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*How Institutional Complementarities Shape FDI
Screening in Denmark and Italy*

AALBORG UNIVERSITET

STUDENT

Rachele Bazzani

SUPERVISOR

Dominik Schraff

CHARACTERS

167.791

ABSTRACT	4
INTRODUCTION	6
LITERATURE REVIEW	7
THE POLITICAL ECONOMY OF FOREIGN DIRECT INVESTMENTS	7
THE RISE OF FDI SCREENING IN EUROPE	8
THE REGULATORY BASELINE: EU COMPETENCE AND REGULATION 2019/452	9
THEORETICAL FRAMEWORK FOR EXPLAINING NATIONAL DIVERGENCE AND RESEARCH GAP	11
THEORY SECTION	14
EUROPEANISATION	15
THE DOWNLOADING MECHANISM: MISFIT AND ADAPTATIONAL PRESSURE	15
ON MINIMUM HARMONISATION	16
VARIETIES OF CAPITALISM	17
THE MAIN ACTORS	17
DIFFERENT VARIETIES OF CAPITALISM	18
TWO KEY ANALYTICAL DIMENSIONS: CORPORATE GOVERNANCE AND STATE-BUSINESS RELATIONS	20
THE SHAPING MECHANISM AND HYPOTHESES	21
OPERATIONALIZATION OF THE FRAMEWORK	24
ALTERNATIVE EXPLANATIONS	27
METHODOLOGY AND RESEARCH DESIGN	28
A CONTEXTUALISED INTERACTION APPROACH	28
COMPARATIVE STUDY DESIGN	29
CASE SELECTION RATIONALE	32
CHOICE OF DATA	33
LIMITATIONS OF THE STUDY	34
ANALYSIS	35
THE EU REGULATORY FRAMEWORK AND THE ARTICULATION OF MISFIT	35
FROM THE KUKA CASE TO AN EU-LEVEL REACTION: THE BASIS FOR DOWNLOADING	35

THE ARCHITECTURE AND CONTEXT OF THE REGULATION	36
A PREDICTIVE ELEMENT OF DIVERGENCE: THE MISFIT BETWEEN MEMBER STATES	40
INSTITUTIONAL ANALYSIS	43
CORPORATE GOVERNANCE: STRUCTURAL VULNERABILITY AND RISK IDENTIFICATION	43
STATE-BUSINESS RELATIONS: COORDINATION LOGIC AND THE INSTITUTIONAL RATIONALE OF DECISION- MAKING	53
LINKING THE CONDITIONING VARIABLE TO THE LEGISLATIVE ANALYSIS	60
ADAPTATION TO THE REGULATION	62
THE SCOPE OF NATIONAL LEGISLATION	63
THE OPERATIONAL DEFINITION OF SECURITY THREAT	67
THE CRITERIA FOR ACTIVATING THE SCREENING MECHANISM	68
COMPETENT AUTHORITY	70
THE DISCRETIONARY ROLE OF THE STATE IN BLOCKING DECISIONS AND MITIGATIONS	72
THEORETICAL IMPLICATIONS AND DISCUSSION OF HYPOTHESES	74
 CONCLUSION	 76
 REFERENCES	 78

Abstract

In recent years, the European Union has shifted from an openly welcoming stance toward foreign capital to one centred on economic security, in which the screening of foreign direct investments has become a central policy instrument. Following growing concerns over strategic acquisitions by opaque state-backed actors and the succession of crises affecting critical infrastructure and supply chains, the EU adopted Regulation 2019/452, thereby establishing a common framework for the screening of foreign direct investment (Kociubinski 2023; Doppen et al. 2024).

Nevertheless, the instrument was intentionally designed as one of minimum harmonisation, as it provided only a basic procedural architecture and permitted Member States to determine how they would implement these (Kokkoris 2022). As a result, the outcome was not convergence but divergence, since individual countries, subject to the same regulatory input, developed systematically different national screening regimes.

The observation serves as the starting point for this thesis, which addresses the empirical problem resulting from this space of discretionary choice. Current explanations link the divergence to the common external stimulus and sectoral concentration, to domestic firms' financing preferences, or to a presumed regulatory immaturity expected to fade as national systems move toward greater similarity (Chan & Meunier 2021; Bauerle Danzman 2019; Kokkoris 2022). This thesis offers another account for the differences seen in how Member States have responded to the common EU stimulus and adopted it into domestic law. The central argument is that national screening regimes reflect the institutional complementarities of domestic capitalist systems, which shape both the definition of strategic vulnerability and the organisation of economic security governance.

On the one hand, the framework of Europeanisation accounts for the common stimulus and its shared securitisation framing, while the Variety of Capitalism one showcases the direction that national adaptation takes, since it structures not only the underlying logic and resulting form of screening, but also what each state identifies as a strategic asset requiring protection.

The argument is tested through a qualitative most similar systems comparison of Denmark and Italy, selected as polar types within the European political economy, meaning a coordinated market economy and a mixed market economy (Hall & Soskice 2001).

While keeping the EU stimulus constant by design, the analysis treats the variety of capitalism as the conditioning variable, operationalised through two spheres, corporate governance and the relations between state and business, and analyses the resulting screening regimes across five legislative dimensions, i.e., their scope, the operational definition of threat, the criteria for activation, the competent authority, and the discretionary power of the state to block a transaction.

The institutional chapter shows that these two spheres map directly onto the legislative texts. Corporate governance defines what each system must protect, since it determines where a political economy is most vulnerable to external capture, while the relations between state and business fix the administrative infrastructure through which that protection is exercised, and therefore the degree of discretion the process requires. Both the object of protection and the institutional form of the response are thus set in advance by the institutional profile, rather than by an independent legislative choice. The legislative analysis is consistent with the initial hypotheses and indicates that the two countries diverge in type and logic rather than in degree. Denmark, in line with the model of a coordinated market economy, develops a residual and procedurally bounded screening regime, whereas Italy, reflecting the features of a mixed market economy, constructs one that is encompassing and discretionary.

In doing so, the thesis extends the concept of institutional complementarities beyond the firm and the labour market, the domains on which it has traditionally focused on, and shows that the same logic governs the way Member States produce and organise economic security. Lastly, because the divergence originates in institutional complementarities rather than in policy choices, an intensification of European pressure adapts the form of national regimes without producing convergence in their substance.

Introduction

In 2016, Midea's acquisition of Kuka for 4.5 billion euros was carried out entirely within the framework of the EU's open capital regime. Three years later, however, the Union adopted its first framework for screening foreign direct investments, a tool that would have subjected a transaction like that of Kuka to a coordinated review at the EU level. This change marks a significant reorientation in European policy.

The European Union, throughout much of its history as an integrated economic space, had regarded investment control as the domain of a few industrially oriented states, with the supranational level adhering to the principle of non-discrimination. As a result, openness to foreign capital long stood at the core of the Union's approach (Meunier 2016). Over time, however, various factors, including strategic acquisitions, shocks to critical supply chains during the pandemic, and an unstable geopolitical climate, have pushed economic security to the forefront of the Commission's agenda (Chen & Gao 2021; Kociubinski 2023). In this new context, Regulation 2019/452 established minimum procedural standards for the control of foreign direct investments, while leaving each state free to develop its own national regime.

Against this backdrop, states have developed screening architectures that differ both in the procedures and in their basic understanding of what counts as a strategic asset and which transactions require protection. Existing literature has approached the phenomenon through economic and securitisation lenses; however, as discussed thoroughly in the literature review, it still does not account for why two countries exposed to the same regulatory stimulus arrive at fundamentally different definitions of strategic vulnerability. This thesis fills that gap by examining how the institutional logic of domestic political economies influences the resulting legislative architecture in order to explain the systematic variance in national FDI screening regimes.

The analysis is structured around three objectives. It first identifies the dimensions that allow for a meaningful comparison of national screening regimes. Secondly, it examines how the institutional arrangements of two divergent political economies lead to different screening decisions. Finally, it evaluates what these findings suggest about the degree of divergence and the potential for regulatory convergence within the Union.

The research question that anchors and motivates this thesis may be stated as follows:

Why do Member States produce divergent national regulatory frameworks in response to common EU regulatory directives, and what does this divergence reveal about the limits of regulatory harmonization in areas that touch upon national institutional structures?

Although the thesis is guided by a single overarching research question, this question unfolds along two analytical dimensions. At the analytical level, the outcome aims at showing that the logic of institutional complementarities shapes the regulation of capital flows much as it shapes labour markets and corporate governance, thus expanding the Varieties of Capitalism framework into a domain that has so far remained outside its scope (Fioretos 2001). Additionally, the thesis points out that, as the Commission revisits Regulation 2019/452, stronger European pressure may alter the structure of national screening regimes without producing convergence in their underlying principles.

Literature Review

The political economy of foreign direct investments

Across multiple decades, cross-border foreign investment flows have consistently shaped the field of International Political Economy. Since the 1970s, as countries have independently managed their own rules governing foreign investment, several scholars have mapped the evolution of this process (Pandya 2016). In practice, this has manifested as a progressive lowering of formal barriers through a process of liberalization, reflecting the fact that the movement of capital and goods had become closely linked to where companies decided to locate globally. The literature links this process to both structural economic pressures and domestic political dynamics, such as democratization (Kobrin 2005; Pandya 2016, pp. 456–458). At the same time, agreements between countries, such as bilateral investment treaties (BITs) and preferential trade agreements (PTAs), became the new norm, silently reshaping who could invest where (Pandya 2016, p. 459)

However, alongside this opening, an important countertendency emerged: even as countries liberalized, procedures for reviewing foreign acquisitions on

national security grounds gained renewed importance, turning FDI screening mechanisms into a relevant phenomenon (Pandya 2016, pp. 459–460). Pandya points to the Committee on Foreign Investment in the United States (CFIUS) as the institutional template for this kind of review. In fact, the tightening of controls on FDI is seen as a transnational trend that began long before the EU regulatory response, which cannot be traced back to a single cause. Bencivelli et al. (2023) report that this process began around 2010, when most advanced economies adopted or significantly strengthened their mechanisms of control over foreign investment (Bencivelli et al. 2023).

To illustrate this shift, some explanations centre on the logic of statecraft, where screening becomes a proactive instrument through which states manage the distribution of economic power, rather than being a defensive tool triggered by a specific foreign threat (Lenihan 2018). While other scholars focus on the changing nature of the foreign capital itself, pointing to concerns about observable features of transactions in Chinese mergers and acquisitions, Alami (2024) opposes the tightening of investment controls merely as a response to China's rise and sees it as a structural feature in the capitalist development (Tingley et al. 2015; Alami 2024). Regardless of which explanation one privileges, the evidence shows that FDI control mechanisms are globally distributed and shaped by the multiple factors outlined above.

What distinguishes the screening mechanism in Europe is the political and institutional conditions that made collective action at the supranational level possible and, at a certain point, necessary (Carcy 2021, p. 11).

The rise of FDI screening in Europe

Europe, amid a global trend toward stricter regulation of foreign investment, followed a unique path influenced by an interplay of political, economic, and social factors. At the political level, the literature agrees that investment screening in the EU is a direct securitization policy response to geopolitical risk and potential threats, including the Belt and Road Initiative (BRI) (Chen & Gao 2021; Kociubinski 2023). From this viewpoint, Europe's increasing securitization response would be the result of accumulated pressures rather than a single triggering event, such as the perceived relative economic decline of Europe, repeated frustrations in accessing markets, the

rise of China as a cyber power, and Xi Jinping's increasingly assertive foreign policy (Chen & Gao 2021). More generally, the growing state-linked or influenced investments in sensitive sectors, paired with a series of security shocks and crises, have led Europe to defend perceived vulnerabilities (Chen & Gao 2021; Kociubinski 2023; Doppen et al. 2024). According to the economic security literature, FDI screening is thereby progressively presented as a tool to safeguard national security while attempting to maintain openness to perceived less threatening investment, such as greenfield projects (Kokkoris 2022; Bauerle Danzman & Meunier 2023).

In the current FDI literature, the expansion of screening mechanisms in the EU is also traced to socio-institutional and public debate dynamics. Policymakers increasingly defend screening as essential to preserving public order, citing foreign investment as a potential source that could undermine social stability (Chan & Meunier 2021, p. 524; Calcara & Poletti 2023). Aside from that, economic actors in some countries have supported the new regulatory framework and contributed to shaping the perception of investment risks, rather than merely accepting or opposing the policy. For instance, according to Nibe (2023), corporate actors in Denmark actively contributed to legitimizing FDI screening by aligning their concerns with the government's evolving risk perception, instead of protesting against new regulatory restrictions (Nibe 2023, p. 141).

Finally, the social construction of the EU screening mechanism crosses national borders, as Member States participate in a continuous exchange of information that serves as a collective learning process through the EU peer review mechanism. This gives policy growth an additional social component since peer pressure and shared knowledge are used to negotiate and validate the appropriate method for investment assessment (Bauerle Danzman & Meunier 2023).

The Regulatory Baseline: EU competence and Regulation 2019/452

To understand how member states implement EU Regulation 2019/452, it helps first to examine the literature on how the EU came to have a role in FDI regulation at all, as well as what the resulting framework does and what it was designed not to do. Meunier (2017) traces this process back to the 2009 Lisbon Treaty, which transferred authority over FDI from individual member states to the supranational level. This

change of competence, in her words, occurred “under the radar”, meaning it took place without a clear mandate from member states or organized lobbying groups (Meunier 2017, p. 22). Consequently, member states found themselves operating under a supranational framework whose implications for their sovereignty over investment decisions were still heavily debated, leaving them with a legally ambiguous inheritance. Countries in the EU have remained reluctant to translate the competence into harmonization, while the Commission itself was internally divided (Meunier 2017, p. 13).

The final adoption of the EU Regulation 2019/452 was a major, although still limited, step against the background of contested competence and conflicting preferences. Researchers place this development in the context of the geopoliticisation of European policy, noting a consistent reframing of the market regulation from a technocratic problem to an issue of economic security and strategic autonomy (Meunier & Nicolaidis 2019, p. 103). Specifically, the regulation creates a cooperative framework that allows member states to exchange transactional data and provide feedback on investments under review in other nations. Among the points that Member States should pay attention to, relevance is given to the target function in vital infrastructure and the transaction’s effect on supply security (Carcy 2021, p. 3).

At the same time, the Regulation does not create a standardised review body at the EU level, as national screening at this stage is not mandatory. The European Parliament also did not establish a uniform definition of national security, nor did it specify the sectors requiring protection. Academic reports highlight that the Regulation enabled cooperation and coordination among member states, but at the same time led to inefficient procedures and unsatisfactory national screening decisions, as ultimate decisions have been left to national discretion (Riela 2023).

Kokkoris (2022) confirms this process from an institutional law perspective, highlighting that the differences in areas and sectoral definitions across Member States result from regulatory immaturity rather than intentional design (Kokkoris 2022). However, other scholars argue that these implementation divergences are more than sheer unstructured side effects, offering various explanations (Bauerle Danzman 2019; Chan & Meunier 2021).

Theoretical framework for explaining national divergence and research gap

If the regulatory literature confirms that divergence among MS exists, a separate body of work seeks to explain its causes. The current work focuses on both domestic economic and social factors and external factors, such as the nature of incoming FDI (Bauerle Danzman 2019; Chan & Meunier 2021). Other scholars draw on comparative political economy and the institutional architecture of state-business relations to study the variation across countries (Doppen et al. 2024). A different angle comes from the Europeanisation and compliance literature, which highlights that translating EU regulatory input into national implementation requires a degree of misfit to reveal divergences.

According to Bauerle Danzman (2019), openness to FDI is driven by changes in the preferences of powerful domestic firms, which view foreign investors as a source of financing when local credit is scarce. Therefore, when companies with the greatest political power require the financing that only foreign investment can provide, a policy reform occurs, and national adaptation takes place (Bauerle Danzman 2019). Other studies focus on domestic social factors that contribute to national implementation, including how public and elite opinion on economic sovereignty shapes the way governments legitimize screening choices (Calcara & Poletti 2023). Bauerle Danzman's (2019) insight that preferences are shaped by local financial structures is prominent, yet, due to its microeconomics emphasis on firms' preferences, this framework is unable to explain situations in which the State acts contrary to the preferences expressed by the companies it claims to protect. This situation specifically presents a paradox: a country like Italy, where access to cheap domestic credit has tightened significantly, should rationally prefer increased FDI from any investor, simply to survive, but the State's use of Golden Power complicates this picture and necessitates further explanations (Calcara & Poletti 2023). In this sense, this thesis aims to study the state's resistance to the industrial pressure that Bauerle Danzman's model would predict.

