Chinese investment in Portugal and in Italy and its impact in the European Union[1]

Pedro Farrajota Ramos

INTRODUCTION

The entry of large amounts of Chinese investment into the European Union (EU) occurred primarily in the post-economic crisis period of 2011, reaching its peak in 2016 and has beginning to decline sharply since then, reaching its lowest point in the last ten years in 2020[2]. Portugal and Italy are the two Southern European countries that received the most foreign direct investment (FDI)[3] within the last ten years, the downward trend in investment being similar to that felt in other States in general.[4] Both have a high external debt and are usually labeled by the press and political actors as "naïve friends" of China[5], something that, in the future, could have harmful consequences in the EU due to issues related to capital dependency and control of strategic assets. A number of academic papers have previously focused on addressing how Chinese investment might give rise to this potential dependency and consequently affect the EU[6]. This article strives to complement these discussions, seeking, through the study of the cases of Italy and Portugal, to help enlightening how Chinese investment is able to stimulate behaviors that cause the union or distancing of states in the creation of collective responses to the challenges posed by this very investment. Underpinned by a comparative study, this article focuses primarily on the observation of the foreign policy responses of Portugal and Italy and the communication strategies adopted by both with respect to the attraction of Chinese investment, subsequently trying to

ABSTRACT

The debates around Chinese investment and the detrimental effects that it might have on States on the receiving end of it have led the European Union (EU) to pursue initiatives intended to protect the national interests of its countries. The emergence of populism in Italy, together with a growing Euroscepticism and political instability, decisively influenced Italy's foreign policy on Chinese investment-related matters, which led its communication strategies to affect the EU at some points. Alternatively, Portugal's internal stability and favorable opinion of the EU enabled this country to manage its relations with China while generally taking into account the preservation of the European vector's stability.

Keywords: Chinese investment, Portugal, Italy, European Union.

RESUMO

Investimento chinês em Portugal e na Itália e as suas repercussões na União Europeia

Os debates em torno do investimento chinês e dos efeitos nega-

→

 https://doi.org/10.23906/ri2021.sia06

tivos que este pode ter nos países que o recebem levaram a União Europeia (UE) a avançar com iniciativas para proteger os interesses dos Estados. A emergência do populismo na Itália, associada a um crescente euroceticismo e à instabilidade política do país, influenciou decisivamente a política externa da Itália em matérias ligadas ao investimento chinês, algo que levou a que as suas estratégias de comunicação afetassem, em determinados períodos, a UE. Em sentido oposto, a maior estabilidade interna de Portugal e a opinião favorável da UE levaram a que o país gerisse as suas relações com a China tendo geralmente em consideração a preservação da estabilidade do vetor europeu.

Palavras-chave: investimento chinês, Portugal, Itália, União Europeia.

discern how these factors affect the EU's ability to respond in a coherent way to the challenges posed by that very investment. We argue that Italy's foreign policy decisions and communication strategies have affected, and have a greater potential to continue to affect, the country's ability to achieve coherent responses on the part of the EU to the challenges posed by Chinese investment than those of Portugal. To arrive at these conclusions, this article relies fundamentally on the observation and analysis of government documents, foreign policy decision-making and public statements by political actors.

In the first instance, a discussion is initiated about some of the problems involving FDI in the EU, in attempt to explain how Chinese investment can be understood either as a challenge or as an opportunity. Because China is not an ally of the EU, its investments on European soil generate discussion about the real intentions behind them, and it is difficult to discern whether they are based on purely economic or also geopolitical reasons. To assess the conditions under which Chinese investment can represent a challenge or an opportunity, the article explains what specifics make it unique in relation to that of other countries and how these features can render it more or less dangerous for states and the EU. In this context, two main issues arise: the type of companies that invest on European soil and the type of investment they make. As for the type of companies, while Chinese state-owned enterprises (SOE) might present challenges, due to being larger than EU ones, not being necessarily oriented towards positive economic and financial results and having links to the Chinese Communist Party, private companies may also pose difficulties due to potential lingering ties with the Chinese Government and financial advantages that may arise from that association.[7] As regards the types of investment, greenfield investments[8] are usually seen in a more positive light because they generate new jobs and investment from scratch, while mergers and acquisitions and mergers (M&A)[9] are sometimes seen as predatory investments because they acquire a share or the totality of European companies.

Next, after a brief description of the evolution of the EU'S responses to the challenges posed by Chinese investment, the article explains, by means of a comparative study, how foreign policy and communication strategies adopted by both Italy and Portugal have affected these joint European responses. It is observed that the emergence of populism in Italy, coupled with government instability and growing Euroscepticism in the country, emerged as the great differing factor leading to Italy adopting a behavior that affected the EU in a more negative manner. However, the consequences of this behavior had more to do with laying bare the disunity of EU states than with unambiguous opposition to European policies. Portugal, for its part, despite its positive relations with China, has typically sought to adopt a more moderate communication strategy that would preserve its image within the EU without compromising its links with China.

CHINESE FOREIGN DIRECT INVESTMENT IN THE EU, CHALLENGE OR OPPORTUNITY?

The literature has been discussing for several years the problematics involving Chinese investment in the EU, and it is observable that tendentially there is a higher number of academic papers seeking to identify the potential risks that Chinese investment entails for the EU and for each country individually[10], than studies dwelling on the benefits that this same investment brings and is able to bring[11]. Although there are other types of Chinese investment, such as portfolio investments,[12] those who have elicited the most concern fall into the FDI category because they imply some degree of control of the assets. The concern about the creation of a possible economic dependency of EU countries on China is something that goes beyond what can be gathered from statements by political actors, the media or the general population, the same being observable, with similar traits, in the academia.[13] It is advocated that because China is an emerging and less advanced economy than some of the countries in which it invests, its investments may not bring the usual *spillover* benefits[14]. Moreover, and in addition to the fact that China is not an ally of the EU, it is acknowledged that its unique political-economic system could bring to its state-owned enterprises (SOE) competitive advantage over European companies, notably due to economic and financial incentives granted by the state.[15] However, it is important to note that Chinese investment also brings benefits to the countries that receive it, such as the maintenance of jobs that would be lost in the case of companies in an imminent bankruptcy situation and therefore requiring intervention. It is crucial that not only political actors but also society, the media and academics realize that Chinese investment does not represent solely a source of risks, but also a number of advantages for the States that receive it. Otherwise states and businesses may lose opportunities that would be beneficial to them. In fact, there has already been a decline in Chinese investment worldwide, the most prominent evidence of which being the increasing restrictions imposed by the Chinese Government on the channeling of capital to investments abroad, due to issues such as money laundering or the depreciation of the Chinese currency.[16] It has also been postulated that the increase in adverse policies and rhetoric has contributed, in cases such as that of the United States, to this same decline.[17] Zhang, regarding Chinese investment in the EU, also conducted a study that explores how heuristics influence both public opinion and political actors, shaping positions that are more grounded in the intuitive perceptions of the potential harms that Chinese investment can bring to the states that receive it, than in concrete data and evidence that support this assumption.[18] Studies such as this are important, even for political actors and analysts who predict, in their personal opinion, the darkest scenario that sees Chinese investment as a weapon of geopolitical control, since they signal cognitive prejudices created by the intuitive observation of events, thus stimulating the pursuit of a rationale based on data, subsequently enabling decision-making and stand-taking.

Thus, a balanced discussion is required on the topics that most concern analysts and political actors. Two fundamental elements that generate concern with regard to Chinese FDI are identified: the type of investment and the investing entities. First, as for the type of investment, there is usually a listing that subdivides it into M&A – often understood as possibly dangerous for the country that receives them because they imply the acquisition of percentages of existing companies – and greenfield – involving investments from scratch, creators of new companies (usually perceived more positively by the general public for not generating the feeling of loss of national assets).[19] With regard to Chinese FDI, this has come mostly from M&A, something that usually raises more concerns, as it gives Chinese companies the possibility to acquire geopolitical and geoeconomically relevant assets. One of these examples relates to the purchase of companies with innovative technologies, providing Chinese investors with the possibility of taking possession of them and even transferring these companies' infrastructures to China, causing job losses in Europe. [20] However, even taking into account, as previously discussed, that Chinese investment may not yield the common benefits of technological spillover or imply the entry into the European market of highly state-backed companies, generating unfair competition,[21] M&A can also bring benefits to EU countries, such as job maintenance, increasing international presence or better access to the Chinese market. Other factors that should weigh on the assessment of an M&A'S risk for the EU should be the economic sector of which the company is a part and the strength of the investor after that acquisition. For instance, Otero-Iglesias and Weissenegger show that even though investors have acquired 35% of the Italian energy company CDP Reti, the real power with which investors were left would only give them the possibility of posing a threat to Italy and the EU in the event that, one day in the future, renewable energy might become the main source of energy, there being no foreseeable security threat in the near future for both the country and the EU[22].

