

WSJA(10/4) China Offers Its Support To Greece

3 Oct 2010, 20:24

(From THE WALL STREET JOURNAL ASIA)

By Nick Skrekas In Athens and Andrew Batson In Beijing

Chinese Premier Wen Jiabao offered Greece a major vote of confidence on a visit to the debt-ridden European nation, saying China will continue to buy Greek bonds and announcing the creation of a \$5 billion fund to help Greek shipping companies buy Chinese ships.

The remarks represent some of China's most substantive support for the euro zone amid the region's debt troubles, and reflect the Asian giant's growing willingness to wield its economic clout to obtain wider international influence. Mr. Wen's Athens visit kicks off a week of intensive Chinese-European diplomacy, with the premier heading to Italy and Turkey as well as to summit meetings with European Union leaders in Brussels.

"We hope that by intensifying cooperation with you, we can be of some help in your endeavor to tide over difficulties at an early date," Mr. Wen said Sunday in a speech to the Greek parliament. "China will not reduce its euro-bond holdings and China supports a stable euro."

China has long had economic interests in Greece, primarily in its shipping industry, and it runs a substantial trade surplus with the European country. China's relations with Greece have come into focus in recent months as Greek officials actively lobbied the Asian nation to support its economy. Athens is desperate for investment as the country claws its way out of a deep recession and a debt crisis that drove it to the brink of bankruptcy in May.

"These agreements and the announcement of China's intent to continue to invest in Greek bonds are seen as a vote of confidence for our economy, which is going through a difficult time," said Greek Prime Minister George Papandreou. "As we say in both Greece and China, it is in the tough times that you know who your friends are."

Commercial officials from both nations exchanged visits in June, promising to boost trade and economic ties, and Beijing has said previously that it supports Europe's efforts to deal with its financial woes. Those promises were repeated and expanded with the state visit by Mr. Wen that started Saturday.

"China is prepared, hand in hand with the EU as passengers in the same boat, to strengthen cooperation to confront the financial crisis," Mr. Wen said Saturday. He also said China is encouraging its companies to invest in Greece, and predicted that trade between China and Greece likely will double in five years to \$8 billion annually. Last year, China's exports to Greece totaled 3.04 billion euros (\$4.19 billion), compared with 93 million euros of Greek imports to the country, according to EU data.

After overseeing the signing of agreements in shipping, construction and technology with Prime Minister Papandreou on Saturday, Mr. Wen announced China's intention to invest in Greek bonds and the creation of a substantial fund to finance the purchase of Chinese ships by Greek shippers.

"China will undertake a great effort to support euro-zone countries and Greece to overcome the crisis," Mr. Wen said, adding, "We hope the EU recognizes as soon as possible China's full market-economy status, and will relax restriction on high-technology exports to China and oppose trade protectionism."

Support from China could be crucial for Greece, which is looking to return to borrowing in international debt markets next year. While the bulk of China's foreign-exchange reserves of \$2.454 trillion are held in U.S. debt, numerous companies and governments have been looking to take advantage of Beijing's push to diversify into other currencies and assets. China bought 400 million euros of Spanish government debt earlier this year.

Mr. Wen also said that China would support the further development of Greek shipping companies with a new \$5 billion fund. "That is an offer to support the purchase of Chinese ships by Greek shipping companies," the premier said.

The financial crisis could be the start of a turning point in economic ties between China and Greece, which has for years sought Chinese investment with the pitch that the country's location offers a strategic springboard for trade between Asia and southern Europe.

With Athens now preparing to sell off state assets to raise desperately needed cash, officials argue the crisis makes Greece a good bargain for Chinese investors. As part of the bailout it sought from the EU and International Monetary Fund, Greece has imposed unprecedented austerity measures and vowed to privatize 3 billion euros in government assets over three years.

"Greece is an opportunity because it has undervalued assets due to its systemic crisis," Greek Investment Minister Haris Pamboukis said. "When there is a crisis and risk, there is a very significant profit margin."

Greece also is hoping to build on the success of China's existing investments. The flagship project is the 35-year concession that Chinese state-controlled shipping giant Cosco Shipping Co. won in 2008 to run the two main container terminals at Piraeus port outside Athens. The deal, valued at 3.4 billion euros, could more than triple capacity.

Cosco Chairman Wei Jiafu, who accompanied Mr. Wen on the visit, has said he sees the port as the base to seize other opportunities in Greece's privatization drive.

Cosco's shopping list includes a goods warehouse at Thriassio outside Athens, port installations in Thessalonica and a new airport at Kastelli in Crete. The Chinese company also would like to develop shipping repair at the Perama yard outside Piraeus.

Click here to go to Dow Jones NewsPlus, a web front page of today's most important business and market news, analysis and commentary: <http://www.djnewsplus.com/access/al?md=wdRaC%2BNBizoDC9%2BXI7qI8A%3D%3D>. You can use this link on the day this article is published and the following day.

(END) Dow Jones Newswires

October 03, 2010 14:24 ET (18:24 GMT)

Copyright (c) 2010 Dow Jones & Company, Inc.