Chan and Meunier (2021) take a different approach, focusing on external factors to explain national divergence. Their central finding is that what drives change the most is not the volume of Chinese investment a country receives, as widely held

in the pre-existing literature, but rather where that investment goes: countries where Chinese FDI is concentrated in strategic and high-technology sectors are more likely to support an EU-level screening mechanism than the ones where Chinese money flows into low-technology or “innocuous” sectors. The characterization of Regulation 2019/452 as the “lowest common denominator” is an accurate description of the outcome and the differences between MS, categorized on a scale from opposing to supporting, already anticipates the deeper divergence in the implementation logic this thesis aims to shed light on (Chan & Meunier 2021, p. 525). Still, their framework does not address the structural basis on which the outcome rests, since it identifies the sectoral triggers that activate political support for screening without explaining why equivalent investment flows are perceived as more or less threatening depending on the institutional context through which they are absorbed.

Among the contributions considered to date, Doppen et al. (2024) come closest to the approach adopted in this thesis, but their specific scope leaves questions unresolved. Doppen et al.’s (2024) main contribution, drawing on Varieties of capitalism and state-business relations, lies in arguing that FDI screening mechanisms can be conceived as a product of governance ecosystems within which they operate. The authors effectively show that governance ecosystems affect the way screening mechanisms are set up in institutions. Nonetheless, their framework does not include the actual elements of screening, as they do not analyse why national adaptations take the specific form they do, nor they link the governance ecosystem to the subsequent legislative configuration. The influence of the cited ecosystems on state definitions of security threats and the strategic sectors, and the transactions that require review within a unified EU regulatory framework remain unexplored (Doppen et al. 2024, p. 1655).

The Europeanisation literature offers another viewpoint and argues that domestic change occurs only when EU rules clash with national institutions, and that outcomes depend on domestic mediating factors such as veto points and existing policy logics (Börzel & Risse 2003). Other scholars’ findings hint at that formal legal transposition and substantive implementation are frequently decoupled, meaning that states can correctly transpose EU directives while recovering domestically

preferred outcomes through implementation discretion (Zhelyazkova et al. 2016). In the context of Regulation 2019/452, this implies that, even with formal compliance within the same mandate, a uniform regulatory stimulus is filtered through each member state's institutional structures, resulting in diverse screening frameworks.

Considered together, however, none of these contributions explains the deeper structural logic that produces systematic divergence in how member states define the very object of security concern. Each strand of literature illuminates some aspect of the picture, leaving key elements of the implementation process unexplored or fragmented. Current research does not provide a structural explanation for this variation in threat perception, and it is this gap that motivates the analytical framework developed here. This thesis takes up the question and, in doing so, extends Doppen et al.'s (2024) contribution by linking VoC configurations to the specific legislative architecture that results, a step that previous contributions do not take.

The central theoretical claim of this thesis is that these domestic factors and their coordination, holding constant the same regulatory stimulus, influence not only the way states construct screening systems but also the deeper logic of their choices. In doing so, the paper is enriched by considering the tradition of Europeanisation principles, viewing the EU Regulation as a fixed stimulus and its ecosystem as a crucial stepping stone for the adaptation process to occur.

The argument speaks directly to and enriches three strands of scholarship. To begin with, it offers a structurally grounded explanation for why implementation varies methodically across member states: not because of short-term political preferences or differences in FDI volume, but because the core institutional configurations that states try to protect differ fundamentally across varieties of capitalism. Second, it expands the usage VoC framework into a recent territory, demonstrating that the logic of institutional complementarities, which typically governs labour markets and corporate governance, also governs national security policy and the governance of capital flows, enriching the field of comparative political economy. Third, it provides an illustration of how minimum harmonisation at the level of the EU does not lead to convergence, but to institutionally structured

divergence, thereby contributing to the literature on Europeanisation and regulatory implementation.

Theory section

The analytical framework adopted in this thesis combines two interacting theoretical logics: Europeanisation and Varieties of Capitalism (VoC), to reflect the structure of the explanatory puzzle itself, which has a two-level structure.

The first level of the phenomenon is a common external stimulus. All the EU's member states are under top-down regulatory pressure as a result of the EU's shift to a more assertive economic security posture in relation to China and a changing environment of increasing instability. This pressure is institutionally expressed in a minimum harmonization regulation that establishes a common floor for FDI screening, while leaving implementation architecture to national discretion. Europeanisation, therefore, constitutes the lens that explains the timing of adoption and the shared securitization framing, as well as the formal alignment of national frameworks with the EU standard. What it cannot explain, however, is why two member states operating under the same formal obligations arrive at structurally different screening logics.

This is where VoC theory comes in, in a second level, to describe the variable that moderates the process. If Europeanisation explains that a common regulatory stimulus is transmitted to Member States, VoC specifies through what the stimulus is filtered, namely the institutional configurations of national political economies that constitute domestic actor preferences and shape the form that state intervention takes (Fioretos 2001, p. 219). The framework's analytical value lies in its potential to clarify how existing national coordination structures influence the evaluation of strategic vulnerabilities and the definition of risk and, subsequently, the type of screening logic a country formulates. Since businesses use different ways to coordinate across political economies, the sectors that are considered sensitive and the actors who are in charge of protecting them are not the same across the institutional European environment and can be explained through this framework (Hancké et al. 2008). Integrating these two frameworks together helps to examine a process that neither of them would be

able to explain alone, i.e., formal harmonisation happening at the same time as substantive institutional divergence.

Europeanisation

Europeanisation is an analytical framework for looking at how EU-level developments impact domestic politics, institutions, and national policies. Some authors view the concept as a grouping of processes of construction, diffusion, and institutionalization of formal and informal rules, procedures, policy paradigms, styles, and shared beliefs that are first defined at the EU level and then incorporated into domestic discourse, political structures, and public policies (Featherstone & Radaelli 2003, p. 17). Scholars agree that this process does not occur through mere top-down orders but happens through gradual adaptive pressures that national actors and institutions must absorb and respond to. Altogether, Europeanisation is deemed as analytically useful because of its ability to showcase that institutional settings change at different political levels in response to the changing dynamics of integration (Börzel & Risse 2002, p. 5; Featherstone & Radaelli 2003, p. 19).

The downloading mechanism: misfit and adaptational pressure

Academic literature distinguishes three directions through which Europeanisation unfolds: uploading national preferences to the EU level, cross-loading through horizontal diffusion, and downloading via EU-driven pressure on domestic institutions (Featherstone & Radaelli 2003, pp. 57-58; Major & Pomorska 2005). This thesis is concerned exclusively with the downloading mechanism, as it captures the top-down process through which Regulation 2019/452 generates pressure on member states to adapt their national screening frameworks. A central concept in the downloading literature is misfit, or “goodness of fit”, according to which Europeanisation is only likely to result in domestic change where there is a degree of incompatibility between EU-level requirements and existing domestic arrangements (Börzel & Risse 2003, p. 5). Misfit operates along two analytically distinct dimensions, meaning in the policy and institutional domains. Policy misfit arises when national regulatory instruments are challenged by European norms, producing a compliance problem. Institutional misfit, by contrast, concerns the incompatibility between domestic procedural logics and those embedded in the EU framework, producing

more indirect and incremental pressure for change (Börzel 2003, p. 6). Nevertheless, this notion of misfit alone is not a sufficient condition for domestic change to happen, as other elements are intervening, i.e., facilitating factors (Börzel & Risse 2000).

In the theory framework, these elements are represented by actors or institutions capable of translating pressure into policy output and are mediated by two opposing logics. Specifically, the absence of multiple veto points facilitates adaptation, while formal institutions with entrenched logics can either channel or block it (Börzel & Risse 2003; Featherstone & Radaelli 2003, p. 59).

Depending on the interaction between adaptive pressure and these factors, downloading can produce three degrees of change: absorption, where EU requirements are incorporated without altering the existing logic, accommodation, where adjustments occur without replacing the fundamental structure, and transformation, where existing arrangements are replaced by a qualitatively different logic (Börzel & Risse 2003). The degree of misfit is the primary indicator of how deep the change will be (Börzel & Risse 2003).

On minimum harmonisation

The level of adaptation pressure produced by any act produced at the EU level is not uniform but depends on the form of integration that the act represents. A fundamental distinction in EU law and the Europeanisation literature is between maximum harmonisation, which establishes uniform standards and prevents national divergence, and minimum harmonisation, which establishes a regulatory baseline while explicitly allowing member states to uphold or implement more rigorous measures (Dogan 2000). This design has important implications for Europeanisation outcomes.

Radaelli (2002) draws a useful distinction between vertical mechanisms of Europeanisation, operating through adaptational pressure based on a prescribed EU policy model, and horizontal mechanisms, which involve forms of adjustment not driven by conformity to a specific EU standard (Radaelli 2002). Minimum harmonization instruments are, by definition, weak vertical mechanisms, as they generate real but limited formal pressure without specifying the expected domestic outcome in detail. In these instances, Europeanisation fails to yield harmonisation;

instead, it establishes a common compliance baseline, beyond which national institutional frameworks persist in exerting significant influence over policy content. In fact, Europeanisation and harmonisation are not the same thing, as without the latter, the former can easily lead to differences (Featherstone & Radaelli 2003, p. 33).

Varieties of Capitalism

The Varieties of Capitalism framework, first presented in 2001 by Peter Hall and David Soskice in their homonymous book, is an actor-centred approach to comparative political economy that puts the firm at the heart of the analysis (Hall & Soskice 2001, p. 240). The framework establishes that firms face a recurring set of coordination problems in the spheres of industrial relations, vocational training and education, corporate governance, inter-firms relations, and employer-employee relations. The way these problems are resolved depends on the institutional structure of the political economy in which firms operate (Hall & Soskice 2001, p. 7).

A central analytical concept of the framework is institutional complementarity. Two institutions are complementary when the efficiency or presence of one increases the efficiency or returns of the other (Hall & Soskice 2001, p. 18). This logic of mutual reinforcement produces consistent patterns of coordination across spheres and generates distinct comparative institutional advantages: the institutional structure of a political economy advantages firms in specific types of economic activity (Hall & Soskice 2001, p. 37). Rather than viewing institutions as constraints to be overcome, the framework treats them as the constitutive environment from which firm strategies and national economic specialisations emerge (Fioretos 2001, p. 219).

The main actors

According to the framework, firms are the main agents of economic adjustment. In line with the original formulation, the firm is conceptualized through a relational view, where its success depends on the quality of its strategic interactions in the five spheres mentioned above (Hall & Soskice 2001, pp. 6-7). The firm's activity is characterized by the constant necessity to resolve coordination problems arising from structural challenges such as information asymmetries or incomplete contracts. In this context, the strategies that companies formulate are not shaped independently of their institutional environment. Other important elements are institutions, which

are defined as a set of rules, whether formal or informal, that actors generally follow for material, cognitive or normative reasons.

In the framework, institutions are distinguished from organizations, defined separately as durable entities with formally recognized members and with the power of establishing rules that can directly contribute to the institutional structure of political economy.

Through the years of the development of the framework, a further actor, the state, has occupied a growing role. Initially, the state was treated as a secondary actor, mainly regarded as a rule-setter or a facilitator that reflected the existing mode of business coordination (Hall & Soskice 2001). This is due to the fact the original framework focused mainly on the micro-foundations of the political economy, where macro-political structures had a less prominent role. At a later stage, several scholars have attributed to the state a key role in determining the characteristics of business systems and how employers behave associatively (Whitley 2007; Amable 2015). Governments are therefore recognized as an additional element of coordination, present everywhere, but in different ways depending on the forms of capitalism (Hancké et al. 2008, pp. 15, 28).

Different Varieties of Capitalism

Countries with a particular type of coordination in one sphere tend to develop complementary practices in others, producing clustering along two different models through which firms operate: Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs). In LMEs, firms coordinate their activities mainly through competitive market arrangements, in which equilibrium outcomes are typically determined by supply and demand conditions.

In contrast, within the variety of CMEs, firms tend to rely more heavily on non-market relationships, such as collaborative dynamics and relational contracting, rather than on competing relationships, in order to resolve coordination problems (Hall & Soskice 2001, p. 5-6). The comparative advantage of CMEs derives from “specific or co-specific assets”, meaning assets whose value depends on the active cooperation of others (Hall & Gingerich 2009). In CMEs, features such as enduring ties between firms and banks, which underpin the supply of patient capital, orient firms toward

incremental innovation in capital goods, machine tools, and related equipment sectors.

Through debates and empirical extensions, the VoC framework today is more expanded than its original formulation. For example, countries that, according to Hall and Soskice, were occupying a more ambiguous position, mainly constituting the southern European block, were further studied and clustered around a refined concept of Mixed Market Economies (MME) (Amable 2003). MMEs are described in the literature as being characterised by organizational fragmentation and politicization of interest associations, where the state acts as a coordination substitute when both market and associational mechanisms are weak, often guiding economic development through targeted industrial policies (Molina & Rhodes 2008, pp. 225-227; Hassel 2014). Institutional complementarities in MMEs function differently from those in CMEs, and in the literature, they are defined as “competitive corporatism” (Molina & Rhodes 2008). This pattern highlights that macroeconomic stability is maintained less through consensual coordination, and more through political exchange and occasional top-down coordination, where governments mediate distributive conflicts to ensure governability (Molina & Rhodes 2008, p. 236). The comparative institutional advantage of MMEs is a loosely coordinated phenomenon, most noticeable in areas where family ownership, state support, and informal networks of trust replace the formal coordination mechanisms characteristic of CMEs (Amable 2018).

Nowadays, the theory includes more categorizations that encompass areas beyond Western Europe. For example, for the economies of Central and Eastern Europe, whose institutional configurations are influenced by their integration into transnational production networks, the notion of Dependent Market Economies has been introduced (Nölke & Vliegenthart 2009; Drahokoupil 2009). To consider the political economies of the digital era, scholars have recently suggested adding new analytical elements, such as information governance as a new sphere of complementarity (Krause et al. 2023)

Regardless, the core idea of the original framework, meaning that institutional variety is a lasting aspect of advanced capitalism based on complementarities that produce self-reinforcing balance, has not been replaced by these additions.

Two key analytical dimensions: corporate governance and state-business relations

The theory, as established above, identifies five spheres of coordination that determine the success of a political economy. Although the classical approach does not create a rigid hierarchy, the empirical literature emphasizes that some spheres of activity, in particular corporate governance and industrial and state-business relations, linked to the regulatory and compensatory role of the state, are among the most relevant spheres for political economy, as they regulate the supply of capital and define the structure of constraints and strategic opportunities in which the company operates (Hall & Gingerich 2009; Ebbinghaus 2016)

Corporate governance

The first central dimension is corporate governance, one of the five original spheres identified by Hall and Soskice (2001), and concerns the system by which firms are controlled and operated, the rules and practices that govern the relations between managers and shareholders, and the overall process by which investment capital is allocated (Hancké et al. 2008, pp. 195-196; Ebbinghaus 2016). Unlike LMEs, where corporate governance is oriented toward short-term value maximisation and tolerates hostile takeovers, CMEs are organised around a stakeholder logic in which companies must consider the interests of owners, managers, employees, suppliers, and customers (Hall & Gingerich 2009). The flow of information occurs through dense networks of cross-shareholdings, close ties with suppliers and customers, and the work of industry associations (Hall & Soskice 2001; Hall & Gingerich 2009). The autonomy of top management is much more limited compared to LMEs, since managers can rarely act unilaterally, and the corporate structure enforces a decision-making process based on consensus. Corporate governance in MMEs features hybrid characteristics that clearly distinguish it both from the shareholder model of LMEs and the stakeholder model of CMEs. In this context, ownership structures are characterized by a marked concentration of capital, often mediated by family coalitions or by a persistent presence of the state, which uses instruments to maintain strategic control with a limited commitment of its own capital (Molina & Rhodes 2008, p. 225). This setup creates a deep dualism and a divergence of interests between controlling blocks and minority shareholders, who often stay on the sidelines of decision-making processes.

In the business context, managers generally enjoy a wide autonomy to undertake restructurings or modify market strategies, but these operations often occur with little transparency or in a climate of dispute from the workers.

State-business relations

This dimension is not among the original five spheres but emerges from the Beyond VoC extension argued by Hancké et al. (2008), who restore the state as an analytically independent variable and specify how its role varies systematically across varieties of capitalism. Within the theory, the relationships between state and business are primarily conceptualized through the intersection of two dimensions: the degree of organization of interests, which ranges from fragmented to highly organized structure, and the nature of state intervention in the economy.

