

Greek owners poised to ride out any sovereign default

Operators directly involved in carrying cargoes into and out of Greece are most at risk

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GREEK shipowners are well placed to survive any default on their country's sovereign debt in the months ahead, according to top shipping dealmakers, although the knock-on effects will inject a further degree of unpredictability into an already-troubled wider industry.

Immediately in the line of fire are operators directly involved in carrying cargoes into and out of Greece, observers said. However, the majority of Greek players are orientated to the international arena and therefore are in effect insulated from whatever now happens to the Greek economy.

The sentiments expressed broadly chime with a report issued earlier this week by the London-based Greek Shipping Co-operation Committee, which insisted that the sector had so far coped well with the increasingly chaotic outlook facing the country.

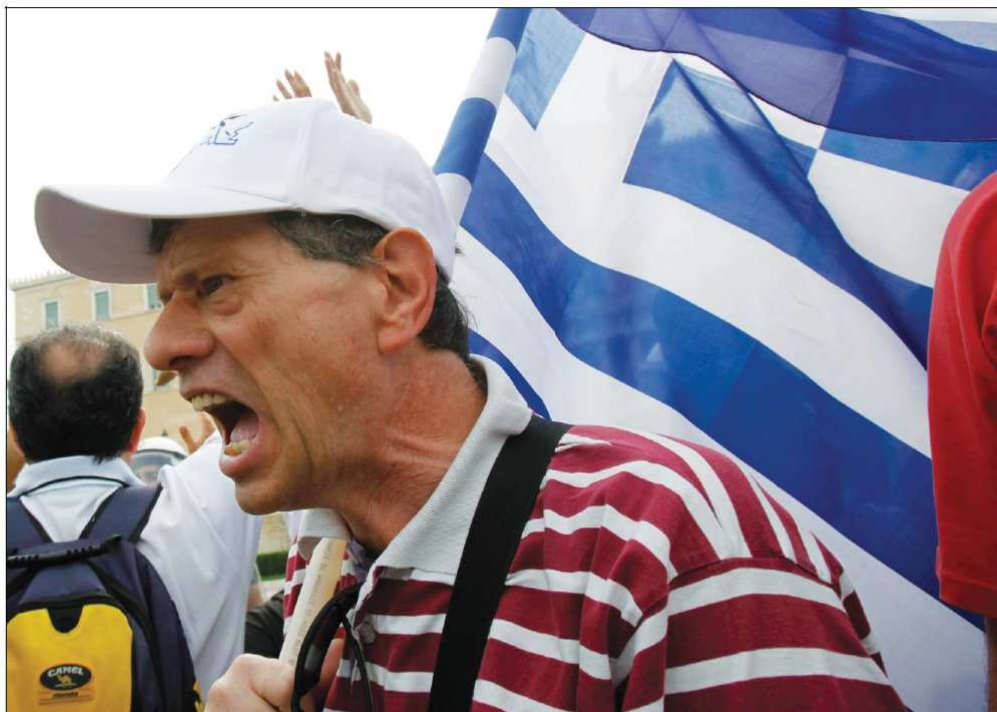
But in the bigger picture, fears of sovereign default were causing worldwide unease in equities, derivatives, currencies and money markets alike today, with credit default swap prices implying a 78% likelihood that Greece will soon not be able to pay its debts.

Word that the European Union and the International Monetary Fund are about to backpedal on conditions for an immediate €12bn (\$16.9bn) disbursement offered hope that the moment of truth may now be deferred until at least September.

After Wednesday's violent riots in Athens, prime minister George Papandreou was last night poised to unveil a new coalition cabinet that will press ahead with austerity measures despite the rising tide of unrest.

Harry Theochari, head of transport at shipping law firm Norton Rose, said that while default is obviously now possible, Brussels is fully aware that it is politically imperative to do everything that can be done to avoid such an eventuality.

"One thing Greek shipowners have shown is that they are a truly global force.



A demonstrator voices his anger over Greece's debt troubles outside the parliament in Athens: majority of Greek shipping players may be insulated from crisis. AP

Greek shipowners can run their business from anywhere in the world. They are not wedded to Greece. They create a lot of wealth in the country through the employment of people. But if we are honest with ourselves, not much of Greek tax revenue comes from Greek shipping," he said.

"[The situation] will only affect those owners — not necessarily Greek — who trade into and out of Greece. There is clearly going to be a decline in trade with Greece, both goods going out and goods coming in. Shipowners involved in those trades may have difficulties.

"Otherwise, Greek shipowners are part of a global business and they suffer when there is a global crisis, as they all have since the summer of 2008 and the lack of liquidity."

Attention is also focusing on the implications of the crisis for the wider

banking sector, including both Greek banks and some northern European banks involved in shipfinance which have exposure to Greek sovereign debt.

Ratings agency Moody's placed the ratings of BNP Paribas, Société Générale and Crédit Agricole under review, which may ultimately lead to a downgrade.

The prospect of so-called contagion — the spillover of the situation in Greece to other European economies — is also causing concern in some quarters.

Janos Koenig, chief financial officer of ship finance consultancy Eurofin Group, argued: "I have no crystal ball, but I believe that there is not going to be a formal default. It is likely to be along shipping lines, where owners do not default but their obligations are rescheduled with the consent of the bank on some new basis.

"Having said that, if the government

were to topple, which is a distinct possibility, then all bets are off."

But de facto default under some euphemism might lead Portugal, the Irish Republic and possibly Spain and Italy to seek similar treatment, he warned.

"Regarding shipping, I believe it will not be affected. Shipping revenues have nothing to do with the internal economic affairs of Greece. Owners operate in their own world, tax free without any serious interaction with the the local economy.

"Of course, the long term solution for the Greek problem will be for the government to provide an economic stimulus for the economy by simplifying the bureaucracy, to allow businessmen to conduct their business, while at the same time introducing effective measures against tax evasion and corruption. That is easier said than done." ■

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