

***THE LESSON OF THE TROJAN HORSE AND
“THE END OF THE WASHINGTON – BRUSSELS CONSENSUS”***

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*“Right, as the world goes, is only in question between equals in power,
while the strong do what they can and the weak suffer what they must”.*
(Thucydides, The Peloponnesian War, 5:89)¹

Since the creation of the world, human existence can be summed up as alternating between the struggle for survival and the struggle for power. Throughout history, militarized clashes were the way to ensure markets hence political-diplomatic and economic leverage. In the modern world, the newer way of establishing markets or preserving comparative advantage is now financial hegemony. The ‘dictatorship of the purse’ controls not only countries but also regions, even superpowers, alliances and other unions. The example of Greece provides clear evidence to this discourse. As we have seen, manipulating Greece’s financial despair is a way to politically mute a fellow nation state’s voice in regional affairs. This is not however the end of the story. While Brussels was dictating terms to Greece, a new, emerging alliance quickly understood the lesson of the Trojan Horse. Instead of the Greeks using subterfuge and sabotage to enter Troy, the tables may have actually turned on the EU without their even knowing it.

According to the 18 members of the EU, Greece is their weakest link. While they voted for the imposition of austerity measures, little did they consider Greece

¹ Alexandr Mercouris , June 2015, “EU and Greece: Tyranny of Strong States Over Week Ones” Published at Sputnik, available at url: <http://sputniknews.com/columnists/20150622/1023694536.html>, [accessed July 28, 2015]

RIEAS @ AUGUST 2015

becoming the critical link for the newly formed Asian Alliance. While Greece remains very much in Europe, its role within this alliance is as Asia's 'trade gate' into the EU. Currently, the European Commission, European Central Bank, and the IMF are the holders of Greek debt. According to Goldman Sachs even the EU's most credit-worthy banks are in need of \$2 trillion.² China as a holder of 7.2% of the total \$17 trillion U.S. debt³ looks like the most obvious lender. Such confidence in China however might be misplaced. Instead China is looking at Greece.

On July 21, 2015, the **BRICS Development Bank** (Brazil, Russia, India, China, South Africa) opened its doors in Shanghai.⁴ Called the 'New Development Bank' (NDB), its formation and Contingent Reserve Agreement was announced during the 7th BRICS summit held in Ufa, Russia earlier in July 2015.⁵ Establishing the NDB poses a significant milestone in furthering the BRICS' joint integration; one where political momentum becomes solidified through institutionalization.

Initial reports are that the bank's start-up assets will be \$10 billion - a \$2 billion contribution from each BRICS member country. Over time, it is expected to increase its operational assets up to \$40 billion, eventually reaching its target pool of \$100 billion. These reports also speculate that the NDB will approve its initial investments at the beginning of 2016.⁶ This is where Greece comes in. If Greece is welcomed into the NDB with open arms, it marks a stark contrast to the events of late.

This also arises the question as to whether the NDB becomes a main rival of the Washington Consensus (IMF and World Bank) as well? If the NDB becomes a new

² Boris Grozovski, December, 2010, "Polozheniye del v Yevrope kuda khuzhe, chem prinyato priznavat', spaseniya poka ne vidno. Skol'ko deneg yey ne khvatayet?" (The situation in Europe far worse than it is to admit, salvation is not visible yet. Now much money is needed?). Published at Forbes.com. Available at url: <http://m.forbes.ru/article.php?id=75067>, [accessed July 28, 2015]

³ Mike Patton, October 2014, "Who owns the most U.S debt?". Published at Forbes.com. Available at url: <http://www.forbes.com/sites/mikepatton/2014/10/28/who-owns-the-most-u-s-debt/>, [accessed July 28, 2015]

⁴ Xinhuanet News, July 2015, Song Miou. "BRICS New Development Bank starts business" Published at website of Xinhuanet News. Available at url: http://news.xinhuanet.com/english/2015-07/21/c_134430881.htm, [accessed July 22, 2015]

⁵ New China, July 2015, Huaxia, "News Analysis: BRICS a key force for upholding int'l justice, driver if global economic growth" Published at website of New China. Available at url: http://news.xinhuanet.com/english/2015-07/13/c_134407483.htm, [accessed July 22, 2015]

