnote{Hosken, Andrew, and Albana Kasapi. "Why is China investing heavily in south-east Europe?" BBC, 17 Oct. 2017} Outside Greece, the leaders of these smaller, oft-overlooked non-EU European governments are happy with the opportunity for expansion and political significance. Serbia’s Prime Minister Ana Brnabić said in 2017, “Serbia is happy to be one of the central countries in the One Road One Belt Initiative because it’s important for our GDP growth and that is our
number one priority today”. Also unlike other investment nations, all of China’s state-owned corporations work together for the interest of China as a whole. For example, both telecommunications companies Huawei and ZTE decided to create logistics hubs in the Port of Pireaus, China’s biggest acquisitional success, in concert with its’ company Cosco’s Consolidation and Distribution Center. The Chinese state easily maneuvers deals across the Balkans using inter-company allegiance for the ultimate goal of expanding the Belt Road Initiative into Europe. While Serbia and Macedonian leadership welcome these changes, Greek reception is mixed. Detractors maintain that the EU’s economic influence over Greece is still far greater than that of China, but China’s increased investment presence is not to be ignored.

Although on paper the EU’s influence on Greece’s economy is seemingly larger, the European Think Tank on China posits that China’s economic presence might be underreported,

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43 Hosken, Andrew, and Albana Kasapi. "Why is China investing heavily in south-east Europe?" BBC, 17 Oct. 2017

as focusing on FDI does not accurately reflect China’s long-term interest in Greece, or the influence it yields through individual state-owned companies.\textsuperscript{45} To illustrate, China now yields huge influence over Greece and by extension Europe through state-owned Cosco’s acquisition of the Port of Piraeus in 2016. Investing a majority stake in this formerly public-owned port represents a shift from domestic Greek control to Chinese influence. The company invested over 385 million euro to maximize Chinese capacity to trade within the EU, and the port’s position and depth allows the biggest size of container ships to transport goods from the Suez Canal into the Mediterranean. \textsuperscript{46} To increase the capacity for Chinese tourism Cosco signed a deal with China Eastern Airlines for charter flights in 2017. \textsuperscript{47} Aside from acquisitions by Cosco, China’s second biggest investment involved the purchase of a 24 percent stake in Greece’s Independent Power Transmission Operator, followed by a 75 percent acquired stake in four windparks developed by Greek corporations, and the sale of telecommunications equipment and big data management from Huawei, Zhongxing Telecommunication Equipment (ZTE), the Pacific Century CyberWorks, and China International Television Corporation (CITC). \textsuperscript{48} These private acquisitions and the transformation of Greece’s infrastructure to fit Chinese tourist capacity reflect China’s not-so-hidden, surging economic influence in the region.

Despite increased infrastructure and development following investment from Chinese companies, the Greek people have yet to see the benefits of this form of globalist expansion.

\textsuperscript{46} Hosken, Andrew, and Albana Kasapi. “Why is China investing heavily in south-east Europe?” \textit{BBC}, 17 Oct. 2017
Groups like the European Think-tank Network on China insist that Chinese investors are capitalizing on Greece’s wave of privatization schemes and lost public ownership despite the initial misgivings of the Radical left Coalition leadership party (SYRIZA) in Greece, who oppose globalization, and opposition from trade unionists like those of the Port of Piraeus. Following intense but short-lived protests from the Greek docker’s union, General Secretary of the Dockworkers’ union Giorgos Gogos claimed “Cosco didn’t create the jobs it said it would”, as the company used subcontractors to hire close to 1,500 workers on short-term contracts at wages far below unionized Greek dockworkers salaries. The company also outfitted the port with cranes and expanded the docks with building materials, all from China. In the end, it is clear why many see liberalization as a “straightjacket” on Greece considering the low degree of Greek ownership the privatization has yielded.

VI. Conclusion

In contrast to this unfortunate approximation of Greece’s path of economic growth, China’s political focus on Greece could garner attention from foreign politicians interested in securing Greece’s favor in the future. Although he ran on a platform against capitalism and Greece’s globalization, Alexis Tsipras was pressured heavily by Chinese ambassador Zou Xioali, the first

50 Lowen, Mark. "Can China lead Greece out of darkness?" BBC, 9 Sept. 2013
foreign official to visit him in office, Chinese state-run newspapers and state Premier Le Keqiang, who made him a personal phone call, to fall in line with China’s interests. At the port’s inaugural ceremony Prime Minister Tsipras specifically stated Greece’s desire to “serve as China’s gateway into Europe”, pushing the Trump administration to lift an American deal over a Chinese competitor in the region, according to the New York Times in 2017. Perhaps in the near future Greece can continue to play intervening world powers off each other for greater political influence and commerce at competitive rates.


