Master thesis 'European Politics and Society'

Alliance with the Dragon?

Greece and Portugal's re-orientation towards China after the sovereign debt crisis.

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Abstract

During the sovereign debt crisis, the EU imposed stringent measures that had severe economic and political consequences for peripheral countries such as Greece, Spain, Portugal, and Italy. This master's thesis examines the Greek and Portuguese economic situation during the crisis and how they increasingly sought cooperation alternatives outside the EU, focusing on China. The research contributes to the largely unexplored literature on the European member states' rationale behind their rapprochement with China. In order to answer the question, "Under what conditions were EU members states more likely to change their economic and political relationship with China and how it has changed their behaviour towards the EU?", this study employs a qualitative comparative research design of foreign policy analysis. The main preliminary findings demonstrate how changing Greek domestic politics interacted with growing antipathy towards the EU, leading in expressions of foreign policy de-Europeanisation and increased cooperation with China. Portugal also increased its cooperation with China, but its opposition to the EU is more moderate.

Key words: Greek foreign policy; Portuguese foreign policy; sovereign debt crisis; China

Declaration

I, the undersigned (Suzanne Maria Groenewoud), candidate for the Erasmus Mundus Joint Master Degree in European Politics and Society, declare herewith that the present thesis is exclusively my own work, based on my research and only such external information as properly credited in notes and bibliography. I declare that no unidentified and illegitimate use was made of works of others, and no part of the thesis infringes on any person's or institution's copyright. I also declare that no part of this thesis has been submitted in this form to any other institution of higher education for an academic degree.

Barcelona, 17 June, 2022 Suzanne Maria Groenewoud

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List of abbreviations:

BRI	=	Belt and Road Initiative
CEE	=	Central and Eastern European
COSCO	=	China Ocean Shipping (Group) Company
EU	=	European Union
EC	=	European Commission
ECB	=	European Central Bank
EMU	=	Economic and Monetary Union
FPA	=	Foreign Policy Analysis
GDP	=	Gross Domestic Product
IMF	=	International Monetary Fund
KKE	=	Greek Communist Party
NATO	=	North Atlantic Treaty Organisation
ND	=	New Democracy
NGO	=	Non-Governmental Organisation
PASOK	=	PanHellenic Socialist Movement
PRC	=	People's Republic of China
UN	=	United Nations
US	=	United States

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1. Introduction

In the last decades until now, the European Union has constantly faced internal and external challenges. Externally, the EU is trying to figure out its role in this world with other actors such as 'new' global power China and an assertive Russia. Internally, the EU is facing increasing populism, disinformation, and opposition to supranationalism (Müller et al., 2021). Deciding on a common policy to challenges is difficult due to the EU's wide variety of economies, cultures, and political systems (European Union, n.d.). The sovereign debt crisis has been a phenomenon which exposed these differences and the design flaws of the EU. Despite no European country being immune to the crisis' effects, the member states' economic conditions varied significantly. This had various economic, and political consequences for the intra-EU relations (Müller, 2012).

This thesis focuses on these consequences for the intra-EU relations and China's role in the European sovereign debt crisis as an alternative cooperation partner. Chinese officials and Europe's decision-makers have chosen fundamentally contrasting foreign economic policies in different moments of history. During the 1960s, China initially alienated itself economically from other countries in the world. Their economy was almost entirely closed off through restraints on foreign investments, immigration, and trade (Ravenhill, 2014). The shift of the Chinese government came during the 1970s and 1980s, when the economy gradually opened up, enhanced liberalising policies, and pursued a more active foreign policy (Ravenhill, 2014). Throughout the 1980s and 1990s, China received enormous amounts of funding from the World Bank and Asian Development Bank, and made significant steps in changing into a developed country. Nowadays, this has turned completely to a country investing more in developing countries than the World Bank (Ishmael, 2019). As such, Xi Jinping's government could turn its focus to devote renewed emphasis to the "Chinese Dream" (中国梦), which main purpose is to break free from foreign influences and to recover the national pride of the Chinese society (Yu, 2017).

Since the Chinese economy opened up, the EU-China relationship has deepened progressively. The first step in this process can be found in a memorandum to China sent by the EC in 1974, which contained an initial draft for a potential trade agreement (Algieri, 2022). In 1975, official relations between the two were established, and discussions about potential trade interests intensified (Stepan & Ostermann, 2011). An actual trade agreement followed three years later and was considered a breakthrough for their economic relationship (Algieri, 2022). During the sovereign debt crisis, China was able to offer a helping hand to member states in economic need due to the extensive foreign reserves accumulation the years before (Ishmael, 2019). Since 2008, Chinese investments in European member states increased every year, reaching their highest level in 2016 (Ishmael, 2019).