⁶ RIA Novosti, July 2015 "Bank razvitiya BRIKS nachal rabotu v Shankhaye" (BRICS Development Bank is launched in Shanghai) Published at website of RIA Novosti. Available at url: <http://ria.ru/economy/20150721/1139307453.html>, [accessed July 22, 2015]

RIEAS @ AUGUST 2015

reserve currency, would it be poised to control a third of the world's reserves? Even though Brazilian President Dilma Rousseff stressed that the NDB will not become a rival to the IMF⁷, the NDB's first move already contradicts her. As we learned, after only one week since NDB opened its doors, it offered membership to Greece. The majority Greek Socialist Party 'Syriza' received the invitation from Russian Deputy Finance Minister Sergei Storchak, to become the NDB's sixth member. According to the Greek Ministry of Energy, NDB President Kandapur Kamath said that he would welcome the decision of the Greek Government to apply for membership. ⁸ In addition, Greek Ministers representing Economy, Infrastructure, Shipping and Tourism also support the idea of Greece joining this institution. Greece's largest oil company, Hellenic Petroleum expressed that joining the NDB might open up opportunities for further development. ⁹

The key difference here is that China supports the 'unconditional business of carrots or cabbage' versus Washington's or Brussel's 'carrots and sticks.' After being humiliated despite the 'will of the people,' why wouldn't everyday Greeks trade austerity measures for the 'unconditional love' offered by the NDB and the Asian Alliance?

While the world was recently busy with Syria, Ukraine, Russia, Iran, and so on, China spent all of its energy investing in Latin America and Africa. According to Kevin Gallagher of the Financial Times, China has lent over \$110 billion to developing countries over the past two years, **more than the World Bank has made in three years**. The main recipients of which were Argentina, Venezuela, Brazil.¹⁰ Additionally China invested \$90 billion in the Central Asian states¹¹. China's investments are primarily in infrastructure, transportation as well as

⁷ Summit BRICS Ufa, July 2015, "Russeff: rezervnyy fond i Bank BRIKS ne budut konkurirovat' s MVF" ("Rousseff: Reserve pool, and the Bank of BRICS will not compete with IMF"). Published at RIA Novosti. Available at url:

<http://ria.ru/economy/20150710/1124396933.html>, [accessed July 28, 2015]

⁸ Anna Liatsou, July 2015, "Greek Energy Ministry: BRICS Bank President to Welcome Greek Application". Published at Sputniknews.com. Available at url:

<http://sputniknews.com/europe/20150618/1023548396.html>, [accessed July 28, 2015]

⁹ Anna Liatsou, July 2015, "Hellenic Petroleum to Benefit From Greece's Membership in BRICS Bank – CEO". Published at Sputniknews.com. Available at url: <http://sputniknews.com/business/20150618/1023542826.html>, [accessed July 28, 2015]

¹⁰ Kevin Gallagher, March 2011, "The end of "Washington Consensus"", Published at Economist's View. Available at url:

<http://economistsview.typepad.com/economistsview/2011/03/the-end-of-the-washington-consensus.html>, [accessed July 28, 2015]

¹¹ Eurasianet.org, November 2014, "Kitay gotovit ocherednyuyu moshchnuyu volnu ekspansii v Tsentral'noy Azii" (China is getting ready for another powerful wave of expansion in Central Asia), Published at Eurasianet.org. Available at url: <http://russian.eurasianet.org/node/61446>, [accessed July 30, 2015]

RIEAS @ AUGUST 2015

science and technology. According to Chinese President Xi Jinping, China wants to build infrastructure elsewhere than at home since they ran out of space to build on. Chinese engineering giants still need to build ports, roads and cities and in turn bring invested Chinese capital back home. Thus, lending money to the regions and providing Chinese subcontractors to build infrastructure is the new 'win-win' way of lending.

For China and Russia collectively, Greece holds a third of the world's shipping industry. Greece is also number two in the world's merchant shipping industry, well ahead of Germany and other EU countries.¹² In addition, Greece is now the world's second largest non-operating container ship-owner.¹³ One of the most well known and prolific Chinese investments is the massive Greek port at Piraeus. With this in mind, Greek membership in the NDB is hardly out of empathy from the BRICS, the NDB nor the Asian Alliance. Instead it represents an investment opportunity based on proven Return on Investment (ROI).