TWO FUNDAMENTAL ELEMENTS THAT GENERATE CONCERN WITH REGARD TO CHINESE FDI ARE IDENTIFIED: THE TYPE OF INVESTMENT AND THE INVESTING ENTITIES.

Secondly, as for the entities that invest in the EU, Chinese SOE could represent an additional challenge because they are more powerful than those of the EU, are not necessarily dependent on their economic and financial success to survive (there are several cases of Chinese 'zombie companies', which the Government prevents from going bankrupt, due to the potential social consequences that might arise from it) and their managers have links to the Chinese government.[23] A white paper published by the European Commission reflects precisely this concern, indicating that the support given by certain countries to their state-owned enterprises operating in the EU has decisively distorted the EU market by facilitating "the acquisition of EU undertakings, influenced other investment decisions or have distorted the market behavior of their beneficiaries".[24] However, Chinese SOE are not the only type of companies that have the potential to negatively affect the EU. Within this logic, it can be further argued that even some private companies, by having relevant links to the Chinese Government, may pose a threat in the spirit of market competition, because they can be given economic and financial incentives by the Government.

It is therefore important, after being made known the main features that can make Chinese investment a challenge or an opportunity, to realize which answers the EU has had in order to subsequently assess how states have acted in conformity or at odds with the objectives of the Europeans.

EU'S RESPONSE TO THE DYNAMICS IMPOSED BY CHINESE INVESTMENT

> "In the last few years, non-EU investors have taken over more and more European companies with key technological competences for strategic reasons. At the same time, European investors do not enjoy the same rights in the respective countries of origin as these non-EU investors in the investment-friendly European Union."[25]

These were some of the words addressed by the French, German and Italian economic ministers in a letter to the European Commission in February 2017.[26] The message, which seems to be mostly addressed to the challenges posed by Chinese investment, reflects, on the one hand, concern about the acquisition of European strategic companies by non-EU investors and, on the other hand, the fact that EU investors do not have the same legal rights on foreign soil that investors from those same countries enjoy in European territories. Following this letter, and in response to the first sentence quoted above, the European Commission proposed in 2017 the creation of the European Union Foreign Investment Screening Regulation (EUFISR), and this mechanism was completed in 2019. The EUFISR emerges from the perception, by both EU countries and institutions, that mechanisms such as the European Program for Critical Infrastructure Protection[27] or the European Union Merger Regulation[28] were not sufficient to protect the EU from the harmful effects of certain foreign investments. As such, EUFISR includes various economic sectors and allows both the European Commission and individual states to be able to express non-binding opinions on any foreign investment in an EU country whenever they feel it has the potential to affect the security of the EU. In this way, both the Commission and the states will be able to work together more thoroughly on these matters, stimulating the exchange of information and opinions.

In the context of the covid-19 pandemic, the European Commission has again expressed its concern about potential Chinese predatory investments and has proposed some initiatives to this end. On 25 March 2020, the Commission made a communication to its Member States about the pandemic's potential to lead countries to a situation of economic vulnerability, something that could facilitate further attacks on key European companies. In this way, States should use all European and national means to correctly screen foreign investments in their territories, thereby protecting businesses.[29] Finally, as early as May 2021, the European Commission made a proposal to be able to impose conditions and even veto investments from state-subsidized companies,[30] which could result in a very significant deepening of the EU's FDI competences.

As for the second sentence of the letter, the Chinese negative list constitutes a major hindrance to the entry of European FDI into China. Indeed, there are a number of hardships that European investors encounter in China, such as sectors completely shut to foreign investment, sectors in which the law requires Chinese participation in a system of equity or joint ventures, and the absence of an alternative dispute resolution body. All this is added, at an informal level, by pressure in various sectors for forced technology transfers. In this regard, the changes in Articles 206 and 207 of the Lisbon Treaty have enabled the EU to gain competences under FDI, which in 2013 enabled it to begin a long negotiating process to achieve the signing of a Comprehensive Agreement on Investment (CAI) with China. After several advances and setbacks, in December 2020 a principle of understanding was reached with China for the signing of the CAI. The agreement would ideally allow EU countries to have wider access to the Chinese market, to protect their investments and create a dispute resolution mechanism. For China, on the other hand, this agreement would enable it to reach a single agreement replacing the 26 different bilateral treaties it has in place with all EU states except for Ireland. However, a dispute over a Uighur rights case in China led to sanctions by the EU on eleven individuals and four Chinese entities and, subsequently, China's retaliation against five MEPs, which led the European Parliament to freeze ratification of the agreement until these retaliatory measures were lifted. This way it is impossible to know when this impasse will be overcome, which leaves the second point of concern set out in the letter addressed to the European Commission in 2017 with little practical development.

BOTH PORTUGAL AND ITALY HAVE BEEN TWO SOUTHERN EUROPEAN COUNTRIES SEEKING TO ATTRACT FOREIGN INVESTMENT TO MEET THEIR HUGE FOREIGN DEBT, WITH CHINESE INVESTMENT HAVING TAKEN ON LARGE PROPORTIONS IN BOTH COUNTRIES.

COMMUNICATION STRATEGIES AS AN INSTRUMENT TO ATTRACT CHINESE INVESTMENT AND IMPLICATIONS FOR EUROPEAN COHESION: COMPARISON OF RESULTS BETWEEN PORTUGAL AND ITALY

Both Portugal and Italy have been two Southern European countries seeking to attract foreign investment to meet their huge foreign debt, with Chinese investment having taken on large proportions in both countries. Several media and political actors often label Portugal and Italy as dangerous "naïve friends" of China, as their relations have the potential to adversely affect the EU at the security, political and economic level.[31] This article argues that this naïve relationship of friendship is non-existent, but instead a relationship based on calculated economic interests. Indeed, it will be demonstrated that both States fear excessive Chinese power in their territories and that their political actors are aware of this and, to this effect, have at their disposal (like other States) FDI protection mechanisms which may be used whenever they deem it necessary.

It is discernible that, over the past ten years, Italian foreign policy has oscillated between moments of conciliatory rhetoric and seeking unity in the EU to achieve joint responses to the challenges posed by the Chinese FDI and others, seemingly antagonistic towards a multilaterally articulated European response. Cristiani argues that this ambivalence mirrors an Italian strategic culture that has endured at least since the 19TH century, with the country seeking to reconcile often antagonistic relations between allies and non-allies for its own benefit, as is the case with its relationship with the EU and China.[32] On the other hand, Portugal has sought to safeguard its interests while remaining more cautious in the defense of its image within the EU. This article contends that the instability of Italian communication strategies when compared with the Portuguese ones can be ascribed to differences in the dynamics of certain internal variables of these countries, which led to different behavioral differences at the level of the foreign policy of both. The next two sections will examine differences in the communication strategy and foreign policy decision-making of Portugal and Italy, explaining the reasons why Italy's attitudes have the greatest potential to negatively affect the EU's joint response capacity to tackle the challenges posed by Chinese investment.

ITALY

Chinese investment in Italy takes on an important dimension, having surpassed US$25 billion between 2010 and 2021, totaling 28 acquisitions for more than US$100 million, which mainly covered the transport and energy sectors.[33] In November 2020, the Parliamentary Committee on Security reported that 405 Chinese companies held positions in 760 Italian companies[34]. Relations with China have been decisive for Italy, especially after the effects of the economic crises of 2008 and 2011, having not only allowed capital to enter the country through the acquisition of large companies (such as Pirelli), but also aided the maintenance of jobs through the purchase of companies on the verge of bankruptcy, like Benelli or Ferretti.[35] In addition, China also occupies a relevant position in the ranking of countries for which Italy exports the most, holding, in 2019, the ninth position,[36] having indeed been argued that it may in truth be the fourth, factoring in the data not entering official accounts, such as the sale of Italian products to Chinese customers in countries other than Italy.[37] Because relations with China are so profitable but also, as we have examined above, potentially dangerous, it is important not only to reflect on the evolution of Chinese investment in Italy, but also on the political response of the Italian governments to the various developments related to that investment. This will make it possible to understand the extent to which the responses by Italian foreign policy to the impetus given by Chinese investment have been aligned with European interests, thus ascertaining whether these responses have positively or negatively affected the EU.

