

Economic Commentary

October 3, 2010

Wen Jianbao's Visit to Greece: What is Behind this High Level Move?

Chinese Premier Wen Jiabao's visit to Greece October 1-3, 2010, his first stop in his European tour is certainly a huge confidence booster for Greece's embattled economy. Why does Greece rank so high in Beijing's list of priorities one might ask? Here are a couple of insights as to why. 1) China one of the oldest and most sophisticated civilizations of the world values and respects Greece's cultural and historical legacy and sees it as it's equal and complementary to its own. 2) China has found the best partner to join with in a campaign to have stolen treasures returned to the lands that they belong, Lord Elgin's son following in his father's footsteps (the father stole the Parthenon marbles from the Acropolis) stole valuable art work from China's Summer palace. 3) Greece might be a small country when it comes to merchandise trade, but in trade in services it is one of the world leaders. Greek ship owners own more than 20% of the world's ships which makes Greece a maritime shipping superpower. 4) Nearly a fourth of Chinese trade is carried on Greek vessels, which makes Greece a vital partner for China. 5) Greek owners were among the leaders in ordering new ships in Chinese shipyards, their order book stood at over 1,000 ships of 82 million tonnes deadweight for an investment of over \$50 billion in late 2008, while in 2006-2009 they were taking delivery of 16 vessels a month. 6) The \$5 billion shipping investment facility offered to Greece is intended to assist Greek ship owners to finance construction and keep the yards working now that the global banking crisis has reduced credit to the shipping industry. 7) Buy more Greek government bonds? Why not? This is a gesture of good will that will buy a lot of support to facilitate China's investment in the Piraeus shipping hub container terminal among other investments planned in Greece. China has decided to make Greece one of its main gateways into the European continent. 8) Greek bonds, representing a Euro currency risk diversify China's exposure away from USD bonds which mitigates the credit risk it is undertaking in taking on more GGBs. 9) In assisting what seems to be the weakest link in the Euro chain, China also helps bolster the euro. China does not want to see the euro fall because it will undermine the USD and knock down the international monetary order, forcing the yuan higher and hurting Chinese exports in the process. A strong euro is as much in the interest of China as it is for the countries in the eurozone. 10) China is certainly being opportunistic in coming to the help of weak euro members at this time, but you cannot fault them for doing this, every player in the same position to advance their agenda would do the same thing; 11) This having been said, it is a positive move for the eurozone and for financial and currency stability in the world today, which mean's that today's announcement in Athens is welcome news in Brussels and will bolster the euro in the weeks to come .

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