Instituto Universitário de Lisboa

Department of Political Science and Public Policy

How and why did Foreign Direct Investment take place between Portugal and China between 2010-2015?

Catarina Ribeiro

Thesis submitted as partial requirement for the conferral of

Masters in International Studies

Supervisor:

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Catarina Ribeiro

ABSTRACT

Foreign direct investment has become an extremely important aspect in generating economic growth around the world. As the largest receiver of FDI up until 2015 and the third largest FDI investor, China becomes a significant country to explore. It becomes interesting to view how China views the rest of the world in terms of investment and how the rest of the world views China's foreign investment practices. This is the topic covered throughout this study, looking closely at the FDI relationship between Portugal and China in terms of motivations and entry modes by gathering extensive qualitative and quantitative data. Through the research and data gathered, the study found that the main motive for Chinese companies to invest in Portugal was strategic asset seeking. In other words, Chinese companies have been buying out Portuguese companies and gaining knowledge in order to replicate the methods in China. The investment strategy adopted by the majority of large Chinese companies has been Acquisition. On the other hand, Portuguese companies opt to invest in China in order to acquire a new market. These Portuguese companies have been investing in China through Joint Ventures and Strategic Alliances. These conclusions were drawn upon using interviews, questionnaires and quantitative data. This study offers a comprehensive approach to the bilateral relationship and offers further questions for companies interested in investing in the other country. It suggests both countries need to have a deep reciprocal understanding before investing and ensure they have clear objectives when investing.

Key words: Foreign direct Investment, China, Portugal, Motivations, Entry modes

RESUMO

O investimento estrangeiro direto é importante para produzir crescimento económico em todo o mundo. Como maior recetor de IED até 2015 e terceiro maior produtor de IED, a China tornou-se incontornável. É importante observar como a China vê o resto do mundo em termos de investimento e como o resto do mundo vê o IED chinês. Este é o tema da tese, que olha para as relações de IED entre Portugal e a China, com um foco nas motivações e no modo de entrada de empresas em ambos os mercados. Da pesquisa e dados recolhidos, o estudo concluiu que a motivação principal para empresas chinesas investirem em Portugal tem sido a busca de ativos. As empresas chinesas têm comprado empresas portuguesas para aprender e adquirir conhecimento para replicar na China. As aquisições têm sido o modo de entrado preferido. As empresas portuguesas a investirem na China têm como motivação principal a procura de um novo mercado. A maioria das empresas portuguesas investe na China com alianças estratégicas ou empreendimentos conjuntos. As conclusões beneficiaram da análise de entrevistas, questionários e dados numéricos. O estudo oferece uma abordagem compreensiva sobre a relação bilateral em termos de IED e fornece questões e problemáticas para empresas de ambos os países que estão interessados em investir nos mesmos. Além disso, sugere que ambos os países precisam de ter um conhecimento profundo do outro país antes de investirem e assegurar que têm objetivos estruturados ao investirem.

Palavras-chave: Investimento estrangeiro direto, China, Portugal, Motivações, modo de entrada

CONTENTS

LIST OF CHARTS

LIST OF ABBREVIATIONS

AICEP	Portuguese Trade & Investment Agency
AIIB	Asian Infrastructure Investment Bank
AJEPC	Association of Young Entrepreneurs Portugal-China
BEWG	Beijing Enterprises Water Group
BRIC	Emerging economies: Brazil, Russia, India, China
CCB	China Construction Bank
CEO	Chief Executive Officer
CGEP	Compagnie Générale des Eaux Portugal
CIA	Central Intelligence Agency
CTG	China Three Gorges
ECB	European Central Bank
EDP	Energias de Portugal
EEC	European Economic Community
EU	European Union

EUCC	European Union Chamber of Commerce
FDI	Foreign Direct Investment
FYP	Five-Year Plan
GDP	Gross Domestic Product
GVA	Gross Value Added
ICBC	Industrial and Commercial Bank of China
IFDI	Inward Foreign Direct Investment
IMF	International Monetary Fund
IT	Information Technology
LVT	Luxury Vinyl Tiles
M&A	Merger & Acquisition
MNE	Multinational Enterprise
NATO	North Atlantic Treaty Organization
ODI	Outward Foreign Direct Investment
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location and Internalization advantages
PCCCI	Portuguese-Chinese Chamber of Commerce & Industry
PESTLE	Political, Economic, Social, Technological, Legal, Environmental
SECM	Shanghai Engineering Centre for Microsatellite
SEZ	Special Economic Zone
SOE	State-owned enterprise
SWOT	Strengths, Weaknesses, Opportunities, Threats
TROIKA	Decision group formed by the EC, ECB and the IMF
UK	United Kingdom
UN	United Nations
USD	United States currency
WB	World Bank
WTO	World Trade Organization

CHAPTER 1: INTRODUCTION

1.1. Problem Definition

It is no news that most companies aim to have a global presence and become multinational organisations. How and why they achieve this is specific to each company, its needs and the market they are considering investing in. Portuguese and Chinese companies are not an exception. In fact, these two markets are extremely different from one another but Chinese companies have recently decided they wanted to have a presence in Portugal and have been investing in the market. The same goes for Portuguese companies, even if on a smaller scale, they have realised that their companies need to be present in the Chinese market. "How and why has foreign direct investment taken place between Portugal and China between 2010-2015?" is the problem/question that will be addressed throughout this dissertation. Specifically, the study intends to understand

- Which of the four motives of FDI defined by Dunning was chosen, if any, and;
- Which investment strategy was used to enter each country?

Furthermore, statistics of the relationship and specific cases of Chinese and Portuguese companies will be used to explore the following concepts,

- Whether investment trends have decreased or increased over the years;
- Trends and predictions for the future;
- Main barriers in investing abroad;
- Have the investments been successful;
- Further issues for companies wishing to invest in either Portugal or China to consider, and;
- Is the investment trend going to continue?

1.2 Relevance of the study

There are several reasons why this study is relevant not only for the casual reader but for the wider academic and professional community. Firstly, the relationship between China and Portugal has always been incredibly interesting and relevant even more so with the link of Macau. It is interesting because these markets could not be more different politically, economically, socially, and technologically- yet there has been an increasing interest from China in Portugal and Portuguese companies have begun to understand the importance of being present in China. Although both countries have always exported to each other, between 2010 and 2015 there was an increase in foreign direct investment. Therefore, it is relevant to understand what has motivated this investment trend and how it took place.

In terms of the time-period chosen for this study, after having done some preliminary research it was observed that there is only significant data between the two countries from 2010 onwards. In terms of FDI, it was only in 2011 where the link between China and Portugal had a more significant impact. In terms of being able to use the questionnaires, this time-period is also the most relevant because the largest amount of companies directly investing were recorded within that time-period.

It is a particularly interesting time for Portugal seeing as between 2014 and 2020 it will receive around 25 billion euros of European funding to strengthen competitiveness and internationalization. (Market Access, 2015) Moreover, according to the Portuguese Secretary of State for Economic issues, Leonardo Mathias, “China is a relevant investor in Portugal” and “an important business partner”. (Lusa Economia, Visão, 2015)

Another reason for its relevance is there is not currently a study that analyses the bilateral relationship between these countries in one document. It seems important to do so for people to better understand the relationship between these two countries and see where there are opportunities for further growth or observe underlying issues. The aim of this question and this paper is to bring these two together and draw conclusions on the motives for investment and what strategies were used to enter the market.

Fundamentally, it is a current topic that involves issues like globalization and foreign direct investment at a time where China is a key global player and is going through political and economic changes as well as implementing their 12th FYP. It is also a time; however, that Portugal wants to attract investment. Portugal is coming out of an economic crisis and is implementing incentives for investment. It is interesting to see how all these factors and more come together and have an effect on China and Portugal’s relationship.

1.3. Research Strategy and Method

This study is the product of an analysis done over eight months of which three were spent working at AICEP- Portuguese Trade and Investment Agency. The project consists of three main pillars, first, an analysis of theoretical frameworks regarding motives and entry strategies. Second, the collection of qualitative and quantitative data to set the context and understand three main aspects; 1) an initial step of understanding China and Portugal’s economic background as individual markets; 2) China’s relationship with Europe and Portugal’s relationship with Asia; and, 3) the bilateral relationship between Portugal and China. The third pillar consisted of looking at specific cases of foreign direct investment both Portuguese and Chinese and analysing what motivated them to engage in FDI in the other country and what entry strategy they opted for.

The literature review includes a mixture of older sources and new sources, essential for any credible dissertation. Both books and online journals were used to highlight the existing literature regarding the motives and entry strategies of FDI. For the motives of FDI, Hymers’, Dunning & Fayerweather, and

Buckley & Casson were approached in this section. The focus, for the purpose of this study, was placed on Dunning's' Taxonomy of FDI motivations which provides the basis for the rest of the study. In terms of the literature on entry strategies, the following concepts were included- Uppsala Model (Fyrnas & Mellahi, 2011; Ilhéu, 2009), Networks, Firms from emerging markets (Luo & Tung, 2007), Born Global Firms Theory (Knigh & Cavusgil, 1996; Kotha et al, 2001; and Kiap et al, 2005), Vertical FDI, international Joint Ventures, Mergers & Acquisitions and Greenfield. Fyrnas & Mellahi (2015), Fernanda Ilhéu (2009) and Franco, Rentocchini & Vittucci (2008) all provide a complete and comprehensive understanding of the theoretical frameworks described above. In terms of the literature concerning FDI entry mode strategies, we go through the types of FDI and focus on Vertical FDI. We then identify joint ventures/strategic alliances, mergers acquisitions and Greenfield investment as the main models of direct investment and go through the advantages and disadvantages of each one of them.

The contextualisation and second pillar of the study is based on the analysis of qualitative and quantitative data gathered from several sources. On the one hand, both qualitative and quantitative data were gathered from sources including AICEP, Chinese Ministry of Commerce, The World Bank, ESADEGeo, Rhodium Group and several journal articles. This analysis was useful to get an idea of the numerical data available on this matter and draw conclusions from them. On the other hand, qualitative information was also gathered from conversations with experts and academics who study China as a global power and have observed the relationship between Portugal and China first hand. The academics and experts include Fernanda Ilhéu, Miguel Santos Neves, Virginia Trigo, Nelson António, Sérgio Martins Alves and Alberto Carvalho Neto. The purpose of these informal conversations was to understand how people perceive the relationship of Portugal and China and gather qualitative information regarding this matter.

The third pillar of the study consisted of the analysis of specific cases of Portuguese and Chinese companies. These companies were chosen based on preliminary research done previously and identified as the main cases regarding this study. Seventeen companies were approached to answer a questionnaire that was prepared concerning their foreign direct investment in Portugal or China. The questions were constructed in order to find out why the company decided to invest in either country and what investment strategy was used. In terms of further issues to consider, it also seemed important to include some questions that showed us where the investment was temporary or if there were plans to continue investing. A few questions also focused on the success of the investment and the barriers that were felt when entering the market. Through the questions asked, we were also able to see how big the company was and what other countries it already had a presence in. These questionnaires were used to support the quantitative and qualitative analysis of the second pillar of the study.

These pillars aim to test the two main questions of the study 'how and why foreign direct investment has taken place between Portugal and China' with the use of hypothesis illustrated in the tables below.

1st group of Hypothesis- Motivations for investment

H1.1: The motivation to internationalise to Portugal was primarily resource seeking.
H1.2: The motivation to internationalise to Portugal was primarily market seeking.
H1.3: The motivation to internationalise to Portugal was efficiency seeking.
H1.4: The motivation to internationalise to Portugal was strategic asset seeking.

2nd group of Hypothesis- Entry mode

H2.1: Company entered the market through an M&A.
H2.2: Company entered the market through a Joint Venture/Strategic Alliance.
H2.3: Company entered the market through greenfield strategy.

Regarding the statistics and qualitative data gathered it was difficult to find information that was entirely up to date up until 2015 as the year is all too recent for correct analysis to have taken place. Furthermore, qualitative information does not always depict the entire picture of the situation.

In terms of limitations of the methodology, first, it was not always easy to engage companies and get them to cooperate. Second, when there were responses, some of the answers were politically correct and may not have been the exact facts. Third, questionnaires have the limitation of not being as detailed as face-to-face interviews and there are certain details or aspects that are portrayed in interviews that are not captured in a questionnaire. However, this method of gathering information seemed the most appropriate as a first step regarding the question, which can be developed further at a later date.

It is important to address the fact that if different people had answered the questionnaires and been interviewed then the results and answers obtained in this study may have been different because the answers are down to different perspectives and cases. In fact, perhaps if more people had been interviewed the results would have been different and maybe even more detailed and reliable in order to address levels of uncertainty.

CHAPTER 2: LITERATURE REVIEW/THEORETICAL FRAMEWORK

In an attempt to understand why and how companies choose to invest and internationalise abroad and seek strategies of FDI it seems fundamental to look at the theoretical framework behind these behaviours. The process of investing abroad takes place in three stages; i.) Deciding why and consequently where to invest; ii.) Deciding how to invest; and, iii.) Deciding what to invest. The focus in this project will be stage one and two.

2.1. The Why: FDI motives

A number of theorists have attempted to address the motives for foreign direct investment and the limitations of international trade theories and specifically FDI theories. The most common are Hymers market imperfections theory (1970), Dunning (1980), Fayerweather (1982) international production theory, and Buckley and Cassons internalization theory. (E. Morgan & S. Katsikeas, Theories of international trade, foreign direct investment and firm internationalization: a critique, 1997)

Hymers market imperfections theory mentions that companies look for opportunities in overseas markets in order to exploit some of their characteristics that competitors in other markets do not possess. (E. Morgan & S. Katsikeas, Theories of international trade, foreign direct investment and firm internationalization: a critique, 1997) The international production theory is based on Dunning's OLI framework. Dunning argued that the location-specific characteristics are important in defining the nature and direction of FDI. (M.Jeffus) This means that firms will be more likely to invest abroad if the country has specific location advantages versus other markets. Dunning argued that two other aspects including ownership advantages and internalization also determined the direction of FDI. Finally, Buckley & Cassons internalization theory means the firms choose to carry out, own and control all the activities of the company conducted by other markets, so gaining in creating economies of scale and scope meaning that activities carried out within the company would be at a lower cost. (E. Morgan & S. Katsikeas, Theories of international trade, foreign direct investment and firm internationalization: a critique, 1997)

Moreover, for this report it is important to consider reports that have analysed the relationship between Portugal and China in terms of FDI and what motives they have used. There are very few documents observed that look at this relationship but it is important to look at Miguel Santos Neves' work.[1] In his paper[2], he identifies three different factors that motivate Chinese investment in Portugal; rent seeking[3], the objective of becoming a global player[4], and the desire to move upmarket.[5]

[1] Dr. Miguel Santos Neves is currently an Associate Professor at the Universidade Autónoma de Lisboa in the areas of International Relations and International Law. Dr. Miguel Santos Neves has written several articles about China including *The Chinese Business Community at a crossroads between crisis response and China's assertive global strategy The case of Portugal* (2014), which is incredibly relevant for this research question.
[2] Bongardt. A., & Neves, M.S. (2014) *The Chinese Business Community at a crossroads between crisis response and China's assertive global strategy The case of Portugal*. Florence: European University Institute
[3] Refers to investors looking for opportunities with market power in order to receive high levels of return (companies with monopolies).
[4] Referring to the idea that Chinese companies want to take advantage of the firms they acquire in terms of their connections around the world in order to become more global themselves.
[5] This factor refers to the interest of acquiring technology, brands, and knowledge in order to be able to compete with foreign companies that enter the Chinese market.

Furthermore, regarding the motives for Portuguese companies to choose the Chinese market, it is important to look at Fernanda Ilhéus' work in this area.[6] In her book, she points out that Portuguese companies have more external stimulations and motives to enter the Chinese market than they have internal motives. Ilhéu also carried out questionnaires to Portuguese companies and selected five main motives for their investment in China; 1) follow business partners; 2) overcome import restrictions; 3) global strategy; 4) entrance and penetration into the Chinese market and 5) low costs of production.[7] (Ilhéu, Internacionalização das Empresas Portuguesas e a China, 2006)

2.1.1. Dunning's taxonomy of FDI Motivations

Although one can believe that there have been many theories to stem from several investigations, it is mandatory to mention Dunning's´ four categories of FDI motivations, which were based on Dunning's OLI paradigm. This theoretical framework began the discussion for many more theories and ideas. (Franco, Rentocchini, & Vittucci Marzetti, 2008) This framework is important for this report, as it will be the main determinant of why firms decide to invest either in Portugal or in China.

The four categories or motives for FDI that Dunning highlights as the main reasons why companies engage in FDI are market seeking, resource seeking, efficiency seeking and strategic asset seeking.

Resource seeking occurs when the company decides to engage in a process of FDI or internationalization in order to gain access to a type of resource. Generally, the resource they seek is not available at home or is available in another market at a lower cost. (Franco, Rentocchini, & Vittucci Marzetti, 2008)

A company engages in FDI for the purpose of market seeking in order to take advantage of the opportunities in a different market. (Fyrnas & Mellahi, 2015) Sometimes companies follow their competitors that have also moved to a different market in order to keep up with competitors. Different markets also have different tastes and needs and the company may realise that the market has a lot in common with their product and that it would be a success in another market. Furthermore, if a company is already exporting to a market, they may also chose to invest directly with subsidiaries or manufacturing sites to minimize costs of dealing with the market at a distance.