AFTER THE ECONOMIC CRISES OF 2008 AND 2011, THE ITALIAN GOVERNMENTS SYSTEMATICALLY ADOPTED A STRATEGY OF BILATERAL RAPPROCHEMENT WITH CHINA AIMED AT REAPING BENEFITS BOTH IN THE TRADE AND INVESTMENT DIMENSIONS.

After the economic crises of 2008 and 2011, the Italian governments systematically adopted a strategy of bilateral rapprochement with China aimed at reaping benefits both in the trade and investment dimensions. In this regard, it is noted that between 2011 and 2015 all Italian prime ministers (Monti, Letta and Renzi) visited or scheduled ministerial visits to China. This bilateral strategy of economic diplomacy resulted in the envisaged rapprochement with China, rewarding Italy with large sums of investment. In this regard, the 2014-2015 biennium stands out, a period in which Chinese companies made several portfolio investments that marginally exceeded the 2% of the shares of the companies in question. This is a relevant detail because it is the percentage necessary for the authority overseeing the Italian financial markets (Consob) to be required to report investments publicly.[38] These investments could then be seen as political messages aimed at reaching both the Italian Government and society in general, intended to convey the preponderance of Chinese investment in the country in a troubled economic period.

In 2017, during Paolo Gentiloni's tenure, Italy joined France and Germany in the aforementioned letter to the European Commission expressing concern about the adverse effects of foreign investment in EU countries. This attitude seemed to align Italy with the widespread concerns of the major EU countries; however, later that year, Gentiloni stood out for being the only leader of a G7 country to be present at the Belt and Road Summit, in a move that sought to keep Italy close to China. After these ambivalent moves, in 2018, a populist coalition formed government in Italy, composed of the Five Star Movement (M5S) and the League, under the slogan "Italy first", inspired by Trump's "America first". Italy's ambivalent politics had again taken hold, since after political campaigns that had an anti-China component, in order to attract the impoverished middle class,[39] Italy became, in 2019, the first G7 country to sign the Memorandum of Understanding on the Belt and Road Initiative (BRI). Moreover, Italy was, in the same year, the only country, besides the United Kingdom (which was already leaving the EU), to abstain in the creation of the EUFISR, a mechanism for which it had contributed years before. This was part of the most troubled period of Italy-EU relations with regard to matters relating to China. However, it is discernible that the presence of a populist and Eurosceptic government has not changed Italy's mistrust of the potential negative effects of Chinese investment. Thus, although Italy views the other EU countries as rivals in the search for investment, its interests in the European and Atlantic vectors have never been neglected, the above-mentioned attitudes representing, rather than threats to the EU's objectives, a set of communication maneuvers to preserve good economic relations with China and to reiterate, in the face of an increasingly Eurosceptic public opinion, the defense of Italy's interests. This claim is based on two premises. Firstly, Italian decision-making had no practical consequences for the EU, seeing that, although the abstention in the creation of the EUFISR sent a positive message to China, the mechanism was eventually created (only one vote against could have prevented it), while the memorandum of understanding did not result in significant additions of investment or trade deals. Secondly, the personal opinion of former members of the Italian Government shows that they viewed relations with China in a purely economic sense, sharing the fears of the generality of states with regard to Chinese investment. It will be appropriate, to this end, to examine the information provided by the former Italian Secretary of State, Michele Geraci, deemed the chief responsible for signing the Memorandum of Understanding on the BRI for the establishment of an Italian task force for China and for fostering other initiatives linked, for example, to Chinese tourism in Italy. Geraci postulated, following the signing of the memorandum of understanding, that EU countries were "jealous" of Italy because of its success in negotiating business and partnerships with China.[40] Although the content of this statement revealed a spirit of competitiveness with the other states, seen as rivals (something that was also aligned with the Euroscepticism of the Italian government and society), some European politicians' accusations that Italy's relations with China were naïve[41] do not reflect the position of the Italian Government. In a document published on his personal website, Geraci explains his actions as Secretary of State, ascribing his preference for Chinese investment of the 'greenfield' type instead of mergers and acquisitions, to the fact that, with the former, "each dollar invested is a dollar for gross domestic product and new jobs".[42] This is, moreover, as mentioned earlier in this article, the position of most political actors in the EU. Indeed, although there are overt economic interests in Italy-China relations, these same economic interests also exist with the EU and the Atlantic vector, added by security and political interests, reasons that contributed to the Italian communication strategy failing to translate into actions that might prevent the EU from moving forward in the defense of its states against the adverse effects of Chinese investment. Despite this – although, for instance, it did not veto the implementation of the EUFISR – Italy's unilateral policy had the potential to subjectively affect the cohesion of the EU, as this unilateralism, combined with a rhetoric which displayed a competitive spirit towards other states, contributed to demonstrating disunity among the major EU states, something that might contribute negatively to success in obtaining the common FDI agreement with China.

In September 2019, a new, more moderate coalition was formed between the M5S and the Democratic Party, which shortly after approved the use of Golden Power (the foreign investment screening mechanism in Italy) for issues related to the implementation of 5G, primarily due to the risks that Huawei's technology might entail to the country. Golden Power was first effectively used in October 2020, when the Government vetoed a deal that would allow Huawei to supply 5G equipment to Fastweb. Finally, between May and June 2021, the Italian Government, now led by Mario Draghi, authorized Vodafone to use Huawei's 5G equipment, however imposing strict conditions. Additionally, Draghi also prevented Chinese acquisitions, having used the Golden Power, for example, in the attempted acquisition of semiconductor company LPE SpA in late 2020. It can be observed, with a moderate Italian government taking office and especially with Draghi's leadership, that Italy grew closer to European multilateralism and, on the other hand, that greater caution was used regarding the negative potential of Chinese investment.

ITALIAN POLITICAL INSTABILITY HAS REPEATEDLY TRANSLATED INTO MORE OR LESS OVERT OPPOSITION TO CERTAIN EUROPEAN OBJECTIVES DUE TO THE EMERGENCE OF NEW OPINIONS AND AGENDAS.

Italian political instability has repeatedly translated into more or less overt opposition to certain European objectives due to the emergence of new opinions and agendas. As far as Chinese investment is concerned, this internal instability has once again led to periods of government transition and weakening of European negotiating capacity. In addition, the rise of social Euroscepticism contributed to governments being able to adopt discourses and measures at odds with the interests of the EU. However, it should be noted that, in general, looking at all the party groups that have gone through the government in the last ten years, they all have remained mistrustful of the negative effects of Chinese investment, with Italy more recently indeed using the Golden Power, something that reinforces the notion that the Italy-China relationship is based on economic interests with calculated risks, with Italy unwilling to go beyond certain limits that might damage its relationship with both the EU and the Atlantic.

PORTUGAL

Like Italy, Portugal is a Southern European country with a high sovereign debt which has received large amounts of Chinese investment, especially during the post-economic crisis period of 2011. Additionally, both countries have been heavily criticized, especially in the media, for their relationship with China, both having signed a memorandum of understanding on the BRI. However, unlike the Italian, Portuguese society has a favorable opinion of the EU and Portugal's governing stability has relied on governments led only by prime ministers from two parties, the Socialist Party and the Social Democratic Party, both strongly convinced of the importance of the EU vector for Portugal. In fact, compared to Italy, Portugal has had ten prime ministers since 1980, while Italy has had 25.