The state's capacity to govern effectively does not lie in its command power alone, but in its institutional credibility and its ability to design policies compatible with the coordination mechanisms rooted in its own productive system (Hancké et al. 2008). Across the spectrum of VoC, the role of the state tends to vary both in degree and in manner. In CMEs, the state typically maintains a limited direct role in production while supporting private coordination through regulatory frameworks and a robust welfare system. The effectiveness of policies in these contexts largely depends on the approval of business associations and organized trade unions, with which the state enters into implicit agreements, delegating implementation and relying on their information networks (Hall & Soskice 2001, pp. 47–48). In MMEs, by contrast, associative structures are too disconnected to independently produce collective goods, and the state has historically compensated for this gap through more direct forms of intervention (Molina & Rhodes 2008, pp. 227, 237). The way in which these structural differences influence the institutional logic of FDI screening is examined in the empirical chapters.

The shaping mechanism and hypotheses

The conditioning mechanism connecting VoC institutional configurations to FDI screening outcomes can now be specified. The mechanism is one of conditioning, in that institutional configurations do more than attenuate EU pressure: they define the very form and operational logic of how states respond. Firms in different varieties of

capitalism rely on different coordination mechanisms to generate their competitive advantages. These coordination mechanisms are sustained by complementarities across institutional spheres, meaning that the logic of corporate governance reinforces the logic of state-business relations and vice versa. Given that these complementarities differ across systems and that states have an interest in protecting the institutional foundations of coordination (Fioretos 2001, p. 220), external interventions like foreign direct investment have uneven consequences: a transaction seen as disruptive in one setting may be entirely ordinary in another.

This means that the definition of what constitutes a strategic asset, worth protecting against foreign ownership, varies systematically across varieties of capitalism. In systems where coordination is based on non-market mechanisms, the stability of institutional arrangements constitutes a source of comparative advantage, and foreign ownership may represent a threat as it could disrupt the relational conditions of these arrangements. What matters for risk is not the change in ownership itself, but whether the transaction alters the institutional conditions that support coordination. Regulatory responses should therefore integrate existing governance structures, and the definition of what must be protected should depend on the architecture of already existing private coordination. Where coordination, on the other hand, is organized through more contingent and politically mediated mechanisms as in MMEs, and where the State has been playing a compensatory role towards dispersed private actors, the profile of vulnerability is different. In this context, external capital can put at risk not only particular assets but also the structures through which the state exercises its coordinating role. The expected regulatory response in this situation is guided by the need to manage risks that private governance is unable to handle on its own.

Thus, the institutional logic of state intervention that emerges is likely to differ in terms of scope and operational modalities from the CME model, as indicated by the empirical analysis. From this reasoning, the two central hypotheses that concern the protection mechanism established by different countries based on their institutional profile are formulated as follows:

H1. Residual and technical screening

In CMEs, where firms rely on non-market coordination mechanisms and where institutional complementarities represent an area of comparative advantage, it is expected that FDI screening mechanisms serve as residual instruments. The scope of a mandatory review should be determined by what is not already covered by private governance mechanisms, rather than an encompassing every sector kind of logic. Evaluation criteria are expected to focus primarily on the functional properties of the asset in relation to existing coordination structures.

H2. Discretionary and compensatory

In MMEs, where private coordination mechanisms are less institutionalized and the state has historically acted as a compensatory coordinator of associative structures, it is expected that the functioning of FDI screening mechanisms will be different in the way it gets triggered. Mandatory review should extend beyond the required categories of formal security and encompass the wider surface of vulnerability emerging from fragmented private governance. The form of state intervention will likely be more discretionary, with political channels playing a more significant role in determining what is considered a strategic asset and who has the authority to decide. The empirical analysis will verify whether these patterns presented in the hypotheses are reflected in the legislative framework of each case studied. The expectations set out in advance also indicate the conditions under which each hypothesis would fail.

H1 would be contradicted if Denmark shifted to an expansive mandatory regime with low thresholds and a politically discretionary veto, or if its activation criteria centred on changes in national ownership and political judgments of strategic interest rather than on asset functions and formal control- rights thresholds.

Likewise, H2 would be contradicted if Italy instead adopted a narrow, function- based regime limited to a closed sectoral list, characterised by minimal political discretion, or if its scope simply followed the actual distribution of incoming FDI rather than anticipating and exceeding it. The institutional explanation would also weaken if divergence did not track the underlying varieties of capitalism across member states, or if the two regimes converged through successive legislative

revisions, precisely the pattern predicted by the rival explanation centred on regulatory immaturity. This final condition gives the comparison its analytical force. The screening logics inherited before the Regulation could have diverged from each country's institutional type, but the fact that they instead align with it means that the inheritance supports the argument rather than presupposing it.

Operationalization of the framework

Now that the theoretical framework has been delineated, this section operationalizes the key concepts for empirical analysis: the independent variable, the conditioning variable, and the dependent variable. The independent variable is held constant and analysed through the lens of Europeanisation. The impulse, originating from the European Union, is therefore the condition for divergence, but not a sufficient explanation for it, because it says nothing about the direction or form of adaptation (Zartaloudis & Kornelakis 2017).

This allows variation in the outcome of FDI screening mechanisms to be attributed to domestic institutional factors rather than to differences in the external stimulus, which are the subject of the analysis dealt through the lens of Varieties of Capitalism and constitute the filter through which EU pressure goes through. The conditioning variable is represented by the Varieties of Capitalism framework. For the purpose of this thesis, this construct is operationalized through two key theoretical dimensions, which are more directly linked to what FDI screening as a regulatory instrument monitors and seeks to protect, as well as how it operates: corporate governance and state-business relations. Each dimension is assessed through an analytical description supported by empirical indicators. Together, these dimensions underscore the institutional logic that conditions how each country designs its screening mechanisms, shaping the definition of strategic vulnerability and the allocation of decision-making authority. Corporate governance is operationalised as the institutional configuration that explains ownership and the relationships between managers, shareholders, and other stakeholders within firms, and indicates the extent to which changes in ownership are likely to disrupt existing coordination mechanisms within the political economy (Ebbinghaus 2016).

The description reflects prevailing ownership patterns, whether concentrated in family coalitions, small and medium-sized enterprises (SMEs), state-linked entities, or foundation- and stakeholder-based structures, and the governance logics associated with each of them. Some supporting indicators include the percentage of companies among the top firms by revenue under long-term ownership structures and the Protection of Minority Investors indicator, which measures, on a scale from 0 to 100, how much a country protects minority shareholders against abuses by those who control companies (World Bank Doing Business 2016). The dimension of corporate governance influences how policymakers assess the risks associated with foreign investments, thereby shaping the scope of national screening mechanisms. In this sense, it conditions whether risks are framed narrowly in terms of critical assets or more extensively in terms of ownership and control structures embedded in the domestic political economy.

The state-business relationships dimension captures the way governments and businesses interact in the governance of the economy and the extent to which coordination is structured through formalised rules or discretionary state intervention (Hancké et al. 2008). This dimension is articulated in two intrinsic sub-themes to provide a more complete picture of the sphere, specifically state-business and labour coordination and administrative capacity. The institutional characterization of state-business and labour coordination examines the extent to which the interaction between the state, employer associations, and labour unions is structured through formal and recurring channels, or if it proceeds through more politically mediated forms of involvement (Hancké et al. 2008). These features influence how screening decisions are made and who takes part in them. Some key indicators are corporatism index (Jahn 2016), union density and collective bargaining coverage. The second sub-theme, administrative capacity, is related whether the state possesses the organisational infrastructure to produce stable and consistent decisions over time without requiring political escalation for each case. Even though this dimension is not a direct expression of spheres of VoC complementarity, its inclusion is analytically motivated by the nature of FDI screening as a regulatory instrument, which, unlike other policy domains, manages situations that require not only a political will to

intervene but also the organizational infrastructure to implement discretionary decisions in a consistent manner (Fernández-i-Marín et al. 2023). The form and degree of administrative capacity, therefore, vary systematically with the type of coordination (Chang et al. 2019). Some indicators which are useful to capture this notion are the World Bank Worldwide Governance Indicators (2026), such as the government effectiveness index, which is defined as the measurement of the “perceptions of the quality of public services, the civil service, policy formulation and implementation, and the credibility of a government’s decisions” and the regulatory quality index, which captures “the perceptions of the government’s ability to design and implement policies and regulations that promote private sector development”, and QoG Institute indicators (2020) regarding patronage and merit (WGI 2026; Nistotskaya et al. 2020).

This distinction is central to the argument of the thesis. The common EU regulatory impulse created by Regulation 2019/452 does not directly produce national screening outcomes.

It is not only filtered through domestic institutional configurations, but also actively processed through domestic institutional configurations, which determine both what counts as a strategic vulnerability and what form the regulatory response takes. Corporate governance shapes the demand for protection, while state-business relations and administrative capacity shape the process of intervention. Together, these dimensions explain why Denmark and Italy translate the categories suggested by the EU into different screening architectures. The connection to the dependent variable is represented by the decision-making process of screening. The dependent variable Y, meaning the outcome of the screening adaptation process into legislative documents through the VoC dimensions, is operationalized through five different aspects:

- 1) the scope of national legislation (which sectors and actors are covered)
- 2) the operational definition of security threat in legal texts
- 3) the criteria for activating the screening mechanism
- 4) who oversees the decision
- 5) the discretionary role of the state in blocking decisions and mitigations

Together, these dimensions make up the empirical ground on which H1 and H2 are evaluated. Each dimension comes from the theoretical mechanisms specified in the VoC framework, where minimal regulatory harmonization makes prominent the institutional filter that together shapes the scope and the decisional process.

Alternative explanations

Although Varieties of Capitalism is the main explanatory factor this thesis centres on, it is important to consider three theoretical alternative explanations for the observed divergence in implementation before the empirical analysis proceeds.

The most accredited alternative explanation links the expansion of FDI screening to the securitisation of economic policy in response to the growing pressures of Chinese investments. According to this view, this drove both the adoption of EU Regulation and its national implementation (Chen & Gao 2021; Kociubinski 2023). This account identifies correctly the external stimulus that triggered regulatory activity at the EU level, but it cannot explain the divergence logic. The second alternative explanation considers the openness of FDI as driven by the preference of powerful domestic firms, which view foreign investors as a source of financing when local credit is scarce (Bauerle Danzman 2020). Lastly, some studies have attributed differences in sectoral scope and definitional criteria across Member States to regulatory immaturity rather than intentional design. From this point of view, divergence is an unstructured side effect that should converge over time as national systems mature (Kokkoris 2022). If the divergence were accidental, it would be randomly distributed among the Member States and not correlated with their institutional configurations. Instead, the VoC framework predicts that the divergence should be systematic and directional in nature. Furthermore, regulatory immaturity would predict convergence over time as administrative capacity over the matter develops.

The VoC framework predicts the opposite, i.e., that institutional complementarities reproduce divergence across legislative updates and political cycles. Which of the main alternative predictions is correct is an empirical question that the analytical chapter is designed to address.

Methodology and research design

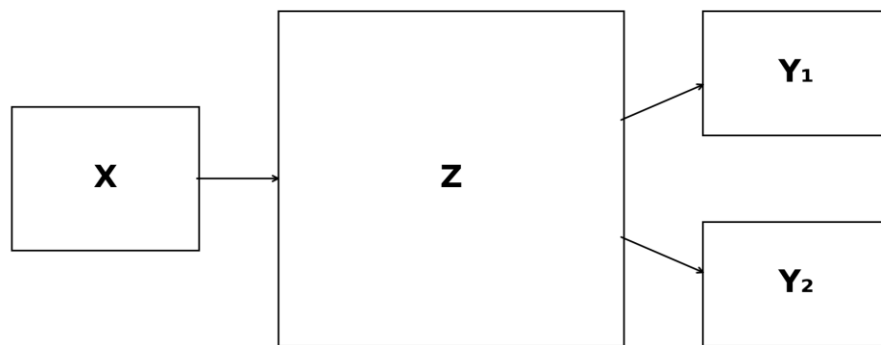
A contextualised interaction approach

The central puzzle driving this thesis, namely why two member states exposed to the same regulatory stimulus produce structurally different FDI screening regimes, follows a two-step structure that calls for a research design able to capture how a common external pressure is filtered differently at the national level.

The thesis, therefore, adopts a qualitative design built on a logic of causal interaction, in which outcomes are explained not by isolated factors but by the way a causal process unfolds within a specific institutional context (Falleti & Lynch 2009). The thesis argues that the relationship between EU regulatory pressure and national implementation outcomes is conditioned by domestic institutional configurations rooted in Varieties of Capitalism. In a variable-centred design this institutional dimension would appear as a moderating variable (Bhandari 2021). In this thesis, drawing on Falleti and Lynch (2009), it is instead conceptualised as contextually embedded causation. The design labels the constant EU stimulus as *X*, the varying institutional context as *Z*, and the divergent screening outcome as *Y*, to maintain analytical clarity and keep the comparative logic legible. The distinction operates on two levels. Within each case, *Z* is constitutive, insofar as it determines how the common Europeanisation pressure is absorbed and translated into national legislation.

Across the two cases, it is the difference in *Z* between Denmark and Italy that anchors the comparison, with *X* held constant and *Y* (*Y*₁ and *Y*₂, representing the two countries' outcomes) varying systematically with the institutional context. *Z* is therefore not an external variable conditioning an otherwise independent *X*-*Y* relationship, but the contextual medium through which the causal process operates (Falleti & Lynch 2009).

Table 1 A contextualised interaction framework



Note. Author's own work

The argument advanced in this study is that all member states are subject to similar formal pressure, but how this pressure is filtered depends on the national political economy's already existing coordination structures. The divergence in implementation can be explained by the interaction between the EU stimulus and the domestic institutional configuration, not by either factor alone.

The identified framework is particularly appropriate for the current study for at least two reasons. First, it allows for the examination of how various institutional factors, such as corporate governance and the relationships between the state and businesses, intersect and jointly influence policy outcomes, revealing a level of complexity that methods centred on variables, such as regression analysis, tend to hide (Falleti & Lynch, 2009). Second, instead of demonstrating a statistical correlation between variables, it highlights the mechanisms through which institutional variety works. The goal is to trace how the institutional structure of each case channels the shared EU stimulus into distinct screening regimes, rather than isolating the overall impact of a single factor, by means of a comparative approach (Cyr & Goodman 2024).

Comparative study design

The thesis adopts a qualitative comparative method based on a Most Similar Systems Design (Lijphart 1975). In this design, cases are chosen to hold constant the key external regulatory stimulus, so that any difference in outcome can be attributed to the contextual variable of theoretical interest, which in this case is the national VoC

configuration (Gerring 2010; Seha & Müller-Rommel 2016). This design permits the exclusion from the outset of explanations based on shared variables between Denmark and Italy, including EU membership, exposure to identical regulatory triggering events, and the shared geopolitical context of European China policy.

Table 2 Most Similar Systems Design

Factor	Denmark	Italy	Status	Rival explanation neutralised
EU membership and exposure to Regulation 2019/452	✓	✓	Similar (X held constant)	Divergence does not reflect differential regulatory pressure, since both face the same minimum-harmonisation stimulus.
EU-level China policy alignment	✓	✓	Similar	Divergence is driven by differential threat perception / geopolitical securitisation (alternative explanation 1)
Democratic regime and rule of law	✓	✓	Similar	Divergence reflects generic institutional quality and level of development or regime type, rather than the VoC
Timing of transposition (post-2020)	✓	✓	Similar	Divergence stems from conjunctural pressures specific to the moment of legislating (e.g.

				pandemic-era shocks)
Varieties of Capitalism	CME (Coordinated)	MME (Mixed)	Varies (Z key explanatory variable)	Not applicable, explanatory variable
FDI Screening implementation	Technocratic	Discretionary	Varies (Y dependent variable)	Not applicable, outcome

Note. Author's own work

The section clarifies the rationale for the fixed elements adopted in the comparative design. Each control is selected to rule out a possible alternative explanation for the divergent outcomes, and three of them require more detailed justification. First, although Italy helped trigger the adoption of Regulation 2019/452 (Grieger 2018), both countries face the same downloading pressure generated by the Regulation as a minimum- harmonisation instrument. Thereby, what is held constant is this common Europeanisation stimulus, not the upstream politics of adoption. Second, alignment on EU policy towards China is controlled at the European rather than bilateral level, since it is the shared EU strategic framing that conditions the regulatory stimulus. Sectoral investment patterns are treated separately as a potential confounder. Third, the control for democratic regime and rule of law holds constant both countries' status as consolidated democracies, thereby excluding the rival that divergence reflects different levels of institutional development. It does not hold constant the organisation of administrative capacity, because this is part of the explanatory variable itself. Controlling for it would absorb part of the mechanism the analysis seeks to identify.

For the same reason, pre- existing screening logics are not treated as controls: they differ across cases and are understood as expressions of the institutional configuration, making them endogenous to the moderating variable rather than rivals to be neutralised.