[6] Fernanda Ilhéu was Secretary General of the Luso-Chinese Chamber of Commerce in Portugal and is a professor at ISEG, Lisbon. She has written several articles and several books; one of which is particularly interesting to consider for this report. The book is entitled *A Internacionalização das Empresas Portuguesas e a China*.

[7] Ilhéu also carried out questionnaires to Portuguese companies and in her results; she found that the top motives for Portuguese investment in China were, the expansion of the Chinese market, global strategy and the entrance and penetration into the Chinese market.

In terms of efficiency seeking, this would be the motive for a company that wants to achieve economies of scale and of scope. A company would be interested in exploring differences in costs like labour or materials. Companies could also be seeking to explore differences in wants and needs of the consumers in order to achieve economies of scale and overall efficiency. (Fyrnas & Mellahi, 2015)

Finally, strategic asset seeking consists in acquiring and complementing a new business in the host market instead of exploiting existing assets. Here, the tendency is to be interested in acquiring knowledge, capabilities and learn from different markets and consumers. (Fyrnas & Mellahi, 2015)

2.1.2. The Uppsala Model

The Uppsala Model was developed by Johansson and Wiedershem-Paul's (1975) and Johansson, and Vahlne (1977). (Ilhéu, Estratégia Marketing Internacional, 2009) It seems to suggest that firms engage in an internationalization process and therefore, often an FDI path in the form of logical steps that helps them determine which markets to enter next. (Fyrnas & Mellahi, 2015) Under the Uppsala Model, firms gradually gain and acquire knowledge from overseas markets and their processes, which leads to higher levels of commitment in order to improve and diversify their international activities. FDI means higher market commitment than exporting or franchising.

Furthermore, the Uppsala Model helps explain both the choice of location and entry strategy. The idea is that the more knowledge the company has about the foreign market, the risk of investing would be for the company and therefore the level of investment might be bigger in that market. (Fyrnas & Mellahi, 2015) Therefore, the logic behind it is that, as a firm gains more foreign market experience it will make them more comfortable in moving to countries that are more distant geographically and psychically than their origin. (Fyrnas & Mellahi, 2015)

2.1.3. Network

Unlike the Uppsala Model, the theory of networks is based on the relationship between independent firms in different countries. (Ilhéu, Estratégia Marketing Internacional, 2009) Johansson and Mattson developed the theory in 1998 (Hosseini & Dadfar, 2012) believing that these networks influenced the direction and strategy of their internationalization process. (Hosseini & Dadfar, 2012)

Engaging in networks means firms create positive conditions for the influx of information and knowledge that helps them accelerate their internationalisation process. (Ilhéu, Estratégia Marketing Internacional, 2009) The process of internationalisation through the process of networks means that companies needs to create and develop positions in networks of external markets in order to benefit from opportunities, learn from their experiences and enjoy synergies of their partners within the network.

2.1.4. Firms from emerging markets

As the concept of BRIC was introduced and emerging economies began to have above average economic growth, researchers and theorists began looking into the motives, behaviour and strategies of the companies in these countries. The theorists Luo and Tung (2007) proposed that MNE's from emerging markets "try to overcome the disadvantages of being latecomers through aggressive acquisition of critical strategic assets and opportunities from advanced markets via rapid internationalization." (Sim, 2011) Through this, Luo and Tung demonstrated that the Uppsala Model is not fit for every firm in every market and industry.

Luo and Tung came up with a few reasons to why firms from emerging markets might wish to engage in foreign direct investment early on in their life. Some of these reasons include:

- The firm's local government might provide incentives and support for these firms to invest or internationalise abroad.
- Firms from developed countries are looking to sell their assets.

(Fyrnas & Mellahi, 2015)

2.1.5. Born Global Firms Theory

The most commonly used definition for a born global firm is, "a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. The distinguishing feature of these start-ups is that their origins are international, as demonstrated by observable and significant commitments of resources (e.g. material, people, financing, time) in more than one nation." (McDougall et al.1994:49) (Fyrnas & Mellahi, 2015) According to Knight & Çavusgil 1996; Kotha et al.2001; and Riap et al. 2005, these firms tend to have three characteristics. The first one is related to their size, they are usually small to medium sized enterprises that have recently been created. Secondly, they tend to be firms that offer specialised products or services to a niche market. (Ilhéu, Estratégia Marketing Internacional, 2009) Finally, people who have plenty of international experience and are not risk averse usually manage born global firms. (Fyrnas & Mellahi, 2015) These firms tend to internationalize within two or three years of their establishment and some originate from small countries such as Norway where they feel forced to go abroad early on due to the size of their home market.

2.1.6. Macro-environment analysis

One of the very basic analysis a firm should carry out before deciding whether to engage in FDI in a certain market is called the SWOT and PESTLE analysis.

The SWOT analysis consists in pin pointing the Strengths, Weaknesses, Opportunities and Threats of a particular market.

The PESTLE, is similar to the SWOT, but slightly more specific by looking at specific aspects of a market; Political, Economic, Social, Technological, Legal and Environmental. These methods are types of audits that survey the key aspects to take into consideration before engaging in FDI with a certain market. (Fyrnas & Mellahi, 2015) Although these audits may seem simple, they may be difficult to carry out in practice.

The macro environment is extremely complex and it changes over time, which means one needs to analyse todays current environment but also predict for the future. (Fyrnas & Mellahi, 2015) It is important, nevertheless, to have an idea of what environment you will face in the foreign market to plan how to deal with possible situations that may be new to the company.

2.2. The How: Entry mode strategies

Once a company understands why they are investing in a foreign market the next natural step to take could be to analyse how they are going to enter the market and invest in the market. This is an extremely complex step and based more on models of entry rather than theoretical frameworks. A significant number of studies have been carried out which go over the different entry modes and the reasons a firm would be inclined to pick one over the other. The most popular studies regarding this stem from the work of the following theorists: Wilson (1980), Forsgren (1984), Caves & Mehra (1986), Hennart & Park (1993), and Larimo (2003). (Harzing, 2001). These theorists analyse why a company would pick an acquisition over a Greenfield investment, for example.

Entry mode strategies have often been assembled into five main groups: exports, licensing, franchising, international joint ventures, and wholly owned operations. (Fyrnas & Mellahi, 2015) A firm can choose to directly invest in several ways in foreign markets. Theory suggests that there are two types of FDI; horizontal FDI and vertical FDI. Horizontal FDI takes place when a company invests in the same business in a foreign country that it operates in its original country and often replicates its home country manufacturing processes. (Galeza & Chan, 2015) Vertical FDI occurs when a company invests in a foreign business that plays the role of a supplier or a distributor.

The most common modes of FDI are through the construction of an entirely new facility (Greenfield strategy), acquisition of or merger (brownfield investment) with a local firm and through investing in a joint venture with a local firm or engaging in a strategic alliance with another foreign firm. (Fyrnas & Mellahi, 2015)

International joint ventures occurs when two companies from different countries create a joint company where capital, risk and experience in the market are shared. (D. Maughn & R. Stewart, 2011) This mode of entry requires a substantial level of commitment within the market but also means that they are generally faster and also less costly compared to other modes of entry. This is important for a company who is small and does not have the financial resources to internationalise abroad on its own. Moreover, in some cases the governments actually demand that joint ventures is a condition to enter the market. (Kolter & Lane Keller, 2011) India, China, Brazil, and Thailand have been effective in imposing that investors opt for the joint venture entry mode. This ensures that local companies continue having control over their business. The Chinese government, in this case, conditions the entrance of foreign investors to the creation of joint ventures with local companies. (Ilhéu, Estratégia Marketing Internacional, 2009) Companies often opt for this type of market entry when the country is culturally and geographically distant because it allows firms to benefit from their local partners knowledge. Despite the many benefits for both parties to engage in a joint venture, much of the success is affected by differences between the two partners, which lead to conflict.

An acquisition "refers to the acquisition of a local firms assets by a foreign company." (Fyrnas & Mellahi, 2015) This is also referred to as brownfield investment. (Galeza & Chan, 2015) Usually firms engage in this type of entry mode when the costs incurred through a Greenfield entry mode exceed the costs of acquiring assets. Through the acquisition of assets of other firms, firms benefit from a number of synergies including managerial, financial and operations. (S. Petitt & R. Ferris, 2013)

A Greenfield strategy occurs when a company enters the host country by building new factories or subsidiaries in a different country in order to carry out a part of their sales or production abroad. (Meyer & Estrin, 1999) This mode of entry requires greater investment in terms of resources than the other modes of entry require. This mode of entry requires the highest investment of resources compared to the mode of entries previously mentioned but it also has complete control over the investment and is free to develop its strategy without conflicting views from local partners. (Ilhéu, Estratégia Marketing Internacional, 2009)

CHAPTER 3: CONTEXTUALISATION/RESEARCH BACKGROUND

3.1. Economic Background

For a comprehensive understanding of the relationship between China and Portugal it is fundamental to look into both China's and Portugal's economy and development as it helps set the context and gives us an overview of both countries situations but also highlights the relevance of this study.

3.1.1. China

Since Chairman Mao Zedong's leadership, in the late 1970's, China has been moving from "a closed, centrally planned system to a more market-oriented and become a major global player." (CIA World Factbook, 2015) It has gone through rapid economic and social development. It has transitioned into a market-oriented economy and transitioned from an agricultural and rural economy to an urban economy based on industry and services. Furthermore, it is now an economy open to international trade of goods and capital. (AICEP, 2015)

This development was only possible due to several reforms adopted by the government. In 1978, the economy was reopened to outside markets and one of the priorities was attracting foreign direct investment because China was in need of foreign capital in order to build infrastructures and reconstruct their economy. (Ng, 2013) Overseas investment in this period was small and took place mostly in Hong Kong but it helped China set itself up for the following years. (Globalization Monitor, 2009)

In 1978, one of the first reforms focused on opening trade to the rest of the world was the Contract Responsibilities System or Household-Responsibility System where farmers could sell their products on the open market. (Centre for Strategic & International Studies, n.d.) "*The household responsibility system allowed households to contract land, machinery and other facilities from collective organisations.* (Hu, 2005)

Another step taken in 1978, was establishing the Yuan as a foreign trade currency and the renminbi as the domestic currency. (Centre for Strategic & International Studies, n.d.) In 1979, the Sino-foreign Equity Joint Venture Law gave investors the security they needed. Foreign investors would be legally protected which was a big step in attracting foreign investors. (Ng, 2013) At the start of the 1980's, SEZ's were established where foreign investors were allowed to form their own enterprises and were given special tax and policies. (Ng, 2013) These SEZ's soon became technological hubs and were used for testing FDI policies and observing trends. Furthermore, it was also in 1980 that the People's Republic of China joined the IMF and the World Bank. (Centre for Strategic & International Studies, n.d.)

The initial growth period was felt through 1986 and 1991 where more laws were implemented, specifically the Wholly Foreign Owned Enterprise Law in 1986. Furthermore, the fifth SEZ was created and more areas throughout China opened up to foreign investment. (Ng, 2013) By 2014, the number of SEZ's had gone up to six. (The World Bank, 2015)

The highest growth period is thought to have been between 1992 and 2000 just before China´s admission into the WTO. In general, China began to open up its economy to the rest of the world after decades of restrictions and a closed market. China began to see the importance of foreign markets for the growth of the country. In fact, after 15 years of negotiations, China joined the WTO in 2001, which opened up their economy even more to the outside world and meant that China had to revise its laws and make them similar to WTO's standards and regulations. China had to change a number of its policies and relax their tariffs to make their policies more similar to the ideals and mission of the WTO. In 2001, the Going Out policy was consolidated further and became one of the main objectives for the 10th, 11th and 12th FYP. (Nash, 2012) Since then, China has continuously grown into a major economic power and a major investor in the world. (The Economist, 2011) In this period, China's overseas investment increased dramatically and began to diversify from Hong Kong to other markets. (Globalization Monitor, 2009)

According to the Globalization Monitor report (2009), both the periods of inviting investment into China and seeking overseas investment are strategies used to integrate China into the global economy.

In terms of Chinese OFDI, it is also important to take into consideration China's Foreign Policy under President Xi Jinping where he has seemed keen to develop foreign relationships in all areas, more so than any other Chinese leader. He has promoted a more Global vision towards issues and policies. (Jiemian, 2016) Xi Jinping has been China's leader since 2012 and in 2013, the Third Plenum took place where the main topic of discussion was the Chinese economy.[8] According to the paper published by the Asia Working Group (2016), Xi is looking at dealing with his domestic challenges by using market-oriented reforms in order to change China's export and investment driven model. (Bader, 2016) Moreover, his administration is considered to have strengthened China's position as the dominant actor in the region's economy.[9] (Bader, 2016)

[8] A plenum is defined as a meeting of the Communist Party's Central Committee, one is held per year. The Third Plenum is regarded as the most important one because it is where the new leadership can start implementing a more significant economic and political blueprint. (Badkar, Mamta; Business Insider, 2013)
[9] This was also consolidated through the creation of the Asia Infrastructure Investment Bank announced in 2013 by Xi Jinping. (Asia Infrastructure Investment Bank, 2016)

Hanemann and Rosen (2013) believe there is a significant foreign dimension to the Third Plenum that is unique to its predecessors which further urges Chinese companies to go abroad.[10] (Rosen, Daniel H.; Hanemann, Thilo; Rhodium Group, 2013) For example, Chinese companies will see themselves needing to adjust their business strategies where FDI will be more and more relevant. Furthermore, the reform also aims to eliminate hurdles for SOE's to invest abroad. (Rosen, Daniel H.; Hanemann, Thilo; Rhodium Group, 2013) Although an ambitious agenda, Xi's vision is also to ensure that the government plays more of a regulatory role rather than interventionist.[11] However, this seems like a long-term plan that will need to be worked on progressively before it is attained. (Kroeber, 2013) Overall, this demonstrates China's current OFDI environment and policies. China is an emerging economy, and from the information gathered above, we can conclude that China may follow the theory of emerging economies mentioned in Chapter 2.1.4.

For this paper, it is of high importance to look at the latest data regarding the Chinese economy. An important source of information regarding economic data is AICEP.[12] In AICEP's 2015 publication of the Chinese market it highlights three main reasons why the Chinese market is so important for the rest of the world. Firstly, its growth is considered one of the main engines of the world's economy. Secondly, China's production and construction sector is one of the most important in the world. Thirdly, it holds the largest amount of reserves in the world. (AICEP, 2015). It has been observed that China's economic growth has decreased recently. As observed in Chart 3.1, China's economy expanded 7.4% in 2014, which was the lowest value in 24 years. (Casaburi, 2015) However, despite this slowdown, it remains the fastest growing economy in the world due to the reforms on its economy and its openness to investments.

Chart 3.1: China's main macroeconomic indicators

	2010	**2011**	**2012**	**2013**	**2014**	**2015 (est.)**
Population (million)	1 338	1 344	1 344,6	1 350,2	1 355,8	1 361,0
GDP value (USD billion)	6039.66	7492.43	8461.62	9490.6	1035.11	10866.4
GDP per capita (USD)	4514.9	5 447	6 240	7 010	7 630	8 240
Real GDP growth (%)	10.4	9.4	7.7	7.7	7.4	7.2
Unemployment rate (%)	4.25	4.1	6,5	6,6	6,4	6,2

Source: China Market Report 2015, AICEP (From The Economist Intelligence Unit) (Trading Economics, World Bank Group)

[10] Reforms included: "1) letting the market allocate resources, forcing Chinese firms to adjust their business strategies; 2) liberalizing rules on market access and foreign investment; 3) establishing free trade zones; 4) implementing new financial reforms; 5) reforming state-owned enterprises; 5) improving anti-corruption mechanisms." (Covington & Burlington LLP, 2014)

[11] China has often been regarded as a nation where the government controls much of the economy and especially SOE's which deters outward and inward FDI. Xi proposes that the governments play less of a controlling role and retreat from its actions in manipulating the prices of key inputs. (Kroeber, 2013)

[12] AICEP is the Portuguese Trade and Investment Agency which produces yearly documents regarding markets all over the world.