The reasons driving China to invest in Portugal are fundamentally economic, especially the search for access to new markets and the international expansion of its companies.[43]

The Chinese communication strategy with Portugal is similar in many points to that adopted in other countries such as Italy. As characteristic elements of this strategy, the labeling of relations with Portugal and the highlight of the importance of history in the relations between the two countries stand out. As for the labeling and development of this communication strategy in Sino-Portuguese relations, Portugal currently maintains with China a “global strategic partnership”, the latter having reached another high point with the signing of the memorandum of understanding on the BRI in 2018. As for the role of history in China-Portugal relations, it is mentioned countless times by various political actors, and has also been dissected by several academics.[44] Another highlight in this regard is the creation of the Forum Macao in 2003, which, despite failing to achieve the relevance desired by Portugal, served, for instance, as a stimulus for the creation of partnerships between Portuguese and Chinese companies in Africa and Latin America.[45]

The peak of Chinese investment in Portugal occurs in the period 2011-2015, starting in 2011 with the acquisition of 21% of Portuguese state-owned EDP by China Three Gorges for more than three billion euros. As in the case of Italy, Portugal has also implemented an investment attraction strategy intended to meet its financial commitments. Let us recall that Portugal had to sign a memorandum of understanding with the European Commission, the European Central Bank and the International Monetary Fund in order to obtain international financial support, which required privatizations worth EUR 5.5 billion.[46] In addition to the money obtained from the sale of public assets such as EDP or Caixa Seguros, and the investment in Portuguese private companies, Portugal also raked in large amounts of Chinese capital through the introduction of “gold visas” in 2012, which allow, through the investment of certain amounts of money, a residence permit and, subsequently, even Portuguese nationality. With Chinese investment not only helping to achieve, but also to surpass that amount, it is only natural that China should be seen in a very favorable light, especially by a large share of the political class, it being customary to come across commentaries such as that of António Costa, who in 2015 dubbed China a “friend” of Portugal.[47] Moreover, the fact that Chinese investment has helped expanding Portuguese companies also at international level has made the positive opinion regarding their investment also extend to many companies and to the society at large.

THE FACT THAT CHINESE INVESTMENT HAS HELPED EXPANDING PORTUGUESE COMPANIES ALSO AT INTERNATIONAL LEVEL HAS MADE THE POSITIVE OPINION REGARDING THEIR INVESTMENT ALSO EXTEND TO MANY COMPANIES AND TO THE SOCIETY AT LARGE.

However, although sound relations between Portugal and China are still in place, Chinese investment declined in Portugal after the post-economic crisis period of 2011, as was the case in most countries. This decline was due not only to the aforementioned Chinese internal policies to contain investments abroad, but also to the lack of opportunities identified in Portugal. If, on the one hand, the need to privatize state-owned companies has ceased, on the other hand, Chinese investors also no longer find many business opportunities in Portugal. This idea was corroborated by the Deputy General Manager of the Department of Financial Institutions of the Bank of China, Wendy Min, who argued that there are few projects with potential in Portugal.[48] Businesses that might have the geopolitical potential to negatively affect Portugal, the EU and even the United States have been identified in particular. Standing out among the businesses with greater potential are some of those mentioned by the American ambassador in Portugal, George Glass, namely the purchase of a higher percentage of EDP, the 5G auction or the new terminal at the port of Sines.[49] There are currently no immediate prospects of any worrying developments for both the United States and the EU. EDP'S €9 billion OPA did not fall through, operators in Portugal do not intend to use Huawei as a supplier (although the Government has not effectively banned it) and the port of Sines, after an extended auction, found no bidder.

Compared to Italy, Portugal, despite continuing to further its relationship with China, has adopted a more moderate communication strategy. It has used as a strategy to preserve its good relations with China two principles enshrined in its Constitution, namely non-intervention in the internal affairs of other States and cooperation with all people for the emancipation and progress of humanity.[50] Portugal and China have continued to deepen their relationship, the highlights of this relationship being Xi Jinping's 2018 visit, which led to the signing of the memorandum of understanding on BRI, as well as 16 other bilateral agreements that, for example, made Portugal the first Eurozone country to issue public debt in renminbi currency.[51]However, the communication strategy adopted by Portugal with the EU and its allies has been much more moderate, which ended up having a lesser impact on the cohesion of the EU's response to the challenges posed by its relationship with China. For example, at the time of the creation of the EUFISR in 2019, although António Cost mentioned the importance of distinguishing between measures to protect strategic sectors and pure protectionism,[52] measures similar to those implemented by Italy never seemed to be on the table on Portugal's side. It is also worth mentioning the several statements made both by members of the Government[53] and the President of the Republic himself,[54] who have always made a point of stressing that "China is not an ally of Portugal", so as to send a message conveying Portugal's commitment to its foreign, European and Atlantic policy vectors. In fact, the document "We, Europe and China" published by Foreign Minister Augusto Santos Silva illustrates the caution Portugal has maintained in its relationship with China.[55] First, the document states that the period in which Chinese investment was channeled for the acquisition of companies is over, and investors should now develop the companies already acquired in Portugal and create new investments from scratch.[56] Moreover, the conditions provided by the 'gold visas' would have to be (and have) been changed due to the new dynamics of the real estate market in Portugal.[57]

Finally, Santos Silva says that Portugal-China relations should be pursued in abidance with EU rules and "with due respect for issues of national security, legal competition and environmental and financial sustainability".[58]

It is patent, therefore, that both the governments of Portugal and Italy have always preserved a measure of concern about the potential negative effects of Chinese investment in their countries, a sentiment also shared by most EU countries. The most striking difference in the responses by the two countries to the stimuli ensuing from Chinese investment lies indeed in the communication strategies they adopted, something which has had, by the same token, different effects on the EU. This contrast has to do with the fact that some aspects of Portugal's and Italy's internal dynamics are quite distinct, which means that so is their foreign policy towards China and the EU. The opposite perceptions of Portuguese and Italian societies regarding the EU, as well as the level of governance stability in both countries, are identified as decisive points of difference.

CONCLUSION

Chinese investment was very important for the EU, especially while the most serious effects of the economic crises of 2008 and 2011 persisted. This investment made it possible to rescue companies that were at risk of bankruptcy, to protect jobs and even launch others to the international scene, generating better results and consequently more benefits for states. In addition, the idea of large amounts of capital entering the countries remains an enticing prospect, driving states to further pursue a strengthening of their relations with China in order to recover or maintain the Chinese investment flows of the post-crisis period. However, Chinese investment also has the potential to create challenges for states and the EU as an organization, especially due to the perception that China is not an ally of the EU. As far as challenges are concerned, investments made through M&A are sometimes perceived as predatory, which, together with the fact that they make up the majority of investments, results in them being perceived by the generality of states in a less positive light than the root investments. Moreover, the entities that invest in the EU are SOE for the most part, companies usually larger than their European competitors and often not required to be financially profitable, mainly because they are linked to the Government.[59] Even private companies themselves often have links to the Chinese Communist Party, which allows them, for example, to secure financial concessions from Chinese banks which many Western companies are unable to secure in their home countries.[60]

Following the challenges identified above, the EU sought to strengthen its capacity to respond to potential problems caused by Chinese investment. In 2019, EUFISR was created, an investment screening mechanism that, in addition to fostering communication between countries, allows the EU as an organization, and individual states, to make recommendations regarding any FDI proposal addressed to an EU Member State. In addition, and after the start of the Covid-19 pandemic, measures were taken to protect

Europe's largest assets from predatory investments, and in May 2021 the Commission proposed strengthening its powers to protect states from the potential negative effects of certain foreign investments. Also, after a process that lasted almost ten years, it was possible to reach an "in principle" agreement for the signing of the CAI in 2020; however, this agreement is currently frozen due to sanctions imposed by both the EU and China between themselves following controversies surrounding human rights violations in Xinjiang. This agreement would allow states greater access to the Chinese market, as well as new types of protection for their investments, something that might help balance investments and generate more income for the EU.

Key elements for the success of EU's responses have always been the responses of the States themselves, as well as the communication strategies the latter have adopted regarding both the EU and China. Although it is already possible to find studies assessing the potential (positive and negative) effects of Chinese investment on the cohesion of the EU and its policies,[61] there are not many thorough analyses addressing the case of specific countries in order to judge in which situations and in what way Chinese investment is acting as a triggering element of division or union of states and the EU around common objectives. This article endeavored to contribute, through a comparative study of the cases of Portugal and Italy, to fill this gap with a view to understanding, with regard to these two cases, not only how Chinese investment has contributed to the union or division of states and the EU, but also the factors that encourage political actors to make decisions.