China's particular interest in investing in crucial EU sectors creates tensions within the EU and threatens the EU's status on the global stage (Eran, 2021). With these considerations in mind, the question arises whether member states' behaviour towards China changes when economic interests are at stake. Did the economic circumstances in which member states found themselves during the economic crisis ask for investments that the EU was unable or unwilling to provide? What does this say about the intra-EU relations? To solve this puzzle, the following research question will be addressed: ***"Under what conditions were EU members states more likely to change their economic and political relationship with China and how has it changed their behaviour towards the EU?"*** Exactly this member states' perspective makes this research valuable, as existing literature extensively scrutinized China's rationale behind their rapprochement with EU member states but lacks the European states' viewpoint.

The structure of the thesis is as follows. Firstly, a literature review is conducted based on existing academic work on EU-China relations. The literature review outlines key components relevant to this research, followed by the academic and political relevance, and the gap this research aims to fill. Thereafter, a theoretical and contextual framework is addressed, from which two hypotheses are derived. Furthermore, elaborating on the research design, methodology and case selection chosen are introduced. After the research design, the comparative analysis of the research is conducted in three subchapters. Lastly, this research ends with a conclusion on the findings and the bibliography.

2. Literature review

This chapter conducts a literature review that represents an overview of the existing research on EU-China relations. The review addresses a key component relevant for this research: China’s rationale for seeking rapprochement with individual member states during the economic crisis. Furthermore, it allows to identify weaknesses and gaps in existing literature and forms the foundation on which the research’s academic and political relevance is justified.

2.1. State of the field: EU-China relations

Many scholars argue that China’s motivation to seek rapprochement with European countries partly stems from the domestic feeling of two centuries of semi-colonialization and humiliation by other powers, particularly Japan (Lampton, 2014). This continues to impact the current Chinese foreign policy and influenced their view on issues such as sovereignty. When Deng Xiaoping came into power, he followed an "open door policy" from 1979 onwards. This period marked the beginning of a more liberalist view based on encouraging free trade and promoting peace and development. Deng argued that China should avoid confrontation and instead, focus on domestic growth and development (Zhu, 2013). Thereafter, China’s economic expansion developed as no other country did. The country regained its international prestige and managed to improve the material well-being of the Chinese people (Ishmael, 2019). However, Deng’s reform also increased corruption and income inequality between rural areas and cities. Because of his policies, Chinese people came in contact with the western world and democracy. Later, Chinese leaders would argue that this partly caused the Chinese national and cultural identity crisis, and instead the government started to focus on “Chinesenization” (Yu, 2017, p.1049-1050).

There are several definitions of China’s new actively pursued foreign policy. Yu (2017) extensively scrutinised one of these and labelled it as a neo-mercantilist strategy. The economic purpose of this globalisation strategy is acquiring capital and ensuring wealth for the Chinese people by rebuilding a strong nation. The political purpose would be to spread Chinese nationalism and patriotism to free itself from foreign influences (Yu, 2017). As such, the scientific debate reflects the widespread belief that the European economic crisis offered the perfect opportunity for the Chinese government to restore the country's poor image and increase China's influence in Europe by offering a helping hand. As can be concluded from Figure 1, the yearly flows of direct investments from China to Europe before the onset of the global financial crisis in 2007 are negligible compared to the investments reaching the EU after 2011. Before the crisis, investments hardly exceeded €2 billion, but since 2011 they steadily expanded, reaching €8 billion quickly (Seaman et al., 2017).