Beyond the factors controlled through case selection, two additional elements are recognised as confounder the observed divergence. The first is the ideological

orientation of the governing coalition. Despite this however, Italy's discretionary screening logic has been maintained and expanded under governments ranging from centre- left to populist to centre- right, while Denmark's model has similarly persisted across partisan alternation, suggesting that the divergence reflects institutional and administrative traditions rather than partisan preferences (Fioretos 2001, pp. 241–242; Bertelsmann Stiftung 2022; Christiansen 2023). A second potential confounder is the sectoral composition of Chinese FDI, which differs in scale and distribution across the two countries (European Commission 2021; Kratz et al. 2024). In terms of volume, Denmark received EUR 1.1 billion in cumulative Chinese FDI between 2000 and 2019, compared to EUR 11.4 billion for Italy (Kratz et al. 2024). Differences in FDI volume and sectoral patterns may create contextual pressures, but they are treated here as secondary to the deeper VoC- specific institutional logics that drive divergent national adaptations to EU screening rules (Hall & Soskice 2001). These two factors are recognized as possible sources of confounding, although their evaluation is deferred to the empirical chapters.

Case selection rationale

Denmark and Italy are selected because they represent analytically opposed positions within the VoC framework, i.e., a Nordic CME and a Mediterranean MME, respectively, thereby maximising variation on the variable of interest (Hancké et al. 2008). The choice is deliberate, as selecting cases at polar positions makes the institutional filtering mechanism stand out more than cases occupying similar positions on the VoC spectrum.

Furthermore, Denmark and Italy qualify as “most likely” cases for the theoretical argument (George & Bennett 2005). Denmark exemplifies a coherent CME with Nordic characteristics, while Italy's MME profile reflects a more hybrid institutional setting. Even so, the two dimensions examined show clear differences in institutional logic, which support the comparative analysis. If the VoC configuration does not yield results within cases where the argument should be more visible, then the theoretical mechanism is to be considered implausible (George & Bennett 2005).

Under this situation, the confirmation of the hypothesis would increase the accuracy of the mechanism and of its potential generalisability to more intermediate

or mixed configurations within each VoC family and wider applicability across the EU (Seha & Müller-Rommel 2016, p. 423).

This thesis does not include an LME as a unit of comparison for both empirical and theoretical reasons. Empirically, the most representative European LME, the United Kingdom, is no longer subject to Regulation 2019/452 following Brexit, and Ireland constitutes an anomalous case, organized around fiscal competition for foreign capital (Regan & Brazys 2017). Theoretically, FDI screening in an LME would be motivated essentially by narrow national security concerns, independent of the coordination logic that the VoC framework identifies as the source of institutional divergence.

Choice of data

The empirical material for this analysis includes different sources and rests on the principle of data triangulation, which has clear advantages for the scope of the thesis (Cyr & Goodman 2024, p.148). This method improves the construction of validity by comparing institutional descriptions with legislative material across complementary source types. The national legislative texts implementing Regulation 2019/452 constitute the core of primary sources. The Act on the Screening of Certain Foreign Direct Investments and the related implementation guidelines form the basis of the analysis for Denmark, while the legislation on Golden Power represents the main focus for Italy. In addition, both countries produce policy documents and reports on a regular basis regarding the functioning of their screening systems. These include national agency reports, as well as the report of the cross-ministerial working group that preceded the adoption of the Danish Act, annual reports filed under the EU cooperation mechanism established by Regulation 2019/452, and relevant OECD and European Commission monitoring reports.

Beyond the official legislative text, these sources offer proof of how the screening mechanisms work in practice. This paper also employs secondary data, such as academic and policy and journal papers in different sections of the thesis. In doing so, the analysis draws on existing comparative political economy literature and is complemented by data and indicators where appropriate. These include, among others, OECD indices, the World Bank Indicators, corporatism indices (Jahn 2016) and

administrative capacity measures from the University of Gothenburg's Quality of Government Institute.

Limitations of the study

The limitations of this thesis are primarily to be found in the methodological and theoretical choices. The main limitation, particularly concerning the study's generalizability, lies in its small-N comparative design. Although selecting two most likely cases strengthens the analytical framework, small sample sizes make it difficult to isolate whether a specific outcome is driven by a single independent variable or a complex combination of factors (Seha & Müller-Rommel 2016). A further limitation is inherent to the MSSD itself. With only two cases and many potentially relevant explanatory factors, the design faces the classic problem that observations are too few to rule out unobserved variables that may covary with the outcome (Lijphart 1975).

Another methodological limitation is that the analysis concentrates primarily on legislative outcomes and lacks depth which could have been provided by process tracing to show how these policies were negotiated and whether policy makers were influenced by institutional categories. Another limitation concerns the operationalization of the theoretical framework. The choice to work with only two spheres of complementarity within the VoC framework is deductive in nature and guided by the research focus. While the direct relevance of these dimensions justifies this choice, it essentially precludes additional insights that could emerge from the analysis of the omitted spheres. Similarly, the CME and MME archetypes function as ideal types that, by design, do not capture the internal nuances within each category, where, for example, national systems such as the Italian one present hybrid characteristics that the MME classification approximates but does not fully encompass.

The conclusions of the thesis should therefore be understood as valid within the boundaries of the analysed dimensions, and not as exhaustive delineations of the two systems. Lastly, the thesis recognised an empirical limitation concerning the volume of FDI, where the difference in Chinese FDI volume between the two cases may generate contextual pressures not fully captured by the VoC framework alone.

Analysis

The EU Regulatory framework and the articulation of misfit

This first section is dedicated to the study of the independent variable, which lays the background for the object of divergence to manifest and establishes the formal conditions for the comparative approach through the Europeanisation framework. Indeed, as presented in the methodological chapter, the shared exposure to Regulation 2019/452 constitutes the analytical basis that the MSSD design holds constant.

The structure of this chapter is as follows. The first section reconstructs the economic policy at the origins of the Regulation and sets the conditions for downloading to occur. The second part operationalizes downloading as minimum harmonization, and in doing so it explains the structure of the regulation and the context of the perceived threat. Subsequently, the distinction between formal and institutional misfit that arises is examined in depth. Hereby, this chapter builds X, justifies why X produces uneven adaptive pressure, and demonstrates that the misfit in its double dimension is the condition that makes [Z] necessary to explain Y.

From the Kuka case to an EU-level reaction: the basis for Downloading

Regulation 2019/452 did not originate as a technocratic project. Instead, it arose from political pressure by several Member States that had grown concerned about certain developments in the European investment landscape. The episode that triggered the initial policy reaction was the 2016 acquisition of Kuka by the Chinese appliance conglomerate Midea Group, valued at €4.5 billion. Likewise, Midea's public offer of €115 per share, representing a premium of approximately 36% over Kuka's prevailing market price, was widely interpreted by analysts as evidence of the acquisition's deliberate strategic intent (Taylor & Burger 2016). The transaction ultimately exposed a structural gap within the European investment ecosystem: a German manufacturer of advanced industrial robots, whose automation systems were integral part of the competitiveness of the German Mittelstand, was in large part by a foreign actor without the activation of any formal security review mechanism (Chan & Meunier 2021). Despite the public debate and the strategic concerns raised at the time, the German Ministry of Economic Affairs concluded that the acquisition did not pose a

threat to national security and therefore approved Midea's takeover of Kuka (Taylor & Burger 2016; Chan & Meunier 2021).

This acquisition became a significant turning point for several major European states, which began to recognise the absence of a coordinated screening framework, representing an institutional gap that left strategic industries vulnerable to takeovers originating from investment environments perceived as asymmetric (Stanzel 2017). The political response came in the form of a trilateral initiative. In February 2017, Germany, France, and Italy jointly addressed a letter to the European Commission calling for the establishment of a common mechanism to review incoming foreign direct investments, with particular attention to state-backed investors targeting critical technologies and infrastructures (Grieger 2018). The proposal to advance a unified framework was subsequently announced later that year by the then President of the European Commission, Juncker, who framed the issue as one of European strategic autonomy, arguing that the protection of critical assets required a coordinated EU-level approach rather than fragmented national responses (Robert 2023; Chan & Meunier 2021). The Commission proposal finally entered into full application on 11th October 2020. In this sense, the process has unfolded in line with a download mechanism, where the formal cooperative architecture established by the 2019 Regulation has served as the foundation for what has since become a progressive expansion of supranational oversight.

This trajectory is further evidenced by the Commission's 2024 proposal to abrogate and replace the Regulation with a more stringent instrument (European Commission 2024). However, the fact that the Regulation originated from pressures concentrated within a subset of Member States demonstrates that the European response emerged through selective politicization rather than from a uniformly shared perception of threat across the Union. It is precisely this framework, shaped by concentrated political impetus and designed around the least common denominator, that structurally accommodates, and even enables, persistent national divergence.

The architecture and context of the Regulation

This section argues that Regulation 2019/452, although formally a tool of minimum harmonization, creates a structured cooperation mechanism that both preserves

national sovereignty and promotes de facto convergence, particularly in response to the challenges posed by foreign investors linked to the State, such as those operating under China's Military-Civil Fusion strategy.

Regulation 2019/452 establishes a framework for screening foreign direct investments in the European Union on grounds of security or public order reasons, based on article 207(2) of the Treaty of Functioning of the European Union (Woolcock 2010). The Regulation consists of 38 recitals, 17 articles, and an annex that lists different programs of interests for the European (European Union 2019). The articles of Regulation 2019/452 can be grouped into three functional sections, each addressing a distinct component of the screening framework:

- Articles 1-4: introduce the scope of the Regulation, key definitions, and the main risk assessment factors relevant to the screening of foreign direct investments.
- Articles 5-9: establish the cooperation mechanism between Member States and the Commission, outlining notification duties and timelines.
- Articles 10-17: regulate procedural and institutional matters, including the confidentiality of exchanged information, the designation of contact points, the creation of expert groups, and the delegated powers conferred upon the Commission. This section constitutes the procedural- institutional core of the Regulation (European Union 2019).

The Regulation is better understood as a framework tool, as it aims to establish a minimum procedural level and a collaborative platform for the exchange of information between national screening authorities, without creating a uniform screening *sensu stricto* (Hindelang & Moberg 2020; European Commission 2021). This ambivalence constitutes both the Regulation's political strength and its structural constraint. The following discussion examines the most institutionally innovative articles, which are particularly relevant to the concept of minimum harmonization discussed in the theory chapter. First, Articles 6 and 7 constitute the legislative core and establish that a member state conducting a screening is required to notify the Commission and other member states, enabling comments in case another state

considers that the investment may affect its own security or public order (European Union 2019).

The Commission may issue opinions where it concludes that security or public order in more than one member state is at stake. Nevertheless, the framework stipulates that receiving states must merely give “due consideration” to the comments of other MS and to the Commission’s opinions, whereas ultimate decision-making authority remains firmly with the Member State concerned, in accordance with Article 6(9) (European Union 2019). As noted above, the legislator chose to base the Regulation on Article 207(2) TFEU which governs the Common Commercial Policy and, unlike other domains related to security that would require unanimity, provides for the ordinary legislative procedure by qualified majority (Woolcock 2010).

This choice was crucial for the dynamic of an increase in the Commission’s competences that followed in later amendments (Robert 2023). The procedural framework is effective only if supported by a shared understanding of risk. For this reason, Article 4 sets out a series of guiding factors to assess whether an investment represents a risk to security or public order, including critical infrastructure, critical technologies, dual-use goods, critical inputs and the security of their supply, explicitly mentioning the fields of artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, and energy storage, as well as the extent to which the investor is directly or indirectly controlled by a foreign government (European Union 2019). The categories listed in the article are intentionally left open, yet several analysts argue that they also reflect part of the response Europe is seeking to develop in relation to China’s Military- Civil Fusion Strategy (Grošelj 2023). ¹

^{1 1 1} China’s 13th Five-Year Special Plan for Science and Technology MCF Development highlights artificial intelligence, biotechnology, advanced electronics, quantum technologies, advanced energy, advanced manufacturing, future networks, and new materials as core MCF priorities. These choices reflect Xi Jinping’s post-2017 MCF vision, which departs from earlier Civil-Military Integration by focusing on Fourth Industrial Revolution technologies and by formally incorporating civilian industrial actors into the PLA’s supply chain (Bitzinger et al. 2021, pp. 20-22).

The technological priorities associated with China's Military- Civil Fusion strategy, as outlined by some studies, align closely with the critical technology sectors listed in Article 4 (Bitzinger et al. 2021).

As noted during the joint SEDE/INTA hearing in February 2022, the framework seeks to address the inherent risks associated with foreign investments in critical sectors while preserving formal fairness, yet its structural rationale is clearly oriented toward a specific category of state- led investors (European Parliament 2022). Nevertheless, the operationalisation of Article 4 remains challenging, as the Military- Civil Fusion strategy obscures the boundaries between private and state- affiliated entities. In addition, MCF-linked funds can exercise effective control through financial instruments that fall below standard ownership thresholds (European Parliament 2022). A big challenge the Regulation is also presented by Jaap Van Etten, who identified over 500,000 Chinese entities with structural links to the Chinese defence industry aside from the approximately 500 Chinese entities on standard export-control blacklists, a scale that makes manual case-by-case screening by national authorities categorically insufficient (European Parliament 2022).

One of the most marked discursive features in the legislation is the repetition of the clause on state sovereignty. The formula "the final decision remains the sole responsibility of the Member State", or similar sentences, appears in recitals 7, 8, 17, 19 and in articles 1(2), 1(3), 6(9), 7(7). This repetition is a response to the political tension that might clash with several States resisting any European interference in national security decisions, thus serving a reassuring and legitimizing function towards the Member States (Hindelang & Moberg 2020). Concurrently, this structure and formulation reflect the character of the Regulation as an instrument of minimum harmonization, as it establishes a common definitional vocabulary and a cooperation mechanism, while leaving the institutional design to the Member States.

Finally, although the Regulation is limited to a minimum harmonization, it has generated a notable de facto convergence. If, before 2019, many MS lacked control mechanisms, the existence of this common framework has pushed many EU governments to adopt national legislation, creating a more cohesive European

screening ecosystem compared to the past, in line with the Europeanisation concept of clustered convergence.

From a theoretical standpoint, the Regulation effectively imparts common language and risk perception to the Member States, but it also creates uneven adaptation pressures, which will be dealt with in the next paragraph (OECD 2022).

A predictive element of divergence: the misfit between Member States

In the context of Regulation 2019/452, misfit operates along two analytically distinct dimensions, policy and institutional, that are distributed unevenly among the Member States. Italy and Denmark, the two cases examined in this comparison, display two distinct profiles on both dimensions prior the entry into force of the regulation. In Italy, policy misfit is low, as the country has a long-standing tradition of investment control, beginning with introduction of the Golden Share in 1994 as a mechanism for overseeing the privatization of strategic public enterprises (CELIS Institute 2026). By the time Regulation 2019/452 was adopted, Italy already possessed a functioning screening tool aligned with the goal of protecting strategic assets, supported by formal criteria and a codified administrative procedure.

Following this reasoning, the distance between Italy's domestic policy and the Regulation's substantive requirements was narrow. Consequently, policy misfit can be considered low, as no significant compliance gap existed. In Denmark, on the other hand, the policy misfit is medium to high. Although the country had sectoral restrictions, such as the Act on War Material (2012) and the Continental Shelf Act (2018) prior to 2019, it was still lacking a framework that covered multiple sectors with formal criteria (OECD 2020, p. 122). The gap in itself did not concern sensitivity to security issues, but rather the regulatory architecture necessary to comply with the Regulation. Starting from a fragmented system, Denmark built its Investment Screening Act on certain foreign direct investments (2021), "Lov om screening af visse udenlandske direkte investeringer m.v. i Danmark", law number 842 of 10/05/2021, as a structure created ex novo, being able to model it directly on the requirements of Regulation 2019/452 without having to modify logics that already existed.

When it comes to comparing the institutional misfit between the countries, the situation is reversed: Italy has a high degree of institutional misfit, while Denmark has

a lower one. For the former, the main explanation lies in a well-documented history of incompatibility, specifically in the lack of procedural transparency and objectiveness required by the regulation (CELIS Institute 2026). For instance, in this context, Italy was condemned by the Court of Justice of the European Union in 2009 through an infringement procedure for incompatibility with the fundamental freedoms of the internal market (CELIS Institute 2026). To comply with this ruling and close infringement procedure No. 2255/2009, the Italian legislator introduced D.L. 21/2012, which replaced the Golden Share with the Golden Power regime, featuring a closed list of criteria for exercising special powers. Despite the formal attempt to align Italy with the determinacy criteria required by the EU, the presidency of the council exercised these powers with broad semantic discretion, transforming the Golden Power into an instrument of industrial policy (CELIS Institute 2026). This essentially clashes with the logic of the screening as a tool of security protection promoted by the EU, which is seen as conflicting with the principle of liberal circulation of capital established in the case C-54/99 (Court of Justice 2001). The Administrative Regional Court (TAR) explicitly noted the confusion between reasons of “defence and national security” and reasons of “public order and economy,” without a clear distinction grounded in EU law (Rossano & Pignatti 2026).