As observed in the table above, we can see that China's real GDP growth had a significant decrease between 2011 and 2012. In 2014, the GDP growth rate is expected to have been 7.4% and it was expected that it would continue to decrease in 2015 and the following years according to data from the World Bank. (The World Bank, 2015) In fact, the estimated real GDP growth rate in 2015 was 6.9% as reported by the National Bureau of Statistics. (Wildau, Gabriel; Mitchell, Tom; The Financial Times, 2016) This meant it had reached its lowest growth rate since 1990. (Magnier, Mark; The Wall Street Journal , 2016)

Competitive sectors such as distribution opened up to private enterprises and foreign capital. The reforms have brought about an increase of industrialisation, a higher population concentration in urban areas and has solved the shortage problems. Before the reform, all companies were state-owned; there were no entrepreneurs. Entrepreneurs started driving the economy further and seeing the opportunities outside of China. (Hu, 2005)

In terms of exports and imports, China has been the number one exporter and second biggest importer since 2009. China's major clients in terms of exports are the United States of America, Hong Kong, Japan, South Korea and Germany. China's major suppliers are South Korea, Japan, the United States of America, Taiwan and Germany. (AICEP, 2015)

It is also important to be aware of China's 12th FYP (2011-2015) which was adopted in March 2011 and was valid through to the end of 2015. It is important to be aware of how the objectives of this FYP affected investment because it has been viewed as a game changer for China's economy. (AICEP, 2012)

The 12th FYP has decided to focus on seven main industries: (KPMG China, 2011)

1. "New Energy- nuclear, wind and solar power
2. Energy conservation and environmental protection- energy reduction targets
3. Biotechnology- drugs and medical devices
4. New materials- rare earth deposits and high-end semiconductors
5. New IT- broadband networks, internet security infrastructure, network convergence
6. High-end equipment manufacturing- aerospace and telecom equipment
7. Clean energy vehicles"

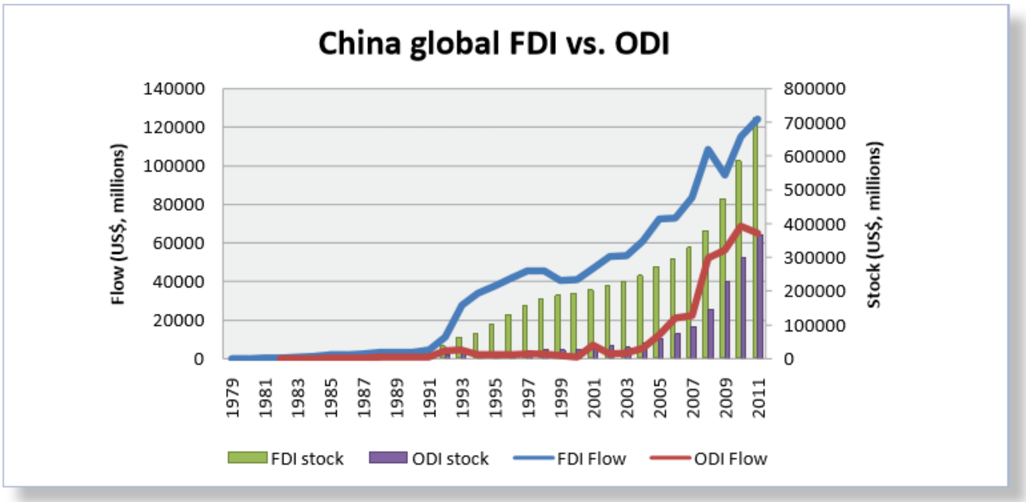
As clearly observed above, the energy sector appears in three of the priorities for this plan. The main objectives are to cut emissions, invest in power plans and grids construction and in hydropower capacities. One of the strategies regarding this is increase the overseas investment of renewable and nuclear energies, and grid lines. Further on in this study, we will observe how this focus on the energy sector has driven China's outward investment.

For business, the 12th FYP is extremely important because it aims to transform China's economy from an investment driven economy to a development based on greater technology and better quality in products as well as being more concerned about the environment, education, health and better cities. (AICEP, 2012) Furthermore, this FYP is focused on driving China's economy, exports and manufacturing to innovation, technology and services to encourage domestic consumption. (European Union Chamber of Commerce in China, 2013) This change in politics and way of looking at business has a strong impact on investment and domestic and foreign companies across all industries. (Li & Woetzel, 2011) With the 12th FYP, costs of production in coastal regions may rise and therefore companies may need to start relocating to elsewhere if the costs keep rising. (KPMG China, 2011)

3.1.2. Chinese Outward Investment with a focus on Europe

China has always been a major receiver of FDI and until recently, its outward FDI was very small compared to its inward FDI. In fact, the relationship between IFDI and OFDI between 1979 and 2011 can be observed in chart 3.2.

Chart 3.2: China's global FDI vs. ODI

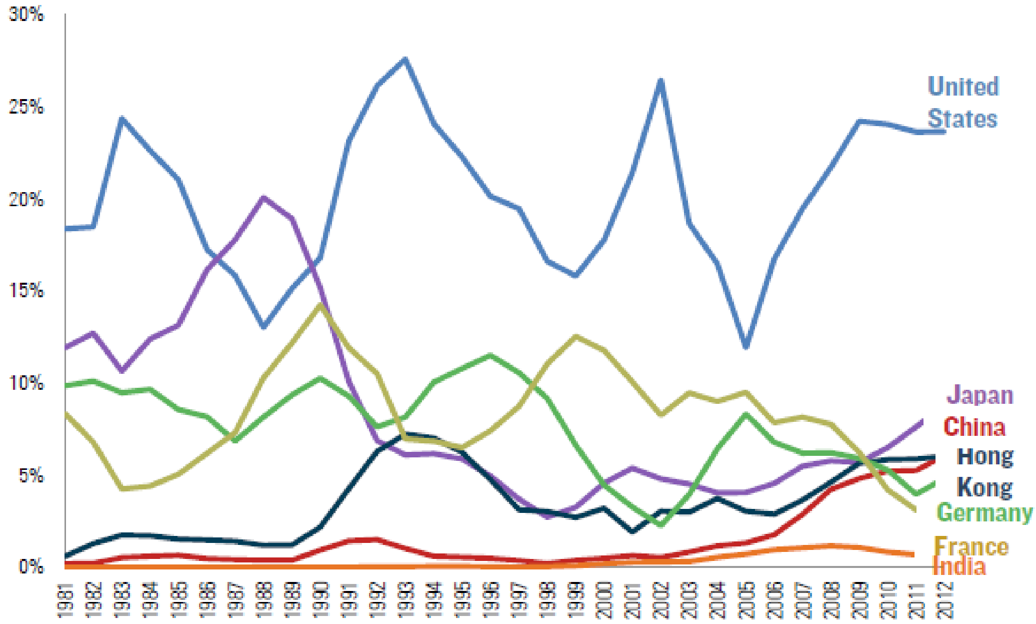


(Source: European Union Chamber of Commerce in China, 2013 through UNCTADstat)

As observed in the previous section, inward FDI was an essential part of China's economic development and growth as it brought in foreign capital and much needed expertise. However, until recently, Chinese firms did not have the ability or courage to go abroad themselves and there were restrictions on financial outflows even when companies had enough capital. (Hanemann & H. Rosen, 2012) For example, in the 1980's outward FDI was close to zero. (Hanemann & H. Rosen, 2012) In fact, it was only in the mid-2000's that we began to see a significant increase in China's outward FDI which is what usually occurs with an emerging economy; only after a significant number of years and development will the local companies feel it is an adequate time for investing abroad. China is now the third biggest foreign direct investor in the world, behind America and Japan. (Garcia-Herrero, Xia, & Casanaova, 2015)

Chart 3.3, shows China's growth into the world's third biggest exporter of FDI until 2012. When looking at this chart, however, we can observe that China and Hong Kong are placed as separate markets. However, Hong Kong is not regarded as a separate country it is one of the special administrative regions of China. Considering this, if we combined China's values with Hong Kong's values in Chart 3, it would surely be higher than Japan's value as a whole.

Chart 3.3: China's progress as one of the world's biggest exporters of FDI



Source: (Rosen, Daniel H.; Hanemann, Thilo; Rhodium Group, 2013)

When discussing China's economic development it is imperative to discuss their Going Out Policy implemented in 1999. It is strongly believed this Policy had an impact on the boom of outward FDI. One of the steps of the Go out Policy was to remove red tape on currency exchanges so that Chinese firms could exchange money without having to register with the government. (Tiezzi, 2014) According to a report by the Centre for Strategic and International Studies (2008), in 2001, Wu Bangguo incentivized companies to go abroad and invest. (Centre for Strategic and International Studies, 2008) According to Bongardt and Neves, this globalization strategy has advantages and disadvantages. First, it means China is strengthening their economic and political influence around the world and providing solutions to countries like Portugal that need their capital and investment. On the other hand, it imposes a number of potential risks or problems for the smaller business community that are not able to survive the increased competition. (Bongardt & Neves, 2014)

Despite a slowdown in OFDI in 2009 due to the economic crisis, Chinese OFDI has been growing and in 2014 China reached a new record with OFDI reaching 116,000 billion USD, an increase of 15.5% compared to the previous year. Currently, Chinese capital is seen in almost all sectors from technology to insurance and finance. (Casaburi, 2015) According to a report carried out by the European Union Chamber of Commerce in China (2013), despite the crisis in the EU, Europe was still viewed as a favourable market for investment due to its large consumer market, its technological advancement, its educated labour market and brands. (European Union Chamber of Commerce in China, 2013)[13]

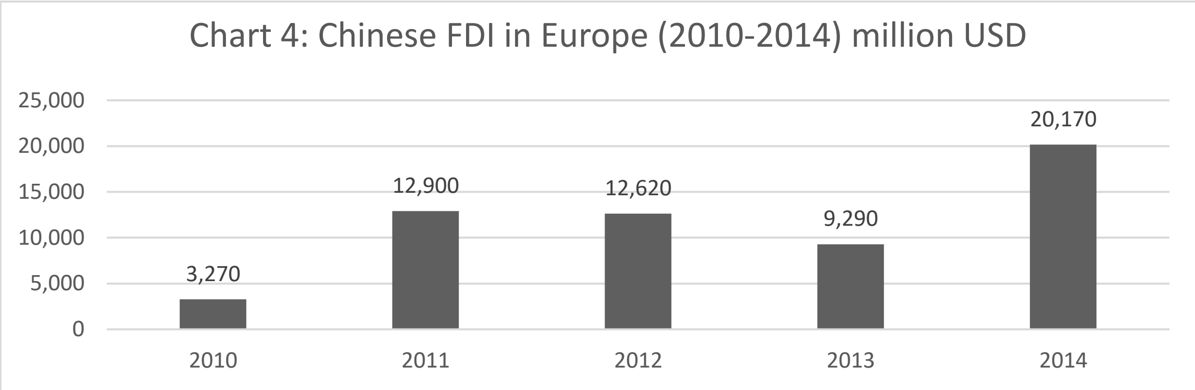
Europe was not one of China's preferred markets until 2010. In 2011, Chinese investments in Europe began to increase exponentially. (Bendini & Barone, 2015) According to Bongardt & Neves (2014), EU and Chinese economic relationships have brought trade and investment tensions which have intensified because of the economic crisis. Bongardt & Neves study goes onto say that before the crisis the EU was not on the Chinese radar for investment but since 2010, things have started to change both qualitatively and quantitatively. (Bongardt & Neves, 2014)

Furthermore, according to a report carried out by ESADEgeo entitled *Chinese Investment in Europe 2015-2016* published in November 2015, China is placed as the world's third largest investor in the world, encompassing 184 countries so far. (Casaburi, 2015) Moreover, the EU is known to be the world's biggest recipient of FDI. (Hanemann & H. Rosen, 2012) Furthermore, according to the latest official data from 2013, 67.7% of China's Outward Investment is concentrated in Asia, 13% is concentrated in Latin America, 8% in the European Union, 4.3% in North America, 4% in Africa and finally 2.8% in Oceania. (Casaburi, 2015) As can be observed from this data, although the percentage in Europe is small compared to that in Asia, it is still the third largest destination. In fact, the high percentage of Chinese Outward Investment in Asia can be explained by geographic proximity and one should not discourage the data regarding Europe as it can still be considered a significant market and its significance is expected to keep growing.

To support this, the "EU-China 2020 Strategic Agenda for cooperation" was adopted during the 16th EU-China Summit in 2013 and acts as the guiding document of their relationship. In terms of investment, the Agenda aims to "negotiate and conclude a comprehensive EU-China Investment Agreement; (…) provide for progressive liberalisation of investment and the elimination of restrictions for investors to each other's market." (European Union, 2013)

[13] The European Union Chamber of Commerce in China in partnership with KPMG and Roland Berger carried out a study to examine the conditions reported by Chinese enterprises who have already entered and are operating in Europe in order to provide information and recommendation to the policy makers of the EU and China to promote successful investments. (European Union Chamber of Commerce in China, 2013)

Chart 3.4, below, shows the values regarding Chinese FDI in Europe from 2010-2014, which shows it was its highest in 2014.



Source: ESADE China Europe from Bloomberg, FDI markets, Heritage Foundation

According to data published by official Chinese entities, as many as 2,000 Chinese firms are believed to have investments in Europe and in 2014 Chinese investment in the EU reached a value of 20,170 million USD (117% growth compared to 2013). (Casaburi, 2015) Furthermore, based on facts by A Capital's Dragon Index, Europe was the number one destination for Chinese FDI. (Ernst & Young, 2014)[14] Bongardt & Neves (2014) point out that in 2012 Chinese direct investment accounted for 33% of all Chinese outbound investment, which is a significant amount and triggered by a number of factors. The most significant factor could be the rising opportunities for good deals in European economies due to the crisis but another factor could also be "China's new strategy to counteract protectionism and improve its image by changing perceptions in Europe." (Bongardt & Neves, 2014)

Generally, between 2010 and 2014, China's tendency was to invest in the biggest economies of Europe; the UK received 46.7% of total investment in the EU, 21% for Italy, 10.6% for Portugal and 9.5% for France. (Casaburi, 2015) Chinese FDI generally comes from private enterprises as the private sector has begun to occupy a larger space in China's economy. The recent trends suggest that Chinese companies prefer to acquire minority stakes instead of acquiring the majority to take control of a company and the industries where they invest have become more and more diverse. (Casaburi, 2015)

Globally, the sectors that receive the most Chinese investment are i) business services and leasing, ii) financial sector, iii) mining and extraction, iv) retail-wholesale, v) industry and manufacturing, vi) infrastructure, transport and logistics. (Casaburi, 2015) The report by ESADE goes onto specify the seven sectors that received 95% of Chinese investment in the EU from 2010-2014: "energy (31.2% of the total), real estate (22.9%), manufacturing (13.5%), agri-business (8.4%), financial sector (7.3%), logistics, transportation and infrastructure (7%) and telecommunications and software (4.5%)."

[14] A Capital is a European MidCap growth fund leading on Euro-Asia Private Equity transactions and it is the publisher of the Dragon Index, the reference indicator for Chinese investment. (A Capital, 2015)

(Casaburi, 2015) As observed, Chinese FDI in the EU differs from the general pattern of Chinese FDI. First, mining and extraction plays no part in Chinese investment in the EU and the energy sector is the number one sector to receive FDI from China (USD 18 million). (Casaburi, 2015) Another aspect is that China has acquired more manufacturing companies in the EU than in any other part of the world and there is more investment related to scientific and technical research than in other parts of the world. (Casaburi, 2015)

According to the European Union Chamber of Commerce, “increasing ODI is a key goal of the Chinese government” and Europe has become and will continue to be a market for China as it moves onto acquiring technologies, expertise and brands. (European Union Chamber of Commerce in China, 2013) The results of the study carried out by the EUCC clearly showed that Chinese companies are interested in Europe because it is a market where they can sell their goods and services but an increasing number of companies are looking at Europe in order to obtain new technologies, expertise and brands through M&A’s. (European Union Chamber of Commerce in China, 2013)

Despite the data observed in Chart 3.4, a different source was found that provided different data for how much Chinese companies invested in Europe. In 2015, Chinese OFDI in Europe reached a new record high according to another Rhodium Group report. For example, “Chinese companies invested EUR 20 billion in the EU, a 44% jump compared to last year’s (2014) EUR 14 billion.” (Hanemann, Thilo; Huotari, Mikko; Rhodium Group, 2016) As can be observed, there is a huge discrepancy between data from the two sources and it is important to look at these with caution. Despite the discrepancy, however, both show that the investment has increased. The fact that their investment in Europe keeps on increasing helps to demonstrate that perhaps these are not temporary investments after all and that it is increasing because of China’s economic changes and Europe being a safe place to investment with attractive assets. Germany remains the country that has received the most constant Chinese OFDI. There are reasons to believe their investment and interest in Europe will continue into 2016 with new deals being discussed. However, there are new concerns regarding China’s investment; namely, the unstable Chinese market and new laws and reforms in place. (Hanemann, Thilo; Huotari, Mikko; Rhodium Group, 2016)

3.1.3. Portugal

There is a massive contrast in economies between Portugal and China with very different developments, policies and history. Between 1400 and 1500, Portugal went through the Age of Discovery and was at that time one of the wealthiest economies as it was one of the leaders of the Age of Discovery. During this period, Portugal was able to expand its territory, increase its production and diversify its economic activities. (Freire Costa, Lains, & Munch Miranda, 2011) Portugal was also able to build and explore links to India, which coincided with economic growth that characterised the 16th century. Portugal’s economy was doing well, excelling agriculturally, exchanging goods, and strengthening global relationships. (Freire Costa, Lains, & Munch Miranda, 2011) However, between 1621 and 1703, a few economies stood out as the economic European powers like England, Holland and France. This questioned the Iberian power that was achieved throughout the 15th and 16th century as the emergence of financial, industrial and commercial hubs rose in the North of Europe. (Freire Costa, Lains, & Munch Miranda, 2011)

Portugal's agricultural industry began lagging behind compared to other European nations and without the modernisation of the agricultural sector it proved difficult to transform the economy and catch up with neighbouring nations. Despite the positive aspects of the industrial growth in Portugal, the industrialization of the economy was not enough to recover the gap relative to other countries in Europe, which were more industrialized. (Freire Costa, Lains, & Munch Miranda, 2011)

From 1914 onwards, there seemed to be more growth and the economy seemed to be more open than in 1850. Portugal was becoming increasingly integrated in the international economy and it started investing in the sectors where it felt it could compete in the international markets. These sectors included wine and minerals. However, Portugal went through the Salazar Era where it became closed off to the outside world in many ways and the country was under a dictatorship. Despite this, in 1949, Portugal was a founding member of NATO and in 1955, it joined the UN. These are all aspects that contribute and benefit the economy and stability of the country. (Freire Costa, Lains, & Munch Miranda, 2011)

In 1986, Portugal joined the EEC, which later became the EU. This meant that barriers between countries of the EU were minimised and Portugal became a part of the European single market, which refers to the EU "as one territory without any internal borders or other regulatory obstacles to the free movement of goods and services." (European Commission, 2015) To join the EU, Portugal had to earn their admission by meeting the terms of the Maastricht Treaty in terms of price stability, stability and sustainability of public finances, exchange rate stability, and long-term interest rates. (European Commission, 2015) This made trade and business a lot easier within the EU and it is believed to have helped Portugal invest and trade with other countries.

