Politics and Governance (ISSN: 2183–2463)
2023, Volume 11, Issue 4, Pages 177–187
https://doi.org/10.17645/pag.v11i4.7037

Article

Varieties of Anti-Globalism: The Italian Government's Evolving Stance on the EU's Investment Screening Mechanism

Antonio Calcara [1] and Arlo Poletti [2,*]

[1] Department of Political Science, University of Antwerp, Belgium
[2] Department of Sociology and Social Research, University of Trento, Italy

* Corresponding author (arlo.poletti@unitn.it)

Submitted: 21 April 2023 | Accepted: 25 August 2023 | Published: 29 November 2023

Abstract
In 2017, Italy, France, and Germany jointly supported the setting up of an EU-wide investment screening mechanism to strengthen the EU's capacity to screen and eventually block foreign investments. In a few months, however, the Italian government changed position dramatically, shifting from leading supporter to staunchest opposer of this policy initiative. Such a change of positioning was decisive in both watering down the initial proposal and moving forward with the idea of a looser mechanism coordinating national investment screening activities. This article develops an explanation of the Italian government's changing negotiating stance. We develop an argument that stresses how two factors combined to produce this puzzling outcome. First, we stress the role of political parties as drivers of governments' foreign economic policy choices. More specifically, we show that the preferences of the parties forming the Italian government after the 2018 general elections (the Lega Nord and the Five Star Movement) were crucial in shaping Italy's evolving stance on this important issue. Second, we highlight the implications of the tension that exists between two different "varieties" of anti-globalism. While "self-proclaimed" anti-globalist political parties usually combine a traditional critique of globalization and opposition to further political integration in the EU, they may be forced to prioritize one over the other when they prove incompatible. In this context, we show how Italian anti-globalist parties' choice to prioritize anti-Europeanism over anti-globalism led them to prefer strengthening domestic-level institutions to screen FDIs rather than allowing the EU to acquire new powers.

Keywords
economic security; EU; investment screening; Italy; political-economy; political parties

Issue
This article is part of the issue "Economic Security and the Politics of Trade and Investment Policy in Europe" edited by Guri Rosén (Oslo Metropolitan University) and Sophie Meunier (Princeton University).

1. Introduction

In February 2017, the German, French, and Italian ministers of economy (Brigitte Zypries, Michel Sapin, and Carlo Calenda) sent a public letter to the EU trade commissioner, Cecilia Malmström, to promote the creation of an investment screening mechanism at the European level that could enable the screening and eventually the blocking of foreign takeovers (Bundesministerium für Wirtschaft und Klimaschutz, 2017). In the face of the realization that rising inward FDIs originating from non-democratic and non-security allies, such as China, pose significant political challenges, the three largest EU member states (MSs) joined ranks in supporting what Schimmelfennig (2021) defined as a strategy of "external re-bordering": Strengthening the closure and capacity control of the EU's external economic borders with a view to both maintaining openness in the internal market and developing the capacity to assert itself in a changing and more geo-politicized international investment landscape. In May 2017, the European Commission (2017) declared its willingness to work toward such a pan-European investment screening framework.

However, roughly two years later, these ambitions were significantly watered down. The Regulation of the European Parliament and of the Council of 19 March 2019 (2019) established a framework that: (a) set out basic standards for investment screening, (b) created an information-sharing network between MSs, and between them and the European Commission, and (c) allowed the European Commission to issue opinions in cases in which it believes one investment threatens security and public order in one or more MSs. While such regulation represented an important first step in the process of creating an EU investment screening regime (Schill, 2019), it did not create a truly independent screening mechanism at the EU level, leaving EU MSs completely in charge of the final decision on whether or not to screen a given investment. As Chan and Meunier (2022, p. 7) argue, "the new framework falls short of a binding supranational mechanism…talking about a single screening mechanism is a misnomer….The new framework is meant to complement national mechanisms rather than replacing them or superseding them." The adoption of the EU's framework for screening foreign investments played a key role in stimulating the adoption and strengthening of national investment screening mechanisms across EU MSs (Bauerle Danzman & Meunier, 2021). Hence, rather than triggering a process of external re-bordering by strengthening the EU's capacity to control its external economic borders, the initiative stimulated a process of internal re-bordering whereby EU MSs both maintained and reinforced their capacity to control inward FDI.

The evolving negotiating stance of the Italian government on the EU investment screening sheds light on this tension between external and internal EU re-bordering to navigate the geopoliticization of European trade and investment policy (Chan & Meunier, 2022; Lavery, 2023; Sandholtz & Zysman, 1989; Schimmelfennig, 2021; Schmitz & Seidl, 2023). While France and Germany remained coherent in their initial support for this policy initiative, the Italian government changed its policy stance dramatically in the two years of negotiations that led to the adoption of the EU investment screening mechanism. Indeed, one year after the joint letter was sent to the European Commission, the Italian government threatened to impose a veto during the negotiations for the adoption of such an investment regime and then abstained in the European Council vote. In a few months, the Italian government changed position dramatically, shifting from leading supporter to staunchest opposer of this policy initiative. This change of positioning was decisive in shaping the outcome of the negotiations because it weakened the power of the coalition of the MSs supporting an ambitious supranational solution and, concomitantly, strengthened the coalition of governments fearing a "Brussels power grab" (Schmitz & Seidl, 2023).