Furthermore, Regulation 2019/452 presupposes a national authority identifiable with which the Commission can interact in the cooperation mechanism, whereas the Italian system distributes the competences among different entities (Rossano & Pignatti 2026). On the contrary, the reason why Denmark presents a low institutional misfit with the Regulation is the absence of notable regulatory distance between domestic governance structures and those assumed by the European rule, in terms of procedural transparency and the proportionality of the intervention (Greve 2018; Hindelang & Moberg 2020, pp. 841-842). Concurrently, the Danish administrative style is built around defined boundaries and a single authority, which is also the single point of contact with the European Commission in the cooperation mechanism.

Denmark did not have a general screening mechanism regarding the control of foreign investments based on the risk of threatening national security or public order,

but at the same time there were no established procedures to dismantle nor collective understandings of investment governance that were against EU procedural standards. Denmark was not adapting an existing institutional framework, but creating a new one, based on its tradition of transparency and openness, with a highly institutionalized system of policy-making and high coordination (Greve 2018). The dual nature of misfit in Italy and Denmark before Regulation 2019/452 can be summarized as follows:

Table 3 Policy and institutional misfit comparison

Dimension	Italy	Denmark
Policy misfit	Low: FDI screening framework already in place, serving national interests	Medium/High: presence of sectoral restrictions but absence of a unified framework
Institutional misfit	High: discretionary logic is in tension with the EU principle of proportionality	Low: new institutions required, but administrative culture compatible with EU procedural standards

Note. Author's own work

The analysis of the EU regulatory stimulus and its differential misfit across Member States establishes the structural conditions for divergence, but it does not yet explain the direction that national adaptation takes. Misfit, as established in the framework, is a necessary condition for divergence, but it is not sufficient to explain why Italy and Denmark, when facing the same supranational framework, produce different regulatory outcomes rather than simply converging at different speeds. Misfit, especially the institutional one, is useful for understanding the degree of adaptive pressure that Member States undergo, and at the same time anticipates divergent logics.

Indeed, Italy and Denmark enter the adaptation process with qualitatively different institutional incompatibilities towards Regulation 2019/452. Nonetheless, Europeanisation still cannot explain why and how this occurs. To address this missing piece, the analysis proceeds by examining the two countries using the Varieties of Capitalism framework to explain their institutional profiles and

how these influence the logic of the adaptation of the screening, reflecting the persistence of the institutional context.

Institutional analysis

Corporate governance: structural vulnerability and risk identification

In line with the concept that the risks associated with foreign capital exposure manifest differently in CMEs and MMEs, the VoC framework highlights how the structure of corporate governance produces different results in terms of what constitutes an asset to be protected or not. Specifically, the characteristics of each system constitute the institutional context within which the definition of strategic vulnerability and the delimitation of the screening perimeter are negotiated and established.

If the institutional logic of each VoC is analytically consistent, then corporate governance structures should directly link to the scope and definition of intrinsic threat in national FDI screening legislation. The chapter focuses on the corporate governance structure of Denmark and Italy, respectively described in the literature as a Nordic CME and an MME, to identify how each system is vulnerable to foreign capital, and, by extension, what needs to be protected (Hassel 2014). It is important to clarify that in this chapter the state is described only as a shareholder and not as a regulator.

The initial forecast for Denmark as a Nordic CME is the following: if the CME configuration generates structural barriers against hostile takeovers through private governance mechanisms, then the state screening apparatus does not need to compensate for a governance gap. It only needs to protect what private governance cannot already cover and will result in a residual perimeter rather than a comprehensive one. Four structural features of Danish corporate governance confirm this prediction through distinct but mutually reinforcing mechanisms, in line with the VoC framework.

Denmark

The most distinctive characteristic of Danish corporate governance is the industrial foundation (*erhvervsdrivende fond*), a legal non-profit entity that simultaneously holds controlling stakes in operating companies and is

constitutionally insulated from the market for corporate control (Hansmann & Thomsen 2021). Foundations, such as the Novo Nordisk Foundation, the Carlsberg Foundation, and the A.P. Møller Foundation, do not merely own shares but are irremovable by statute, cannot distribute assets in ways that would weaken their controlling function, and do not alter their strategic orientation in response to short-term market pressures (Thomsen et al. 2018). Critically, this means that a foreign investor acquiring shares in Novo Nordisk A/S does not acquire control over the foundation that governs it. This kind of governance structure is, in this precise sense, already screened, as the contestability of ownership that defines the FDI risk environment in other institutional settings does not apply to firms which are controlled by foundations. Thomsen and Rose (2004) show that this governance logic is not incidental to the Danish model but is structurally embedded in the relationship between long-term ownership and performance (Thomsen & Rose 2004). Some studies on the phenomenon document that companies managed by foundations change managers less frequently and maintain conservative capital structures with low financial leverage, thereby surviving longer than companies not controlled by foundations (Thomsen et al. 2018).

These characteristics create a favourable and resilient environment against the type of rapid strategic reorientation that a foreign acquisition typically aims to implement (Thomsen et al. 2018). Before any state authority examines a foreign investment or acquisition, the governance structure has already determined whether control is transferable.

The economic weight of this kind of barrier is noticeable, since, despite the majority of companies are represented by a private ownership structure, companies controlled by foundations (Foundation-Owned Firms or FOFs) control a quarter of the 100 largest companies in the country, while in total they control 1000 companies (Ministry of Foreign Affairs of Denmark 2025).

These companies make up 18% of the value added and generate 26% of the country's total exports (Fondenenes Videnscenter 2023).

This context, in which ownership of the biggest corporations is legally non-transferable, is an issue of legal design rather than policy preference. In this way,

through a structural barrier, the governance form has already carried out a filtering function that FDI screening procedures are intended to manage. In Denmark, as a CME, the main risk issue that arises in the sectors of critical infrastructure or technologies, as defined by the Regulation, is not whether these require protection in principle, but rather whether a particular enterprise within these sectors does not benefit from private governance, which reduces the need for a formal assessment. The foundation model as a significant complementarity greatly narrows this issue before the screening authority opens the first file. The state can therefore focus on defining the protection of assets that are not protected by this condition, such as critical infrastructure that does not have a stable ownership anchor, especially in areas where foreign disruption could affect the operation of public goods or national security in the strictest sense, such as the sectors of telecommunications and ports and logistics (Slottner 2024).

Another layer of protection, consistent with CME coordination logic, is the dual-class share architecture, which is widely embedded across Danish listed companies. In this model, A class shares carry superior voting rights, with a 10:1 ratio being the most common, while B shares, typically traded on the secondary market, carry reduced or no voting rights (Pacces 2023). The accumulation of equity therefore no longer translates into the accumulation of decision-making power, significantly reducing the risk of gradual takeovers. An investor acquiring a substantial stake in a Danish listed company through B shares cannot leverage that position to redirect the firm's strategic orientation without the consent of A shareholders (Lel et al. 2022). This configuration can be found in a systematic way across Denmark's largest firms, where both foundation-controlled and non-foundation firms with dual-class structures maintain governance stability that is independent of secondary market fluctuations (Thomsen et al. 2018). This institutional architecture embeds long-term control mechanisms that move the firm away from shareholder value maximisation and toward the CME logic of asset specificity, whereby firm value derives from relational and resource-dependent assets on the context, that cannot simply be captured through changes in ownership (Hall & Soskice, 2001). Applied to this context, the Regulation's framework shows that minority acquisitions in dual-class firms do not trigger the

governance risks they would in other ownership structures, because a 15% or 20% stake does not translate into strategic influence. Consequently, the screening obligations arising from the Regulation do not extend to minority shareholdings as potential governance risks, but rather to the defined access points where formal governance rights are activated. The structural protections mentioned above, i.e. foundation ownership and the dual class of shares, function primarily as preventive barriers to property capture, limiting how a foreign buyer can obtain control or acquire importance through buying shares of a Danish company.

The third structural characteristic of Danish corporate governance relevant to this analysis is the legal requirement for employee representation on the board of directors. Under Section 140 of the Danish Companies Act, employees in public and private limited liability companies (A/S and ApS) with an average of at least 35 employees have the right to elect board-level representatives, who typically make up to half of the other management members (Ministry of Industry, Business and Financial Affairs 2021). This provision reflects a typical characteristic of systematic inclusion of minority subjects in corporate decision-making processes. The same trend can be observed in the high protection of minority investors in Denmark, which is above the OECD average and with a score of 72 in 2019, suggesting that Danish governance structures are designed to limit the concentration of decision-making power, regardless of whether the minority subjects are employees or shareholders (World Bank Doing Business 2020).² Within the framework, this configuration reflects the concept of relational coordination, in which a company's competitive advantage stems from long-term cooperation between labour and management and from company-specific workforce skills that cannot be transferred merely by changing ownership (Hall & Soskice 2001).

Codetermination formalizes this coordination at the governance level. A foreign acquirer who succeeds in obtaining formal control of a Danish company and attempts to impose a strategic reorientation, particularly regarding key aspects such

² The World Bank's Doing Business indicators, discontinued in 2021 over integrity concerns, are used here as institutional snapshots rather than current performance measures. Since corporate governance changes slowly, this does not materially limit their value for characterising VoC configurations (Theis 2021).

as workforce restructuring and supply chain reconfiguration, would potentially encounter structural resistance within the board itself, thereby constituting a significant consideration for the implications in adapting the screening process mechanism (Ministry of Industry, Business and Financial Affairs 2021).

A final relevant characteristic of CME governance is the availability of patient capital, which is a structural characteristic for the reproduction of coordinated capitalism itself (Hall & Soskice 2001). In the Danish context, this condition is realised through the presence of large institutional investors with long-term mandates, primarily Denmark's occupational pension funds, which collectively manage assets exceeding GDP and invest with explicit long term value preservation objectives (Beetsma et al. 2024). Pension funds in this context operate as active stabilizers. Indeed, although they are not intrinsically patient, their structural commitment to long-term investment horizons and stable financing creates a shareholder base oriented towards governance continuity rather than rapid asset reallocation (Beetsma et al. 2024). In companies where Danish pension funds represent significant shareholders, even without the structural protections of foundation ownership, there exists an institutional shareholder base oriented towards stability that reduces vulnerability to hostile takeovers by investors with a short-term horizon. This does not eliminate the risk entirely, but it substantially alters the vulnerability profile in a way that is relevant for adapting and defining the screening perimeter in a country which is traditionally open to FDI.

Together, these four mechanisms constitute what the VoC framework would identify as a coherent set of institutional complements: they do not operate in parallel, but reinforce each other, producing a governance environment in which the most harmful forms of external capture are blocked before state intervention. This is the structural basis for why Denmark's response to the EU common screening framework will be technically oriented and targeted at residual risks.

Italy

If Danish corporate governance generates unconditional barriers that discourage the capture of ownership, Italian corporate governance, as an MME, generates deterrents based on equilibrium, such as provisions that discourage acquisitions under normal

conditions but are responsive to external pressures in ways that CME structures are not.

This distinction, between structural barriers and conditional balance, forms the analytical core of the MME governance profile, and it is what makes the compensatory screening logic of the Golden Power institutionally necessary, linking to the fact that the divergence between MS in screening design is not a product of regulatory immaturity, as some accounts suggest, but of institutional adjustment to the governance risk it faces.

As in Denmark, the Italian governance profile is analysed through four elements that can help explaining the screening rationale. Before outlining the relevant characteristics for this thesis, it is important to describe how the ownership structure is divided, since the vulnerabilities it creates follow a line that runs through the entire corporate landscape. This fracture is documented by Consob (2020), where on one hand, the state controls 11% of listed companies, which nonetheless represent nearly 40% of the total market capitalisation, including the major national champions in network infrastructure and energy whose strategic sensitivity is the highest and whose ownership structure is most tied directly to public governance. On the other, families act as the ultimate controlling agent in 64% of companies, which account for 25.6% of market value (Consob 2020). The asymmetry of the Italian economic system reflects in this way a dichotomy between the influence of large companies and the fragility of small family realities, governed contractually and structurally more vulnerable. This duality is also reflected in the sector of unlisted SMEs, which represents 80% of the Italian industrial fabric (Perego 2025). In this context, strategic importance clashes with minimal capitalization: a mix that makes these companies easy financial prey precisely where their productive function is most delicate (Perego 2025). It is this specific vulnerability that imposes on the Italian monitoring system a broad scope of action, explaining why its perimeter cannot be limited to a narrow list of sectors. Legally controlled companies, in which a single shareholder holds the absolute majority of voting rights, represent 50% of listed firms, making hostile takeovers formally impractical in the majority of cases (Melis & Zattoni 2017).

However, formal majority control and structural protection from external capture are not equivalent conditions. The Italian system has historically relied on contractual instruments to maintain the stability of ownership coalitions. One of the historical instruments through which controlling coalitions have been formalised and stabilised is the “patto parasociale”, a contractual arrangement that coordinates the voting behaviour of a group of shareholders without altering the formal ownership structure. By law, shareholder agreements are subject to a maximum duration of three years for listed companies and five years for unlisted ones (Melis & Zattoni 2017). This temporal constraint has a structural implication for the evaluation of external acquisitions, since control stability in Italian firms is not a constitutive property of the governance structure, but a contingent outcome derived from an equilibrium that must be periodically renegotiated (Molina & Rhodes 2008). Under stable conditions, the pact operates as a coordinated front that raises the cost of internal contestation (Bianchi et al. 2001). Its deterrent capacity, however, depends on a negotiated balance among coalition members, each with distinct interests, and may unravel precisely when an external actor offers a credible and sustainable alternative to one of them. While the OECD Benchmark Definition distinguishes portfolio from direct investment at the 10% threshold, this criterion is calibrated for ownership- based control structures (OECD 2008). In governance systems built around contractual coalitions, however, the threshold fails to capture how even a participation below 10% may shift the internal equilibrium of a controlling group. A coalition holding 30–35% of voting rights does not function as a monolithic bloc but as a negotiated equilibrium (Enriques & Volpin 2007). Thus, an external actor does not need to match that share to destabilize it; it is enough to alter the incentives of one coalition member.

For this reason, the screening of minority acquisitions becomes a structural necessity rather than a mere precautionary measure (European Commission 2024). The application of the categories of the EU Regulation to the Italian governance context outlines two implications for the design of screening mechanisms. First, the threshold of relevance of a transaction cannot be established only based on formal ownership rights, because it is endogenous to the fragility of command coalitions. This indicates the need for an architecture with a lower progressive threshold, able to map the

increasing degrees of risk of destabilisation of the corporate structure, rather than being limited to a single trigger based on formal control. Secondly, the identification of sectors that deserve protection cannot be exhausted in a closed list (OECD 2020). In fact, in the presence of conditional governance, the exposure can potentially extend to any sector in which coalition balances are susceptible to disruptions. Italy's response to the common EU framework will likely be both more graduated in its threshold structure and more expansive in its sectoral scope than what the same categories require in a structurally protected governance environment.

A further layer of control in the Italian system operates through pyramidal group structures and cross-shareholdings, collectively described in the literature as control enhancement mechanisms (Melis & Zattoni 2017).

At the end of 2019, 15.8% of listed companies, representing approximately 35% of market capitalization, were organised within pyramidal, horizontal, or mixed group structures (Consob 2020). In the private sector, pyramids allow a family or a controlling shareholder to exercise effective governance over multiple operating companies through cascading stakes, achieving control with a capital commitment below proportional ownership (Melis & Zattoni 2017, pp. 78-79). While these structures function as defensive mechanisms at the firm level, they simultaneously create a vulnerability at the group level: formal control is concentrated in the parent company, meaning that a single acquisition at the apex may confer governance over the entire chain without requiring separate offers for each subsidiary (Bebchuk et al. 2000, pp. 298-299; Bianchi & Bianco 2006). By contrast, pyramidal groups headed by state entities follow a different logic, as the controlling shareholder is not a contestable private actor but a public authority, which reduces the practical relevance of this vulnerability. Although pyramidal structures have declined in frequency following the reforms of the 1990s, their legacy has produced a form of institutional layering that remains characteristic of the Italian MME ecosystem (Bull & Rhodes 2007; Simoni 2020). This structure complicates the protection framework against FDI, where even an acquisition in a non-strategic sector can generate complete strategic control through the ladder.