In 2002, the Portuguese escudo was replaced by the euro making a large number of European economies even more interconnected. Although having one exchange rate is beneficial in many ways for the economy and for doing business, it also brings some risks that were observed in the EU in the last couple of years. One of the main risks is that one shock felt in one country may spill over into other countries that are more vulnerable than others are. In fact, this was observed in the euro-zone debt crisis that began hitting Europe in 2007 and some countries are still recovering from the effects of the crisis. Portugal, however, had been going through a period of low economic growth since 2001.

When looking at Portugal's economy in the last years, a good source to gather data from is AICEP as mentioned in the section on China. AICEP published a report on Portugal in 2015 outlining the major aspects of the Portuguese economy.

Chart 3.5: Portugal's main macroeconomic indicators

	2010	2011	2012	2013	2014	2015 (est.)
Population (million)	10 570	10 533	10 508	10 449	10 387	10 338
GDP value (USD billion)	238.318	244.88	216.36	226.07	230.117	198.93
GDP per capita (USD)	22540	22160.79	21354.5	21229.35	21537.46	21961.39
Real GDP growth (%)	1.9	-1.8	-3.3	-1.4	0.9	1.5
Unemployment Rate (%)	-	12.7	15.5	16.2	13.9	13.4

Source: (AICEP, 2015) (Acquired from INE-Statistics of Portugal, Banco de Portugal, European Commission, Ameco) (Traiding Economics, World Bank Group)

In terms of structure, the Portuguese economy is dominated by the services sector, which accounted for 76.7% of the GVA and employed 67.8% of the population in the 2nd semester of 2015. (AICEP, 2015)

The Bank of Portugal also releases data regarding Portugal's economy. Between 2010 and 2015, exports and imports grew at rates of 7.1% and 0.7% respectively. The top five products exported in 2014 were Machinery and tools (14.7%), Vehicles and other transport material (11.8%), oil products (7.5%), base metals (8.1%) and plastics and rubber (7.4%). (AICEP, 2015). Furthermore, the GDP has had a growth value since the fourth semester of 2013 after eleven semesters with a negative value. (European Commission, 2015)

Despite dealing with three years of austerity and low growth, Portugal's economy returned to growth in 2014 with a growth value of 0.9% after a negative value of 1.4% in 2013. (RTE, 2015) This growth is believed by some to be down to a growth in internal consumption and investments. (RTE, 2015) In May of 2015, Portugal exited a bailout programme from the EU and the IMF but it still has to keep an eye on its spending to meet budget targets and the economy is still recovering.

3.1.4. Portuguese investment in Asia

Portugal has been growing its interest for the Asian markets and begun to understand the importance of being present in Asia. One of the main reasons that Portugal is moving to the Asian market is because most companies around the world have already been doing so and they have to keep up with European brands but also because costs are generally lower in most Asian markets. (TVI 24, 2010)

Chart 3.6: Portuguese FDI around the world

	Portuguese Foreign Direct Investment (million euros)		
	2013	2014	2015 (4S)
All the countries	43541.83	50050.96	58385.84
Europe	30304.81	34730.81	43374.61
America	7533.03	8412.46	8069.91
North America	1511.77	1275.42	1386.88
Central America	3060.62	3277.7	3411.68
South America	2960.64	3859.35	3271.35
Latin America	3026.91	3970.33	3406.22
Africa	4935.71	5785.95	5701.36
North Africa	222.39	256.99	199.41
Asia	712.58	1084.65	1202.84
Oceania and Polar Regions	38.64	20.84	20.27

Source: Bank of Portugal (2016)

Countries in the EU are still the number one receptors of Portuguese FDI with a value of 75.1% in June 2015. (AICEP, 2015) The countries that had received the most FDI from Portugal, by June 2015, were Holland (34.5%) and Spain (19.1%). Outside of Europe, the countries that had received the most FDI from Portugal were Brazil, Angola and the United States of America. (AICEP, 2015)

As observed, there is no Asian market receiving high amounts of Portuguese FDI. There are however growing interests in strengthening the relationship between Portugal and Asian markets. One of the reasons Portugal invests more in Europe than any other place is because of geographic proximity and psychic distance. It takes a lot more effort, in terms of costs and time, for a company in Portugal to invest in an Asian country than it does in a European country. Most companies are aware of this and wait until they have enough knowledge and experience before investing in countries with high psychic and geographic distance. However, Portuguese companies are working towards increasing their presence in Asia. An important aspect will be Portugal joining the Asian Infrastructure Investment Bank. The objectives of the AIIB is to provide financial support for the development of roads, railways, airports and other infrastructure plans in Asia. (Hassan, 2015) This is important to attract foreign investors, as infrastructure is important for business transactions and projects. The fact that Portugal will be a part of the AIIB means that it will be more engaged with issues in Asia than it has been before and the psychic distance might be minimised.

In terms of data and information on the investment, relationship between Portugal and Asia there is little statistical information available. In fact, as observed in Chart 6, Portuguese FDI in Asia has been one of the lowest values three years in a row although it shows a slight growth.

3.1.5. Portugal-China bilateral relationship in terms of FDI

The Portuguese arrived to China by sea at the beginning of the 16th century (1513), found a powerful empire, and were authorised to settle in Macau and in Guangzhou. (Ernst & Young, 2014) However, from 1949 to 1978, China closed off its borders to the world. Despite this, Portugal and China always seemed to be able to maintain some sort of commercial relationship using Macau as a link between the two countries. (Trigo, Cultura Económica Chinesa, 2006) Diplomatic relationships were established again in 1979 and until 1999 the relationship between the two countries were dominated by the question of Macau. (Pereira B. F., 2006)

Although the focus of this investigation is the bilateral relationship between China and Portugal in terms of foreign direct investment between 2010-2015 it is almost impossible to talk about this period without mentioning the period where Macau was still a Portuguese colony. In fact, it is fundamental to mention Macau's importance in this relationship and its transition from a Portuguese colony to a Chinese Special Administrative Region.

The Portuguese settled in Macau in 1557 and it was only in 1999 that Macau was handed over to China; 442 years of Portuguese rule over Macau. (Bruxo, 1997) (British Broadcasting Company, 1999) After the process of negotiation and transition of Macau, a new chapter of relationship between the two countries which coincided with the notorious affirmation of China as a global power. There seems to be an increasing interest from Chinese authorities to develop the relationship with Portugal. Economic relationships with China were historically channelled through Macau. This situation has changed in the last few years, even if slowly, in part due to China's economic growth and in part due to the efforts of Portuguese authorities and a few companies. (Pereira B. F., 2006)

Since 2003, Macau became the platform nominated by Beijing to promote Commercial and Economic Cooperation between China and Portuguese-speaking countries composed of Angola, Brazil, Cape Verde, Guinea Bissau, Mozambique, Portugal and Timor. (Mendes, 2013) However, these days, Macau is hardly viewed as a platform between the two countries. (Matias, 2009) In fact, throughout the several interviews that were carried out with academics, the one thing they all had in common was that one of the most common mistakes that Portuguese people make is that they assume that Macau can open the doors to China. Macau and China should not be looked at as one market, but analysed separately.

Although, not all Portuguese companies need the support of Macau to invest in China, it remains an important link between the two countries. (Pereira B. F., 2006) Portuguese companies already investing in Macau began to look into moving to China. Hovione, a Portuguese pharmaceutical company, established headquarters in China after being present in Macau for more than 25 years. (Jornal Tribuna de Macau, 2009) Other companies that were present in China before the transition include TAP, ANA and a few banks and the sectors were mainly transport, financial services, and telecommunication. (Luso-Chinese Chamber of Commerce, 2016) After Macau's transition to China, most of these companies stayed and more companies entered the Chinese market and in a greater variety of sectors. These include technology, manufacturing, cork, wine, and real estate investment. (Luso-Chinese Chamber of Commerce, 2016) AICEP now classifies China as a "priority and strategic market" and considers Macau as a "platform to place more products in the Chinese market". (Florindo, 2009)

Another aspect to be aware of is the privatization programme implemented by TROIKA in 2011 when the financial crisis hit Europe. It is important to consider how this had an effect on foreign investment in Portugal and in specific Chinese investment. In fact, China has been a significant player in the company privatization programme of the Portuguese state. (Ana Baptista, Dinheiro Vivo, 2014) The Portuguese state was able to make 9.5 billion euros in total with their privatization programme of which 4.7 billion came from Chinese investors. The energy sector has been the largest receiver of Chinese investment so far with EDP and REN topping the list. (Rui Barroso, Economico, 2015) Before the privatization programme, the only significant investment China had in Portugal was through SJM Holdings who acquired Group Casino Estoril. The privatization programme is therefore considered a trigger for large-scale Chinese investment in Portugal.

In terms of more recent data regarding the bilateral relationship, although the EU as a whole is currently considered one of the top five investors in China, making up about 21% of China's inward FDI, Portugal still contributes very little to that value. (Bendini & Barone, 2015). As observed in Chart 3.7, in 2014, the quota of China in the international Portuguese trade of goods and services was 1.4% as a client and 2.3% as a supplier.

Chart 3.7: China's share in Portugal's international trade of goods and services

	2010	**2011**	**2012**	**2013**	**2014**
China as a client of Portugal (% exports)	0,5	0,7	1,3	1,3	1,4
China as a supplier of Portugal (% of imports)	2,3	2,2	2,1	2,0	2,3

Source: (AICEP, 2015) Through the Bank of Portugal

Overall, we can observe an increase in both exports and imports between Portugal and China. China has in recent years earned a more significant weight in the Portuguese international trade context and as an investor in Portugal.

Portugal was ranked the third biggest recipient of Chinese FDI in 2014, receiving 10.6% in Europe. (Casaburi, 2015) China has invested the most in the electricity sector. The biggest acquisitions finalised by China Three Gorges Corporation who acquired 21% of Energias de Portugal (EDP) and State Grid acquired 25% of Redes Energéticas Nacionais (REN). The Three Gorges Corporation not only entered Portugal by acquiring EDP but through this acquisition, it gained access to markets where EDP had operations like other European markets, the United States of America and Brazil.

What can be observed from these acquisitions is that Chinese investment in Portugal has mainly been large scale, which is considered by Bongardt and Neves (2014) a consequence of the crisis. One of the largest acquisitions took place in 2014 when Fosun acquired 80% of the insurance firm Caixa Seguros for a value of USD 1,360 million. (Casaburi, 2015) Chinese banks have also gained an interest in the Portuguese economy in recent years where the ICBC and CCB are registered with the Bank of Portugal and the Bank of China has invested in Portugal by opening up a local branch. Furthermore, what can also be observed is that the Chinese preferred entry mode in Portugal is M&A. These acquisitions have been discrete as they keep the local name and change very little within the company they acquire assets. (Trigo, China-Portugal Bilateral relationship, 2016)

In 2012, EDP made the list of the top 10 deals in the world carried out by large Chinese companies. (Bongardt & Neves, 2014) According to Bongardt & Neves (2014), these Chinese companies have taken advantage of the economic crisis in Portugal and specifically the privatization and capital needs that allowed Chinese companies to buy assets at a lower price than usual.

According to the Ambassador of Portugal in China, what is changing in the relationship between Portugal and China is that Portugal is becoming more aware of China and where it is headed and China is more aware of Portugal and its advantages. (Pereira J. T., 2015) He also goes onto emphasize that there is plenty of room to further explore this relationship and both countries can benefit from a long-term relationship by acquiring expertise.

Chinese companies that have invested in Portugal include the Huawei Corporation, the ZTE Corporation, China Three Gorges, State Grid, Beijing Enterprises Group, Fosun, Haitong Securities and Cheung Kong Group. Most of these are large state-owned enterprises with the exception of Fosun. (Bongardt & Neves, 2014) Moreover, there seems to be a large focus on "energy-oil and electricity production and distribution, renewable energy". (Bongardt & Neves, 2014) Throughout the interviews carried out, it was a common aspect that acquired companies of interest to them so that they could learn and replicate it back in China.

China was in 2015 Portugal's 10th commercial partner compared to 21st in 2010. There was nearly a 47% growth in Portugal's exports of goods and services to China in the last five years. (Leite, 2015) Alexandra Ferreira Leite, a Portuguese delegate from AICEP emphasized in a brief article she wrote in a periodical that China plays an important role especially since 2011 since the entrance of the large state owned companies in the Portuguese electricity, energy, bank, insurance and water sectors. (Leite, 2015)

Chart 3.8: Commercial balance of goods and services of Portugal with China

	2010	**2011**	**2012**	**2013**	**2014**
Exports	248,2	428,7	838,6	898,4	992,0
Imports	1.535,6	1.484,2	1.356,2	1.336,4	1.555,2
Balance	-1,287.4	-1,055.5	-517.6	-438	-563.3

Source: (AICEP, 2015) Through the Bank of Portugal

One aspect that has strengthened and made Portugal more attractive for Chinese investors is the Golden Visa programme that was implemented in 2012. By 2014, the Portuguese Government stated it had issued around 734 *Golden Visas* and around 578 of those were issued to China. (Mendonça, 2014) The Golden Visa programme allows investors from non-EU countries to obtain a "fully valid residency permit in Portugal". (NDR, 2016) For the permit to be issued, the non-EU citizens have to carry out one of the investments set out in the law: a) property investments; b) capital investments; and c) creation of a minimum of ten jobs. Despite the data on the number of Golden visas issued to Chinese citizens, according to Bongardt & Neves (2014), most of the Chinese recipients of Golden visas were Chinese individuals that invested in property instead of investing productively or creating jobs. For now, one might say that it has promoted other types of relationships but is yet to show results in terms of FDI.

Another aspect that shows the strengthening of the relevance of the Portuguese and Chinese relationship is the increasing number of conferences on China in Portugal that I was able to attend since the end of 2015 up to the end of my research in 2016. Some of these conferences were organised by Universities but there was a series of conferences organised by the Embassy of the Republic of China in Portugal, the Diplomatic Institute of the Portuguese Ministry of Foreign Affairs, and the Portuguese-Chinese Chamber of Commerce. In fact, during one of the lectures at the Cycle of Conferences on China carried out by the Oriental Museum in Lisbon and the Portuguese Diplomatic Institute, we had the opportunity to hear Dr.Yang Jiemian from the Shanghai Institute for International Studies talk about China's Foreign Policy. Dr.Yang Jiemian began his lecture by saying that holding a China lecture in Portugal is an unprecedented event; showing the strengthening of the relationship. (Jiemian, 2016)

In terms of investment, although there is not any significant data available on the flows of investment between the two countries, a few recent studies suggest that the total value of Chinese investment in Portugal is around 7 billion USD. If correct, this data would place Portugal as the 4th biggest destination for Chinese FDI in Europe, only after the United Kingdom, Germany and France. (AICEP, 2015)

According to the Financial Times, although Portugal is only 1.3% of the EU economy, it has recently received more Chinese investment than any other member state apart from France, Germany and the UK. This is extremely relevant. (Roberts, Alison; Financial Times, 2015) Portugal has been a target for Chinese investment also because Chinese investors are looking at sending capital to economies that were affected by the economic crisis due to the opportunities available as part of the privatization programme. (Roberts, Alison; Financial Times, 2015) According to the José Brandão Brito[15], Chinese investment in Portugal was extremely important because it meant that weak Portuguese bonds with debt problems were transferred to stronger bonds with the capacity to invest and expand.

When referring to Portuguese OFDI, China still plays a small role although it has also been growing in the last 5 years. According to the latest statistics available (2013), China is Portugal's 33rd destination for FDI in the world. Some of the most relevant Portuguese companies with investment in China include; Sodecia, Salvador Caetano, Hovione, and Corticeira Amorim. (AICEP, 2015) Throughout most if not all of the interviews carried out with academics, when the preferred entry mode for Portuguese companies was discussed, most of the answers incorporated Joint Ventures and Strategic Alliances. One or two companies have built factories in China but these investments are carried out with the help of a local intermediary. Portuguese companies do not have the financial ability to go straight through Greenfield investment as the Chinese companies do. When looking at the entry mode of foreign companies in China, it is important to be aware that in some sectors wholly foreign-owned enterprises are not permitted so companies have to engage in joint ventures even. (Out Law, 2013)

Despite the positive trends in terms of FDI between the two countries, there are more areas to explore and Portugal remains a small market for China. (Trigo, China-Portugal Bilateral relationship, 2016) Portugal will have to change its entry strategy. However, whether or not FDI between the two countries will continue is under debate. When this topic was approached in interviews, it was consensus that Chinese investment in Portugal would not be as high in the following years. According to Miguel Santos Neves and Nelson António, for Portuguese companies to invest more in China, they need to change their strategies. For example, seeing as Portuguese companies are already late entrants in the Chinese market they might want to opt by going into smaller provinces that are not as saturated and where competition is lower. Furthermore, there is a big knowledge deficit amongst Portuguese companies, they could do better if they learnt from other companies that have already had that experience, and they need to pick the right partner. (Neves, 2016) Whether or not, Chinese investment will continue in Portugal was also discussed in the interviews I carried out and it was consensus that Chinese investment would slow down for a number of reasons; Chinese economy itself is slowing down, lack of opportunities in Portugal, and they might have what they want already.