What caused the timing and content of the Italian government's changing negotiating stance? Existing explanations are ill-equipped to account for the observed shift in the negotiating position of the Italian government. For one, much of the scholarship is on the effects of these investment screening mechanisms rather than on their causes (Dimitropoulos, 2020; Lenihan, 2018; Schill, 2019). The works that investigate the determinants of these institutions tend to develop explanations that highlight the long-term changes in the societal and cultural conditions that may make governments generally more prone to screen foreign investments. For instance, borrowing from the growing literature on mass politics and the globalization backlash (De Vries et al., 2021; Norris & Inglehart, 2019; Walter, 2021), some works suggest that the recent proliferation and tightening of FDI screening mechanisms in many advanced economies may reflect public opinion's hostility towards particular subsets of foreign countries (Chilton et al., 2020), the preferences of organized business groups fearing foreign investors' increased penetration of domestic markets (Bauerle Danzman, 2019), or a paradigmatic cultural shift towards a more geo-politicized foreign economic policymaking in an international environment increasingly dominated by great power rivalries (Helwig, 2022; Meunier & Nicolaidis, 2019). While all plausible, these arguments struggle to explain the sudden shift in the position of the Italian government: Economic interests, public opinion, and geoeconomic concerns can hardly have changed so dramatically in the course of a few months, causing such a short-term and dramatic change in policy stance. Finally, more specific works investigating the preferences of EU MSs on the EU investment screening mechanism have only considered the initial (supportive) position of the Italian government without taking into account subsequent changes in position (Chan & Meunier, 2022).

In this article, we develop an explanation that stresses how two factors combined to produce these puzzling outcomes. First, we stress the role of political parties as drivers of governments' foreign economic policy choices. Differently from standard political-economy approaches conceiving of governments' choices as a function of the preferences and patterns of political mobilization of organized societal actors (Bauerle Danzman, 2019; Chilton et al., 2020), we show that the preferences of both governing political parties crucially shaped Italy's evolving stance on this important foreign economic policy issue. Second, we highlight the implications of the tension that exists between two different "varieties" of anti-globalism. In the European context, self-proclaimed anti-globalist political parties usually combine a traditional critique of globalization, i.e., an opposition to global market opening and a critique of European integration, i.e, an opposition to further market opening and political integration in the EU. These two varieties of anti-globalism may prove to be incompatible, and these parties may, therefore, be forced to prioritize one anti-globalism at the expense of the other.

This can be clearly seen when externally induced pressures compel EU governments to redefine boundary configurations of the internal market. In the face of unprecedented flows of inward FDIs, EU MSs faced a choice between two strategies: strengthening the capacity to screen foreign investments at the EU or the MS level. Such a choice confronts EU MSs with a clear trade-off. A strategy of external re-bordering entailing the creation of a truly supranational investment screening mechanism would make the EU more capable of asserting itself in the changing geopolitical international investment landscape. However, it would simultaneously limit the autonomy and room for maneuver of each MS. Conversely, a strategy of internal re-bordering consisting of strengthening the screening capacity at the MS level would allow each MS to retain autonomy. However, it would be relatively less effective in strengthening border control capacities. While the former strategy is preferable from the perspective of a traditional critique of globalization, it is also incompatible with the anti-European variant of anti-globalism. In short, the co-existence of different varieties of anti-globalism generates tension as to whether externally induced pressures to redefine boundary configurations in the EU should result in external or internal re-bordering strategies. In this particular case, we show that the Italian anti-globalist parties' choice to prioritize anti-Europeanism over traditional anti-globalism led them to oppose a strategy of external re-bordering in favor of one of internal re-bordering through the strengthening of the domestic, rather than the European, capacity to screen inward FDIs. Paradoxically, therefore, the most anti-globalist government in the EU's political landscape ended up supporting a policy strategy that ultimately weakened the EU's bargaining power in investment negotiations with economically powerful countries, such as the US and China, as well as its ability to become an effective global role as a rule-maker in international investment politics.

This article makes three main contributions. First, it directly addresses one of the key research questions addressed in this thematic issue, namely, how domestic and international geopolitical dynamics affect trade and investment politics in the EU. More specifically, we highlight that party politics can play a crucial role in shaping how EU MSs define their preferences and then their negotiating stance regarding the evolution of these policy regimes. Second, this article fills a gap in the empirical literature on Italian trade, investment, and foreign policy. While most studies on the yellow-green government (yellow for the Five Star Movement and green for the Lega Nord) have focused on their ability (or inability) to take back control over national sovereignty and their negative attitudes towards globalism and the EU (Cladi & Locatelli, 2020; Coticchia, 2021; Giannetti et al., 2020; Giurlando, 2021), no study has so far stressed the implications of the existence of different varieties of anti-globalism within that government coalition. Moreover, these arguments could be used to examine other case studies besides Italy, where self-proclaimed anti-globalist parties are in government. Third, and more generally, the article encourages the literature on globalization backlash, economic nationalism, geoeconomics, and the embryonic literature on investment screening mechanisms to focus on the different "varieties of anti-globalism" and how they impact the EU's role as an international economic actor. In a recent communication, the European Commission outlined a European Economic Security Strategy in which it explicates the need to start systematically protecting the European economy from commonly identified economic security risks arising from new geopolitical and technological realities (European Commission, 2023). Our article suggests that such a process of redefining the EU's role as an international economic actor will be crucially affected by which variety of anti-globalism becomes dominant across different EU MSs in the coming years.

The article is structured as follows. First, we outline the building blocks of our argument. Second, we discuss different sets of illustrative evidence to support it. The empirical analysis is based on an extensive reading of primary and secondary sources, complemented by interviews with Italian and European politicians and executives involved in the negotiations on the EU investment screening mechanism. We conclude by summarizing the key findings and discussing avenues for further research.

2. The Argument

Why did the Italian government's position shift dramatically in the course of a few months? Why did Italy turn from enthusiastically supporting an independent and supranational EU investment screening mechanism to strongly opposing it? In trying to make sense of this puzzling observation, we develop an explanation that combines two sets of arguments.