A further structural feature of the Italian political economy is the marginal role of capital markets in corporate financing. The system has historically been bank- centred, with firms relying predominantly on bank lending and self- financing rather than equity markets (Melis & Zattoni 2017). As a result, Italy has not developed a domestic class of institutional investors comparable to those of Northern European economies, where pension funds and investment play a central role in corporate governance (Bulfone 2024). Pension fund assets remain underdeveloped relative to GDP, preventing the emergence of a private base of patient capital capable of providing long- term governance continuity (OECD 2023). The absence of patient capital does not simply reflect a corporate governance gap; it shapes the country's exposure to external economic influence. In contrast to coordinated market economies, where pension funds or long- term investment funds act as stabilising shareholders, Italy lacks private actors capable of anchoring ownership structures in strategic firms. The vulnerability is therefore systemic: in the absence of domestic private actors capable of providing long-term equity investment, no significant domestic investor can carry out the stabilising shareholder function required to prevent an acquisition by a foreign buyer (Bulfone 2024). The bank- centric nature of the system adds a further layer of structural sensitivity. When Regulation 2019/452 was drafted, Italian commercial banks held over 10.5% of their total assets in domestic sovereign securities, one of the highest bank- sovereign exposures in the eurozone (IMF 2020, p. 16). As the literature shows, this concentration of sovereign debt in domestic banks creates a feedback loop between fiscal risk and financial stability, making shocks to the banking sector a potential channel of contagion to the sovereign and to credit provision (Acharya & Steffen 2015).

While the Regulation lists financial infrastructure among sensitive sectors, it does not codify this nexus; nonetheless Italy had already identified the financial sector as strategic in 2017, and DPCM 179/2020 subsequently confirmed this by adding banking and insurance activities to the list of assets covered by Golden Power. (Presidenza del Consiglio dei Ministri 2020). In this context, the State intervenes through vehicles such as Cassa Depositi e Prestiti (CDP) as an anchor investor, acquiring equity stakes to perform an ownership stabilising function that private

governance cannot sustain (Melis & Zattoni 2017; Bulfone 2024). CDP is thus less a corrective instrument than the institutional recognition of a structural gap: the Italian state maintains direct equity stakes in strategic firms because no private actor has the incentives or the relational embeddedness needed to provide unconditional patient capital (Bulfone 2024).

This configuration explains a dynamic not anticipated by models that interpret FDI screening solely through corporate preferences (Bauerle Danzman 2020). Italian firms, operating under conditions of capital scarcity, would rationally welcome foreign investment, yet the State extends its scope of control. Its compensatory role is not a response to firm preferences but a systemic necessity within a governance ecosystem that cannot protect itself. The corporate governance profiles documented above for both countries have established the first articulation of the variable through which EU Regulation 2019/452 is connected to divergent national screening rationales.

The corporate governance dimension defines the operational vulnerability environment of the industrial fabric of the two countries, identifying what different ownership structure makes capturable, and therefore what is assessed as requiring formal protection in the first place. The comparison between the two countries highlights a precise outcome. Danish corporate governance generates unconditional barriers through its coordination mechanisms, which collectively close both the formal governance capture channel and the informal market accumulation channel before the screening apparatus is activated. The categories of critical infrastructure and critical technology of the Regulation, when applied to this context, require a more targeted and technically definable protection approach, for example, assets whose strategic sensitivity is infrastructural rather than derived from governance-based vulnerabilities, and whose ownership is not already anchored by private structures. Italian corporate governance establishes balances that may appear untouchable at first glance yet leave the surface of governance exposure structurally vulnerable. Even the categories outlined in the Regulation, when applied in this context, cannot be strictly defined within a fixed perimeter. The following table makes this comparison explicit before the analysis proceeds:

Table 4 Corporate governance elements

Analytical Dimension	Denmark (CME)	Italy (MME)
Nature of governance deterrence	Statutory: control cannot be transferred regardless of market conditions or shareholder pressure	Contractual and contingent: deterrence holds under normal conditions but breaks down when a foreign actor applies sustained acquisition pressure
Scope of governance exposure	Targeted to assets outside the foundation perimeter, primarily physical critical infrastructure with no stable private ownership anchor	Not confined: any sector where controlling coalitions can be destabilized falls within the exposure zone, including firms reachable through apex acquisitions in pyramidal chains
Threshold of governance relevance	Tied to formal governance rights: minority stakes in foundation or dual-class firms do not translate into strategic influence	Tied to coalition fragility: a 5% external stake can alter the internal calculus of a bloc holding 30–35% of voting rights
Post-acquisition institutional friction	Statutory codetermination gives employee board members opportunity to contest strategic reorientation	No statutory board-level codetermination: governance strategy fully at managerial discretion post-acquisition (Leonardi & Gottardi 2019)
Financial system logic	Large pension funds hold equity stakes with decades-long mandates, making secondary market accumulation a harder acquisition route	No comparable domestic investor base: banks hold roughly 10.5% of sovereign debt, so a financial sector acquisition potentially reaches public financing and SME credit lines
Implication for Reg. 2019/452	Sector-specific perimeter: formal screening covers only what private governance does not already protect	Wide and graduated perimeter: threshold structure and sectoral scope tend in practice to extend beyond what the Regulation explicitly requires

Note. Author's own work. Source: Hall & Soskice 2001

Corporate governance profiles trace the institutional logic underlying H1 and H2. They show how ownership structures predispose each country to interpret the Regulation's categories differently, but the hypotheses can only be fully assessed through the subsequent analysis of state-business relations and the legislative responses to Regulation 2019/452.

State-business relations: coordination logic and the institutional rationale of decision-making

State-business relations constitute the second component of the conditioning variable. While corporate governance identifies the operational vulnerabilities of the productive system, state-business relations explain how those vulnerabilities are

politically and administratively processed once they become a regulatory concern. This dimension, structured around state-business and labour relations and administrative capacity, clarifies the institutional pathway through which exposure to foreign acquisitions is translated into public authority, administrative procedures, and decision-making power. In the context of FDI control, these relations therefore shape the architecture of state intervention, determining which actors are involved and the degree of political discretion they can exercise.

Denmark

State-business relations in Denmark are characterised by a high degree of organised coordination among the state, employer associations and trade unions. This feature has led the literature to describe the country as a negotiated economy, in which interactions occur through both formal and informal channels of consultation (Campbell & Pedersen 2007; Pedersen 2012). The status is also consistent with Jahn's (2016) corporatism index, according to which Denmark is ranked tenth in the world with a mean z-score of 0.68 (range 0.08-0.99) over the period 1960–2010, placing it firmly within the high-corporatism group and on an upward trajectory (Jahn 2016). The structural weight of organised labour in this system is reflected in the features of Danish industrial relations. Trade union density remains around 64% of the workforce and collective bargaining coverage stands at approximately 80–84%, varying by sector (Statistics Denmark 2024; Mailand 2025). Wage formation and large segments of work and welfare regulation are produced through bipartite or tripartite negotiation, with no statutory minimum wage and no administrative extension mechanism, which have become progressively decentralized to the regional and firm levels to enhance adaptability (Pedersen 2012).

In this model, the state sets the framework but rarely intervenes unilaterally. Instead, it acts as a strategic partner by organizing structural policies across the board to adapt both the public and private sectors to global competition (Mailand 2025). On questions of economic nature, public authority enters not hierarchically, but as one participant among many in a generalized political system of negotiations, where the state, business associations, trade unions, and other interest groups maintain their own autonomy while engaging in a collective process toward procedural consensus and a

shared understanding of socio-economic issues (Pedersen 2012). In VoC terms, this is consistent with the CME logic in which public policy reinforces rather than replaces private coordination.

This institutional configuration has direct implications for how screening decisions are likely to be produced. In Denmark, public authority can act alongside dense associational structures capable of producing information and warning about sectoral concerns, a pattern reinforced at the firm level by cooperation committees (*samarbejdsudvalg*), present in approximately 49% of companies above the 35-employee threshold as of 2024, and by statutory provisions for employee board representation in those same firms, which were covered in the corporate governance section (Larsen et al. 2025). Decisions affecting the productive structure are typically reached through consultation cycles in which the relevant economic actors are involved at an early stage. The legislative adaptation and the identification of sectoral concerns are therefore likely to be informed by horizontal coordination, taking into consideration that the final assessment remains addressed through a specialised administrative authority. This is supported by corporate sector behaviour during the adaptation of the legislative process, when rather than perceiving the new regulatory framework as a sovereign imposition, business actors aligned their concerns with the government's evolving risk perception and contributed to defining the nuances of the adaptation of the law (Campbell & Pedersen 2007; Nibe 2023).

Administrative capacity in Denmark

Denmark's administrative capacity reinforces the procedural logic identified in the previous sections. Between 2019 and 2024, the country recorded an average government effectiveness percentile of 90.6, and a regulatory- quality percentile of 86.01 (World Bank 2024). Although these indicators do not directly measure FDI screening, they capture the administrative conditions under which intervention criteria are likely to be formulated consistently and applied predictably. This is crucial in the context of investment screening, where decisions must be justified by the technical characteristics of the asset, whether related to the ownership chain or to the security risks involved.

This macro-level picture is mirrored in indicators of bureaucratic professionalism. In the QoG Expert Survey 2020, Denmark scores -1.049 on patronage (5.6th percentile) and 1.188 on merit (87.2nd percentile), confirming a highly professionalised bureaucracy with limited political interference (Nistotskaya et al. 2021). This suggests that recruitment and career advancement in the Danish public administration are strongly insulated from political clientelism. For screening, such insulation matters because it provides the micro-institutional foundation for technical discretion: officials face fewer incentives to translate partisan or clientelist pressures into the assessment of individual transactions and are therefore more likely to anchor decisions in the technical characteristics of the case (Kolvani & Nistotskaya 2025). These indicators describe an administrative model in which the assessment can be delegated to a specialized authority operating under an explicit procedural mandate. The implication for screening design is that discretion is located primarily at the technical-administrative level rather than at the political centre. This does not mean that Danish screening is apolitical in substance, since the definition of national security remains politically authorised. However, the application of that definition is channelled through standardised procedures, grounded in case-management routines and administrative expertise.

In this sense, Denmark's administrative capacity supports the CME-type screening logic predicted by H1: the state operates as a regulatory complement to existing coordination structures rather than as a compensatory actor substituting for fragmented private coordination. This administrative profile is consistent with the broader Danish political economy, where public institutions and organised economic actors have long developed stable expectations through repeated interaction. Such institutionalised patterns of experience-based deliberation reduce the transaction costs of coordination and sustain a procedural approach to regulatory intervention.

Italy

In line with the VoC framework, relations between the state and the various economic actors in Italy are characterized by contingent and institutionally fragmented coordination (Molina & Rhodes 2008). The Italian system of industrial relations reflects the fragmented pluralism typical of Mediterranean capitalisms, in contrast to

the more centralised and hierarchical arrangements found in Nordic economies. Instead of a unified labour movement capable of negotiating comprehensive agreements with employer associations and the state, Italy's system is structured around three historically rival confederations, CGIL, CISL and UIL, whose internal divisions stem from the political and ideological cleavages of the Cold War (Regini & Regalia 1997; Molina & Rhodes 2008). This organisational fragmentation undermines the structural conditions required for stable tripartite concertation of the type observed in high- corporatist systems.

This fragmentation of the organisations is damaging for the structural requirements for a centralised and tripartite concertation of the type found in high-corporatist systems. Empirically, Jahn's (2016) corporatism index confirms the country's status as a middle way, where Italy is listed 19th out of 42 countries, with a mean z-score of -0.11 for the period 1960-2010, just at the cross-national average and within the middle-corporatism class. Additionally, the country's measure has a standard deviation of 0.46, among the highest in the dataset, with values ranging from a minimum of -0.68 to a maximum of 0.52.

This temporal volatility of Italian corporatism is relevant for the analysis, because, unlike Denmark, where institutionalised coordination produces stable regulatory outputs, Italy's associational system seems to work episodically rather than continuously and is activated in events of crisis rather than embedded in routine governance (Jahn 2016). The Italian configuration produces decisional inputs of a different nature. Trade union density is now in the low 30% range, while collective bargaining coverage formally remains around 90%. This high coverage, however, does not indicate strong coordination capacity: it is sustained by judicial extension via Article 36 of the Constitution rather than by the organisational strength of the social partners or by a generalised administrative extension mechanism³ (Leonardi & Pedersini 2023; Eurofound 2023).

³ The absence is not a simple technical gap: Article 39 of the Constitution set up a legal system *erga omnes* based on the voluntary registration of unions. The compensatory solution was not implementing the praetorian route of Article 36, because of union resistance to the registration requirement and the political divisions of the post-war period. So, the Italian system comes from a specific dependence on the institutional path, not from a random absence.

The convergence of formal coverage indicators with those of more coordinated economies therefore masks a different institutional logic: in Italy, contractual coverage results from a regulatory framework that compensates for organisational fragmentation rather than from stable cooperation among organised actors. The functional role of the state in this system differs qualitatively from the Danish model. Rather than acting as a strategic partner that reinforces private coordination while maintaining procedural autonomy, the Italian state has historically intervened in industrial relations through direct political channels. Its role has been to substitute for the fragmentation of tripartite mechanisms rather than to complement them, a pattern characteristic of MMEs, where state intervention compensates for coordination failures without generating durable institutional complementarities (Molina & Rhodes 2008). The social pacts of the 1990s demonstrated a temporary capacity for concertation, but the literature interprets them as conjunctural responses to fiscal and currency crises rather than as institutionalised routines (Baccaro 2002).

In VoC terms, the absence of durable institutional complementarities between organised labour, employer associations, and the state means that policy outputs in the economic domain are produced through a more conflictual and less predictable negotiation process, where political leverage and competition among confederations shape outcomes alongside formal consultation procedures. The implication for FDI screening is therefore structural.

Denmark's dense associational fabric allows sectoral concerns about foreign acquisitions to be aggregated, communicated to public authorities, and incorporated into the screening process through established channels before decisions are formalised. In Italy, this horizontal information infrastructure is thinner and less reliably activated. Business associations, Confindustria above all, maintain significant access to government, but this relationship is characterised more by lobbying and political proximity than by the institutionalised collaboration that produces shared cognitive frameworks in CMEs (Hall & Soskice 2001; Molina & Rhodes 2008). The point is not that screening does not occur, but that the way in which public exposure translates into authority and decision-making capacity occurs primarily through

political channels. This sets the Italian case apart from the Danish case, where the process is more horizontal and negotiated.

Consequently, screening decisions tend to depend more on political discretion: depending on the government's priorities, different actors may be involved, and they may be assigned varying weight, rather than based on the strength and density of the associative systems.

Administrative capacity in Italy

The Italian case differs from the Danish one not because it lacks a developed administrative apparatus, but because administrative capacity is rooted in an institutional context that is less procedurally isolated and more politically mediated. This distinction is important for the assessment of foreign direct investment, as the relevant question is not only whether the state can intervene, but whether evaluation decisions are produced through stable technical procedures or through executive coordination among fragmented competencies. According to World Bank Worldwide Governance Indicators, Italy recorded a mean government effectiveness score of approximately 64.1 over the 2019–2024 period, with regulatory quality at a comparable 64.5 percentile (World Bank 2024). These data indicate a functioning administrative environment but comparatively weaker than Denmark, which consistently remains in the top decile.

The gap is analytically relevant because the assessment of investments depends on the consistent application of risk criteria in various cases, rather than simply on the existence of formal legal powers.

A similar pattern emerges from indicators of bureaucratic professionalism. Italy's patronage score of 0.270 and merit score of 0.379 suggest that meritocratic recruitment is present but coexists with politically mediated career incentives (Nistotskaya et al. 2021). Consequently, this means that rather than displacing patronage, merit operates alongside it. This weakens the micro-level foundations of technical discretion identified in the Danish case, where administrative expertise is more clearly insulated from political bargaining (Kolvani & Nistotskaya 2025).

A further feature of the system is the fragmentation of competences within the central state itself. The historical literature on Italian public administration traces the

fragmentation to the accumulation of ministerial responsibilities without a unifying organisational principle (Cassese 2010). In the screening domain, this is likely to produce a decision-making architecture in which multiple ministries contribute to the assessment of a transaction, while the final decision remains concentrated at the political centre. The Golden Power regime, therefore, operates less as a single technocratic filter than as an executive coordination mechanism. Italian administrative case law reflects this configuration.

The Council of State has confirmed that Golden Power decisions are administrative acts subject to judicial review but has also classified them as acts of “high administration”, limiting the possibility of substantive judicial scrutiny over the merits of the decision (ICLG 2026). This duality preserves formal legality while leaving broad discretion to the executive. Compared with the Danish framework, where administrative regularity is supported by a clearer allocation of authority, the Italian model gives the political centre a larger role in defining the balance between security, industrial policy, and ownership control.