Both Portugal and Italy seek to maintain healthy relations with China as a way to keep in the open the possibility of receiving large amounts of investment, preserving and improving their trade relations and more easily accessing the Chinese market. Compared to Italy, the Portuguese communication strategy and its political actions at the international level have had a much less harmful effect on joint EU developments to counter potential negative effects of Chinese investment. Portugal, with a strategy that has sought, at various times, to reassure its allies of its alignment with the objectives of the EU and NATO, has tried to manage its relationship with China not only on the basis of the historical connection between the two countries and the deepening of their bilateral ties, but also refraining from comments on controversial issues that may, for instance, be perceived as their exclusive business by the Chinese Government. As for Italy, its communication and foreign policy strategies have shown ambivalence, regardless of the governments in power. Examples include Gentiloni's presence at the BRI Summit in the same year that the creation of the EUFISR was proposed to the European Commission, or the abstention regarding the creation of the said mechanism and the signing of the memorandum of understanding on the BRI following anti-China political campaigns. Therefore, and although Italy has never opposed any EU protection measure on Chinese investment, it is possible to conclude that its communication and foreign policy strategy has affected the EU's image as a cohesive bloc, weakening it in its negotiations with China. On the other hand, Portugal, by adopting a more moderate policy and rhetoric, did not impact the EU in the same way, managing to balance its need for investment and its own image within the EU. R:I

Date received: September 5, 2021 | Date approved: October 18, 2021

Pedro Farrajota Ramos Graduated in International Relations by the Universidade Lusíada de Lisboa and Master in East Asian Relations from the University of Edinburgh, with a dissertation addressing the effects of Chinese investment in the foreign policy of Portugal and Italy and its subsequent effect on the cohesion of the European Union. His research interests include, in addition to Chinese foreign investment, the security dilemmas in East Asia and Chinese foreign policy. > AICEP, Rua de Entrecampos, 28, Bloco B, 12.0, 1700-158 Lisbon, Portugal | pedrofarrajotaramos@gmail.com

ENDNOTES

1 A Portuguese version of this paper was first published in *Relações Internacionais*, No. 71, September 2021.

2 KRATZ, Agatha; ZENGLEIN, Max; SEBASTIAN, Gregor – «Chinese FDI in Europe 2020 update investment falls to 10-year low in an economically and politically challenging year». Retrieved: October 9, 2021. Available in: https://rhg.com/wp-content/uploads/2021/06/MERICS-Rhodium- GroupCOFDIUpdate2021.pdf.

3 Organization for Economic Cooperation and Development (OECD) defines foreign direct investment (FDI) as «a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship.» ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT – «Glossary of foreign direct investment terms and definitions». Retrieved: October 11, 2021. Available in: https://www.oecd.org/daf/inv/investment-policy/2487495.pdf.

4 The American Enterprise Institute monthly updates detailed information on all Chinese investments worldwide over $100 million. AMERICAN ENTERPRISE INSTITUTE – «The China global investment tracker». Retrieved: October 10, 2021. Available in: https://www.aei.org/china-global-investment-tracker/.

5 ««Don›t be naive with China", I leaders tell Italy». Euractiv. March 22, 2019. Available in: https:// www.euractiv.com/section/economy-jobs/news/dont-be-naive-with-china-eu-leaders-tell-italy/.

6 For examples of research on theimpact of Chinese investments in general in the EU, see: Meunier, Sophie – «Beware of Chinese bearing gifts: why China's direct investment poses political challenges in Europe and the United States». In Chaisse, Julien – China's International Investment Strategy: Bilateral, Regional, and Global Law and Policy. Oxford: Oxford University Press, 2019, pp. 349-350. doi: 10.1093/oso/9780198827450.003.0019; Bickenbach, Frank; Liu, Wan-Hsin – «Chinese direct investment in Europe – challenges for eu fdi policy». In CESifo Forum. Vol. 19, No. 4, 2018, pp. 15-22. For examples of research focusing on the study of specific and individual countries, see: Seaman, John; Huotari, Mikko; Otero-Iglesias, Miguel – Chinese Investment in Europe. A Country- Level Approach. A Report by the European Think-tank Network on China (ETNC). 2017, pp. 9-18. Available in: http://www.realinstitutoelcano.org/wps/wcm/connect/e982d7b7-9720-43b9-a627-2b0e558bd0c4/Chinese-investment-Europe-Report-ETNC.pdf?MOD=AJPERES&CACHEID=e982d7b7-9720-43b9-a627-2b0e558bd0c4; GAO, Ni; SCHAAPER, Johannes – «Chinese companies go global: the case of Chinese investments in France». *In* TAYLOR, Robert; JAUSSAUD, Jacques – *China's Global Political Economy: Managerial Perspectives*. Abingdon: Routledge, 2019, pp. 127-148; SANFILIPPO, Marco – «Chinese investments in Italy: facing risks and grasping opportunities». In *IAI Working Papers*. Vol. 14, No. 19, 2014, pp. 1-32. For examples of research on the impact of Chinese investment in specific companies and the consequences for the States, see: RABE, Wiebke; GIPPNER, Olivia – «Perceptions of China's outward foreign direct investment in European critical infrastructure and strategic industries». In *Int Polit*. Vol. 54, No. 4, 2017, pp. 468-486; OTERO-IGLESIAS, Miguel; WEISSENEGGER, Manuel – «Motivations, security threats and geopolitical implications of Chinese investment in the EU energy sector: the case of CDP Reti». In *European Journal of International Relations*. Vol. 26, No. 2, 2019, pp. 594-620.

7 GARCÍA-HERRERO, Alicia; XU, Jianwei; FELBERMAYR, Gabriel – «State-owned enterprises and the EU-China bilateral investment treaty». *In* GARCÍA-HERRERO, Alicia; WOLFF, Guntram; XU, Jianwei; POITIERS, Nicolas; FELBERMAYR, Gabriel; LANGHAMMER, Rolf; LIU, Wan-Hsin; SANDKAMP, Alexander – *EU-China Trade and Investment Relations in Challenging Times*, pp. 52-58. DOI:10.2861/393445.

8 According to the United Nations Conference on Trade and Development, greenfield investments, or root investments, are a type of FDI that relates «to investment projects that entail the establishment of new entities and the setting up of offices, buildings, plants and factories from scratch». UNITED NATIONS CONFERENCE

ON TRADE AND DEVELOPMENT– *UNCTAD Training Manual on Statistics for FDI and the Operations of TNCs*, p. 97. Retrieved: 7 October 2021. Available in: https://unctad.org/system/files/official-document/diaeia20091_en.pdf.

9 On mergers, the Organization for Economic Cooperation and Development says that «A merger refers to the combination of two or more companies to share resources in order to achieve common objectives. A merger implies that, as a result of the operation, only one entity will survive and frequently occurs following an acquisition». An acquisition, on the other hand, is defined as « a transaction between two parties based on terms established by the market where each company acts in its own interest. The acquiring company purchases the assets and liabilities of the target company. The target company either becomes an associate or a subsidiary or part of a subsidiary of the acquiring company». ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT– «Mergers and acquisitions (M&A) type transactions as a part of FDI statistics». Consultado em: October 7, 2021. Available in: https:// www.oecd-ilibrary.org/ docserver/9789264045743-19-en.pdf? expires=1634395591&id=id&accname=guest&checksum=6D282A56A50C188DF62B6D505F2ABE75.

10 MEUNIER, Sophie – «Beware of Chinese bearing gifts…», pp. 349-350; RABE, Wiebke; GIPPNER, Olivia – «Perceptions of China's outward foreign direct investment…», pp. 468-486; BICKENBACH, Frank; LIU, Wan-Hsin – «Chinese direct investment in Europe…», pp. 15-22.

11 SANFILIPPO, Marco – «Chinese investments in Italy…», p. 16.

12 The World Bank defines portfolio investments as equity that "includes net inflows of capital securities other than those recorded as direct investment and including shares, deposit receipts and direct purchases of shares in local stock markets by foreign investors'. It is also noteworthy that portfolio investments include investments that comprise less than 10% of a company's shares. BANCO MUNDIAL - "Metadata glossary". Retrieved: 6 October 2021. Available in: https:// databank.worldbank.org/metadataglossary/wdi-database-archives-(beta)/series/ BX. Pef. ToTL. CD.DT.

13 MEUNIER, Sophie – «Divide and conquer? China and the cacophony of foreign investment rules in the EU». In *Journal of European Public Policy*. Vol. 21, No. 7, 2014, pp. 996-1016; SEAMAN, John; HUOTARI, Mikko; OTERO-IGLESIAS, Miguel – «Introduction: sizing up Chinese investments in Europe». *In* SEAMAN, John; HUOTARI, Mikko; OTERO-IGLESIAS, Miguel – *Chinese Investment in Europe…* , pp. 9-18; MEUNIER, Sophie – «Beware of Chinese bearing gifts…», pp. 349-350.

14 MEUNIER, Sophie – «Beware of Chinese bearing gifts…», pp. 349-350.

15 *Ibid*., pp. 350-352.

16 «CHINA "stuck" as rigid controls on capital outflows becoming harder to peel back». In *South China Morning Post*. 26 August 2020. Available in: https://www.scmp.com/economy/china-economy/article/3098814/ china-stuck- rigid-controls-capital-outflows-becoming-harder.