[15] Chief economist at the Portuguese bank Millennium BCP

In terms of barriers that companies find when investing abroad, the most common barrier discussed in the interviews was cultural and political barriers. Both Portuguese and Chinese businesspeople need to be aware of how the other does business and what cultural aspects to take into consideration when doing business because they can be the deal breakers in a relationship. (António, 2016) Another common aspect amongst the interviews was the question of time; Portuguese investors need to be aware that conducting business in China is based on strong relationships. Therefore, Portuguese investors need to be aware that they will need to invest a lot of their time in order to have a successful business in China. (Trigo, China-Portugal Bilateral relationship, 2016)

Regarding the motivations for investing abroad, from the interviews, most if not all, the people interviewed agreed that the number one motivation for Portuguese companies to invest in China is market seeking (H1.2) and the number one motivation for Chinese companies to invest in Portugal is strategic asset seeking (H1.4). Moreover, another motivation for Portuguese companies to invest in China is the fact that most countries are already present in China and they need to make this move in order to keep up with competition. In addition, it is important to add based on interviews and documents read that China has had a number of opportunities in Portugal especially because of the privatization process that took place due to TROIKA. Chinese companies in Portugal have mostly been buying assets and gaining knowledge from Portuguese companies instead of acquiring natural resources, efficiency or other markets as much.

In terms of entry mode, it was consensus amongst experts and academics that Portuguese companies engage in Joint Ventures or Strategic Alliances (H2.2) but rarely invest alone when they think about China. This can be because Portuguese companies do not have the economic capacity and knowledge yet to invest on their own. However, in a country like China, it is particularly important to ensure you have safe local connections and partners in order to be successful. On the other hand, Chinese companies tend to invest in Portugal through M&A’s (H2.1). For China, this is the easiest way they can acquire expertise and enter the market.

These findings will be further analysed through the cases that were studied in the third pillar of this study.

CHAPTER 4: CASES & RESULTS

In terms of the SWOT analysis carried out for both markets, they were useful to identify opportunities for Chinese and Portuguese companies. These also help to understand some of the motives for investing and what companies need to be aware in terms of weaknesses and threats of the markets. From this analysis, we are also able to form further issues for companies to consider. Chinese companies investing in Portugal could see the market as a platform to other markets in other continents but also a market with cheaper assets and greater openness to the outside world. At the same time, it is important that Chinese companies are aware that Portugal is recovering from an economic crisis, the population is ageing, and the pool of young workers might be less than in other countries.

Portuguese companies investing in China should be aware that there are plenty of incentives for foreign companies to invest in China and that they can explore areas that China wants to improve and gain knowledge in areas such as air pollution and traffic. Furthermore, China provides a large pool of educated workers for foreign companies if needed. On the other hand, labour costs are rising, it is a competitive environment and companies lose control of their IPR once they enter the markets.

Chart 1.4

SWOT Analysis Portugal

STRENGTHS

- Good value for money on products
- Cheaper assets than other countries in Europe
- Plenty of expertise and technology in certain sectors such as energy, cork and services.
- Language spoken in five continents
- Platform to access other European markets and Portuguese speaking countries.
- Ranks in the top 20 of the most peaceful nations in the world.
- Open to foreign investment
- Features special tax and residency permit programmes
- Good infrastructure
- Significant number of R&D units and institutions
- Younger generations educated and skilled
- Stable government

WEAKNESSES

- Weak Portuguese brand perception in China.
- Cultural and linguistic barriers
- Small market
- Low labour productivity
- Older generations not as educated as younger generations
- Low level of employment in technology-intensive manufacturing industries

OPPORTUNITIES

- Growing purchasing power
- Platform to other markets; Portuguese language is spoken in 5 continents and special relationships are kept with countries such as Brazil, Angola and Mozambique
- Real estate and company acquisitions are inexpensive compared to other European countries
- Large demand for imported goods
- Industries are becoming stronger
- Greater openness to cooperation and partnerships, scientific and business related in technological sectors
- A growing specialization in knowledge-intensive services.
- Portuguese companies in need of foreign capital

THREATS

- Technical barriers affecting access to the market
- Vulnerable market, still recovering from economic crisis
- Recovering from an economic crisis
- Fragmentation of the market, namely related to imports and distribution
- Inefficient protection of industrial property rights, of brands and design
- The economy is for the large part specialised in activities of low or medium technology intensity
- An ageing population and increase in the dependence ratio

Chart 2.4

SWOT Analysis China

STRENGTHS

- Stable employment
- Cheap resources compared to worldwide markets
- Ample reserves
- High saving and investment rates
- Emerging private sector
- Relatively skilful human capital base
- Rapidly emerging private higher education
- Large, dynamic economy and the world's largest population
- Good infrastructure that supports the rapid growth

WEAKNESSES

- Weak institutions, governance and IPR protection
- Weak financial system
- Inefficient labour market
- Without a reliable local Chinese partner, transition to the market is long and may cost the company a lot of money
- Corruption is high
- Weak transparency and clarity of official data
- Air pollution, intense traffic and worsening income equality

OPPORTUNITIES

- Investment incentives in certain provinces
- Increasing awareness and acceptance of IPR
- Provide solutions to the aspects mentioned in the Weaknesses- goods and services that clean up pollution and protect the environment, new logistical systems that overcome gridlock that can interfere with the distribution of goods and services.
- Labour pool is gaining more disposable income and households will be able to afford food that is more diverse and other luxury goods.
- Foreign companies to sell technology to China and help facilitate transactions

THREATS

- Diplomatic strains with its neighbours, trading partners and governments of countries
- Labour costs are rising and it is losing its competitive edge in many industries
- Enforcement of rules and regulations vary by location and change without warning
- Competitive business environment
- Social unrest
- Government control
- Unstable investment environment/laws changing
- Losing control of IPR

These aspects need to analysed in order to understand the market that a company is investing in and provides a basis for companies to decide what entry mode they are using and explore their motivations for entering the market.

In terms of the questionnaires answered for this study, seventeen companies were contacted of which eight replied and participated in the questionnaire[16]; six were Chinese companies and two were Portuguese companies. The remaining companies never replied to my e-mails or clearly stated that they were not available to answer questionnaires.[17]

One of the companies, Company A, turned out to be the case of a Portuguese entrepreneur who moved to China in 2009 and started a real-estate company in 2011 with money the founder generated in China.

[16] See Appendix B and C for detailed information on each of the companies looked at and respective questionnaires

[17] See Appendix A for a full list of the companies.

Initially, this company was regarded as a Portuguese company that invested in China. However, through the questionnaire, it became clear that it was a Chinese company with a Portuguese founder and name. Despite this not being a case that can be used specifically to answer this question, it does still help to show what would motivate a Portuguese businessperson to move to China, which in this case was a market seeking motive (H1.2), according to the CEO of the company.[18]

A similar case to Company A, was found in Portugal through an incubator called Startup Lisboa.[19] A Chinese entrepreneur, was interviewed and answered the questionnaire prepared for this study. The Chinese entrepreneur has been in Portugal since 2013 and was awarded a Golden Visa through his capital investment. The sector is also real estate and he explores apartments in down town Lisbon for tourists. He underlined that what motivated him to come to Portugal was the green visa but he was also looking for a new market (H1.2) to invest in; “a safer market with less benefits.” The entrepreneur felt that in China despite the benefits available, there were quite a lot of risks and the laws are always changing which made it difficult for him to carry out business. Outside of China, Portugal was the first market he invested in, due to the opportunity that arose with the Golden Visa programme.[20]

Another company that was approached was Sinopec through Galp Energia (Portugal) and Petrogal Brazil. Sinopec is a Chinese oil and gas company who acquired 30% of Petrogal Brazils’ capital in 2012. Petrogal Brazil is a subsidiary of Galp Energia who after the acquisition retained 70% of Petrogal Brazil. Once I started speaking to professionals and academics about this, it became clear that there was some sort of mixed opinions regarding this matter. In some studies and in conversation with experienced professionals, this operation was perceived as having been direct investment in Portugal. However, through conversations with Galp Energia and Petrogal Brazil, we understand that what Sinopec did was acquire 30% of Petrogal Brazils’ capital in 2012. Galp Energia benefitted from the acquisition indirectly but Sinopec bought capital in Brazil and not in Portugal. However, in Portugal there seems to be a discrepancy of opinions on this matter, which might be explained through the lack of information or transparency regarding these types of investments. It is important, however, to be able to distinguish between where the investment actually took place.

In terms of the companies that answered the questionnaires, six were Chinese and two were Portuguese. Five of the Chinese companies were large companies including Haitong Securities, State Grid, BE

[18] See Appendix B, page 54
[19] Startup Lisboa was set up in 2011 by the Lisbon Municipality, Bank Montepio and IAPMEI and its main objective is to provide entrepreneurs and companies with office space as well as support structure to maximise their success. This includes mentoring, linking to strategic partner, providing access to angel investors, venture capital or loan funds, help with the basics, networking activities, communication and workspaces. (Startup Lisboa, 2016)
[20] See Appendix B, page 54

Water, Fosun and Bank of China. Regarding the reasons for their investment in Portugal, all of these answered that it was strategic asset seeking (H1.4). Although, the Bank of China, did not invest in Portugal in one of the ways that we are specifically looking at in this study, their answer still helps in order to understand the motivations for choosing Portugal. The Chinese entrepreneur, was motivated by market seeking (H1.2). The mode of entry for all of the companies mentioned above except for one of the companies was M&A (H2.1).

Unfortunately, for this study, of the Portuguese companies contacted only two were willing to participate in the questionnaire. Nevertheless, it still gives us an indication of how and why Portuguese companies have chosen to invest in China over the last couple of years. Of the two companies that participated, their main motive for investing in China was market seeking (H1.2). Moreover, their entry mode was different. One of the large Portuguese companies, involved in Real Estates, engaged in a Joint Venture (H2.2) in order to invest in China. Company A was a start-up and started in China from scratch. Despite the information regarding Portuguese companies being more limited than the Chinese companies, from research carried out regarding other Portuguese companies, it seems that most Portuguese companies that chose to invest in China do so in the form of partnerships, joint ventures or strategic alliances with local Chinese companies in order to ease the move.

These results will be further discussed in the following section of the study but overall these results match the quantitative and qualitative information found in the second pillar of the study.

CHAPTER 5: DISCUSSION & CONCLUSION

The research and work carried out in the previous sections can now be used in order to draw conclusions and answer the original question of this study.

First, the question is why has foreign direct investment between Portugal and China increased between 2011 and 2015. In terms of exports and imports, as observed these values have also increased which is also a sign of the strengthening of their relationship. Based on the quantitative analysis, between 2010 and 2015, Portugal was featured as one of the top five recipients of Chinese FDI in Europe. Through this, it becomes clear that their investment has increased which is an unforeseen situation prior to 2011. Prior to 2010/2011, the only large-scale investment China had in Portugal was through Casino Estoril. Therefore, it becomes clear that Chinese investment in Portugal did in fact increase during the time investigated in this study. Regarding, Portugal's OFDI, China is still a small market. However, from the information gathered there has also been an increase of large companies investing in China and developing partnerships with local companies between 2011 and 2015.

‘Why’ foreign direct investment has taken place between Portugal and China is made up of several aspects including opportunities brought upon by the recession and the privatization process, the going out strategy, golden visas and the opportunity access to other markets. However, when given the options of Dunning’s taxonomy of FDI, all of the large Chinese companies answered that the reason for investment was strategic asset seeking (H1.4). Moreover, the experts and academics interviewed, support this conclusion through the argument that Chinese companies are in Europe and specifically in Portugal in order to gain expertise that they can replicate back in China and gain access to other markets. In some cases, China may have also invested in Portugal in order to access certain networks and former Portuguese colonies (H1.2). For Portugal to invest in China, from the information gathered the main motive is market seeking (H1.2) in order to keep up with competitors that are already in the Chinese market. In fact, the academics interviewed also support the conclusion that Portugal goes to China in order to seek a different market and grow their business but also benefit from the lower costs in production and labour.

The other side to the question of this study is ‘how’ foreign direct investment has taken place between Portugal and China between 2011 and 2015. From the qualitative analysis gathered in the second pillar of the study, large Chinese companies have directly invested in Portugal through M&A (H2.1). This was supported by the answers in the questionnaires as well. Regarding those companies that did not reply to the questionnaire, the secondary information gathered also demonstrates that Chinese investment in Portugal was done so in the form of M&A’s. This is not only the case in Portugal, but also with most Chinese investment in Europe as observed in the ESADEgeo report. Furthermore, gathered in the qualitative research, Portugal has tended to invest in China through Joint Ventures and Strategic Alliances. In the questionnaires gathered, the entry mode strategy chosen was Joint Venture (H2.1). It seems that picking a partner is an essential step when investing in China and mostly for Portuguese companies who are often smaller and do not have the financial ability to move and invest on their own. Moreover, most of the investment between Portugal and China has taken place through the Uppsala Model as observed through the information gathered on the different companies with an exception made for the entrepreneurs studied.

In terms of whether this investment will continue, it is difficult to say, as the qualitative research is not clear on this matter. Regarding China’s investment in Portugal, it seems that it will slow down due to the lack of available opportunities. Furthermore, China might already have exploited all opportunities for them within Portugal. However, when Chinese companies were questioned on their investment in Portugal most of them say they are looking out for further opportunities. There are reasons to believe that China will continue to invest in Europe, given projects like the ‘New Silk Road’ and the creation of institutions like the AIIB and the NDB which might also continue to draw investment to Portugal.

Regarding Portugal's investment in China, it is also difficult to form a conclusion based on the results gathered. Based on the data available, it is difficult to say whether Portugal will continue investing in China, but there is reason to believe Portuguese companies will continue to strive to be able to make a move to the Chinese market. It might take some time, however, before a greater number of Portuguese companies have the ability to move to China, as they need to gain more experience in order to do so.

In terms of barriers that are faced when investing in China, the most significant barriers found throughout this study have been cultural and political differences that either country needs to be aware of before investing in order to ensure the process is smooth and is as successful as possible. In addition, Portuguese companies need to be aware that business is done very differently in China than it is in Portugal and anywhere else in the world. Deals are not as easily made in China as they are in Europe and companies need to be aware that it might take years until a concrete deal is established and they start seeing a return on their investment. Finding a reliable and effective partner is also more difficult than one might imagine. Regarding barriers met in the Portuguese market, they include changes in regulations and the bureaucracy of the process of acquisitions.

Regarding the underlying question of whether the investments carried out were successful or not, given the answers to the questionnaires, we can conclude that most of the investments carried out have been in fact successful. The companies have kept on growing and seen good returns for their investment. Moreover, some of the Chinese companies that acquired Portuguese companies, have gone onto developing more projects together and expanding the business. Concerning Portuguese companies in China, Company A is a perfect example of a successful case. A larger Portuguese company, has dissolved its partnership with a local Chinese company after both agreeing it would be more beneficial to work separately but still be able to benefit from their collaboration if need be. Other Portuguese companies like Salvador Caetano, Sodécia and Tekever could also be used as successful examples of investment in China. However, due to lack of information there remains a degree of uncertainty regarding the drivers and entry mode strategies.

CHAPTER 6: FURTHER THOUGHTS TO CONSIDER

As the interest of Portuguese and Chinese companies interested in investing abroad and the information available is limited, the final section of this study will go over ongoing issues for Portuguese and Chinese companies interested in investing. This section will also consider recommendations for future studies in order to improve results.

For Chinese companies investing in Portugal, it is important for them to take into consideration that the European market is growing and becoming stronger as a community. Moreover, the EU offers advantages to foreign investors that other areas around the world do not offer. Although economic growth in the EU is smaller than in other parts of the world, it is still the largest economy in the world and it offers plenty of opportunities for Chinese investment. It is also the world’s largest trading block and trader of goods and services. Because Portugal is a part of the EU, it means all of the aspects above apply. Furthermore, companies within Europe are leaders in several sectors and offer sophisticated ways of doing business, which is beneficial for China to learn from and apply these strategies in their own businesses. Chinese investors can also benefit from the more transparent way of doing business compared to China. Investing in Portugal would make it easier for Chinese companies to then move into other European markets. To facilitate the investment process, Chinese investors should try to analyse the market carefully and make themselves aware of the ways of doing business within that market.

For Portuguese companies investing in China, more companies could look at making their move to China and exploit the benefits of being in that market. China offers cheaper conditions for investing than other areas around the world and it has a skilful human capital base. Portuguese companies should also be aware of the many investment incentives that there are around China in order to make the most of their investment. China is an incredibly large market, which means Portuguese companies can look at the less crowded provinces that offer incentives for investment rather than the more crowded where there is more competition. Portuguese companies could also explore areas where China is not a leader and offer to provide solutions to problems such as air and water pollution.

Regarding this study, a number of aspects could be looked at further. For example, the focus could be expanded and focus on more than just direct investment and include exports and well as indirect investment. This would give us more data to analyse and consequently more companies to analyse because the number of companies exporting and present in China outweighs the ones that are investing. Furthermore, the methodology could also be improved for future studies. This aspect includes having more detailed questionnaire questions with more options and ensuring every question is answered with as much detail as possible. An effort could be made in order to interview more Chinese experts and academics instead of mostly Portuguese ones in order to get a bilateral perspective. Despite, having gathered plenty of both quantitative and qualitative data throughout the research and trends being drawn, it could be argued that there still remains a certain level of uncertainty regarding the conclusions drawn and a more detailed study would need to take place in order to eliminate the level of uncertainty. For example, if I had asked different and more people, perhaps the answers obtained would have been different, more complete, and perhaps even more reliable.