The implication for FDI screening is that procedural legitimacy cannot rest on standardised administrative routines alone. In Italy, legitimacy must also be produced through political exchanges of national interest alongside strategic continuity and the protection of key assets. Timelines and case assessment are therefore more exposed to the salience of individual transactions, while the EU cooperation mechanism requires the mediation of multiple ministerial competences before a unified national position can be formulated (Kolvani & Nistotskaya 2025).

This administrative profile supports the expectation that Italian screening will remain wider in scope and more discretionary than the Danish model, not as a temporary deviation from EU pressure, but as a functional response to the coordination gaps of the Italian MME.

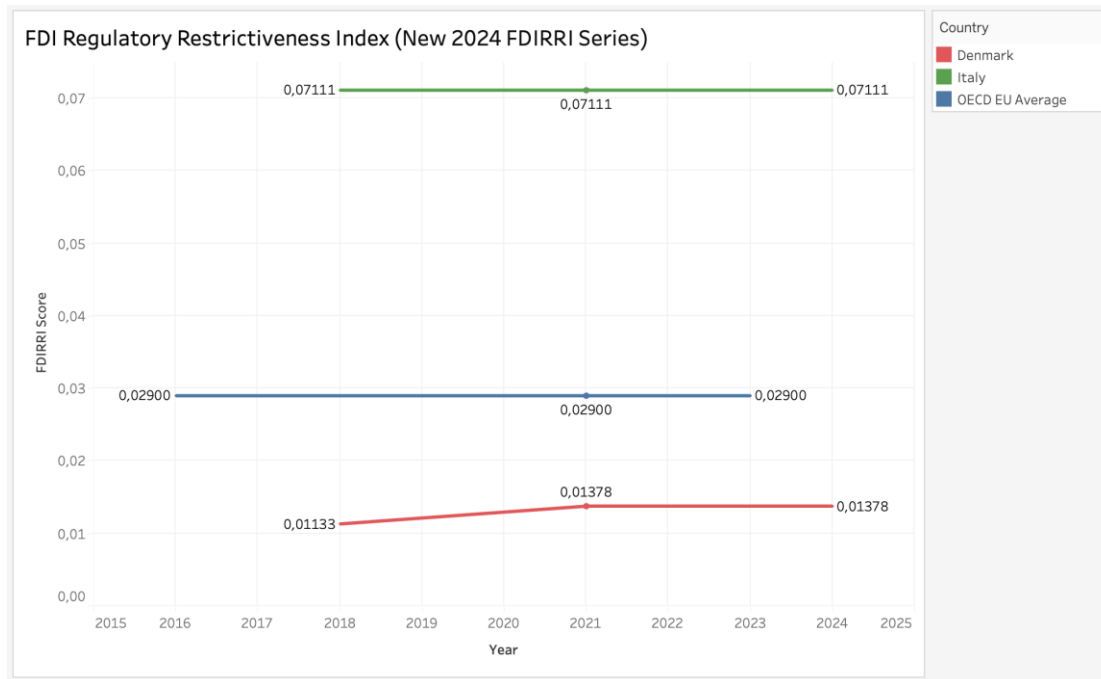
Linking the conditioning variable to the legislative analysis

The comparison clarifies how the VoC variable operates: corporate governance and state-business relations form a single institutional filter through which EU regulatory pressure is considered and translated into national law. Corporate governance identifies the type of vulnerability exposed to foreign acquisitions, while state-

business relations determine how that vulnerability is processed. What makes the first sub-dimension important, i.e., state-business and labour coordination, is its role in shaping how the state learns about sectoral needs. Strong associational structures deliver consolidated signals, supporting detailed and narrowly scoped legislation. Fragmented coordination forces the state to legislate broadly, retaining discretion because no intermediary filters exist.

The architecture of legislation, in short, follows the architecture of coordination. In Denmark, the two dimensions align: private governance already limits the scope of potential threats, and organised coordination combined with strong administrative capacity allows screening to function as a residual, procedurally anchored instrument. In Italy, by contrast, corporate governance provides more contingent protection, and fragmented state-business relations, coupled with politically mediated administrative capacity, push the executive into a compensatory rather than procedural role. Screening cannot remain residual but is likely to assume a broader and more discretionary function, both in scope and in political legitimation. These institutional profiles generate a clear expectation for legislative outcomes. Before turning to the legal analysis, the OECD FDI Regulatory Restrictiveness Index offers a preliminary descriptive signal: Denmark ranks among the least restrictive OECD economies, well above the OECD- EU average, whereas Italy appears comparatively more restrictive and remains so despite the Regulation (OECD 2024). The index does not capture the qualitative logic of screening, but it provides a useful baseline for interpreting the legislative trajectories examined in the next section.

Figure 1 FDI Regulatory Restrictiveness Index



Note. Author's own elaboration based on OECD (2025) data. *Source:* OECD FDI Regulatory Restrictiveness Index database

Adaptation to the Regulation

This chapter examines how the countries under study adopt different screening logics and criteria in response to a common European stimulus, a process shaped by their own institutional characteristics as identified within the VoC framework. If varieties of capitalism shape how EU regulation is transposed into national law, this divergence should be systematically visible in those dimensions where minimum harmonisation left space for domestic institutional logics to operate. The operationalization developed for this test identifies five points where national decisions intersect with EU minimum harmonisation and where institutional logics are expected to leave observable traces.

The analysis examines Denmark's Investment Screening Act (Law no. 842/2021, consolidated as no. 1256/2023, including the 2023 amendments) and Italy's Decreto-Legge 21/2021, as later amended up to Articles 2-ter and 2-quater, following the categories and sequence set out in the operationalisation. Before proceeding, it is necessary to recall the misfit conditions identified in the first part of the analysis. Italy entered the Regulation with an existing legislative framework but with a discretionary

administrative architecture that sat uneasily with the EU's procedural assumptions. Denmark, by contrast, joined without a horizontal screening system but with a procedural culture broadly compatible with the Regulation. These starting points shape the expected direction of adaptation: Denmark is likely to construct a new instrument aligned with the EU's procedural model, whereas Italy is more likely to incorporate EU terminology into an already discretionary framework. This expectation is tested across the five dimensions below, which provide the empirical surface on which institutional logics should manifest themselves and allow assessment of whether the observed pattern is consistent with the hypotheses formulated in the theoretical chapter.

The scope of national legislation

The Danish FDI Act defines its scope through a closed list of five “particularly sensitive sectors” under Section 6: defence, IT security and processing of classified information, dual-use items, with an explicit cross-reference to EU Regulation 2021/821, other critical technologies, and critical infrastructure. The 2021 Executive Order on the delimitation of the scope further specifies these categories, while the Danish Business Authority's operational guidance disaggregates the technology list into eleven sub-categories, including AI for autonomous vessels, biometrics and analysis of positioning data, advanced industrial robotics and drone technology, semiconductors, IT security technology for the protection of confidentiality and integrity, space technology, industrial energy storage and conversion, quantum technology, nuclear (excluding healthcare applications), nanotechnology including graphene, synthetic biology, and 3D printing for industrial use (Executive Order No. 1450/2021; Danish Business Authority 2021). The Danish Business Authority specifies that, for the eleven technology categories, an exception applies to toys and household products even when they contain AI or robotic components: “exceptions apply if the technology is developed or manufactured for the purpose of incorporation into consumer products or relating to actual consumer products and such products are widely available” (Danish Business Authority 2025). This means that what matters is not the technology as such, but the function it serves in context. The same operational logic applies to critical infrastructure: the eleven technology- related sectors are not

considered critical in themselves; rather, specific functions within them may constitute critical infrastructure subject to authorisation. In practice, the state regulates functions within sectors, not entire sectors.

Outside this defined perimeter, the law shifts into a Voluntary Notification Scheme, introduced in sections 10 and 11, offered to the investor as an optional risk-management tool (Danish Business Authority 2021).

In 2023, Act No. 746 introduced an additional category of screening that might, at first glance, suggest a discretionary expansion similar to the Italian case. In practice, however, the extension is narrowly tied to a single infrastructural project, the “North Sea Energy Island,” currently suspended due to financing gaps. Under this provision, any contract related to the construction, co- ownership, or management of the energy island must be subject to government control (Jacobsen 2024; Danish Business Authority 2024). As confirmed by some analyses of the amendment, this condition applies regardless of the nationality of the parties involved and corporate form, given that even Danish citizens and consortia must obtain authorization (Christiansen 2023). Therefore, it is not a scope expansion, but an authorization regime regarding a specific project applied at the moment of contractual assignment, since it is at this stage that external parties enter and co-manage critical energy infrastructure in the Danish exclusive economic zone, before a stable private governance has been established. The North Sea Energy Island is expected to be a critical infrastructure, and, as a consequence, the Danish Parliament considered it necessary to include it within the scope of the law, confirming that the extension responds to the systemic nature of the asset rather than to a broader sectoral logic, coherent with the reasoning on ecosystem protection (Christiansen 2023). Section 3a(2) explicitly excludes the application of Sections 2 and 3 and Chapters 2 and 3, the ordinary FDI regime, to these contracts (Danish Business Authority 2021). The 2023 amendment therefore identifies a form of critical infrastructure that the standard residual logic could not cover because no private ownership structure had yet been established through the tender process, and creates a tailored mechanism to address it. The technocratic perimeter in this sense deepens, but does not expand, where the corporate governance chapter of this thesis

had predicted that Danish screening would need to operate in critical infrastructure that does not have a stable ownership anchor.

In comparison, the selection of the scope in Italy works differently, as over the years three different layers of mandatory notification have accumulated. In the current legislation updated to 2024, Article 1 covers matters of defence and national security, Article 1-bis covers broadband electronic communications based on 5G technology and any additional cybersecurity-related “services, goods, relationships, activities, and technologies” identified by subsequent decrees, and Article 2 covers strategic assets in energy, transport, and communications, as well as the entire catalogue of sectors listed in Article 4 of the EU regulation. Article 2-bis(5) extends the mandatory notification of intra-EU acquisitions, including Italian acquirers to “communications, energy, transport, health, agri-food, and finance, including credit and insurance”, going beyond what the Regulation requires (D.L. 21/2012). The Italian trajectory therefore follows a logic of preserving national economic assets from acquisition attempts, including those from other European Union member states (ICLG 2025). This is also demonstrated by the volume of notifications, from 342 in 2020 to 465 in 2021, with a distribution of 83.62% in the fields of energy, transport, and communications, 10.82% in defence and national security, and 5.56% in 5G (COPASIR 2022).

In the case of the banking and insurance sectors, the logic with which Italy defines the scope of the legislation stands out clearly. Although formally included in Decree-Law 21/2012 from the beginning, for almost ten years they were effectively excluded from the notification obligation because the implementing decrees necessary to make it operational were lacking. Their activation was not triggered by an imminent acquisition or a specific threat, but rather by a parliamentary assessment of the country's economic fragility. According to COPASIR, the vulnerability of the banking and insurance sectors stems from structural factors: the fragmentation of Italy's productive fabric increases firms' dependence on credit and makes financial operators attractive targets for acquisitions driven not by market logic but by the industrial strategies of sovereign states (COPASIR 2021, p. 47). The later implementing decrees, especially DPCM 179 from December 2020, did not set a functional threshold like the

Danish model. They just listed broad types of economic activities to protect, leaving the Prime Minister's Office to decide the strategic importance on a case-by-case basis when notifying. The comparison between Denmark and Italy reflects two distinct conceptions of the function of foreign direct investment screening.

The Danish model is practically focused on the categories provided for by Regulation 2019/452, intervening in a mandatory manner only in sectors considered sensitive and leaving the rest of the economy to the ordinary governance mechanisms. This choice assumes that existing private coordination mechanisms are already capable of managing the risks associated with potentially sensitive acquisitions. The interministerial working group that drafted the Act in 2018 further supports the logic, as it structured the scope around associative contributions rather than executive discretion, effectively embedding industry- defined risk boundaries into the statutory text (Kromann Reumert 2020). Where such governance structures are absent, either because the assets are new or lack an established ownership configuration, as in the case of the North Sea Energy Island, the state does not widen the overall scope of FDI screening. Instead, it introduces targeted, project- specific regimes to address the functional gap. In this context, Danish policy is based on a principle of "openness with exceptions," where foreign investments are generally considered positive, while public oversight is triggered only for residual risks related to emerging strategic sectors or assets, particularly when there is indirect state influence on investors or structural vulnerability of the asset (Danish Business Authority 2024). Instead, the Italian scope extends to entire sectors of the productive economy because there is no private governance comparable to that which can filter the rest (COPASIR 2021). The very high percentage of companies ultimately controlled by family entities, as well as a fragile system of contractual shareholder agreements, does not provide stable barriers on which the legislator can rely to filter acquisition risks autonomously.

The perimeter must fill the gaps that the governance structure cannot, which is why it continues to expand at different moments since the beginning of its conception, such as the 2019 introduction of paragraph 1-ter, the 2020 extension to intra-EU acquisitions, the 2022 inclusion of cloud and additional technologies, and an enforcement record focused on finance and infrastructure (COPASIR 2022).

In Italy, agri- food and finance were incorporated into the screening perimeter even though Chinese investment in these sectors remained minimal, which is also testified by the 2012 COPASIR report, showing that the underlying structural vulnerability pre- dated the Regulation rather than being triggered by it (COPASIR 2012).

Essentially, the scope follows the institutional gap more than the threat itself.

The operational definition of security threat

Regarding the definition of risk, Article 4 of the Danish legislation distinguishes between national security, defined in terms of territorial integrity and the survival of the population, and public order, which covers “Denmark’s ability to maintain an independent, democratic and secure society.” Public order, in the Danish text, is a residual definition to national security and does not explicitly include economic or industrial concerns (Danish Business Authority 2025). These concepts constitute Section 15, which specifies the methods for identifying risk in an objective and specific manner, particularly whether the Danish company operates within or affects critical infrastructure, processes classified information or sensitive personal data, its position in the Danish market concerning substitution opportunities, whether it is part of the defence industry, and whether it is engaged in the supply of critical raw materials. The section also identifies evaluation criteria related to the investor (Danish Business Authority 2025). Each criterion refers to a property of what the asset does and its function in delivering goods and services that no private actor can substitute if disrupted. Hence, a threat exists when an acquisition could compromise the operation of systemic functions on which the coordination of the whole economy depends, and which the market cannot repair on its own.

Italian legislation operates according to a logic more connected to the protection of assets. In fact, Article 1 refers to the threat as serious prejudice to “essential interests of defence and national security” without further defining content, while Article 2 refers to the threat to public interests related to “the security and functioning of networks and infrastructures and the continuity of supplies” (D.L. 21/2012). Although the term “public order” appears in some sections of the law, especially after the adjustment to the EU regulation, an independent definition is

never provided. Instead, Article 1(3) and Article 2(7) require the government to assess the economic, financial, technical and organisational capacity of the acquirer, the existence of links with foreign state structures, and “the suitability of the structure resulting from the legal act or operation,” meaning the post- transaction ownership configuration. A risk therefore arises when an acquisition alters the national ownership and control structure of assets deemed strategic, with the assessment varying case by case according to its compatibility with national interests (Italy, D.L. 21/2012).

If the Danish definition locates the threat in a functional property of the asset, that can be assessed against a closed list of predefined criteria, the Italian framework targets a different harm: the alteration of national ownership and control structures whose strategic relevance is determined case by case (Italy, D.L. 21/2012). The boundary of the screening perimeter is thus not set by the verifiable presence of a functional vulnerability, but by a political determination of national interest.

The criteria for activating the screening mechanism

In Denmark, the activation of screening is tied to formal governance rights: it is triggered only when a transaction grants the foreign investor specific structural levers of control within a company.

Activation occurs automatically once defined thresholds of corporate participation are reached, that is, when direct or indirect ownership of exact percentages of equity shares or voting rights is acquired. If the investment is purely passive and does not confer voting rights, positions on the board of directors, or managerial veto powers, the screening mechanism is not activated. Section 5(2) of the Investment Screening Act defines a “qualifying holding” as the direct or indirect possession or control of at least 10% of ownership interests or voting rights, or “equivalent control by other means”. Subsequent thresholds are set at 20 percent, one-third, 50 percent, two-thirds, and 100 percent (Danish Business Authority 2021). These thresholds function as a technical tool to identify when a transaction produces a substantial change of control, mapping directly onto the hierarchy of rights in corporate law rather than onto the vulnerability of ownership structures. The equivalent control by other means is specified in the Executive Order and includes the right to appoint or remove board members, the

power to make or approve decisions on significant managerial, financial, or operational matters, the acquisition of all or a significant part of the assets, and similar formal levers (Executive Order No. 1450 2021). This means that the Danish state does not replace the acquiring entity in making daily business decisions; rather, if an investment is deemed to pose a threat to national security or public order, as specifically defined, it reserves the right to limit the influence the foreign investor may exercise over the company's management. The voluntary notification scheme applies a higher threshold of 25 percent and is available only outside the five particularly sensitive sectors. By contrast, the North Sea regime is not threshold- based at all: any party entering a contract related to the energy island must obtain authorisation, regardless of ownership share, because the asset itself constitutes the trigger. Greenfield investments follow yet another logic, requiring mandatory authorisation for projects exceeding 75 million kroner within three years (Danish Business Authority 2021).

