

## FOCUS ON GREECE



China's Prime Minister Li has declared his intention to work with Greece to turn the port of Piraeus (pictured) into the best of its kind in the Mediterranean.

# Privatization Powers Ahead

EARLY SIGNS OF PROGRESS HAVE EMERGED, WITH NEW FOREIGN INVESTMENT IN GREECE'S LEISURE INDUSTRY COMING FROM CHINA AND THE MIDDLE EAST

**W**ould it be, the Greeks wondered, like selling off their national heritage? Or would it be more like entering the 21st century and joining the community of advanced capitalist economies, who are relaxed about foreign ownership of important assets?

In the end, there was little real choice or debate. Saved from the brink of bankruptcy by a heavyweight trio of European and world financial and political powers (the EU, the ECB and the IMF), Greece was effectively told that it had to ease rules on foreign ownership or else.

A programme of privatization slowly took shape, around two years behind schedule, but in 2014 the first concrete, large-scale signs of progress have emerged.

Foremost among them are investments into the country's booming tourism industry, such as the sale of the Astir hotel and marina complex at Vouliagmeni, south of Athens, acquired by Jermyn Street Real Estate Fund, managed by London-based AGC Equity Partners, for €440 million, the highest price ever paid for a Greek hotel asset. The acquiring fund is backed by investors from Abu Dhabi, Kuwait and Turkey, a sign of the newfound interest in Greek leisure property coming from the Middle East.

China, too, is becoming a very active investor. The visit of Chinese Prime Minister Li Keqiang to Athens in June 2014 was both a symbolic and practical turning point in the privatization journey. A total of 19 accords were signed between the two nations, adding up to an estimated €4.7 billion (\$6.5

billion), covering deals in shipping, infrastructure, transport and energy.

These deals included a proposal for Chinese companies to acquire the port of Piraeus, in order for it to become China's "gateway to Europe," reducing

**"THE CURRENT STABILITY MEANS MORE POSITIVE RESULTS, MORE NEW JOBS IN TOURISM AND TECHNOLOGY."**

the time needed to ship goods from China to the EU by as much as 11 days.

"We will work together with Greece to turn the port of

Piraeus into the best of its kind in the Mediterranean," said Prime Minister Li. "China seeks closer cooperation with Greece over airports, railroads, road networks and other infrastructure. Greece is speeding up privatizations and infrastructure development. China will encourage its acclaimed businesses to play an active role in the process."

The Greek-Chinese trade link-up is two-way, since Chinese shipbuilders receive billions of euros of orders from Greek shipping companies each year—there are almost 200 ships currently on order. But it is the massive potential Chinese investment in Greek assets that is novel.

China's Fosun Group was picked earlier this year to lead a €6 billion redevelopment of the former Athens airport at

Hellenikon, turning it into a housing and leisure complex. This will involve "the transformation of the old airport into the biggest metropolitan park in Europe, similar to [New York's] Central Park," says Panos Leivadas, secretary general of the Greek National Tourism Organization. "The value on ongoing co-financed investments in tourism is more than €1.5 billion."

Chinese shipping company COSCO, already a major operator at the port of Piraeus, is now expected to acquire the Greek government's 67% stake in the asset, providing it can satisfy competition authorities.

A further 10 or more Greek ports are up for privatization under the debt-rescue deal, including Tybaki on the island of Crete, where Chinese Prime Minister Li also visited in June.

## A REVOLUTIONARY ISLAND CONCEPT

**O**ne of the largest foreign investments in progress in Greece is also one of the most adventurous. The former emir of Qatar, Hamad bin Khalifa al-Thani, acquired six islands in the Ionian Sea for €8.5 million (\$10.7 million) in March 2013 and is now planning to invest a further €300 million to convert one of them—Oxia—into an art island, complete with amphitheater, hotels, resorts, sports facilities, bars, restaurants and a helipad.

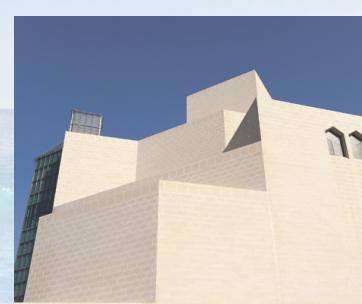
He has hired the Greek architecture firm of Stelios Agiostratis & Partners, based in Athens, to draw up plans for the development, which will fuse "art, culture and hospitality," and offer subsidized

housing to artists and their families, along with fully equipped studios and workshops. Whatever they create will belong to the artists, but must remain on the island.

The 500-hectare (1,235-acre) island is currently uninhabited, but lies just 38 kilometers (23.5 miles) away from Ithaca, an island mentioned in Homer's "Odyssey."

It has steep, rocky hillsides and presents a series of challenges to the developers, who plan to lay a water pipe from the mainland.

The sale is the highest-profile example of Greece's privatization process as applied to its legendary islands. Indeed, it took more than 18 months of negotiation before the emir was



*The cultural aspects of Oxia as an art island, will be overseen by the head curator at the Museum of Islamic Art in Doha (pictured).*

permitted to acquire the properties, as the famous Greek bureaucracy tied the deal up in red tape.

At least 50% of the area of Oxia will remain undisturbed

by the development, according to the architects, who stress its environmentally friendly nature and the atmosphere of tranquillity that they plan to maintain.

The cultural aspects of the island will be overseen by Sheikha Al Mayassa bint Hamad bin Khalifa al-Thani, daughter of the former emir, who is head curator of the Qatari museums—notably the exquisite Islamic Art Museum in Doha.

Oxia Art Island is expected to provide 700 jobs in its construction phase and a further 200 to 250 full-time posts once it opens to the public in 2016 at the earliest, providing valuable income to this remote part of Greece.

Such benefits helped to sway the local planning authorities, which had resisted permitting the emir to build anything larger than 250 square meters (298 square yards) on the islands. "The emir reacted to this saying his WC is 250 square meters and his kitchen alone has to be 1,000 square meters because otherwise how is he going to feed all his guests?" commented Ioannis Kassianos, the Greek-American mayor of Ithaca.

A compromise has clearly been reached, as part of the overall investment program that Qatar has announced for Greece, running to billions of dollars and covering real estate, tourism, transport and infrastructure.