First, we advocate for a focus on the preferences of the various political parties that supported the Italian government throughout the period considered. Existing works highlight that many advanced democracies are experiencing a backlash against globalization through a growing popular skepticism about the merits of globalization, open trade, and investment policies (Chilton et al., 2020). As already mentioned, this line of reasoning has limited ability to account for the precise timing of the shift in negotiating position of the Italian government, particularly considering how suddenly it materialized. Moreover, given their high level of technicality, there are good reasons to be skeptical about mass politics' potential to drive specific investment screening policy choices (Bauerle Danzman, 2019). However, while public opinion itself could not have caused such a change in negotiating stance, it may have provided the background conditions for political entrepreneurs to try and capitalize on public discontent to increase their electoral support. More specifically, we suggest that the rise of anti-globalization sentiments in the Italian public was important because it generated powerful incentives for political parties to take clear policy stances on the EU investment screening framework, an otherwise obscure policy issue. As widely noted, issue salience, which is a function of how much public opinion cares about particular policy issues, incentivizes parties to take strong positions on certain policy issues to increase their alignment with citizens and, hence, their chances of electoral success (Klüver & Spoon, 2016). The literature on investment screening mechanisms has paid little attention to the weight of national preferences in setting EU investment screening (but see Chan & Meunier, 2022), nor has it focused on analyzing the preferences of political parties on this important issue. We argue that the political preferences of the parties supporting the different coalition governments in office crucially explain why the Italian negotiating position on this key foreign economic policy initiative changed so abruptly and dramatically in just a few months. More specifically, we contend that the formation of a coalition government supported by the Lega Nord and the Five Stars Movement in 2018 was decisive in determining this sudden and marked shift away from the status quo of support for the EU investment screening mechanism.

Second, we argue that understanding how political parties' preferences translated into policy choices calls for a conceptual distinction between two different "varieties" of anti-globalism. In the European context, anti-globalism often comes in two different forms, which are usually combined. On the one hand, populist and radical-right parties tend to support traditional anti-globalist policy platforms, favoring greater market closure for both trade and investments (Poletti, 2022). In this variety, anti-globalism denotes a significant decrease in partisan or policy support for globalization that calls for a reduction of the patterns of national integration in the global economy. On the other hand, such parties are also skeptical of European integration. In this variant, anti-globalism implies support for policy initiatives that either block or weaken the EU's political, economic, and cultural integration processes (Ivaldi et al., 2017). While these two variants of anti-globalism often go hand in hand with the policy platforms of European anti-globalist parties, pursuing them simultaneously may prove difficult or, sometimes, even impossible.

Reducing EU MSs' exposure to the vagaries of globalization confronts these political parties with a choice between two possible courses of action. On the one hand, they could achieve this objective by engaging in a strategy of external re-bordering, implying the strengthening of the EU's capacity to close and control its external boundaries by delegating new competencies at the EU level. In the context of this discussion, this would imply the creation of a truly supranational mechanism for screening inward investment. On the other hand, they could do so through a strategy of internal re-bordering whereby protection from the vagaries of globalization comes in the form of a strengthened capacity to control economic borders at the level of individual MSs rather than at the level of the EU as a whole (see Schimmelfennig, 2021).

The former strategy is potentially more effective than the latter. The EU has historically been able to exercise substantial influence and act as an effective global rule-maker in global economic governance: the large size of its domestic economy conferred its huge bargaining power in international economic negotiations and enabled it to become an effective global rule-maker in global economic governance (Damro, 2012). Therefore, compared to a strategy of internal re-bordering based on the strengthening of screening capacities at the level of MSs, creating a supranational mechanism for screening inward FDIs could be expected to maximize the EU's ability to assert itself in international investment politics. At the same time, a strategy of external re-bordering implies a loss of autonomy for the MS. The strengthening of boundary control capacities at the level of the MS may make the EU less capable of weighing in international investment relations. However, it enables each MS to retain autonomy in formulating the appropriate responses to external shocks. In short, external pressures calling for boundary reconfigurations confront EU governments with a fundamental trade-off between effectiveness and autonomy: external re-bordering maximizes the former, while internal re-bordering the latter.

This discussion is relevant in this context because it highlights the importance of the conceptual distinction between different types of anti-globalism. Our discussion suggests that anti-globalist parties' stances on whether to cope with externally induced shocks through strategies of external or internal re-bordering largely depend on which variety of anti-globalism prevails within them. While traditional variants of anti-globalism should be more conducive to support for strategies of external re-bordering strengthening the EU's power in international investment politics, anti-European variants of anti-globalism should trigger greater support for strategies of internal re-bordering granting MSs more autonomy in coping with globalization-induced economic pressures. These two strategies can often be incompatible since the strengthening of internal border control capacity tends to weaken the prospects for successful external re-bordering and vice versa.

How European anti-globalist parties translate their policy preferences into policy choices can, therefore, be conceived as a function of how political contingencies lead them to prioritize these two different forms of anti-globalism at particular points in time. Where traditional anti-globalism prevails, we should expect it to produce support for strategies of external re-bordering that increase the EU's ability to close and control access to its economic space. In the case anti-Europeanism predominates, we should anticipate it to stimulate support for strategies of external re-bordering, resurrecting barriers to economic exchange between the MSs. In this context, we contend that the paradoxical observation that the opposition towards the EU investment screening regime by two eminently anti-globalist parties, the Lega Nord and the Five Star Movement, can be explained by the fact that they were united around the common denominator of anti-Europeanism and, hence, prioritized it over traditional anti-globalism. In short, facing a choice of external and internal re-bordering, these parties prioritized the latter, choosing to strengthen the domestic mechanism for screening inward FDIs rather than supporting the creation of an EU-wide screening mechanism. While this choice had the obvious drawback of weakening the EU's capacity to control inward FDIs, the availability of a domestic mechanism for the screening of inward FDIs reassured the Italian government that it could avoid ceding new powers and sovereignty to Brussels without remaining powerless in the context of a growingly geopoliticized international investment landscape.