In conclusion, the topic chosen for this dissertation should be looked at further in future studies in order to assess whether the investment trend has continued and if the reasons and ways of investment have changed. It is important to do so because the investment environment is continuously changing.

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APPENDIX A

Companies contacted

Company	Sector	Investment	Questionnaire
Amorim Cork Composites (Amorim Group)	Cork	Strategic alliance between Amorim Cork and Chinese company Vertex Group (2011)	Not able to participate in the study
Caetano Bus (Group Salvador Caetano)	Transport	Joint venture with chinse company Brilliance and investment in a factory in Dalian, China (2013)	No reply was received from the company in time for the study
Sodécia	Transport	Invested 20 million euros in a factory in Dalian, China (2013)	No reply was received from the company in time for the study
Sonae Sierra	Real-estate	Joint venture with Chinese Company CITIC Capital (2014)	Questionnaire was received
Soulfato	Consultancy	Portuguese entrepreneur Nuno Batista sets up his business in China	Questionnaire was received
Tekever	Technology	Joint venture/Contract set up with Shanghai Engineering Center for Microsatellite in order to develop technology for satellites (2014)	Not able to participate in the study
Benfica	Football	Opened first football school in China (2015)	No reply was received from the company in time for the study
China Three Gorges	Energy	Acquired 21,35% of Portuguese electricity company EDP (2011)	No reply was received from the company in time for the study
State Grid	Energy	Acquired 25% of Portuguese energy company, REN (2012)	Questionnaire was received
Bank of China	Financial	Set up office and branch in Lisbon (2013)	Questionnaire was received but due to nature of answers not particularly useful for study
Fosun	Conglomerate	Acquired 80% of the capital of Caixa Seguros (2014)	

Huawei	Technology	Invested 10 million euros in a technological support center (2012)	No reply was received from the company in time for the study
Beijing Enterprises Water Group	Water	Acquired VEOLIA Portugal (2013)	Questionnaire was received
Haitong Securities Group	Financial	Acquired Banco Espirito Santo de Investimento (2015)	Questionnaire was received
Cheung Kong Group	Conglomerate	Acquired portuguese company, Iberwind (2015)	Not able to participate in the study
Sinopec	Energy	Acquired Portuguese company Galp Energias subsidiar in Brazil, Petrogal (2010)	Not a relevant case for the study; considered FDI in Brazil not Portugal.
Bati Zhou	Real-estate	Chinese entrepreneur choses to invest and set up own company in Portugal	Questionnaire was received.

APPENDIX B

The case of a Portuguese entrepreneur in China

There is not a lot of information available regarding this case study. This case was made aware to the study through an event organised by the student society of Macau at the Oriental Museum in Lisbon.

The Portuguese founder attended the event representing his company that he started in China in 2011. This company is a real estate company based in Hong Kong, Shenzhen and Beijing which although the founder and the name has links to Portugal it is a Chinese company entirely and has no physical branch or office in Portugal. It is not a Portuguese company that internationalised or invested in China. Nevertheless, it can be an interesting case as it shows what motivated a Portuguese businessperson to invest in China instead of in Portugal. According to the CEO's answer to question six, the motive for investment matches H1.2 (market seeking).

In terms of entry mode, none of the ones in the questionnaire was selected, as it was not a form of FDI but rather the form of a start-up directly in China. In reference to question eleven, Company A was founded in 2011 and has continued to grow ever since. It has around fifty employees, which is good, but the CEO is aware that there are many more objectives for the company and they want to keep on growing. Furthermore, the most important aspects for the company to be successful according to the CEO includes perseverance, honesty, ambition and effective management of human resources.

The case of a Chinese entrepreneur in Portugal

A similar case to the one in Appendix D was found in Portugal through an incubator called Startup Lisboa. A Chinese entrepreneur, was interviewed and answered the questionnaire prepared for this study. He has been in Portugal since 2013 and was awarded a Golden Visa through his capital investment. The sector is also real estate and he explores apartments in down town Lisbon for tourists. He underlined that what motivated him to come to Portugal was the green visa but he was also looking for a new market to invest in; "a safer market with less benefits but mainly stable." Therefore, his motive matches H1.2 (market seeking)

He felt that in China despite the benefits available, there were quite a lot of risks and the laws are always changing which made it difficult for him to carry out business. Outside of China, Portugal was the first market he invested in, due to the opportunity that arose with the Golden Visa programme implemented by the Portuguese government. For the Chinese to be eligible for the Golden Visa, he made both capital investment and property investment.

In terms of the mode of entry, this case does not match any of the options looked at in this study as it is a start-up company and Portugal was the first market he considered outside of China.

For him the most important aspects for his business to be successful in Portugal is consistent laws and the protection for businesses available. In terms of difficulties, that were met when entering the Portuguese market, he only mentions finding trustworthy partners and employees. Surprisingly, he did not find the language was a barrier at all, as most people in Lisbon speak English.

The case of Fosun in Portugal

Headline: China's Fosun buys Portuguese insurer Caixa Seguros (Peter Wise; Financial Times, 2014)

Chinese conglomerate and Investment Company was founded in 1992 and at that time was not known outside of China but it grew into China's largest privately owned conglomerate and has been listed on the Hong Kong Stock Exchange since 2007. (Management Today, Adam Gale, 2015) The company is named a conglomerate because it no longer only focuses on pharmaceutical and real estate; it is now also involved in business such as banking, mining, steel, insurance, medical care and online games. (Management Today, Adam Gale, 2015)

The first time Fosun was mentioned in the Portuguese press was in 2013, when the Portuguese government announced that the Chinese company Fosun and the American company Apollo were candidates for the acquisition of Caixa Seguros of which Fidelidade, Multicare and Cares belong to. (Jornal De Negócios; Cavaleiro, Diogo;, 2014)

The main aspect that triggered this acquisition was the presence of TROIKA in Portugal. (Público; Crisóstomo, 2011) TROIKA is made up of three institutions including the European Commission, the ECB and the IMF. TROIKA evaluated Portugal and realised that some companies needed to be made into state businesses as a first step before being sold. This was the case of Caixa Seguros. (Público; Crisóstomo, 2011) This was done with the view of reinforcing the ratios of capital of Caixa Geral de Depósitos through resources from within the group itself because CGD cannot benefit from the mechanism that supports solvency in the banking sector.. (Jornal de Negócios; Gago, 2011)

In May 2013, the Council of Ministers approved the sale of Caixa Seguros. The next step was launching a public competition to chose an investor to buy the companies assets. Each company interested prepared a portfolio about their company and presented indicative values. American company Apollo and Fosun were shortlisted and their impact on Fidelidade and Portugal overall was analysed. (Cardoso, 2016) Finally, the Council of Ministers, chose Fosun International as the official buyer of Fidelidade in February 2014 which was backed up by the Portuguese Insititute of Insurance and the transaction was finalised in May 2014.

From the questionnaire answered by a Fosun employee, we can observe that the motive for investment matches H1.4 (strategic asset seeking) and the entry mode matches H2.1 (Mergers & Acquisitions). From the answer to question eight we can observe that Portugal was not the first market they considered outside of China, in fact it was France with the objective of "combining China's growth momentum with global resources." This statement is backed up by this picture available on Fosuns' website (below). Fosun operated mainly in China and in Asia in the first eighteen years of its existence, it was only in 2010 that it started by investing in France with Club Med. Until 2010, Fosun only invested around Asia and it seems that it was only once they had enough experience and enough momentum and also partially due to China's incentives for going out that they began to invest in Europe. Furthemore, one can say that Fosun followed the Uppsala model of internationalization.

According to Fosun, the investment has been successful and it has registered good financial results since the acquisiton was finalised. Success is not only measured by finance, though, and another possible sign of the success of the acquisition is that Fidelidade and Fosun launched a programme to boost start ups in 2015. (Laranjeiro, Ana; Jornal de Negócios , 2015)

The question of what difficulties were faced when entering the market was not answered by Fosun. However, Fosun answered that the aspects that contributed to the success in Portugal was the quality of the already existing management teams and their business strategy. In terms of lessons to take from this case, one can say that to engage in a Merger & Acquisition it is important to have a strong management team already established and to ensure the business strategy is clear.

In terms of whether their investment was a one time occurrence, it is hard to form a final conclusion as it depends on whether there are other opportuntities available but according to the answer to question twelve, Fosun are "paying attention to any good investment opportunity in the country." For now there are no signs of further investment but will be easier to see in a few more years.

The case of Sonae Sierra in China

As mentioned above, Sonae Sierra carries out business in a number of countries in Europe, Asia and Africa. However, the first market they entered was Spain according to their answer to question eight in the questionnaire because of geographical proximity and because they found opportunities for expanding their business.

In contrast, China was one of the last markets that Sonae Sierra considered because of geographical distance, both a different culture and market with different characteristics. The distance constitutes a barrier in terms of mobility of teams and it is an enormous continent which for Sonae Sierra meant that it would be most appropriate to plan their entrance through a partnership that would allow them to have considerable knowledge on the market. Moreover, the decision to enter was only made when they identified and negotaiated with their partner.

It seems as if it was only after the company felt it had gained enough experience in other markets that it entered the Chinese market and used the Uppsala method of internationalization.

In terms of difficulties in entering the market, these were not directly answered by Sonae Sierra but from their answer to question nine we can observe that some of the difficulties were the geographical distance, the different market and culture, and finding a suitable partner.

In terms of success, Sonae Sierra's joint venture with CITIC no longer exists but it still has a team present in China prepared to guarantee projects in the area of management of shopping centres. Therefore, with regards to the joint venture Sonae Sierra was not successful. The two companies decided to adopt a new model of collaboration for services in the chinese market, and began to collaborate only when the case was considered to be in the best interest to both parties.

Sonae Sierra still has a team present in China but the success of the investment of having a permanent team present is still being evaluated. Sonae Sierra considers that China is a market with enormous potential but is now slowing down economically and has a lot of competition in the shopping center sector which makes Sonae Sierras presence in the market extremely challenging and one that requires continuous efforts, which means that for now China is not considered a strategic market for Sonae Sierra.

In terms of the most important aspects in order to be successful in China, Sonae Sierra considers the following: 1) studying the market; 2) having a loyal local partner; 3) ensuring both partners have the same vision/expectation in terms of business; 4) ability to think in the long term; 5) abitlity to adapt to the way the business system works and the way business is done which is considerably different to the way it is done in the West.

In terms of whether this investment was a one time investment for Sonae Sierra, it seems that way from their answer to question twelve in the questionnaire. Sonae Sierra does not believe it will invest in China in the short term. If there was to be some sort of investment it would always be in the sector of shopping centres which is the focus of their business. However, Sonae Sierras business in China is focused only on the service to clients and commercialization of shopping centres to clients.

The case of BEWater Group in Portugal

Headline: Chinese company buys water business Veolia in Portugal (Jornal de Negócios, 2013)

By the 21st of March 2013 Chinese company Beijing Enterprises Water Group announced that they had acquired 100% of Portugal Assets in Veolia Water. (Beijing Enterprises Water Group Limited, 2013)

Beijing Enterprises Water Group is a large Chinese group that provides "a broad range of water services and environmental protection services in China." (BEWG, 2016)

Veolia Portugal was actually set up by the French company Veolia that has three main business activities including water management, waste management and energy service. (Veolia, 2016) Veolia entered the Portuguese market in 1991 and through the establishment of CGEP owned four concessionaries. (Carregueiro, Nuno; Jornal de Negócios, 2013) Once BEWG acquired Veolia Portugal, CGEP became Be Water S.A. (Be Water, 2016)

According to the Hong Kong stock exchange, this business signalled the entrance of the Chinese company in the European market of distribution of water at a time where the company wanted to diversify their geographic presence. (Carregueiro, Nuno; Jornal de Negócios, 2013) Furthermore, as cited in Bloomberg, BEWG highlighted that with this acquisition, they wish to make the most of the knowledge and experience of Veolia Water Portugal. (Carregueiro, Nuno; Jornal de Negócios, 2013)

According to a press release by BEWG days after the acquisition took place, the acquisition included three main aspects. First, four concessions that are responsible for supplying drinking water and collecting, treating and disposing waste water for the municipalities of Mafra, Ourém, Valongo and Paredes. Second, three operation and maintenance contracts located in the

Algarve. Third, maintenance of sewage and drainage networks for several private companies. (Beijing Enterprises Water Group Limited, 2013)

In the press release published by BEWG, the company outlines their major principles of international development and justifies the acquisition of Veolia by addressing how it matches the principles. BEWG international development strategy aims to assess the projects and assess geopolitical risks but also, 1) gets involved with "mature and stable markets"; 2) meets the terms of "the internal investment criteria and requirements of BEWG"; and 3) make sure there is "full play of synergistic effects between BEWG and the target group." (Beijing Enterprises Water Group Limited, 2013)

Furthermore, also in the document released by BEWG, the significance of the acquisition is high and the management of CGEP was not changed after the acquisition. According to BEWG, they opted out of changing the management style and structure because they believed that the team "has many years of experience in this industry" that BEWG does not have. BEWG aims to "combine its own experience with the CGEP management skills and experience by consolidating its human resource management system (…) in order to achieve higher level systematic and efficient management structure and synergy effort." (Beijing Enterprises Water Group Limited, 2013)

Using the results gathered in the questionnaire for the case of BEWG, the motive for investing in Portugal matches H1.4 (strategic asset seeking) and the mode of entry matches H2.1 (Merger & Acquisition)

Whether Portugal was the first market BEWG invested in, we know that Malaysia was the first market they invested in most likely due to geographic proximity and opportunity that arose. Furthermore, from research carried out, it was observed that Portugal and Malaysia are the only two places BEWG has invested abroad so far. We could say their strategy started following the Uppsala Model but then due to opportunities in Portugal, they jumped straight to a more global approach.

In terms of whether the investment was successful or not, BEWG state that they are happy with their performance in Portugal and they keep achieving their objectives year by year. The most important aspect for them to be successful in Portugal is to ensure that they can adjust the tariffs of water successfully.

According to BEWG's answer to the question regarding prospects for further investment in Portugal, BEWG highlights that it plans to invest further in Portugal in the sector of water and wastewater systems management and operation sector.

Due to lack of information, it is not possible to comment on the barriers that were faced when entering the Portuguese market or whether Portugal was one of the first or last markets that was considered for investment.

The case of State Grid in Portugal

Headline: China's State Grid to take 25% stake in REN (Wise, Peter; Hook, Leslie; Financial Times, 2012)

In 2012, the Portuguese government approved the acquisition of 40% of Portuguese electricity company REN. Chinese company State Grid and Arab company Oman Oil Company were the two companies selected with 25% and 15% respectively. (Jornal I, 2012)

State Grid International Corporation was established as a state-owned enterprise in 2009 and has since constructed and operated power grids as its core business. (State Grid Corporation of China, 2016) With more than 1.500.000 employees, State Grid is considered one of the top ten biggest companies in the world. On the other hand, REN is a Portuguese electricity company and has been around since 1994. (REN, 2016)

Both State Grid and Oman Oil Company bought their assets through Parpública due to the privatization process of which REN was a part of. The state now owns only 9,90% of the capital of REN. (Cavaleiro, Diogo; Jornal de Negócios, 2012)

Furthermore, according to an article published regarding the acquisition, the executive commission of REN would be reduced from five to three members, considering that the new shareholders of REN would not have executive administrators present in the executive commission. Furthermore, Maria Luís Albuquerque (Minister of Finance 20103-2015), highlighted at the end of the Council of Ministers that the Administration of REN would include fifteen members, of which three came from the executive commission. (Three non-executive members from State Grid and one non-executive member from Oman Oil Company) (Jornal I, 2012)

In terms of the results obtained from the questionnaire, it was observed that the motive for State Grid to acquire REN matches H1.4 (strategic asset seeking) and the entry mode matches H2.1 (mergers & acquisitions).

When asked what difficulties were found when entering the market, the answer given was related to changes in regulation policies was the number one difficulty found by State Grid. Moreover, State Grid emphasises the importance of respecting the local management culture as one of the key aspects in order to be successful in Portugal.

State Grid has projects in the Philippines, Brazil, Australia Italy and Hong Kong apart from Portugal. According to the answer to question eight, the first Market State Grid invested in was the Philippines due to geographical proximity and similar culture. This suggests an approach like the Uppsala Model was used in their internationalisation process.

In terms of whether Portugal was one of the first or last markets to be considered, neither. State Grid considers Portugal should be one of the first steps to access other European markets. We know that Portugal is one of the few European markets that State Grid has invested in.

State Grid seems happy with the investment in Portugal and considers it to be important experience and they have achieved success in terms of coordinating and cooperating in work with the Portuguese company.

State Grid is looking at increasing its investment with REN in other overseas markets that REN already had access to which includes grid interconnection between North Africa and Portugal.

Moreover, in terms of additional investment, according to an article published online, it was stated that State Grid intended to invest 12 million euros in the creation of a technological centre in Portugal, which can be interpreted as a sign to further invest in Portugal.