In 2008, the Chinese Company COSCO (China Ocean Shipping Company) acquired a 30-year operating license at Piraeus' Pier I in 2008 for a bargain price of \$532 million. In 7 years, COSCO was able to quadruple its volume of container handling. By 2016, the company is planning to reach 6.2 million containers per year,¹⁴ eclipsing well ahead of European ports like Rotterdam and Hamburg. In fact, Rotterdam and Hamburg will no longer be needed since goods from Piraeus are now being transported further to European countries on weekly basis by rail.¹⁵

The interlocking modes of sea-rail transportation also draws Russia's interest as well. When Greece decided to sell its Thessaloniki Port, along with its largest railway cargo carrier 'Train OSE,' and repair/service company 'Rosco' on public auction, the President of the Open Joint Stock Company (OJSC) Russian Railways asked President Vladimir Putin for a government subsidy to guarantee their investment.¹⁶ While this is still in progress, Russian Railways (the largest railway

¹² Panos Mourdoukoutas, April, 2015, "One Global Sector Where Greece Beats Germany -- And Is A Big Investor Opportunity", Published at Forbes.com. Available at url: <http://www.forbes.com/sites/panosmourdoukoutas/2015/04/30/one-global-sector-where-greece-beats-germany-and-is-a-big-investor-opportunity/>, [accessed July 28, 2015]

¹³ Daniel Logan, July 2015, "Greeks hold significant portion of global container market" Published at Shippingwatch.com. Available at url: <http://shippingwatch.com/secure/carriers/Container/article7857578.ece>, [accessed July 28, 2015]

¹⁴ Svargaman, May 2015, "Kitayskiy biznes v Yevrope na primere Gretsii" (Chinese business in Europe, example of Greece), Published at Voprosik . Available at url: <http://voprosik.net/kitajskij-biznes-v-evrope-na-primere-grecii/>, [accessed July 28, 2015]

¹⁵ ibid (14)

¹⁶ Julija Orlova, Evgenij Timoshinov, Natal'ja Barhatova, June, 2015, "RZHD ishchet put' v Gretsiyu" (Russian Railways are looking for a way to Greece), Published at

RIEAS @ AUGUST 2015

company in the world) currently operates branches in China, Korea, France, Germany, Finland and Estonia. By already owning the Serbian logistics company GEFCO, the acquisition of Train OSE will link Greece to key European countries.

If the recent joint Russian-Chinese naval exercises in the Mediterranean are any indicator, their collective stakes in BRICS and the NDB also applies to their joint investments in Greece.¹⁷ What's next? One of the plans would be for Hellenic Petroleum to acquire oil tankers from other European countries at bargain prices. Even at the height of the debt crisis, Greek shipping companies were able to acquire 24 vessels from Germany,¹⁸ confirming that the building of energy alliances with Gazprom and Chinese CNPC might yet prove to be profitable. On the other hand, the acquisition of vessels could serve another purpose entirely. While being a part of the Greek Shipping Alliance,¹⁹ China can easily acquire other Greek shipping companies at bargain prices. Companies like Costamare, Navios Maritime Partners, Tsakos Energy Navigation are currently on the market.²⁰

At present, Gazprom and Posneft own 51% of Solimoos²¹ - an oil extraction and exploration project at Brazil's Amazon River basin. If Hellenic Petroleum will become as one of the main oil transport operators between Brazil and Africa for instance, it will translate to ever-increasing earnings for Greece without it making substantial investments of its own.

Having discussed Europe, Asia and to a lesser degree Africa and South America, the notion of Greece pictured as a main transportation hub or 'The Gate' between Asia and Europe is a fairly recent one. Traditionally, this role of 'The Gate' belonged to Turkey. The primary reason for this change was already addressed – the Greek Shipping Industry and its ports. Another reason however could point to relations between Russia and China to Turkey. The Chinese relationship with Turkey soured since the Turkish outcry over the discrimination of China's 11

Kommersant. Available at url: <http://www.kommersant.ru/doc/2204897>, [accessed July 29, 2015]

¹⁷ InoСМИ.ru, July 2015, "Морское взаимодействие-2015»: маневры глазами китайской стороны" ("Sea interaction-2015"-maneuvers from Chinese point of view), Published at InoСМИ.ru. Available at url:

<http://inosmi.ru/photo/20150526/228231929.html>, [accessed July 29, 2015]

¹⁸ ibid (12)

¹⁹ Ibid (14)

²⁰ Ibid (12)

²¹ Rosneft, November 2013, "Rosneft Brazil uvelichivayet dolyu i poluchayet status operatora v projekte Solimoyns" (Rosneft Brazil increasing it's share and obtaining operator's status at Solimoos Project). Published at Rosneft official website. Available at url:

<http://www.rosneft.ru/news/pressrelease/22112013.html>, [accessed July 28, 2015]

RIEAS @ AUGUST 2015

million-member Muslim Uighur Minority.²² Regarding Russia, it all started when Russian President Vladimir Putin visited Armenia and described events in 1915 as the Turkish genocide of Armenians. The feeling is mutual since in return Turkey accused Russia of discriminating against the Tatar minority in Crimea.²³ While Turkey remains riddled between the PKK and ISIS, it's business as usual for China and Russia elsewhere.

Animus aside, Greece is not the only stake sought by BRICS members Russia and China. With the prospect of sanctions being lifted off Iran for example, it stands to receive an invitation to join as a seventh member of the BRICS's NDA Bank. Recently China visited Iran's largest seaport, Bandar Abbas to study investment opportunities in both the seaport and railway transportation industries. Bandar Abbas is the main seaport where 90% of Iran's trade operates.²⁴ If Iran is any indicator, Greece is sought out by Russia and China because it provides a practical business advantage that few others provide.

As these investments into the world's major transportation hubs appear more and more feasible, BRICS/NDB members Russia and China might actually seize at least third of the world's maritime trade. Connecting Bandar Abbas, Port Said, Piraeus and Thessaloniki looks like a neatly-tied chain of trade infrastructures that can influence world trade balances away from Washington and Brussels.

What used to be an arms race is now considered an investments race. As far as the Washington or Brussels Consensus goes, the old blueprint of loaning sovereign money and interjecting themselves into internal affairs appears passé since in true economic fashion competition has arrived. The NDB especially is not going away since it is backed up by the sibling Asian Infrastructure Investment Bank (AIIB); an institution with 57 founding members, 17 of which are EU member states.²⁵ Since NDB and AIIB were launched simultaneously, China by no mere coincidence holds its largest shares. According to Chinese Finance Minister Lou

²² Dorian Jones, July 2015, "Turkey: Support for Uighurs Could Undercut Ties with China" Published at Eurasianet.org. Available at url:

<http://www.eurasianet.org/node/74311>, [accessed July 28, 2015]

²³ Andrei Rezchikov, Michail Moshkin, May 2015, "Ankara vybirayet mezhdu «Turetskim potokom» i «armyanskim voprosom» (Ankara is choosing between "Turkish South Stream" and "Armenian issue"). Published at Vzgljad. Available at url: <http://vz.ru/politics/2015/5/15/745312.html>, [accessed July 29, 2015]

²⁴ IRNA News, June 2015, "Chinese delegation in Bandar Abbas to study investment opportunities" Published at IRNA News website. Available at url: <http://www.irna.ir/en/News/81631400/>, [accessed in July 29, 2015]

²⁵ Brenda Goh, June 2015, "China's new bank will start taking concrete shape this week" Published at Reuters. Available at url:

<http://www.reuters.com/article/2015/06/28/asia-aiib-idUSL8N0ZB18P20150628>, [accessed July 29, 2015]

RIEAS @ AUGUST 2015

Jiwei, both banks are meant to complement each other.²⁶ With both banks backing up, even financing each other's projects, the Asian Alliance aims to become the world's financial intermediary.

The implications could well mark the beginning of the Dollar's fall as the World's reserve currency, especially since many aspiring or rebuilding countries might agree on a countertrade regimen instead of approaching Washington or Brussels. In the thick of it all, Greece is smart enough to leverage the help of BRICS and the NDB to come back better than ever. The irony is that the EU never saw it coming.

²⁶ RIA Novosti, July 2015, "Glava Minfina Kitaya: novyy bank razvitiya i ABII dopolnyayut drug druga" (The Minister of Finance of China: the new development bank and AIIB complement each other), Published at RIA Novosti. Available at url: <http://ria.ru/economy/20150721/1139676794.html>, [accessed July 29, 2015]