3. Empirical Illustration

In line with the logic of outcome-centric research designs (Gschwend & Schimmelfennig, 2007), we are primarily interested in providing an in-depth, within-case study of the factors and causal processes that explain the timing and content of Italy's evolving negotiating position on the EU regime for screening inward FDIs. To do so, we combine evidence from primary and secondary sources with evidence collected through nine interviews with selected Italian and European stakeholders to show that: (a) changes in the coalition of parties supporting the Italian government following the 2018 general election plausibly account for the sudden change in Italy's negotiating stance, (b) the "yellow-green" governments prioritized anti-Europeanism over traditional anti-globalism, and (c) the availability of flexible mechanisms for screening inward FDIs at the domestic level crucially mediated how parties' political preferences were translated into policy choices.

3.1. Shifting Negotiating Stance: The Role of Changing Coalition Governments and Political Parties' Preferences

In February 2017, the German, French, and Italian ministers of economy sent a letter to the EU Trade Commissioner Cecilia Malmström, stating that they were "worried about the lack of reciprocity and about a possible sell-out of European expertise, which we are currently unable to combat with effective instruments" (Bundesministerium für Wirtschaft und Klimaschutz, 2017, p. 1). The idea was to promote the institutionalization of an EU-wide investment screening mechanism aiming:

> To prevent any damage to the economy through one-sided, strategic direct investment made by foreign buyers in areas sensitive to security or industrial policy, and to ensure reciprocity…with a European solution, which would then similarly ensure fair competitive conditions across the EU. (Bundesministerium für Wirtschaft und Klimaschutz, 2017, p. 1)

The proposal to establish an EU supranational framework for FDIs was strongly driven by the political agenda of the newly elected French President Macron for a "Europe that protects" and was warmly embraced by Germany and Italy. Since the president of the European Commission, Juncker, supported the initiative, in May 2017, the European Commission formalized in a strategy document its willingness to work toward a pan-European investment screening framework (European Commission, 2017). However, this initiative sparked considerable debate in the June 2017 European Council, with several MSs expressing concerns about its desirability (Chan & Meunier, 2022, pp. 525–528). After all, the idea of a European investment screening had already been advanced in 2013, but without success, given the reluctance of some European states to cede sovereignty in the management of investment policy.

The constellation of MSs' preferences revolved around three broad sets of positions. First, Germany and the Nordic EU MSs were strongly in favor of a supranational solution but feared that an EU investment screening regime might open the door for a protectionist turn in EU trade and investment policies. Second, France and Italy also strongly supported a strong mechanism at the EU level but pushed for a broad interpretation of the rule to potentially accommodate autonomous industrial domestic policy initiatives. Third, several smaller and mid-EU MSs were generally skeptical about the initiative because they feared it might pave the way for an additional power grab from Brussels. In this phase, therefore, Italy clearly positioned itself as a strong supporter of a strong, supranational solution in the context of the discussion about the emerging European investment screening regime (interview with an official of the European Commission, 2022).

Things changed dramatically as a result of the general political elections held in Italy on 4 March 2018. The Italian political system is characterized by a multi-party system and a mixed electoral system (a mix of proportional and majoritarian), which makes it necessary to create government coalitions (Garzia, 2019). In the 2018 elections, two of the most anti-globalist parties in the European landscape (the Lega Nord and the Five Stars movement) obtained spectacular results, 17% and 33%, respectively, which led to the formation of the so-called "yellow-green" government on 1 June 2018. This government coalition represented a complete political novelty in the Italian political landscape. For the first time, an Italian government had formed without comprising any of the traditional moderate, pro-European parties that composed the fragmented Italian party system. The formation of a government composed exclusively of self-proclaimed anti-globalist parties caused a sudden change in the policy position of the Italian government in the negotiating process concerning the EU investment screening regime. Indeed, with the formation of the new government, Italy switched from being an enthusiastic supporter of the policy initiative to threatening to veto it.

Their change of position not only became immediately visible in the negotiating process, but it had significant consequences too. It created the perception that Italy had begun to side with the EU MSs that had been particularly sensitive to China's talking points, such as Hungary, and that this new configuration preference could put the entire enterprise at risk (interview with a member of the European Parliament, 2022). As a result, the group of MSs that had been more strongly supportive of establishing an independent EU-level screening mechanism decided to significantly water down the initial proposal and move forward with the idea of a looser mechanism mostly aimed at coordinating national investment screening activities. In the end, faced with the impossibility of blocking the initiative and a far less ambitious proposal, Italy decided to abstain. What is interesting to note is that between February 2017, when Italy proposed an EU-wide investment screening mechanism together with France and Germany, and March 2018, when it became its main opponent, there were no changes in the preferences of societal actors or of other political parties. Societal actors, such as large Italian companies and their industry associations, have always supported a common framework for European investment screening (Confindustria, 2019). The mainstream Italian political parties had consistently supported an EU-wide investment screening mechanism in the years preceding the 2018 general elections. The "technocratic" government of Mario Monti (2011–2013) formed by all Italian mainstream parties extended the scope of Italian investment review while calling for the setting up of an EU-wide screening mechanism. For instance, in 2010, Monti himself wrote a report to the then Commission President José Manuel Barroso, warning that "the growth of state-sponsored investment is also fuelling concerns about excessive exposure of EU assets to foreign ownership in sectors that have been liberalized" (Monti, 2010, p. 89). The subsequent coalition governments by Letta, Renzi, and Gentiloni and guided by the Democratic Party and Forza Italia, also strongly supported the idea of a European EU investment screening and mandated the minister of economic development, Carlo Calenda, to take this file to the European level (Interview with a member of the Italian presidency of the Council of Ministers, 2022). In short, it seems eminently plausible that the cause of the sudden shift in Italy's negotiating position is to be found in the political motives of the parties that formed the government following the March 2018 elections.