17 ZHANG, Haiyan; BULCKE, Daniel – «China's direct investment in the European Union: a new regulatory challenge?». In *Asia Europe Journal*. Vol. 12, No. 1, 2014, p. 161.

18 ZHANG, Angela – «Foreign direct investment from China: sense and sensibility». In *Northwestern Journal of International Law & Business*. Vol. 34, No. 3, 2014, pp. 395-453.

19 Economic and other impacts of foreign corporate takeovers in OECD countries, pp. 67-68. Retrieved: October 8, 2021. Available in: https://www.oecd.org/daf/inv/investment-policy/40476100.pdf.

20 RABE, Wiebke; GIPPNER, Olivia – «Perceptions of China's outward foreign direct investment…», pp. 468-486.

21 MEUNIER, Sophie – «Beware of Chinese bearing gifts…», pp. 349-352.

22 OTERO-IGLESIAS, Miguel; WEISSENEGGER, Manuel – «Motivations, security threats and geopolitical implications…», pp. 594-620.

23 GARCÍA-HERRERO, Alicia; XU, Jianwei; FELBERMAYR, Gabriel – «State-owned enterprises and the EU-China bilateral investment treaty», pp. 53-54.

24 Comissão EUROPEIA – "White paper on levelling the playing field as regards foreign subsidies". Brussels. Retrieved: October 10, 2021. Available in: https://ec.europa.eu/.

25 BUNDESMINISTERIUM FÜR WIRTSCHAFT UND ENERGIE – 'Charter of France, Germany and Italy to the European Commission'. February 2017. Retrieved: October 2, 2021. Available in: https://www.bmwi.de/Redaktion/DE/Downloads/S-T/schreiben-de-fr-it-an-malmstroem.pdf?__blob=publicationFile&v=5.

26 *Ibid*.

27 The European Programme for Critical Infrastructure Protection defines which critical infrastructure and crucial sectors should be protected in the EU, including a set of measures to protect the national security of states in stipulated cases. This mechanism could, in certain situations, be applied in cases of Chinese FDI in EU states. For an in-depth study on this topic see: Zhang, Haiyan; BULCKE, Daniel – «China's direct investment in the European Union… ». pp. 159-177.

28 The European Union Merger Regulation falls within EU competition laws and empowers the European Commission to intervene in cases where mergers or acquisitions would enable the creation of entities with sufficient size and power to dominate markets. For further explanations of the potential of the European Union Merger Regulation and Chinese investment see ZHANG, Haiyan; BULCKE, Daniel – «China's direct investment in the European Union…». pp. 159-177.

29 EUROPEAN COMMISSION – «Communication from the Commission – Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, ahead of the application of Regulation». (EU) 2019/452 (FDI Screening Regulation). Retrieved: October 8, 2021. Available in: https://trade.ec.europa.eu/doclib/docs/2020/march/ tradoc_158676.pdf.

30 EUROPEAN COMMISSION – «Proposal for a Regulation of the European Parliament and of the Council on foreign subsidies distorting the internal market». Bruxelas. Consultado em: October 8, 2021. Available in: https://ec.europa.eu/competition/international/overview/ proposal_for_regulation.pdf.

31 «"Don't be naive with China"…».

32 «ITALY'S Waltz with China: business as usual for Rome». In *War on the Rocks*. June 19, 2019. Disponível em: https://warontherocks.com/2019/06/italys-waltz-with-china-business-as-usual-for-rome/.

33 AMERICAN ENTERPRISE INSTITUTE – «The China global investment tracker».

34 PARLIAMENTARY COMMITTEE FOR THE SECURITY OF THE ITALIAN Republic – "Sulla tutela degliassetstrategici nazionali nei settori bancario e assicura". Retrieved: October 7, 2021. Available in: http:// documenti.camera.it/_dati/leg18/lavori/documentiparlamentari/IndiceETesti/034/003/INTERO.pdf.

35 SANFILIPPO, Marco – «Chinese investments in Italy… », p. 16.

36 THE OBSERVATORY OF ECONOMIC COMPLEXITY - "China-Italy". Retrieved: October 10, 2021. Available in: https://oec.world/en/profile/bilateral-country/chn/partner/ita.

37 GERACI, Michele – «Our analysis shows that Italy's exports to China are 3 times what official statistics say. Why?». Retrieved: October 10, 2021. Available in: https://michelegeraci.com/en/2021/04/09/our- analysis-shows-that-italys-exports-to-china-are-3-times-what-official-statistics-say-why/.

38 ROSENTHAL, Thomas; SPIGARELLI, Francesca – "Chinese investments in Italy". *In* BARBATELLI, Cristiana; CAVALIERI, Renzo – *China is not yet for everyone. Dialogues on the Chinese market*. Olivares Editions, 2015, pp. 146-155.

39 CASARINI, Nicola; MARIANI, Lorenzo; ANGIOLILLO, Fabio – «Political values in Italy's China policy: a constructive approach». *In* RUHLIG, Tim; JERDÉN, Bjorn; PUTTEN, Frans-Paul; SEAMAN, John; OTERO-IGLESIAS, Miguel; EKMAN, Alice – *Political Values in Europe-China Relations*. ETNC Report; The Swedish Institute of International Affairs (UI); Netherlands Institute of International Relations Clingendael; French Institute of International Relations (Ifri); Elcano Royal Institute, 2018, pp. 51-53.

40 «ITALY'S critics are jealous of its China deal, says Rome's lead negotiator». In *South China Morning Post*. March 27, 2019. Available in: https://www.scmp.com/news/china/diplomacy/article/3003406/more-european- countries- set-follow-italys-lead-down-chinas-new.

41 «"Don't be naive with China"…».

42 The former Italian Secretary of State, Michele Geraci, keeps published on *his personal website a document* explaining the logic that guide him in the various policies he took while he was part of the Italian Government between 2018 and 2019. Geraci, Michele – "Un bilancio delle attività svolte al Governo". Retrieved: October 10, 2021. Available in: https://secure-servercdn.net/ 198.71.233.135/33b.edf.myftpupload.com/wp-content/uploads/2020/05/Resoconto-SS-Geraci.pdf. Free translation of the author.

43 BREDA, Zelia – «Portugal-China relations: "a great leap forward" in the new millennium». *In* HUOTARI, Mikko; OTERO-IGLESIAS, Miguel; SEAMAN, John; EKMAN, Alice – *Mapping Europe-China Relations: A Bottom-Up Approach*, 2015, p. 63.

44 ALVES, Anna – "China's lusophone connection". In *The South African Institute of International Affairs*. Vol. 1, No. 2, 2008, pp. 3-33; Mendes, Carmen – "The relevance of the Macao Photon: the Phorum for Economic and Trade Cooperation between China and portuguese-speaking countries". In *IDN Nation and Defense Magazine*. Vol. 134, No. 5, 2013, pp. 279-296; Breda, Zelia – "Portugal-China relations…", pp. 62-65.

45 MINISTRY OF FOREIGN AFFAIRS - "No Europe and China". Retrieved: October 8, 2021. Available in: https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3D%3DBAAAAB%2BLCAAAAAABACzMDQwBQAlcoe4BAAAAA%3D%3D.

46 MEMORANDUM of Understanding on Specific Economic Policy Conditionality. Retrieved: October 9, 2021. Available in: https://ec.europa.eu/economy_finance/eu_borrower/mou/2011-05-18-mou-portugal_en.pdf.

47 "ANTÓNIO Costa thanked the Chinese for believing that Portugal could overcome the crisis." In *Jornal de Notícias*. February 25, 2015. Available in: https://www.jornaldenegocios.pt/economia/politica/detalhe/antonio_costa_agradeceu_aos_chineses_por_terem_ajudado_portugal_a_vencer_a_crise.

48 "BANCO FROM China: it is difficult to find good projects to invest in Portugal". ECHO. May 20, 2019. https://eco.sapo.pt/2019/05/20/banco-da-china-e-dificil-encontrar-bons-projetos-para-investir-em- Portugal/.

49 "The BUSINESS IN WHICH THE UNITED States wants to move Portugal away from China." In *Daily News*. September 28, 2020. Available in: https://www.dn.pt/pais/os-negocios-em-que-os-eua-querem-afastar-portugal-da-China-12768832.html.