Regarding Italy, the notification mechanism is triggered at significantly lower thresholds. For listed companies, acquisitions exceeding 3 percent must be notified, followed by thresholds at 5, 10, 15, 20, 25, and 50 percent (D.L. 21/2012). The same thresholds apply to acquisitions in companies carrying out strategic activities for defence and national security, where notification is required regardless of the value of the stake acquired. Article 2(5) further specifies that, for non- EU investors, any acquisition equal to or above 10 percent of voting rights must be notified when the investment value exceeds one million euros, with subsequent thresholds at 15, 20, 25, and 50 percent. Regardless the participation thresholds, the Italian text uses a parallel activation structure based on the nature of the act or operation, that is, notification of any resolution of the board or the shareholders that modifies the ownership, control, or availability of strategic assets, including mergers, demergers, transfers of the registered office abroad, amendments to the corporate purpose, dissolutions, and transfers of business units. In this sense, the Italian trigger system contains an additional element that has no Danish equivalent, namely the explicit retention of discretionary power to review transactions below the mandatory thresholds (D.L. 23/2020).

If Danish legislation follows a logic strictly linked to the role and actions of the investor, Italy also safeguards the internal behaviours of the company itself. The ICLG report states the principle directly: “the Government may exercise its powers also in relation to transactions which, although not reaching the notification thresholds, are structured in such a way as to acquire significant influence over the target company or to circumvent the regime itself” (ICLG 2025).

This means that even the acquisition of a minority stake by a party considered at risk may be deemed more dangerous when considering the “potential influence of the purchaser over the company” and therefore worthy of intervention compared to an acquisition of a controlling stake by an investor considered reliable (D.L. 21/2012). In other words, the trigger is not only the threshold but also the political judgment regarding the actor who crosses it.

Competent authority

The Danish framework concentrates the competence in a single administrative authority, the Danish Business Authority, appointed pursuant to Section 32(1) of the law for all stages of the assessment process, including the receipt of applications, completeness checks, Phase 1 and Phase 2 investigations, the negotiation of conditions, and the decisions in which the case may be approved with or without conditions. A dedicated unit, the Foreign Investment and Security Team, manages the operational handling of cases (Danish Business Authority 2021).

The Ministry for Industry, Commerce and Financial Affairs intervene only in a narrow amount of cases, specifically if the Authority concludes that the investment may pose a threat to national security or public order, and that such a threat cannot be resolved through negotiated terms.

In these cases alone, the Ministry consults the Ministries of Finance, Foreign Affairs, Justice, and Defence and decides on the authorization, conditions, prohibition, or cessation order (Danish Business Authority 2021).

The Italian system involves multiple actors to distribute the decision across multiple political and administrative points. Formally, the point of reception for notifications is the Presidency of the Council of Ministers, (the top political body of the Government), within which a specific administrative body, the DICA (Department

for Administrative Coordination of the Presidency of the Council of Ministers), prepares the cases and supports the Chair of the Council. This coordination group is composed of representatives from the Presidency itself, from key Ministries (Economy, Economic Development, Interior, Defence, Foreign Affairs, Technological Innovation), and from the National Cybersecurity Agency (ACN). The DICA can also grant the green light to notified deals quickly for transactions that do not raise national security concerns (D.L. 21/2012). This gives it a gatekeeping role similar but not equivalent to that of the Danish Business Authority in Denmark. In Italy, the administrative department plays a relatively narrow role, limited to reviewing notifications and unanimously discarding non- problematic cases. Denmark presents a markedly different configuration. The DBA is not simply a preliminary filter but the central Competent Authority: it has the formal power to independently approve investments in both Phase 1 and Phase 2, and it can directly negotiate binding mitigation measures with the investor. The DBA only refers the case to the Ministry if it considers that there is a threat that cannot be resolved through these mitigations (Danish Business Authority 2021). For Italy, the substantive decision on the exercise of special powers, however, does not lie with the DICA (CELIS Institute 2026).

Indeed, if it identifies a threat, the matter is escalated to the political level, and at this point, the formal proposal to block the operation or impose conditions must be submitted by specific Ministries depending on the sector: for the defence and security sector, the proposal comes from the Ministry of Defence or the Ministry of the Interior, whereas for civil sectors, the proposal is jointly initiated by the Ministry of Economy, the Ministry of Economic Development, and the Ministry of Infrastructure and Transport. The law reserves the power to veto or impose conditions exclusively to the Council of Ministers. These powers are exercised exclusively by a decree of the President of the Council of Ministers, adopted following the favourable resolution of the Council of Ministers, which must be “transmitted simultaneously to the competent Parliamentary Committees” (D.L. 21/2012).

If the government approves an acquisition, but imposes binding conditions, a Monitoring Committee intervenes to verify compliance with these conditions over time. For highly technological evaluations and inspections, such as those on 5G

networks or clouds, this committee relies on the operational support of the National Cybersecurity Agency and the National Evaluation and Certification Centre (CVCN) (Zaottini 2023).

In this dimension of legislative analysis, it is clearly highlighted how the cooperation mechanism provided for in Articles 6 and 7 of the Regulation assumes the Danish architecture rather than the Italian one. The Danish Business Authority fits the institutional template with minimal adaptation. The Italian contact point, which is located at the Presidency of the Council, is based on multi-ministerial input, which must mediate among different competencies before formulating a unified national position, constituting a structural source of friction with the EU procedure (Rossano & Pignatti 2026).

The Italian screening system, having been created before the EU framework, was not designed to operate within a structured cooperation mechanism. This does not imply that the EU mechanism was tailored to systems like Denmark's; rather, it assumes a type of procedural and centralised administrative capacity that aligns more readily with governance models like Denmark's. Differences cannot be attributed to the rule of law, since the MSSD design already holds constant the shared EU context of consolidated democratic institutions. What varies is the organisation of administrative capacity, the very dimension in which Varieties of Capitalism expects CMEs and MMEs to differ in the articulation of state-business relations. The resulting misfit therefore reflects structural features of national administrative organisation, not regulatory bias.

The discretionary role of the state in blocking decisions and mitigations

The role of the state and its level of discretionary power represent the deepest operational divergence between the Danish and Italian models. This dimension represents how much room the legal text reserves for political discretion in the final decision, and this is supported by the legislation. In Denmark, the State intervenes in an exceptional manner to protect the basic systemic functions, mentioned in the definitions of national security and public order, such as critical infrastructures, defence, and territorial integrity.

The discretionary power of the Danish State is extremely limited.

Official sources and legal guides explicitly confirm that “there is no discretion to review transactions that do not meet the conditions and thresholds established by the Danish FDI rules” (Nielsen 2025). Even when a transaction exceeds the formal thresholds (e.g., 10% or 25%), the authority cannot arbitrarily decide what constitutes a threat but is obliged to strictly apply the objective and functional criteria listed in Section 15 of the law (Danish Business Authority 2021). The State may intervene *ex officio*, up to 5 years afterwards, only if a transaction that should have been notified according to the law was concealed, but always within the strict boundaries of the legislative criteria (Danish Business Authority 2021). Section 17 allows the Minister to impose more detailed terms as a condition for authorization, and Section 18 authorizes refusal or prohibition only “when the investment or agreement poses a threat to national security or public order and it has not been possible to mitigate it through more detailed terms.” The hierarchy is characterized by a residual approach, and only if everything fails does the state intervene, where prohibition is the last option, available only after mitigation attempts have proven insufficient (Danish Business Authority 2021).

In Italy, the state takes the role of geopolitical and economic protector. As highlighted by parliamentary documents, Italy applies a “geopolitics of protection” in which the Golden Power serves to defend the country’s strategic economic continuity and technological sovereignty (COPASIR 2022). The intervention is justified by the very own characteristics of Italy, that have experienced further fragility coinciding with the pandemic, which saw a general reduction in productivity and competitiveness and a devaluation of strategic industrial assets that have become even more exposed to the interests of foreign actors. Unlike Denmark, the Italian State explicitly seeks to protect not only infrastructural giants but also SMEs that represent technological excellence, in the fields of robotics, artificial intelligence, biotechnology, and defence, from the so-called foreign predatory colonization (COPASIR 2022; Perego 2025). Furthermore, as seen in dimension 4, Italian discretionary power is ample, supported by the law that allows the evaluation of the investor from different perspectives.

While the Danish Investment Screening Act limits the state to the role of a technical referee who intervenes only when specific percentages and predefined criteria are exceeded, the Italian Golden Power model is designed to provide the State with a flexible and highly discretionary political shield, allowing the government to block unwanted investors in the name of a national interest interpreted broadly, both geopolitically and economically.

In summary, Italy protects the ownership structure of assets that it considers strategically important at the national level, while Denmark safeguards the functional continuity of systemic assets whose interruption no private actor could restore. The first criterion is expanded by political judgment, while the second is consolidated once the relevant functions have been identified.

Theoretical implications and discussion of hypotheses

The legislative analysis across the scope, threat definition, activation thresholds, competent authority, and blocking power reveals patterns that can now be evaluated against the expectations of the theoretical framework.

These points constitute the empirical base on which the conditioning variable has left observable traces.

The cases approach the EU stimulus from opposite points of departure: Denmark, which joined without a horizontal screening system but with a low institutional misfit, was able to construct a new instrument aligned with the procedural logic of EU minimum harmonisation, while Italy entered with a long-standing screening tradition and a high institutional misfit, incorporating EU categories into an existing architecture whose operative logic remained largely unchanged.

The Danish evidence supports H1, and the connection between the VoC dimensions and the legislative text holds consistently across the five operational dimensions. The Investment Screening Act operates as a residual instrument that intervenes only where private governance does not already mitigate the risk of external capture. As shown in the corporate governance chapter, the Danish coordination model operates as a set of unconditional barriers that remove leading firms from the domain of governance risk before administrative screening is even

triggered. State-business relations then shape how residual risk is handled, through dense associational structures that aggregate sectoral concerns horizontally, as demonstrated also by the 2018 joint interministerial working group, while a highly professionalised authority delivers technically consistent decisions without political escalation (Kromann Reumert 2020). The result is a functionally enclosed perimeter with minimised state discretion, reflecting the reinforcing complementarities of the CME. The 2023 extension is consistent with this logic, as it targets critical infrastructure lacking a stable private ownership anchor, precisely the residual condition the hypothesis predicts the state must cover.

The Italian case aligns with the expectations of H2 and reflects the MME logic across the five legislative dimensions examined. Italy's coordination ecosystem is fragmented, and the state compensates for this weakness through discretionary intervention aimed at protecting national assets and strategic firms that lack intrinsic protective mechanisms. As shown in the corporate governance chapter, Italian firms rely on coalition-based stability, which function as conditional rather than structural barriers to external capture. A determined foreign acquisition can still unsettle ownership coalitions that appear stable under normal conditions, making both the threshold structure and sectoral scope of screening endogenous to this fragility rather than to any intrinsic property of the asset. The management of these vulnerabilities relies on executive coordination, reflecting both the pluralism of Italian industrial relations and a politically mediated administrative architecture. In such a context, screening cannot operate as a residual instrument, since its legitimacy cannot rest on procedural regularity alone, where state discretion must necessarily be broad.

The hypotheses answer whether the conditioning variable explains the divergence. What really matters, though, is the nature of that divergence, not a matter of being more or less restrictive, but a shift toward a different screening logic altogether. Since the regulatory stimulus is held constant, the divergence between the Danish and Italian regimes is not a matter of degree along a single continuum of restrictiveness but a qualitative difference. Each system translates the same EU categories into a screening logic that reflects its own variety of capitalism.

The conditioning variable, therefore, does not merely shape the design of screening but determines what each state understands as a strategic asset and the institutional channel through which protection is exercised.

Conclusion

This thesis was designed to explain why two member states exposed to the same external regulatory stimulus develop systematically different national FDI screening regimes.

The stimulus underscored the EU's shift towards a more assertive approach to economic security, a shift that took institutional form in Regulation 2019/452. The Regulation set a common minimum harmonisation baseline for screening while leaving the design of implementation to national discretion. A convergence model would expect that a common stimulus, operating within a shared geopolitical environment, should lead member states towards largely similar screening frameworks.

Instead, the comparative study of Denmark and Italy reveals formal compliance on the surface, with an underlying substantive logic that diverges in a structured and persistent way. The thesis maintains that this divergence emerges from the institutional configuration of national political economies, analysed through a framework that integrates Europeanisation with the Varieties of Capitalism approach. As argued in the analytical chapters, Europeanisation explains the common stimulus and the initial adaptational pressure gaps in both countries. The direction of adaptation, however, is determined by Varieties of Capitalism, which functions as an active component of the causal process rather than as an external moderator.

The two spheres chosen as tools to identify the institutional characteristics of each country first determine what is vulnerable and therefore what must be protected based on the VoC typology and then define how that vulnerability is addressed in terms of decision and intervention. Since these complementarities are specific to each type of capitalism, the common stimulus is filtered differently, producing variation in what is considered a strategic asset or potential threat.

The resulting divergence in screening is, as seen in the analysis, not a minor departure from an underlying trend toward convergence but a structural expression

of the institutional context through which the stimulus is processed. The legislative analysis confirms this expectation in both cases, with the five dimensions aligning consistently with the two institutional profiles.

In coordinated market economies, the common stimulus is translated into a residual and procedurally bounded instrument, whereas in mixed systems it produces an expansive and discretionary one.

These findings allow the alternative explanations considered in the theoretical chapter to be set aside. One such explanation links the expansion of screening to the securitisation of economic policy in response to Chinese investment. While this correctly identifies the trigger for regulatory action at the European level, it cannot account for divergence, since states exposed to the same pressure respond in different ways. Moreover, Italy broadened its scope to agri- food and finance before any significant concentration of Chinese capital in those sectors, and the sharp rise in notifications in 2020–2021 was driven by ordinary transactions rather than state- backed acquisitions (COPASIR 2021). At the same time, despite Denmark receiving a marginal share of Chinese FDI in the EU, it created a system characterized by procedural robustness that cannot be explained by the volume or sectoral concentration of Chinese capital, but instead follows the institutional logic identified in the analysis. The second alternative explanation, which links openness to the preferences of firms dependent on external financing, predicts the opposite of what is observed. Italy, despite its structurally limited availability of domestic long- term capital, maintains an expansive and discretionary screening regime, whereas Denmark, characterised by a highly developed supply of patient capital, ranks among the least restrictive economies in the OECD (OECD 2025).

What shapes the logic of screening is therefore not firm preferences but the structure of private governance that determines what foreign ownership threatens in each context. The third alternative explanation views divergence as a temporary by- product of regulatory immaturity that will fade as administrative capacity develops.

The analysis, however, shows that divergence is neither random nor diminishing. It aligns with institutional configurations and is reproduced, and in some

cases strengthened, across successive legislative revisions, consistent with the logic of institutional complementarities and incompatible with an immaturity- based account. In addition, the confirmation of two hypotheses bears fundamental implications for the trajectory of EU regulatory harmonisation under the FDI protection regime. Even under increasing EU-level regulatory pressure, the divergence is unlikely to converge if it is the institutional complementarities that produce it. The revised regime provisionally agreed in December 2025 illustrates this dynamic: although it would make screening mandatory and introduce a common set of protected sectors, it operates at the procedural level and leaves final decisions to member states (Directorate General for Trade and Economic Security 2025). External pressure will tend to produce an adaptation in form rather than a convergence in substance, since each system processes the common normative stimulus through its own institutional logic.

Where diverse forms of capitalism continue to coexist within the EU, the relevant challenge is not how to promote convergence, but how to accommodate divergence (Fioretos 2001, p. 243). To assess how far this logic extends to other political economies, and whether the same endogenous relationship between coordination structures and legislative design also appears in contexts with different institutional configurations, future research should apply this framework to coordinated, mixed, liberal, and dependent market economies. The analysis would also benefit from further empirical confirmation, for instance, through a process-tracing approach capable of reconstructing parliamentary dynamics and drawing on other sources that substantiate the argument.

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