3.2. Varieties of Anti-Globalism in the Yellow-Green Cabinet

The discussion developed in Section 3.1 clearly suggests that the change in the coalition of parties supporting the government impacted the timing of Italy's evolving negotiating position. It remains puzzling, however, why such an anti-globalist government opposed the creation of a policy instrument that could have effectively strengthened the EU's ability to control inward FDIs. After all, such a strategy of external re-bordering, while strengthening the possibilities to limit inward FDIs and increasing bargaining power in trade and investment negotiations with economically powerful countries such as the US and China, was consistent with the anti-globalist orientation of the new government. It seems highly plausible that the root cause of this (apparent) paradox lies in the ways in which different "varieties" of anti-globalism were prioritized by the two parties forming the "yellow-green" coalition government.

The political pact between the two parties was based on a vision of "sovereigntist foreign policy," which aspired to take control over all the most important economic, industrial, and political decisions. The policy platforms of these two parties combined two different "varieties" of anti-globalism. Both parties' policy platforms were characterized by a deep hostility towards the EU, portrayed as "a supranational institution lacking democratic legitimacy and ruled by unelected euro-bureaucrats" (Nelli Feroci, 2019, p. 1). The Five Star Movement highlighted the negative externalities generated by the austerity policies promoted by Brussels, while Salvini's Lega suggested a review of all the European treaties limiting state sovereignty. The two parties also held ambiguous positions on the possibility of Italy leaving the Euro and returning to a national currency.

At the same time, both parties upheld traditional anti-globalist positions. The Five Star Movement consistently criticized global financial and economic integration, focusing their criticism particularly on the economic and financial governance of the World Bank and the International Monetary Fund (Pirro & van Kessel, 2018). The Lega Nord criticized large capitalist and transnational corporations, denouncing "the drowning of globalism in a world dominated by large multinationals" (Ivaldi et al., 2017, p. 360). In particular, during the financial crisis, the Lega Nord blamed unregulated "financial globalization promoted and carried out by the world of high finance." Interestingly, the Lega's prognosis was to keep companies alive, partly through protectionist measures introduced at the EU level (Lega, 2009, as cited in Pirro & van Kessel, 2018, p. 332).

A number of political contingencies led these two parties to prioritize anti-Europeanism. Most notably, both parties prioritized anti-Europeanism to avoid endangering their relations with foreign powers. Indeed, the marked anti-European stance of the two governing parties led the yellow-green government to find new geopolitical referents outside Europe. Italy signed a Memorandum of Understanding and became an official member of China's Belt and Road Initiative on 23 March 2019. The announcement came during President Xi Jinping's state visit to Rome, making Italy the first G7 member to formally adhere to China's signature trade and connectivity project. This initiative was mostly motivated by the need to attract Chinese foreign investment (Ministero degli Affari Esteri e della Cooperazione Internazionale, 2018). Some have interpreted the pro-Chinese turn of the yellow-green government as a tactical signal to France and Germany: Being a privileged partner of China could provide Italy with negotiating leverage over other issues. In other words, this move has been considered an act of playing by "the playbook of populists in soft balancing," whereby the strengthening of links with external powers is used to contest ideological rivals (Giurlando, 2021, p. 6). Others have pointed to the presence of political entrepreneurs within the government, especially Minister Tria and Undersecretary Geraci, who were vocal in pushing for a partnership with Beijing. Others contend that as early as 2015 (well before the yellow-green government), Italy's diplomatic apparatus was already heavily involved in courting Chinese investment and that Euro-Atlantic governments were the first to actually open up to Chinese investment in infrastructure and strategic companies (Pugliese et al., 2022; see also Andornino, 2023). In any case, proximity to China is seen by many as the main reason why the Five Star Movement favored the vote of abstention when the EU-wide FDI screening mechanism was voted in 2019. For instance, Undersecretary Geraci confirmed in an interview that Italy was against an investment screening mechanism at the EU level and declared that he would prefer to sell part of the national champion Alitalia to Chinese investors rather than to Germany's Lufthansa (Follain & Mathieson, 2018).

The Lega Nord also prioritized anti-Europeanism but for different reasons. The Lega Nord, in particular the powerful Under-Secretary of State of the Presidency of the Council of Ministers Giancarlo Giorgetti, raised two sets of concerns during negotiations. On the one hand, and in line with the anti-European and sovereignist orientation of the Lega Nord, he feared that such a policy initiative could strengthen the EU's ability to have a voice in Italy's decisions on inward investments. On the other hand, he was concerned that an EU-level investment screening mechanism could tighten control not only on Chinese but also on US investment. In short, within the Lega Nord, there were significant concerns that an investment screening regime at the EU level could also endanger transatlantic investment relations (interview with a member of the Italian presidency of the Council of Ministers, 2022). It is worth noting that US pressure groups at the time were suggesting that Italy, a country with a declining direct foreign investment base, should adopt policies to open up to investment rather than close it down, also to have a comparative advantage over European allies such as France (American Chamber of Commerce in Italy, 2019). More generally, there was a perception that the US preferred EU MSs to equip themselves with discretionary instruments that would simultaneously enable blocking access for Chinese companies while allowing access for US companies to continue operating in the EU market. Given the preferences of these two parties, it is not surprising that during all five rounds of negotiations, the Italian government strongly pushed for explicitly recognizing the exclusive competence of the MSs to establish national investment screening mechanisms (Dipartimento per le Informazioni della Sicurezza, 2019).