50 RODRIGUES, Carlos – «Chinese investment in Portugal: gaining access to cutting- edge knowledge and extending global influence». *In* SEAMAN, John; HUOTARI, Mikko; OTERO-IGLESIAS, Miguel – *Chinese Investment in Europe…* , p. 73.

51 GOVERNMENT PORTUGUESE – "State visit of the President of the People's Republic of China. Bilateral instruments for signature'. Retrieved: October 1, 2021. Available in: https:// www.portugal.gov.pt/download-ficheiros/ficheiro.aspx? v=%3D%3DBAAAAB%2BLCAAAAAABAAzMze1BADKwRQoBAAAAA%3D%3D.

52 «PM WARNS against misusing security procedures for non-EU investment». ECO. March 4, 2019. Available in: https://econews.pt/2019/03/04/pm-warns-against-misusing-security-procedures-for-non-eu-investment/.

53 "XI: RELATIONS between Portugal and China are entering the best history". Sunrise. December 3, 2018. Available in: https://sol.sapo.pt/artigo/636868/santos-silva-portugal-e-china-sao-amigos-e-partners-although-not-are-allies; "AUGUSTO Santos Silva: we are partners, but we are not allies". In *Diário de Notícias*. May 21, 2019; "LISBON rebuffs claims Portugal is China "special friend" in EU". In *Financial Times*. January 20, 2020.

54 'XI: RELATIONS between Portugal and China…'; "MARCELO RECALLS that China is only portugal's partner, not an ally." Sic News. April 27 2019. Available in: https://sicnoticias.pt/pais/2019-04-27-Marcelo-relembra-que-China-e-apenas-parceiro-de-Portugal-not-ally.

55 MINISTRY OF FOREIGN AFFAIRS - "No Europe and China".

56 *Ibid.*, p. 6.

57 *Ibid.*

58 *Ibid.*

59 GARCÍA-HERRERO, Alicia; XU, Jianwei; FELBERMAYR, Gabriel – «State-owned enterprises and the EU-China bilateral investment treaty», pp. 53-54.

60 *Ibid.*

61 MEUNIER, Sophie – «Divide and conquer?… », pp. 996-1016.

BIBLIOGRAPHY

ALVES, Anna – «China's lusophone connection». In *The South African Institute of International Affairs*. Vol. 1, No. 2, 2008, pp. 3-33.

AMERICAN ENTERPRISE INSTITUTE – «The China global investment tracker». Retrieved: October 10, 2021. Available in: https://www.aei.org/china-global- investment--tracker/.

«ANTÓNIO Costa agradeceu aos chineses por terem acreditado que Portugal podia vencer a crise». In *Jornal de Negócios*. February 25, 2015. Available in: https://www.jornaldenegocios.pt/economia/politica/detalhe/antonio_costa_agradeceu_aos_chineses_por_terem_ajudado_portugal_a_vencer_a_crise.

«AUGUSTO Santos Silva: somos parceiros, mas não somos aliados». In *Diário de Notícias*. May 21, 2019.

«BANCO da China: é difícil encontrar bons projetos para investir em Portugal». ECO. May 20, 2019. https://eco.sapo.pt/2019/05/20/banco-da-china-e-dificil--encontrar-bons-projetos-para-investir--em- portugal/.

BANCO MUNDIAL – «Metadata glossary». Retrieved: October 6, 2021. Available in: https:// databank.worldbank.org/metadataglossary/wdi-database-archives-(beta)/series/ BX.PEF.TOTL.CD.DT.

BICKENBACH, Frank; LIU, Wan-Hsin – «Chinese direct investment in Europe – challenges for EU FDI policy». In *CESifo Forum*. Vol. 19, No. 4, 2018, pp. 15-22.

BREDA, Zelia – «Portugal-China relations: "a great leap forward" in the new millennium». *In* HUOTARI, Mikko; OTERO-IGLESIAS, Miguel; SEAMAN, John; EKMAN, Alice – *Mapping Europe-China Relations: A Bottom-Up Approach*, 2015, pp. 62-65.

BUNDESMINISTERIUM FÜR WIRTSCHAFT UND ENERGIE – «Carta de França, Alemanha e Itália para a Comissão Europeia». Retrieved: October 2, 2021. Available in: https://www.bmwi.de/Redaktion/DE/Downloads/S-T/schreiben-de-fr-it-an-malmstroem.pdf?blob=publicationFile&v=5.

CASARINI, Nicola; MARIANI, Lorenzo; ANGIOLILLO, Fabio – «Political values in Italy's China policy: a constructive approach». *In* RUHLIG, Tim; JERDÉN, Bjorn; PUTTEN, Frans-Paul; SEAMAN, John; OTERO-IGLESIAS, Miguel; EKMAN, Alice – *Political Values in Europe-China Relations*. ETNC Report; The Swedish Institute of International Affairs (UI); Netherlands Institute of International Relations Clingendael; French Institute of International Relations (Ifri); Elcano Royal Institute, 2018, pp. 51-53.

«CHINA "stuck" as rigid controls on capital outflows becoming harder to peel back». In *South China Morning Post*. August 26, 2020. Available in: https://www.scmp.com/economy/china-economy/article/3098814/ china-stuck- rigid-controls-capital-outflows-becoming-harder.

COMISSÃO EUROPEIA – «Communication from the Commission – Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, ahead of the application of Regulation». (EU) 2019/452 (FDI Screening Regulation). Retrieved: October 8, 2021. Available in: https://trade.ec.europa.eu/doclib/docs/2020/march/ tradoc_158676.pdf.

COMISSÃO EUROPEIA – «Proposal for a Regulation of the European Parliament and of the Council on foreign subsidies distorting the internal market». Bruxelas. Retrieved: October 8, 2021. Available in: https://ec.europa.eu/competition/international/overview/ proposal_for_regulation.pdf.

COMISSÃO EUROPEIA – «White paper on levelling the playing field as regards foreign subsidies». Bruxelas. Retrieved: October 10, 2021. Available in: https://ec.europa.eu/.competition/international/overview/foreign_subsidies_white_paper.pdf.

COMISSÃO PARLAMENTAR PARA A SEGURANÇA DA REPÚBLICA ITALIANA – «Sulla tutela degliassetstrategici nazionali nei settori bancario e assicurativo». Retrieved: October 7, 2021. Available in: http://documenti.camera.it/_dati/leg18/lavori/documentiparlamentari/IndiceETesti/034/003/INTERO.pdf.

CONFERÊNCIA DAS NAÇÕES UNIDAS SOBRE O DESENVOLVIMENTO ECONÓMICO – *UNCTAD Training Manual on Statistics for FDI and the Operations of TNCs*, p. 97. Retrieved: October 7, 2021. Available in: https://unctad.org/system/files/official-document/diaeia20091_en.pdf.

CONSELHO EUROPEU – «Memorandum of Understanding on Specific Economic Policy Conditionality». Retrieved: October 9, 2021. Available in: https://ec.europa.eu/economy_finance/eu_borrower/ mou/2011-05-18-mou-portugal_en.pdf.

«"Don't be naive with China", EU leaders tell Italy». Euractiv. March 22, 2019. Available in: https:// www.euractiv.com/section/economy-jobs/news/dont-be-naive-with-china-eu-leaders-tell-italy/.

GAO, Ni; SCHAAPER, Johannes – «Chinese companies go global: the case of Chinese investments in France». *In* TAYLOR, Robert; JAUSSAUD, Jacques – *China's Global Political Economy: Managerial Perspectives*. Abingdon: Routledge, 2019, pp. 127-148.

GARCÍA-HERRERO, Alicia; XU, Jianwei; FELBERMAYR, Gabriel – «State-owned enterprises and the EU-China bilateral investment treaty». *In* GARCÍA-HERRERO, Alicia; WOLFF, Guntram; XU, Jianwei; POITIERS, Nicolas; FELBERMAYR, Gabriel; LANGHAMMER, Rolf; LIU, Wan-Hsin; SANDKAMP, Alexander – *EU-China Trade and Investment Relations in Challenging Times*. Bruxelas: Parlamento Europeu, May 2020, pp. 52-58. DOI:10.2861/393445. Available in: https://www.europarl.europa.eu/RegData/etudes/STUD/2020/603492/EXPO_STU(2020)603492_EN.pdf

GERACI, Michele – «Our analysis shows that Italy's exports to China are 3 times what official statistics say. Why?». Retrieved: October 10, 2021. Available in: https://michelegeraci.com/en/2021/04/09/ our-analysis-shows-that-italys-exports-to-china-are-3-times-what-official-statistics-say-why/.