The case of Haitong Securities in Portugal

Headline: What is Haitong, the new owner of BESI? (Jornal de Negócios, 2014)

Haitong Securities was founded in 1988 and has been evolving and developing ever since. It was converted into a limited liability company in 1994 and later into a national securities company. (Haitong, 2016) In 2005, it took over two companies in order to achieve fast expansion at a low cost. Moreover, it has been pursuing its global strategy, which began by acquiring Taifook Securities in Hong Kong. (Haitong, 2016) The first investment it held outside of China was in Portugal with the acquisition of Banco Espirito Santo de Investimento. This leads us to Haitongs answer to question five in the questionnaire. Haitong already had business in China, Hong Kong Macau and Singapore but with the acquisition of BESI, it gained access to other areas of the world. With the acquisition of BESI, Haitong enters the European, Asian and American market being as BESI has offices in the UK, Ireland, Poland, Spain, United States, Brazil, Mexico and India, Turkey and Malaysia. (Jornal de Negócios, 2014)

In August 2014, the Bank of Portugal assumed the control of Banco Espirito Santo after it presented a debt valued at 3.6 billion euros. The Bank of Portugal announced the separation of the institution into two new entities; one called the 'bad' bank and one designated as the Novo Banco (New Bank) that BESI transitioned to and the following month Novo Banco announced that it had sold BESI to Haitong. (Lusa; Diário de Notícias, 2014)

BESI was acquired by a subsidiary of the Haitong Group called Haitong International Holding Limited, founded in 2007 in Hong Kong in order to invest and develop business in foreign countries. (Agência Lusa; Observador, 2015) Soon after, BESI become known as Haitong Bank and José Maria Ricciardi remained the CEO of the company. (Agência Lusa; Observador, 2015)

According to the CEO, the strategy of the group focuses on global investments and BESI represents their first step in the strategy of global growth. (Nunes, Diogo Ferreira; Dinheiro Vivo, 2015)

In terms of the reason for their investment in Portugal, we observe that it matches H1.4 (strategic asset seeking). Furthermore, it will be able to "leverage its strong domestic presence complemented by an extensive global footprint gaining 1) access to new markets; 2) services diversification and geographical diversification, 3) expansion of client base and 4) acquisition of a full European banking license."

Their entry mode matches H2.1 (M&A) and the main difficulty felt in entering the market was related to European Central Bank's requirements in order to receive a formal approval of the transaction that was a time consuming but important step of the transaction.

In terms of first markets that Haitong entered, Hong Kong was the first due to geographical and cultural proximity and because it was one of the world's most significant financial markets. Concerning the Portuguese market, it was neither one of the first or last markets that they considered because Haitong did not consider investing in Portugal before Novo Banco put BESI for sale.

Haitong Securities believes that the most important aspect for the success of Haitong Bank in Portugal is the local talents and their main goal is to achieve a Return on Equity ratio above 20%. In terms of success, it is a well-established bank in Portugal and is the leading bank in several issues regarding debt of Portuguese companies as well as sovereign debt but according to Haitong Securities there is more that can be done to improve their performance in the future.

It is unclear whether they plan to increase their investment in Portugal as it depends on the development of the bank and of the parent company.

The case of Bank of China in Portugal

The Bank of China entered the Portuguese market in 2013 with its first office and a branch. It is therefore not considered foreign direct investment as defined in this study but it is indirect investment in that an office was established. It is clear that the increase in Chinese financial institutions in Portugal is down to the increase of overall Chinese companies in Portugal.

Despite Bank of China agreeing to answer the questionnaire for this study, the questions were answered from the perspective of the branch in Portugal rather than the whole Bank of China, which gives us a limited view of the case. According to Luís Villalobos, Bank of China's branch in Lisbon had a loss of 3.1 million euros in 2014 according to data made available by the Bank of Portugal. (Villalobos, Luís; Público, 2015) This reflects their answer to question eleven in terms of their success in Portugal, which highlighted that they are still far from being where they want to be. In terms of whether the Bank of China intends to increase their investment in Portugal, they give an obscure answer but that shows there is the possibility of investing in Portugal if opportunities arise.

In terms of their motivations for entering the Portuguese market, the Bank of China selected two possible motivations both H1.2 and H1.4. Regarding the entry mode, it does not match any of the hypothesis mentioned in this study because the Bank of China has a banking license in Europe that it used to set up its branch in Lisbon.

The Bank of China had been present in many other markets before it entered the Portuguese one and one of the aspects that allowed for the success of the entrance into the market was compliance and there is still a long way to go until they achieve the ideal level of success.

This case offers another view on why Chinese companies would think of establishing a branch in Portugal.

The case of Amorim Cork Composites in China

Corticeira Amorim is a Portuguese company and the world's largest producer of cork. (Amorim Cork, 2016) It has developed into one of the most international Portuguese companies with operations in all continents and in over 100 countries.

According to Amorim's timeline on their corporate website, the company engaged in a strategic alliance with the Chinese company, Vertex Group, in 2011. (Amorim, 2015) Vertex is a Chinese company with operations in Asia, Europe, USA and Canada and it works with luxury vinyl tiles (LVT) floor covering solutions. (Vertex, 2016) Vertex has lead solutions for LVT for the last fifty years has built a number of leading brands in the global marketplace including Allure, Konecto, Starloc and Contesse. (Amorim Revestimentos, S.A., 2011)

In March 2011, the Amorim Group released a Press Release discussing the strategic alliance and its details. First, it was made clear that the Amorim Flooring subsidiary signed a license agreement in order to use Vertex's Konecto technology with Cork, which Amorim plans to incorporate into several Cork flooring options.

LVT has been growing the last few years and due to improved methods, design capabilities and durability it has become more and more of an option for customers around the world. According to the CEO of Vertex Group, "There are great synergies at both productive capacity and market penetration between our two organisation and with a growing portfolio of exciting new products; we should be able to expand the market even further." (Amorim Revestimentos, S.A., 2011)

Unfortunately, there has been no follow up regarding this strategic alliance and there has been no response from the Amorim Group regarding this investment so we are unable to see whether this investment has been successful or not and what motivated Amorim to invest in China in the first place.

The case of Group Salvador Caetano in China

Headline: Salvador Caetano invests in factories in China and America (Autoportal, 2011)

Grupo Salvador Caetano was founded in 1946 and started off as a bus and coach manufacturer but has become a group that has been able to expand into different business areas (industry, distribution, retail, energy, and services) and to different countries. According to information from their website, they have more than 100 companies located in Europe, Asia, and Africa. (Grupo Salvador Caetano, 2016)

The first news we heard of Salvador Caetanos' interest in investing in China was in 2012, when they announced that they wanted to invest 15 million euros in two factories in China and South America. (Autoportal, 2011) This arose with the objective of making the company more competitive and conquering new markets. (Garrido, Nelson; Público, 2011)

The President of the company, José Ramos, explained that the investment would allow CaetanoBus to cut down their costs with the increase in production and export to markets in Latin America and the Middle East where it was impossible to export to before because costs were so high.

It was only in 2013 that CaetanoBus was able to start their operations in China, with their factory in Dalian, which accounted for an investment of 8 million euros. (Económico, 2014) This investment was carried out in partnership with the Chinese company called Brilliance Auto Investment. This partnership became known as the Brilliance Caetano partnership. Brilliance Auto is one of the top manufacturers in China and already has a joint venture with BMW established in 2003. (Brillianco Auto, 2016)

This was the first investment of Salvador Caetano in the country, although they have been exporting cars to China for 23 years from their factory in Portugal. Their first client in China was Air China. (Económico, 2014)

According to an article published in an online newspaper, the main motivations for the investment in China was the potential of the Chinese market and of the neighbouring markets. Unfortunately, there is no further information available regarding this case. It is unsure how this investment is going and how the factory is going.

The case of Sodécia in China

Headline: Portuguese company invests 20M in a factory in China (Murato, Paula; Diário de Notícias, 2013)

In 2013, it was announced that the Portuguese company Sodécia had invested 20 million in a factory in China, Dalian. (Económico, 2014) This was considered one of the largest investments in history on behalf of Portuguese companies and the largest of Sodécia in the Asian market. The factory has an area of 10 thousand square metres and employs two hundred workers. It produces parts for the transmission systems of Volkswagen vehicles and it is expected to generate almost 30 million euros.

Sodécia was founded in Porto in 1980 and already works in thirty countries and employs almost 5,500 employees. Recently, it has been adopting a strategy of internationalisation and emphasizing on the Asian market. It has three units in India and one Joint Venture in South Korea.

China became a relevant market for Sodécia because in 2010, it became the largest automobile market in the world and car sales have been on the increase.

Unfortunately, there is no further information on how this investment is going for Sodécia or what the motivations for the investment were. From the data gathered, we can assume that it was a Greenfield entry mode but there remains a level of uncertainty.

The case of Tekever in China

Headline: Tekever signs an agreement with a Chinese satellite company (Pereira, Ana Torres; Jornal de Negócios, 2014)

In 2014, the Portuguese company, Tekever signed a partnership agreement with the Shanghai Engineering Centre for Microsatellite in order to develop satellite technology. Tekever is a company that develops innovative technologies for the following areas: Enterprise, Aerospace, Defence and Security. (Tekever, 2012) The SECM is a non-profit organisation that looks at the research, design and development of technologies for micro-, nano-, and pico-satellites. (Shanghai Engineering Center for Microsatellites, 2012)

Ricardo Mendes, the co-founder of Tekever stated that this partnership involves “not only software, but also hardware that can be used in both satellites and terrestrial stations.” (Pereira, Ana Torres; Jornal de Negócios, 2014) Moreover, Mendes made it clear that the partnership was to last many years and that the main objective was to integrate Tekevers technology within what is being developed by SECM. (Pereira, Ana Torres; Jornal de Negócios, 2014) This means that all the missions that SECM launches will have Tekevers technology incorporated.

From further research, it was discovered that in 2015, three Chinese satellites were launched with the technology of Tekever. (Computer World, 2015) This shows that their objective is being achieved.

Unfortunately, there is no further information regarding this case which means it is difficult to conclude what motivated Tekever to invest in China. In terms of entry mode, it seems clear that it consisted in a Joint Venture/Partnership/Strategic Alliance.

The case of Benfica in China

Headline: Benfica gives training in China (Sport Lisboa e Benfica, 2015)

In 2015, the Portuguese football club inaugurated its first school in Hangzhou, China. According to a press release from the Portuguese club, it signed a protocol with a Chinese partner and seven coaches from Lisbon left for China. The objective of this investment was to take to China the processes and methods that are used daily at the Portuguese club. (Sport Lisboa e Benfica, 2015) The local Chinese partner said that they agreed to engage in a partnership with Benfica because “if the children learn in the best way, then they learn faster. Benfica is going to implement a very modern training model and offer tools for the Chinese coaches in order for them to improve their training.” (Ye, T., 2015)

According to Nuno Gomes, a former Portuguese player and now in charge of the training schools, “China is an emerging country in football and therefore it is available to absorb new concepts and methods for training. We look forward to opening more schools in the rest of the country.”

Benfica was contacted for this study but unfortunately, we have no further information regarding their motivations for entering the Chinese market or how successful it is going. From research carried out, we are aware that there has been a growing interest in strengthening this relationship and the Chinese have been meeting with Benfica on a regular basis. However, there remains a degree of uncertainty that could be explored in further studies.

The case of Huawei in Portugal

Headline: Chinese group Huawei is going to open a technological centre in Lisbon, Portugal (Macau Hub, 2011)

Huawei has been present in Portugal since 2004 and it was one of the first Chinese companies that invested in Portugal. Huawei is a Chinese technology company that decided to reinforce its presence in Portugal with a 10 million euro investment in a Technical Support Centre in Lisbon. The Centre has a multi-technological laboratory and teams that have the competencies to help and consolidate the investments of Huawei in Portugal. (AICEP, 2011)

Huawei was contacted for this study but unfortunately, no further information was obtained for this study. It is unsure what motivated the investment in Portugal but from the information gathered, we can assume that it consisted in a Greenfield Strategy. Unfortunately, it is not possible to further explore this case.

The case of China Three Gorges in Portugal

Headline: EDP sold to the Chinese for 2.7 million euros (Diário de Notícias, 2011)
In 2011, Chinese company China Three Gorges, won the bid for its 21% stake in EDP. It was the first Chinese company to buy state-owned assets under the austerity programme. (Ma, Wayne; Kowsmann, Patricia; The Wall Street Journal, 2011) CTG outbid the German company E.ON AG and the Brazilian company Centrais Elétricas Brasileiras.

The entity that manages the assets of the State announced that CTG had been the selected company. (Diário de Notícias, 2011) The Chinese company was highlighted as one of the favourites not only because EDP was in favour of them but also because they offered the best financial proposal.

CTG is a Chinese company that focuses on clean energy and specifically large-scale hydropower development and operation and we believe we are the largest hydropower enterprise in the world. CTG was asked by the Chinese government to develop the hydropower capabilities of the Yangtze River. (China Three Gorges Corporation, 2010)

Since this acquisition, the two companies set up a joint venture in 2015 in order to develop hydropower projects in the South American and African continents. (Clercq, Geert De; Reuters, 2015) EDP’s Chief Executive, António Mexia, told Reuters that “in the next 12 months EDP will also invest 1.2 bn to 1.3 bn euros in projects that CTG will participate in with 300-400 million euros.” (Clercq, Geert De; Reuters, 2015) The Chinese company will fund because it is still part of the agreement that CTG would invest 2bn euros in EDP led projects.

The Chief Executive also went onto expand that the CTG investment in EDP was driven by three criteria:

i. Market seeking
ii. Access to C02 free renewable energy
iii. Experience seeking in deregulated energy markets.

Together, the two companies have been developing projects in other markets namely former Portuguese colonies, which helps to show the success of this relationship.

CTG was contacted for this several times in order to obtain more information regarding their investment in Portugal. However, unfortunately, no answers were obtained. However, from the information gathered, we can concluded that the entry mode was M&A and one of the main motives for investment was market seeking.

The case of Cheung Kong Group in Portugal

Headline: Li Ka-Shing Group buys Portugal’s Iberwind for $324 million (Nussbaum, Alex; Bloomberg, 2015)

One of the most recent investments from a Chinese company in Portugal was Cheung Kong Groups acquisition of Portuguese company Iberwind. At the time, Iberwind produced around 684 megawatts of power from 31 wind farms, representing about 15% of the Portuguese wind market. (Nussbaum, Alex; Bloomberg, 2015)

The company Magnum Capital that previously owned Iberwind decided to sell Iberwind in two equal parts to two entities belonging to the group Cheung Kong: Power Assets Holdings Limited and Cheung Kong Infrastructure Holdings Limited. (Brito, Ana; Público, 2015)

Cheung Kong Infrastructure Holdings Limited is the largest infrastructure company in Hong Kong, part of the conglomerate Cheung Kong Group that is led by Li Ka-Shing. It has operations in more than 50 countries and 290 thousand employees. (CCILC, 2015)

The acquired company, Iberwind, is dramatically smaller than Cheung Kong Infrastructure Holdings but specializes in wind farm operations and maintenance. It was responsible for installing 31 wind farms around the country since 1998. (Iberwind, 2014)

Cheung Kong Group was also contacted for the purpose of this study but unfortunately, no reply was received throughout the several contacts. Therefore, it remains uncertain what the main driver of this investment was. However, from the information gathered we can see that the entry mode was an acquisition, which matches most of the Chinese entry modes in Portugal.

APPENDIX C

Questionnaire 1

Name of the Company: [redacted]

Industry: [redacted]

Address: [redacted]

E-mail: [redacted]

Name of the inquired: [redacted]

Role in the company: Corporate Communications Senior Manager

1. Classify your company:
   a. Small
   b. Medium
   c. Big

2. How long have you had an international presence?
   a. Less than a year
   b. 1 to 5 years
   c. More than 5 years
3. What is the percentage of your international market in the total volume of business of your company?
   20%

4. What type of investments do you carry out internationally?
   Insurance, banking and other financial investments, Real Estate, healthcare, lifestyle, fashion

5. In what areas of the world do you have business?
   ASIA/NORTH AMERICA/EUROPE/AUSTRALIA

6. What are the reasons for your investment in Portugal?

6.3. Natural resource seeking?

6.4. Market seeking?

6.5. Efficiency seeking?

6.6. Strategic asset seeking?

6.7. Other:

7. How did you enter the Portuguese market? What difficulties did you find?
   - 7.3. Merger & Acquisition
   - 7.4. Joint-venture/Strategic Alliance
   - 7.5. Greenfield Strategy
   - 7.6. Other:

8. What was the first market you invested in? Why?
   France (small stake in Club Med). Looking to combining China's growth momentum with global resources

9. Was Portugal one of the first or last markets you considered?
   One of the first

10. What are the most important aspects for your business to be successful in Portugal?
    The quality of the management teams and an efficient business strategy

11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?
    Yes, our portfolio companies have registered very good financial results

12. Do you intend to increase your investment in Portugal?
    We are paying attention to any good investment opportunity in the country.

Questionnaire 2

Name of the Company [redacted]

Industry [redacted]

Address

E-mail [redacted]

Name of the inquired [redacted]
Role in the company Owner

1. Classify your company:
    a. Small
    b. Medium
    c. Big

2. How long have you had an international presence?
    a. Less than a year
    b. 1 to 5 years
    c. More than 5 years

3. What is the percentage of your international market in the total volume of business of your company?
   NA

4. What type of investments do you carry out internationally?
   Real-estate only

5. In what areas of the world do you have business?
   China and Portugal

6. What are the reasons for your investment in Portugal?
    a. Natural resource seeking?
    b. Market seeking?
    c. Efficiency seeking?
    d. Strategic asset seeking?
    e. Other: Golden visas, security

7. How did you enter the Portuguese market? What difficulties did you find?
    a. Merger & Acquisition
    b. Joint-venture/Strategic Alliance
    c. Greenfield Strategy
    d. Other: Start up

8. What was the first market you invested in? Why?
   Portugal. When I heard about the Golden Visa Programme and realised Portugal was a safe market to invest in because laws aren't always changing. Despite the benefits available in China for investors, I preferred safety over benefits.