The position of the yellow-green government on the EU-wide investment screening mechanism thus seems to have been crucially defined by the fact that the Lega Nord and the Five Star Movement converged around the common denominator of anti-Europeanism. This was by no means obvious. For instance, another strongly anti-globalist party such as Fratelli d'Italia (Brothers of Italy), at the time considered the creation of a strong EU investment review mechanism as a desirable protective tool against the vulnerabilities of globalization (Senato della Repubblica, 2018). One important reason why the Lega Nord and the Five Star Movement prioritized anti-Europeanism over traditional anti-globalism was that these two parties did not want to endanger relations with their respective (perceived) foreign patrons. The creation of a supranational European screening mechanism would not only imply a "Brussels power grab," which these two parties clearly opposed, but would also open the way for the imposition of restrictions on inward FDIs at the EU level against both China, with which the Five Star Movement was keen to further develop economic relations, and the US, with which the Lega Nord was trying to ingratiate itself. The convergence around the common denominator of anti-Europeanism of the two parties supporting the yellow-green government created the political conditions for the Italian government's sudden shift towards a strategy of internal re-bordering.

3.3. The Selective Use of Golden Power to Screen FDIs

In addition to the importance of the two parties' hostility towards European integration and concerns about relations with foreign powers, another factor played a key role in shaping the Italian government's decision to oppose the creation of an EU-wide investment screening mechanism: the availability of the alternative of strengthening investment screening at the domestic level. More specifically, the position of the Italian government was influenced by the fact that it could pursue a strategy of internal-re-bordering based on the use of "golden power" mechanisms to selectively screen uncontrolled flows of FDIs endangering strategic sectors.

In 2012, the Italian government issued a law decree on "golden power," which grants the government special powers concerning companies owning or controlling "strategic assets" in specified industries, namely defense and national security and energy, transport, and telecommunications. If the government believes the national interest is threatened, it can veto decisions, block investments, and impose special conditions (Italian Republic, 2012). In addition, it can issue "soft" and non-legally binding considerations. This golden power is a mechanism that leaves a wide discretion to the government, allowing it to decide on a case-to-case basis whether to allow or block a certain transaction. The government can also decide by decree which activities are considered strategic for national security and defense. The Italian golden power regime has been sanctioned by several rulings of the European Court of Justice precisely because of the discretionary nature of its exercise and the lack of precise requirements for its application.

At the very same time that Italy was negotiating in Brussels for the establishment of an EU-wide investment screening mechanism, the government extended the golden power to "sectors of high technological intensity" in October 2017 and to "assets and relationships concerning 5G networks and related technologies" in March 2019. The case of 5G is a paradigmatic example of the possibility of using the flexible golden power mechanism to circumvent different political preferences and to deal with the presence of "varieties of anti-globalism."Between 2017 and 2019, the Italian government was under pressure from the US to block Huawei's entry into 5G networks. Following the suggestion of the intelligence services, the Italian Parliamentary Committee for Security supported the US position (Italian Parliamentary Committee for Security, 2019). However, the yellow-green government had signed the Memorandum of Understanding with China and did not want to give in to US pressure.

The government has managed to strike a delicate political compromise by simply extending the golden power regime to the 5G sector. This allows the government to use the golden power mechanism to selectively block unwanted foreign investment in this sector. The government is, therefore, not forced to step in to block investments by Chinese companies (such as Huawei or ZTE) in 5G ex-ante (as in France or the UK), but it may eventually do so on a case-by-case basis (Calcara, 2022). The extension of golden power to 5G simultaneously reassured Beijing that its companies would not be excluded ex-ante but also reassured its US and European allies that they would be able to block Chinese investments if necessary. The flexibility of the golden power regime was an additional factor that allowed the Italian government to pursue a strategy of internal re-bordering at the expense of external re-bordering at the European level.

During the pandemic emergency, the Italian government institutionalized a special regime that established the obligation for both EU and non-EU investors to notify the Italian authorities of any direct or indirect acquisition of a controlling interest and for non-EU investors only of any direct or indirect acquisition of a non-controlling minority interest (acquisition of at least 10% of the share capital or 10% of the voting rights and exceeding the following thresholds 15%, 20%, 25%, and 50%), provided that the value of the investment exceeds €1 million.

Political discretion in the actual employment of the golden power is also evidenced by the activism of the Draghi government, which has fully returned to the Euro-Atlanticist fold to block (on a case-to-case basis) the entry of Chinese companies into strategic sectors, such as their blocking of the deal between Fastweb and Huawei regarding 5G (Bechis & Lanzavecchia, 2021). The coalition government formed by the Brothers of Italy, Lega, and Forza Italia, which emerged from the 2022 elections, will continue to use the golden power mechanism to screen Chinese control of historic Italian companies considered strategic (e.g., Pirelli) but also potentially to deter European (especially French) investment groups from controlling strategic companies in the telecommunications sector, such as TIM (Italian Government Presidency of the Council of Ministers, 2023). The possibility of screening investments in strategic sectors on a case-by-case basis thus facilitated the yellow-green government's decision to pursue a strategy of internal re-bordering by reassuring it that, despite the absence of an EU-wide screening mechanism, Italy would not remain powerless in the face of undesired foreign investments.

4. Conclusions

In seeking to explain why Italy turned from being one of the main supporters of a supranational investment screening mechanism at the EU level into one of its main opponents in the space of just a few months, we developed two complementary arguments. First, we stressed the crucial role played by the political preferences of the parties that formed the coalition governments after the 2018 general elections, i.e., the Five Star Movement and the Lega Nord. Second and relatedly, we suggested that the content of their position was influenced by their prioritization of anti-Europeanism over traditional anti-globalism. This latter element was itself a consequence of these parties' fears of a "Brussels power grab," their desire to maintain close relations with their perceived foreign patrons, and the availability of domestic institutions that reassured them that they would not remain powerless in the face of an increasingly geopoliticized international investment landscape.

