

Pirelli's saga signals high volatility for Chinese investors in Europe

Italy's opportunistic use of FDI screening rules points to toughening stance on Beijing



Security threat: sensors installed in Pirelli tyres have been categorised as a strategic asset under Italy's FDI screening regime. Image via Bloomberg Mercury

Danielle Myles July 3, 2023



Italy's move to curb Chinese control over one of the country's biggest manufacturers

signals the government's opportunistic approach to its [expanded national security screening regime](#), and shows that existing investments are not off limits.

Rome recently required changes to tyre-maker Pirelli's governance structure that strip Chinese state-owned enterprise Sinochem's influence over the company, eight years after it became Pirelli's biggest shareholder. It is the first time Italy has used so-called 'golden powers' to intervene outside of the context of an investment, and sets a new benchmark in its growing use of the tool to minimise Chinese influence over its [national champions](#).

While foreign direct investment (FDI) screening was once reserved for new investments, [changes to Italy's golden powers since the pandemic](#) require firms involved with critical technologies, such as the sensors embedded within Pirelli's tyres, to notify the government of changes in their control structure. Proposed amendments to the shareholder agreement between Sinochem's local subsidiary Marco Polo International Italy, which owns a 37% stake, and Italian investment vehicle Camfin (14%) — plus their owners — were caught by the new rules, helping Rome seize its first opportunity to scrutinise Beijing's influence over the group.

“They've used the argument of sensitive

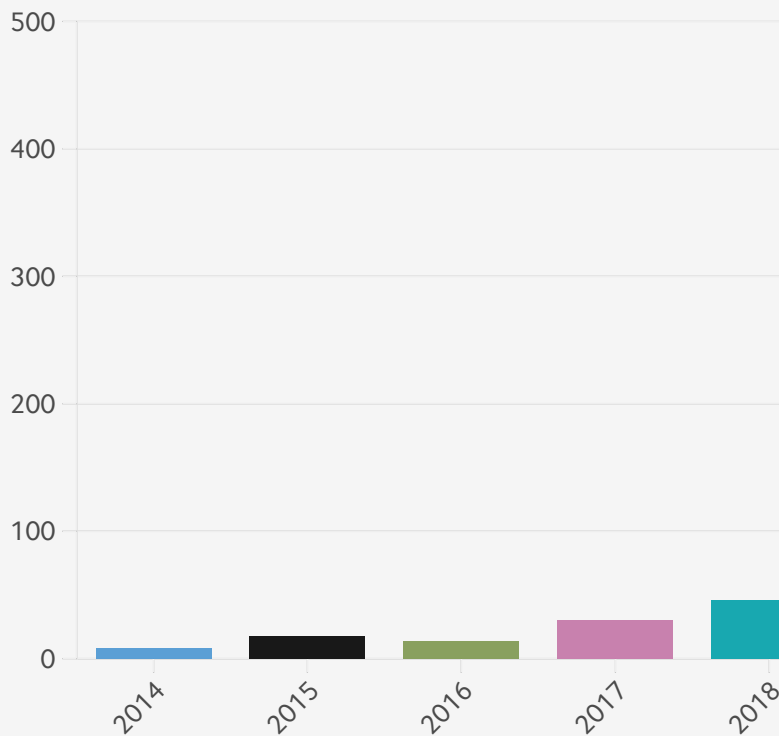
information relating to the tyres to change the governance in favour of the Italian side because of security concerns,” says Andrea Marinoni, a Kearney partner in Milan.

On June 16, the government mandated more than 20 requirements to ensure that Camfin — headed by Pirelli’s former CEO and current executive vice chairman, Marco Tronchetti Provera — maintains control over the company’s technology and future direction. These include Camfin’s indefinite right to appoint the CEO and four-fifths of the board approving decisions regarding its technology.

This is a rare example of a European government intervening on national security grounds years after the investment was made. The only other public example cited by **fDi**’s sources is the UK government’s order last November for [Chinese-owned Nexperia to sell 86% of its Newport Wafer Fab](#), 16 months after it acquired the Welsh semiconductor factory.

The number of notifications under Italy's FDI screening regime has surged since the pandemic

Notifications



Source: Golden power report to parliament, 2021

fDi Intelligence

The Pirelli ruling follows a surge in notifications under Italy's expanded golden powers. Between 2019 and 2021 (the latest year for which data is available), the number of notifications increased nearly six-fold.

"The Italian government has been quite tough" with its FDI screening in recent years, says Falk Schöning, a partner at law firm Hogan Lovells focused on EU regulations. This has often been at the expense of [Chinese investors](#). Over the past two years, the government has vetoed Syngenta's purchase of seed producer

Verisem, stopped Efort Intelligent Equipment's attempt to increase its stake in robotics firm Robox, and annulled Mars Information Technology Co's 75% stake in drone-maker Alpi Aviation. All three investors are backed directly or indirectly by Chinese firms.

Further reading on FDI screening:

- [US finalising outbound FDI screening rules](#)
- [Opinion | Friendshoring is coming to venture capital](#)
- [CFIUS's expanding reach](#)

Ministers' public promises to use golden powers against prospective deals have also derailed Chinese investment. This includes FAW's bid to buy truck manufacturer Iveco in 2021, and Midea reportedly ending talks in June to acquire Sweden's Electrolux, which employs 6000 people across Italy.

Against this backdrop, Roberto Jacchia, a partner at local law firm De Berti Jacchia, says the use of golden powers against Pirelli is "not surprising" and "reflects the clear political stance of the government" to counter [China's industrial presence in strategic](#)

[sectors](#). He says it reveals how the

government will use its expanded golden powers going forward, leveraging its flexibility to intervene in both existing and proposed transactions.

The government's intervention in Pirelli comes amid growing speculation that it will leave China's Belt and Road Initiative, four years after it became the first large European country to join the initiative.

Most read

1. Gotion explores Africa's first gigafactory in Morocco
2. Costa Rica again tops list of FDI overachievers
3. Top 100 global innovation leaders
4. India switches to R&D
5. Strategic industries buck post-Covid investment slump

Related topics

Automotive

News

Reforms

UK

Italy

Politics

Manufacturing

China

Protectionism

Editorial

LATEST ARTICLES

Investment promotion

AI in FDI | Invest Estonia reaps benefits from a

Indonesia

Indonesia's new capital winks to foreign

Protectionism

Pirelli's saga signals high volatility for Chinese

Free zones

Papua New Guinea pins its hopes on new SEZs

from e-
advisors

foreign
investors

Chinese
investors in
Europe

SEZS

POWERED BY FDI MARKETS

FDI PRODUCTS & SERVICES

Drive investment to your location

Become an industry leader
amongst your competitors
with our portfolio of
services.

[Discover our services](#)



fDi Intelligence

fDi | fDi | GIS
Markets | Benchmark | Planning

ABOUT US

[Products & services](#)

[Advertise with us](#)

[Contact us](#)

LEGAL

[Terms & Conditions](#)

[Privacy Policy](#)

[Cookie Policy](#)

[Copyright Policy](#)

[Modern Slavery
Statement](#)

[Ad Choices](#)

VIDEOS & REPORTS

[The fDi Report 2022](#)
[Tourism Investment Report 2021](#)
[Videos](#)

fDi ON OTHER PLATFORMS

[FAQs](#)

[Facebook](#)

[LinkedIn](#)

[Twitter](#)

[YouTube](#)

[RSS feeds](#)

[Podcast](#)

fDi Intelligence and its journalism are subject to a self-regulation regime under the FT Editorial Code of Practice.

© 2023 fDi Intelligence | A service from The Financial Times Ltd