9. Was Portugal one of the first or last markets you considered?
   Yes.

10. What are the most important aspects for your business to be successful in Portugal?
    Laws-constant and safe for business

11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?
    Based on the fact that I have only started at the end of 2015- it is going well and I am satisfied. At the beginning some difficulties were met in terms of finding trustworthy partners and employees. That has been overcome now. In terms of language I did not feel it was a barrier as everyone speaks English in Lisbon

12. In the future, do you intend to increase your investment in Portugal? If yes, in what sectors?
    Yes- continue in the real estate market as it is the most secure at the moment.

Questionnaire 3

Nome da Empresa: [redacted]

Setor de atividade: [redacted]

Morada: [redacted]

E-mail: [redacted]

Nome do inquirido: [redacted]

Posição na empresa

1. Classifique a sua empresa: Opção C
    a. Pequena
    b. Média
    c. Grande
2. Há quanto tempo trabalham no mercado internacional? Opção C
    a. Menos de 1 ano
    b. 1 a 5 anos
    c. Mais de 5 anos
3. Qual é a percentagem do mercado internacional no total do volume de negócios da sua Empresa?

A percentagem é de 32%.

4. Que tipo de investimentos realizam internacionalmente?

No desenvolvimento (construção) de centros comerciais. Depois de construídos ficamos sempre a geri-los e a comercializá-los.

5. Em que regiões do mundo é que realiza negócios?

Portugal, Alemanha, Argélia, Azerbaijão, Brasil, Colômbia, China, Eslováquia, Espanha, Grécia, Itália, Marrocos, Roménia, Tunísia e Turquia.

6. Quais as razões do vosso investimento na China? Opção B
    a. Natural resource seeking?
    b. Market seeking?
    c. Efficiency seeking?
    d. Strategic asset seeking?
    e. Outro:

7. Como é que entraram no mercado chinês? Que dificuldades é que enfrentaram? Opção B
    a. Merger & Acquisitions
    b. Joint venture/Strategic Alliance
    c. Greenfield strategy
    d. Outro:

8. Qual foi o primeiro mercado a considerarem e porquê?

Espanha. Pela proximidade geográfica e cultural, por ser uma extensão natural do prolongamento de Portugal e por termos encontrado lá boas oportunidades de expandir o negócio.

9. A China foi um dos últimos mercados a considerarem? Porquê?

Pelas razões opostas. Está distante geograficamente, o que constitui uma barreira em termos de mobilidade das equipas de prestação de serviços, é uma cultura muito diferente e um mercado com características completamente diferentes. Trata-se de um mercado enorme quase um continente, pelo que se considerou mais apropriado planear a entrada através de uma parceria que nos permitisse ter um conhecimento mais aprofundado do mercado. A decisão de entrar só foi tomada após termos identificado e negociado com esse parceiro.

10. Quais são os aspetos mais importantes para a sua empresa ter sucesso na China?

Os aspetos mais importantes são estudar bem o mercado, ter um parceiro local de confiança, ambos os parceiros terem a mesma visão/expectativas de negócio, pensar no longo prazo (também financeiramente) e capacidade de adaptação à forma com funciona o 'business system' e se fazem negócios no país (que é muito diferente do estilo Ocidental a que estávamos habituados).

11. Está satisfeito com o desempenho da sua empresa na China? Obteve sucesso na China?

Ainda é cedo para avaliar. Sendo a China um mercado com enorme potencial, deparámo-nos com uma fase de abrandamento económico e uma elevada concorrência no sector dos centros comerciais o que torna a nossa presença neste mercado extremamente desafiante e que obriga a um esforço contínuo, pelo que neste momento não é um mercado estratégico.

12. No futuro, pretende aumentar o investimento na China? Se sim, em que setores?

A nossa presença na China está baseada na prestação de serviços a clientes, o que significa que não se prevê a realização, a curto prazo, de investimentos por parte da Sonae Sierra neste mercado.

Nota: Se se realizasse algum investimento, seria sempre no setor dos centros comerciais que é o foco do nosso negócio.

Mas tal não está previsto na medida em que a estratégia para este mercado passa apenas pela prestação de serviços de gestão e comercialização de centros comerciais de terceiros/ clientes.

Questionnaire 4

Name of the company: [redacted]

Industry: [redacted]

Address: [redacted]
E-mail: [redacted]
Name of the inquired: [redacted]
Role in the company: [redacted]

1. Classify your company:
   a. Small
   b. Medium
   c. Big
2. For how long have you had an international presenc
   a. Less than a year
   b. 1 to 5 years
   c. More than 5 years
3. What is the percentage of your international market in the total volume of business of your company?
   4%
4. What type of investments do you carry out internationally?
   Water and wastewater system management and operation in Portugal
5. In what regions of the world do you have business?
   We have business in Malaysia, Singapore and Portugal.
6. What are the reasons for your investment in Portugal?
   a. Natural resource seeking
   b. Market seeking
   c. Efficiency seeking
   d. Strategic asset seeking
   e. Other:
7. How did you enter the Portuguese market? What difficulties did you find?
   a. Merger & Acquisition
   b. Joint-venture strategic alliance
   c. Greenfield strategy
   d. Other:
8. What was the first market you invested in? Why?
   We first invested in Malaysia
9. Was Portugal one of the first or last markets you considered?
   Not the first nor the last
10. What are the most important aspects for your business to be successful in Portugal?
    If we can adjust the tariff of water successfully.
11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?
    Yes. We keep achiving mangement objectives year by year
12. In the future, do you intend to increase your investment in Portugal? If yes, in what sectors?
    Yes. Water and wastewater system management and operation sector

Questionnaire 5

Name of the Company: [redacted]

Industry: [redacted]

Address: [redacted]

E-mail: [redacted]

Name of the inquired: [redacted]

Role in the company: Manager

1. Classify your company:
   a. Small
   b. Medium
   c. Big
2. How long have you had an international presence?
   a. Less than a year
   b. 1 to 5 years
   c. More than 5 years
3. What is the percentage of your international market in the total volume of business of your company?
   40%

4. What type of investments do you carry out internationally?
   Credit facility (syndicated loan)

5. In what areas of the world do you have business?
   Asia, intend to explore to Africa

6. What are the reasons for your investment in Portugal?
   a. Natural resource seeking?
   b. Market seeking?
   c. Efficiency seeking?
   d. Strategic asset seeking?
   e. Other

7. How did you enter the Portuguese market? What difficulties did you find?
   a. Merger & Acquisition
   b. Joint-venture/Strategic Alliance
   c. Greenfield Strategy
   d. Other: We have banking license available in Europe

8. What was the first market you invested in? Why?
   Green energy. State owned fully. In the past, Chinese company invested partially. Mainstay industry and uprising industry.

9. Was Portugal one of the first or last markets you considered?
   No.

10. What are the most important aspects for your business to be successful in Portugal?
    Compliance

11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?
    Still have long way to go in head

12. In the future, do you intend to increase your investment in Portugal? If yes, in what sectors?
    It is possible, in any profitable area.

Questionnaire 6

Name of the Company: [redacted]

Industry: [redacted]

Address: [redacted]

E-mail: [redacted]

Name of the inquired: [redacted]

Role in the company: Strategy

1. Classify your company:
    d. Small
    e. Medium
    f. Big

    Key financial (FY2015): Revenues of EUR 7,2 Billion; Net profit of EUR 2,3 Billion; Total assets of EUR 81,3 Billion. Market Cap of EUR 21,13 Billion (as of May 2nd, 2016)

2. How long have you had an international presence?
    d. Less than a year
    e. 1 to 5 years
    f. More than 5 years
3. What is the percentage of your international market in the total volume of business of your company?

    In 2015, the International Business of [redacted] represented 14% of its total revenues.

4. What type of investments do you carry out internationally?

    [redacted] main businesses are investment banking and securities brokerage.

5. In what areas of the world do you have business?

    China Mainland, Hong Kong and Macao – [redacted], through its subsidiaries, has access to an extensive network platform with 320 branches in China Mainland, Hong Kong and Macao. It is the leading comprehensive securities firm in China, offering a wide range of financial services, namely: securities and futures brokerage, investment banking, asset management, proprietary trading, financial leasing and direct investment, among others.
    Singapore – Through its subsidiary [redacted] (Singapore), [redacted] provides investment banking and securities brokerage services in this region.
    UK – In 2015, [redacted] completed the acquisition of Japaninvest Group plc, a UK-based company headquartered in London, provider of equity research reports on listed Japanese companies.
    With the acquisition of [redacted], [redacted] gained wordwide business coverage in regions where the former Portuguese bank is present, namely:
    Portugal & Spain – Capital Markets, Corporate Finance, Acquisition Finance, Project Finance, Global Markets/ Treasury, Capital Structure Advisory, Asset Management, Wealth Management and Private Equity;
    Poland – Capital Markets, Corporate Finance, Acquisition Finance, Project Finance, Global Markets;
    UK – Capital Markets, Corporate Finance, Acquisition Finance, Project Finance and Global Markets; Ireland/Germany – Strategic Tax Operations;
    USA – Capital Markets, Corporate Finance, Acquisition Finance, Project Finance and Global Markets;
    Mexico – Capital Markets, Corporate Finance and Project Finance;
    Brazil – Capital Markets, Corporate Finance, Acquisition Finance, Project Finance, Global Markets, Private Equity and Wealth Management;
    India – Capital Markets and Corporate Finance;
    Turkey – Commercial partnership with Global Securities, allowing the bank to extend coverage to 50 listed companies in the country, focusing on investment banking services; Malaysia – Strategic joint-venture with RHB, one of the three largest banks in the region, with extensive coverage of equities in Asia of over 510 listed companies, and teams in Singapore, Malaysia, Hong Kong, Thailand and Indonesia.

6. What are the reasons for your investment in Portugal?
    a. Natural resource seeking?
    b. Market seeking?
    c. Efficiency seeking?
    d. Strategic asset seeking?

    The increasing Chinese M&A activity trend in Portugal combined with [redacted] market edge position in the Portuguese market. [redacted] financial services platform worldwide is very well positioned to link the interests of China, the Emerging Markets and the main financial hubs of New York, London, Singapore and Hong-Kong, combining its expertise and multi-regional footprint with [redacted] market leading position in Asia. With this acquisition, [redacted]. will leverage on its strong domestic presence complemented by an extensive global footprint gaining: (i) Access to New Markets (ii) Services Diversification and Geographical Diversification (iii) Expansion of Client Base (iv) Acquisition of a full European banking license

e. Other

7. How did you enter the Portuguese market? What difficulties did you find?

a. Merger & Acquisition

Following the period after the resolution of [redacted]. in August 2014, the former parent company of [redacted], [redacted], one of the leading Chinese Investment Banks, had agreed to acquire the bank, thus becoming the first major investment made by a Chinese bank in Europe and America. The formal acquisition was closed in September 2015 and [redacted] was renamed [redacted]. and rebranded as [redacted] The main difficulties experienced by [redacted] during the acquisition were mainly related with regulatory ECB's requirements for the formal approval of the transaction, resulting in a long process with several rounds of communications. Nonetheless, Portugal had been a quite attractive country for Chinese investors, particulary taking advantage of the recent Privatisations processes (EDP, REN, Fidelidade, etc.) and lower market prices. It is anticipated that economic and strategic opportunities will continue to dictate China's investment, as Portugal is perceived as a constructive partner for China to enter other European countries, by setting the stage to prove that it is a trustworthy model.

b. Joint-venture
c. Greenfield Strategy
d. Other

8. What was the first market you invested in? Why?

Hong Kong was the first market [redacted] invested abroad, due to proximity and high exposure in one of the most world's most significant financial markets.

9. Was Portugal one of the first or last markets you considered?

Neither, an investment banker introduced the deal to [redacted] who did not considered investing in Portugal before Novo banco put [redacted] for sale.

10. What are the most important aspects for your business to be successful in Portugal?

[redacted] is present in Portugal for more than 20 years, having a strong brand name. The bank has access to all the companies in the country, also due to its former shareholder (Novo Banco) strong presence. [redacted] believes [redacted] local talents are its biggest asset to be successful in Portugal. Our main goal is to have a Return on Equity ratio (ROE) above 20%.

11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?

In Portugal, its home country, [redacted] is well established as the consistent leading Investment Bank, across all major league tables. The strategic approach in Portugal is to focus on execution, acting as a main foundation for supporting and complementing international activities across the globe. The bank has been maintaining over the years, the leading position in M&A advisory across all major league tables. Worth also highlighting [redacted] role in Portugal's capital markets recently, as the leading bank in various issues of senior debt of large Portuguese companies as well as in sovereign debt. In that sense, we consider [redacted] performance in Portugal quite satisfactory so far, but we need to put more effort and investment to improve our performance in the future.

12. In the future, do you intend to increase your investment in Portugal? If yes, in what sectors?

We have not decided yet, it depends on the development of [redacted] as well as the parent company.

Questionnaire 7

Name of the company: [redacted]

Industry: [redacted]

Address: [redacted]
E-mail: [redacted]

Name of the inquired: [redacted]

Role in the company: Senior Manager

1. Classify your company:

12.3.Small
12.4.Medium
12.5.Big

2. How long have you had an international presence?
   a. Less than a year
   b. 1 to 5 years
   c. More than 5 years

3. What is the percentage of your international market in the total volume of business of your company?
   Around 6.6% in assets scale, target is 10% in 2020

4. What type of investments do you carry out internationally?
   M & A and green field projects

5. In what areas of the world do you have business?
   [redacted] has set up projects in Philippines, Portugal, Brasil, Australia, Italy, and Hong Kong now

6. What are the reasons for your investment in Portugal?
   a. Natural resource seeking?
   b. Market seeking?
   c. Efficiency seeking?
   d. Strategic asset seeking?
   e. Other:

7. How did you enter the Portuguese market? What difficulties did you find?
   a. Merger & Acquisition
   b. Joint-venture/Strategic Alliance
   c. Greenfield Strategy
   d. Other:

   Difficulty: Change of regulation policy

8. What was the first market you invested in? Why?
   Philippines was the first project [redacted] achieved. We have similar culture and it has obvious synergy effect between both countries.

9. Was Portugal one of the first or last markets you considered?
   Neither. Portugal should be the first step to European market for [redacted].

10. What are the most important aspects for your business to be successful in Portugal?
    Respect the local management culture

11. Are you happy with your performance in Portugal? Would you say you are successful in Portugal?
    It's great experience to work together with Portugal company. Very happy. We have achieved very successful coordination work.

12. Do you intend to increase your investment in Portugal?
    [redacted] is looking forward to finding some big chances with [redacted] in overseas market, including grid interconnection between North Africa and Portugal.

Questionnaire 8

Nome da Empresa [redacted]

Setor de atividade [redacted]

Morada [redacted]

E-mail [redacted]

Nome do inquirido [redacted]

Posição na empresa
CEO

1. Classifique a sua empresa
    a. Pequena
    b. Média
    c. Grande

13. Há quantos anos são uma empresa internacional?
    a. Menos de 1 ano
    b. 1 a 5 anos
    c. Mais de 5 anos

14. No total do volume de negócios da sua empresa, qual é a percentagem do mercado internacional?
70%

15. Que tipo de investimentos realizam internacionalmente?
Imobiliário

16. Em que regiões do mundo é que realiza negócios?
China, Tailândia, Macau, Hong Kong, Portugal

17. Quais as razões do vosso investimento na China?
    a. Natural resource seeking?
    b. Market seeking?
    c. Efficiency seeking?
    d. Strategic asset seeking?
    e. Outro:

18. Como é que entraram no mercado chinês? Que dificuldades é que enfrentaram?
    a. Merger & Acquisitions
    b. Joint venture/Strategic Alliance
    c. Greenfield strategy
    d. Outro: Start-up

19. Qual foi o primeiro mercado a considerarem e porquê?
China, na verdade a [redacted] começou na China por isso é uma empresa Chinesa e não Portuguesa que se internacionalizou para a China.

20. A China foi um dos últimos mercados a considerarem? Porquê?
N/A

10. Quais são os aspetos mais importantes para a sua empresa ter sucesso na China?
Perseverança, honestidade, ambição, gestão de recursos humanos.

11. Está satisfeito com o desempenho da sua empresa na China? Obteve sucesso na China?
A [redacted] começou atividade na China desde 2011 e desde então não tem parado de crescer e já conta com escritório em Beijing, Shenzhen e Hong Kong e um força humana com cerca de 50 colaboradores. Estamos satisfeitos mas ainda temos muitos objectivos para cumprir e fazer crescer a empresa.

12. Tenciona aumentar o investimento na China?
O investimento é originalmente gerado e aplicado na China.

O único elemento português que a [redacted] tem é a raiz do seu nome e a nacionalidade do seu fundador. De resto é uma empresa totalmente de direito chinesa estando registada na China e Hong Kong e com diversos escritórios nestes territórios. Não temos qualquer presença física em Portugal para além do facto de termos negócios e parcerias com Portugal mas apenas por conveniência.
A [redacted] funciona na China desde 2011 com investimento direto meu que foi ele mesmo gerado na China, pois cheguei cá em 2009.