While our primary objective was to explain the evolution of the Italian government's stance on negotiations concerning the EU investment screening regime, we believe our arguments and findings could also shed important light on ongoing debates about the future of European integration. As Schimmelfennig (2021, p. 314) aptly argued, "Whether external re-bordering will succeed and help consolidate the EU, or disintegration tendencies will prevail is an eminent political question for the future of European integration." The European Commission is well aware that this is probably the most pressing political issue in the face of the risks arising from new geopolitical and technological realities. Its recently released European Economic Security Strategy states:

> A common and coordinated EU action across policies, through cooperation between the EU and the member states, is essential for the Union's economic security. The alternative to an EU approach to economic security is that our partners will pick and choose alliances, while less well-intentioned players will seek to divide and conquer....The key to success will be to act in unity. (European Commission, 2023, p. 14)

While it is generally presumed that the growing political importance of anti-globalist parties in many EU MSs does not bode well for the EU's ability to put in place effective strategies for external re-bordering (Poletti, 2023), our contribution underscores the importance of acquiring a more systematic understanding of the mechanisms linking anti-globalization sentiments and policy outcomes at the EU level. In the case we considered in this article; indeed, the bond between the Lega Nord and the Five Star Movement around the common denominator of anti-Europeanism led the Italian government to support a strategy of internal, rather than external, re-bordering in the context of negotiations for the establishment of a new investment screening regime in the EU. However, as we argued, traditional variants of anti-globalism need not necessarily weaken the prospects of a more unified EU in the face of a more geo-politicized international economic landscape. Whether anti-globalism will strengthen or weaken the EU's ability to act as a unitary actor in a more turbulent international economic environment crucially depends on the variety of anti-globalism that comes to dominate the narratives and political choices of anti-globalist parties in the next few years.

Acknowledgments

Antonio Calcara acknowledges the support of the Flanders Research Foundation for the postdoctoral fellowship 1296022N on Cooperation and Competition in European Defence Policy.

Conflict of Interests

The authors declare no conflict of interest.

References

American Chamber of Commerce in Italy. (2019). *Boosting Italy: Stimolare l'attrazione di FDI in Italia* [Boosting Italy: Stimulating the attraction of FDI in Italy]. https://www.amcham.it/it/download/comitato-gruppidilavoro/4

Andornino, G. B. (2023). Continuity and change in Italy-China relations: From economic pragmatism to selective followership and back. In D. W. F. Huang & A. S. Grano (Eds.), *China–US competition: Impact on small and middle powers' strategic choices* (pp. 133–157). Springer.

Bauerle Danzman, S. (2019). *Merging interests: When domestic firms shape FDI policy*. Cambridge University Press.

Bauerle Danzman, S., & Meunier, S. (2021). *The big screen: Mapping the diffusion of foreign investment screening mechanisms*. SSRN.

Bechis, F., & Lanzavecchia, O. (2021, March 25). Draghi halts Chinese 5G purchase. *Formiche*. https://formiche.net/2021/03/draghi-halts-chinese-5g-tech-purchase

Bundesministerium für Wirtschaft und Klimaschutz. (2017). *Letter from the governments of France, Germany and Italy to European Commissioner Cecilia Malmström*. https://www.bmwk.de/Redaktion/DE/Downloads/S-T/schreiben-de-fr-it-an-malmstroem.pdf?__blob=publicationFile&v=5

Calcara, A. (2022). From quiet to noisy politics: Varieties of European reactions to 5G and Huawei. *Governance*, *36*(2), 439–457.

Chan, Z. T., & Meunier, S. (2022). Behind the screen: Understanding national support for a foreign investment screening mechanism in the European Union. *The Review of International Organizations*, *17*(3), 513–541.

Chilton, A. S., Milner, H. V., & Tingley, D. (2020). Reciprocity and public opposition to foreign direct investment. *British Journal of Political Science*, *50*(1), 129–153.

Cladi, L., & Locatelli, A. (2020). The Me Too syndrome reloaded: Change and continuity in Italian relations with France and Germany after Brexit. *Italian Political Science*, *15*(1), 29–41.

Confindustria. (2019). *Italia, Europa e Cina: Analisi e proposte per un rinnovato modello di cooperazione* [Italy, Europe, and China: Analyses and proposal for a renewed model of cooperation]. https://www.confindustria.it/home/policy/position-paper/dettaglio/italia-europa-cina-analisi-proposte-cooperazione

Coticchia, F. (2021). A sovereignist revolution? Italy's foreign policy under the "yellow-green" government. *Comparative European Politics*, *19*, 739–759.

Damro, C. (2012). Market power Europe. *Journal of European Public Policy*, *19*(5), 682–699.

De Vries, C. E., Hobolt, S. B., & Walter, S. (2021). Politicizing international cooperation: The mass public, political entrepreneurs, and political opportunity structures. *International Organization*, *75*(2), 306–332.

Dimitropoulos, G. (2020). National security: The role of investment screening mechanisms. In J. Chaisse, L. Choukroune, & S. Jusoh (Eds.), *Handbook of international investment law and policy* (pp. 30–32). SSRN.

Dipartimento per le Informazioni della Sicurezza. (2019). *Golden power*. https://www.sicurezzanazionale.gov.it/sisr.nsf/wp-content/uploads/2020/01/GNOSIS-golden-power-intelligence.pdf

European Commission. (2017). *Reflection paper on harnessing globalization*. https://commission.europa.eu/system/files/2020-07/reflection-paper-globalisation_en.pdf

European Commission. (2023, June 20). *An EU approach to enhance economic security* [Press Release]. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3358

Follain, J., & Mathieson, R. (2018, October 4). Italy pivots to China in blow to EU efforts to keep its distance. *Bloomberg*. https://www.bloomberg.com/news/articles/2018-10-04/italy-pivots-to-china-in-blow-to-eu-efforts-to-keep-its-distance

Garzia, D. (2019). The Italian election of 2018 and the first populist government of Western Europe. *West European Politics*, *42*(3), 670–680.

Giannetti, D., Pinto, L., & Plescia, C. (2020). The first Conte government: "government of change" or business as usual? *Contemporary Italian Politics*, *12*(2), 182–199.