GERACI, Michele – «Un bilancio delle attività svolte al Governo». Retrieved: October 10, 2021. Available in: https://secureservercdn.net/ 198.71.233.135/33b.edf.myftpupload.com/wp-content/uploads/2020/05/Resoconto-SS-Geraci.pdf.

GOVERNO PORTUGUÊS – «Visita de Estado do Presidente da República Popular da China. Instrumentos bilaterais para assinatura». Retrieved: 1 October 2021. Available in: https:// www.portugal.gov.pt/download-ficheiros/ficheiro.aspx? v=%3D%3DBAAAAB%2BLCAAAAAAABAAzMze1BADKwRQoBAAAAA%3D%3D.

«ITALY'S critics are jealous of its China deal, says Rome's lead negotiator». In *South China Morning Post*. March 27, 2019. Available in: https://www.scmp.com/news/china/diplomacy/article/3003406/more-european- countries- set-follow-italys-lead-down-chinas-new.

«ITALY'S Waltz with China: business as usual for Rome». In *War on the Rocks*. June 19, 2019. Available in: https://warontherocks.com/2019/06/italys-waltz-with-china-business-as-usual-for-rome/.

KRATZ, Agatha; ZENGLEIN, Max; SEBASTIAN, Gregor – «Chinese FDI in Europe 2020 update investment falls to 10-year low in an economically and politically challenging year». Retrieved: October 9, 2021. Available in: https://rhg.com/wp-content/uploads/2021/06/MERICSRhodium- GroupCOFDIUpdate2021.pdf.

«LISBON rebuffs claims that Portugal is China's "special friend" in the EU». In *Financial Times*. January 20, 2020.

«MARCELO relembra que China é apenas parceiro de Portugal, não aliado». Sic Notícias. April 27, 2019. Available in: https://sicnoticias.pt/pais/2019-04-27-Marcelo-relembra-que-China-e-apenas-parceiro-de-Portugal- nao-aliado.

MENDES, Carmen – «A relevância do Fórum Macau: o Fórum para a Cooperação Económica e Comercial entre a China e os Países de Língua Portuguesa». In *IDN Revista Nação e Defesa*. Vol. 134, No. 5, 2013, pp. 279-296.

MEUNIER, Sophie – «Divide and conquer? China and the cacophony of foreign investment rules in the EU». In *Journal of European Public Policy*. Vol. 21, No. 7, 2014, pp. 996-1016.

MEUNIER, Sophie – «Beware of Chinese bearing gifts: why China's direct investment poses political challenges in Europe and the United States». *In* CHAISSE, Julien – *China's International Investment Strategy: Bilateral, Regional, and Global Law and Policy*. Oxford: Oxford University Press, 2019, pp. 345-359. DOI: 10.1093/oso/9780198827450.003.0019.

MINISTÉRIO DOS NEGÓCIOS ESTRANGEIROS – «Nós a Europa e a China». Retrieved: October 8, 2021. Available in: https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3D%3DBAAAAB%2BLCAAAAAAABACzMDQwBQAlcoe4BAAAAA%3D%3D.

ORGANIZAÇÃO PARA A COOPERAÇÃO E DESENVOLVIMENTO ECONÓMICO – «Economic and other impacts of foreign corporate takeovers in OECD countries», pp. 67-68. Retrieved October 8, 2021. Available in: https://www.oecd.org/daf/inv/investment-policy/40476100.pdf.

ORGANIZAÇÃO PARA A COOPERAÇÃO E DESENVOLVIMENTO ECONÓMICO – «Glossary of foreign direct investment terms and definitions». Retrieved: October 11, 2021. Available in: https://www.oecd.org/daf/inv/ investment-policy/2487495.pdf.

ORGANIZAÇÃO PARA A COOPERAÇÃO E DESENVOLVIMENTO ECONÓMICO – «Mergers and acquisitions (M&A) type transactions as a part of FDI statistics». Retrieved: October 7, 2021. Available in: https:// www.oecd-ilibrary.org/ docserver/9789264045743-19-en.pdf? expires=1634395591&id=id&accname=guest&checksum=6D282A56A50C188DF62B6D505F2ABE75.

«OS NEGÓCIOS em que os EUA querem afastar Portugal da China». In *Diário de Notícias*. September 28, 2020. Available in: https://www.dn.pt/pais/os-negocios-em-que-os-eua-querem-afastar-portugal-da- china-12768832.html.

OTERO-IGLESIAS, Miguel; WEISSENEGGER, Manuel – «Motivations, security threats and geopolitical implications of Chinese investment in the EU energy sector: the case of CDP Reti». In *European Journal of International Relations*. Vol. 26, No. 2, 2019, pp. 594-620.

«PM WARNS against misusing security procedures for non-EU investment». ECO. March 4, 2019. Available in: https://econews.pt/2019/03/04/pm-warns-against-misusing-security-procedures-for-non-eu-investment/.

RABE, Wiebke; GIPPNER, Olivia – «Perceptions of China's outward foreign direct investment in European critical infrastructure and strategic industries». In *Int Polit*. Vol. 54, No. 4, 2017, pp. 468-486.

RODRIGUES, Carlos – «Chinese investment in Portugal: gaining access to cutting-edge knowledge and extending global influence». *In* SEAMAN, John; HUOTARI, Mikko; OTERO-IGLESIAS, Miguel – *Chinese*

Investment in Europe. A Country-Level Approach, *A Report by the European Think--tank Network on China (ETNC)*. 2017, pp. 117-123. Available in: http://www.realinstitutoelcano.org/wps/wcm/connect/e982d7b7-9720-43b9-a627-2b0e-558bd0c4/Chinese-investment-Europe-Report-ETNCpdf?MOD=AJPERES&CACHEID=e982d7b7-9720-43b9-a627-2b0e-558bd0c4.

ROSENTHAL, Thomas; SPIGARELLI, Francesca – «Gli investimenti cinesi in Italia». *In* BARBATELLI, Cristiana; CAVALIERI, Renzo – *La Cina non è ancora per tutti. Dialoghi sul mercato cinese*. Edizioni Olivares, 2015, pp. 146-155.

SANFILIPPO, Marco – «Chinese investments in Italy: facing risks and grasping opportunities». In *IAI Working Papers*. Vol. 14, No. 19, 2014, pp. 1-32.

SEAMAN, John; HUOTARI, Mikko; OTERO--IGLESIAS, Miguel – «Introduction: sizing up Chinese investments in Europe». *In* SEAMAN, John; HUOTARI, Mikko; OTERO-IGLESIAS, Miguel – *Chinese Investment in Europe. A Country- Level Approach. A Report by the European Think-tank Network on China (ETNC)*. 2017, pp. 9-18. Available in: http://www.realinstitutoelcano.org/wps/wcm/connect/e982d7b7-9720-43b9-a627-2b0e558bd0c4/Chinese-investment-Europe-Report-ETNCpdf?MOD=AJPERES&CACHEID=e982d7b7-9720-43b9-a627-2b0e558bd0c4.

SEAMAN, John; HUOTARI, Mikko; OTERO--IGLESIAS, Miguel – *Chinese Investment in Europe. A Country- Level Approach. A Report by the European Think-tank Network on China (ETNC)*. 2017. Available in: http://www.realinstitutoelcano.org/wps/wcm/connect/e982d7b7-9720-43b9-a627-2b0e-558bd0c4/Chinese-investment-Europe-Report-ETNCpdf?MOD=AJPERES&CACHEID=e982d7b7-9720-43b9-a627-2b0e-558bd0c4.

THE OBSERVATORY OF ECONOMIC COMPLEXITY – «China-Italy». Retrieved: October 10, 2021. Available in: https://oec.world/en/profile/bilateral-country/chn/partner/ita.

«XI: RELAÇÕES entre Portugal e a China estão a entrar no melhor período da História». Nascer do Sol. December 3, 2018. Available in: https://sol.sapo.pt/artigo/636868/santos-silva-portugal-e--china-sao-amigos-e- parceiros-embora--nao-sejam-aliados.

ZHANG, Angela – «Foreign direct investment from China: sense and sensibility». In *Northwestern Journal of International Law & Business*. Vol. 34, No. 3, 2014, pp. 395-453.

ZHANG, Haiyan; BULCKE, Daniel – «China's direct investment in the European Union: a new regulatory challenge?». In *Asia Europe Journal*. Vol. 12, No. 1, 2014, pp. 159-177.