Giurlando, P. (2021). Populist foreign policy: The case of Italy. *Canadian Foreign Policy Journal*, *27*(2), 251–267.

Gschwend, T., & Schimmelfennig, F. (Eds.). (2007). *Research design in political science: How to practice what they preach*. Springer.

Helwig, N. (2022). The ambiguity of the EU's global role: A social explanation of the term "strategic autonomy." *European Foreign Affairs Review*, *27*, 21–38.

Italian Government Presidency of the Council of Ministers. (2023). *Golden power for Pirelli: Green light from the government with provision to protect strategic assets*. https://www.governo.it/en/articolo/golden-power-pirelli-green-light-government-provisions-protect-strategic-asset/22952

Italian Parliamentary Committee for Security. (2019). *Relazione sulle politiche e gli strumenti per la protezione cibernetica e la sicurezza informatica, a tutela dei cittadini, delle istituzioni, delle infrastrutture critiche e delle imprese di interesse strategico nazionale* [Report on policies and instruments for cybernetic protection and computer security in defense of citizens, institutions, critical infrastructures, and national interest enterprises]. https://www.infoparlamento.it/tematiche/approfondimenti/copasir-relazione-sulle-politiche-e-gli-strumenti-per-la-protezione-cibernetica-e-la-sicurezza-informatica-a-tutela-dei-cittadini-delle-istituzioni-de

Italian Republic. (2012). Decreto-Legge 15 marzo 2012, n. 21 [Decree-Law 15 March 2012, no. 21]. *Gazzetta Ufficiale della Repubblica Italiana*, *153*(63). https://www.gazzettaufficiale.it/eli/gu/2012/03/15/63/sg/pdf

Ivaldi, G., Lanzone, M. E., & Woods, D. (2017). Varieties of populism across a left-right spectrum: The case of the Front National, the Northern League, Podemos and Five Star Movement. *Swiss Political Science Review*, *23*(4), 354–376.

Klüver, H., & Spoon, J. J. (2016). Who responds? Voters, parties and issue attention. *British Journal of Political Science*, *46*(3), 633–654.

Lavery, S. (2023). Rebuilding the fortress? Europe in a changing world economy. *Review of International Political Economy*. Advance online publication. https://doi.org/10.1080/09692290.2023.2211281

Lenihan, A. T. (2018). *Balancing power without weapons: State intervention into cross-border mergers and acquisitions*. Cambridge University Press.

Meunier, S., & Nicolaidis, K. (2019). The geopoliticization of European trade and investment policy. *Journal of Common Market Studies*, *57*, 103–113.

Ministero degli Affari Esteri e della Cooperazione Internazionale. (2018). *La Belt and Road Initiative avvicina Pechino all'Europa* [The Belt and Road Initiative draws Beijing and Europe nearer]. https://www.esteri.it/mae/resource/pubblicazioni/2018/06/newsletter_n3_aprile_2018_new.pdf

Monti, M. (2010). *A new strategy for the single market*. European Commission.

Nelli Feroci, F. (2019). *Italy and the EU: On a collision course?* Istituto Affari Internazionali. https://www.iai.it/en/pubblicazioni/italy-and-eu-collision-course

Norris, P., & Inglehart, R. (2019). *Cultural backlash: Trump, Brexit, and authoritarian populism*. Cambridge University Press.

Pirro, A. L., & van Kessel, S. (2018). Populist Eurosceptic trajectories in Italy and the Netherlands during the European crises. *Politics*, *38*(3), 327–343.

Poletti, A. (2022). *Antiglobalismo: Le radici politiche ed economiche* [Antiglobalism: The political and economic roots]. Il Mulino.

Poletti, A. (2023). Europe's fragile unity. *Survival*, *65*(1), 71–80.

Pugliese, G., Ghiretti, F., & Insisa, A. (2022). Italy's embrace of the Belt and Road Initiative: Populist foreign policy and political marketing. *International Affairs*, *98*(3), 1033–1051.

Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union. (2019). *Official Journal of the European Union*, L 79 I. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0452

Sandholtz, W., & Zysman, J. (1989). 1992: Recasting the European bargain. *World Politics*, *42*(1), 95–128.

Schill, S. W. (2019). The European Union's foreign direct investment screening paradox: Tightening inward investment control to further external investment liberalization. *Legal Issues of Economic Integration*, *46*(2), 105–128.

Schimmelfennig, F. (2021). Rebordering Europe: External boundaries and integration in the European Union. *Journal of European Public Policy*, *28*(3), 311–330.

Schmitz, L., & Seidl, T. (2023). As open as possible, as autonomous as necessary: Understanding the rise of open strategic autonomy in EU trade policy. *Journal of Common Market Studies*, *61*(3), 834–852.

Senato della Repubblica. (2018). *Legislatura 18 Atto di Sindacato Ispettivo nº 3-00042* [Legislature 18 Act of Inspection No. 3-00042]. https://www.senato.it/japp/bgt/showdoc/frame.jsp?tipodoc=Sindisp&leg=18&id=1068926

Walter, S. (2021). The backlash against globalization. *Annual Review of Political Science*, *24*, 421–442.

About the Authors

Antonio Calcara is a Flanders Research Foundation postdoctoral fellowship at the Department of Political Science at the University of Antwerp. He has been awarded an ERC Starting Grant (2024–2029) for his project on Competition in the Digital Age: Geopolitics and Technology in the XXI Century (CODE). His research lies at the intersection of international security and international political economy.

Arlo Poletti has been an associate professor of international political economy at the Department of Sociology and Social Research of the University of Trento since 2016. He obtained his PhD at the University of Bologna, was a post-doctoral researcher at the University of Antwerp, and held positions as an assistant professor at the LUISS Guido Carli and the University of Bologna. His research focuses on political-economy globalization with particular emphasis on the politics of trade policymaking, interest group politics, and individual-level political behavior.