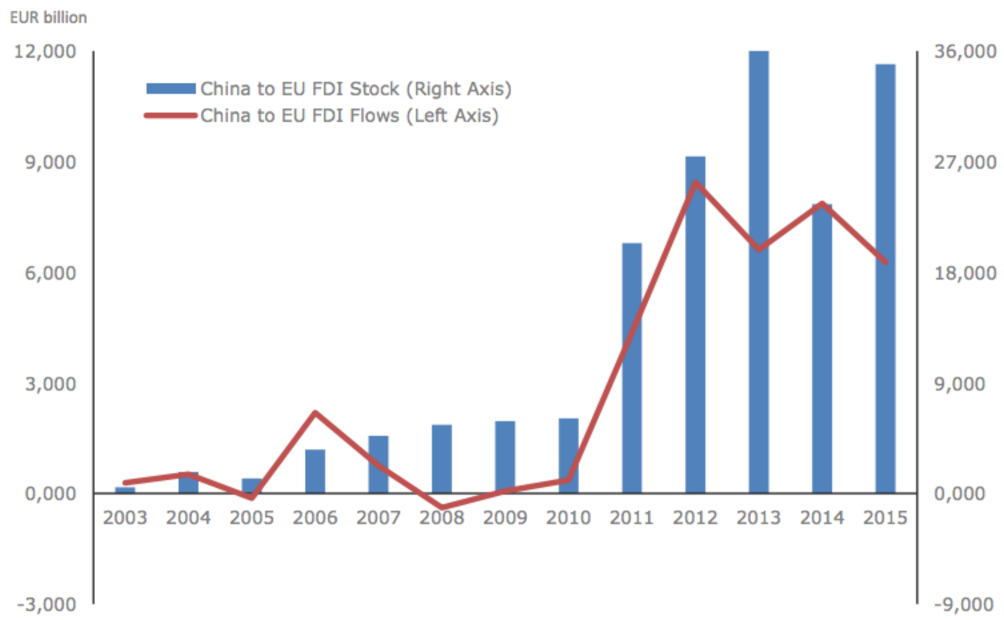

Figure 1: Chinese Direct Investment Flows and Stock in the EU. Seaman et al., 2017, p.22.

China's rationale

Initially, the expectation was that the sovereign debt crisis would be only a short-term problem for China, which the EU could efficiently address. However, only from mid-2011 Chinese scholars accepted that the consequences of this crisis would be felt all around the globe for some years and started providing help (Yaqing, 2012). In 2010 and 2011, China offered to purchase large parts of their government debts from Spain, Greece, and Portugal (Mezo & Udvari, 2012). According to many scholars, the underlying motivation for China to offer EU member states financial assistance during the sovereign debt crisis are political and economically related. Economically, intervention was important because of their strong trade relationship. The EU is China's biggest export partner; thus, the Chinese economy could also be affected if the demand for Chinese products falls. However, this is questionable according to a few scholars, which argue that a drop in European demand for Chinese goods could be made up by the demand from the enormous domestic market within China. In fact, Chinese exports could remain largely intact as long as trade flows with the EU's largest economies -

Germany, Italy, and France - do not collapse (Mezo & Udvari, 2012). An important aspect is that the Chinese economy is export-led. However, Chinese economic growth is mainly the result of domestic investments, and not only due to exports, as is generally supposed. The domestic investments made it possible to modernise infrastructure and finance the ongoing urbanisation and innovations in technology, bringing huge benefits to the entire society (Tooze, 2018). However, Bao and Yang (2013) developed a Computable General Equilibrium model of China revealing that the economic crisis undoubtedly negatively influenced the export and import flows between the two powers. One outcome illustrates the decline of Chinese real GDP from -0.876% to -3.936%. Moreover, as predicted, the exports experienced a steeper decline than imports during the crisis (Bao & Yang, 2013). China's financial assistance was thus deemed necessary to secure their strong trade relationship.

Another factor explaining the Chinese support for the EU lies in the Chinese activities to pile up foreign reserves these last years. This strategy paid off since China is nowadays the world's largest holder of foreign reserves with a value of $3,357,240.88 million in 2020 (The World Bank Data, n.d.), and could be considered an emerging global monetary power. However, during the crisis, China understood that its extensive exports to the US and significant investments in Dollar assets made them vulnerable and dependent on the American currency. The crises in the US and Europe highlighted the Dollar's dominance and the Euro’s weakness on the global stage (Matthijs & Blyth, 2015). As a result, China began its currency diversification and risk-spreading strategy. Barely two years later, approximately one-third of the total Chinese foreign currency reserves were composed of Euro assets (Casarini, 2013).

Thus, China's rationale also has a clear political dimension, targeting at counterbalancing the US (Casarini, 2013). The Dollar's hegemony could be threatened if China and the EU build a strong and united bloc. This vision originates from China’s geo-political belief, which wishes to accomplish political balance through a multipolar world. The ideal scenario would be for the three major actors on the global stage, the US, China, and the EU, to form a triangular balance of power (Otero-Iglesias, 2014). A second political factor cited by Otero-Iglesias is the attempt to gain indirect, domestic political influence. This would provide China with allies in the case of potential international economic conflicts. However, proving these allegations is challenging due to the Chinese government's reluctance to provide official documents (Otero-Iglesias, 2014). While many academics refer to China's rapprochement as ‘gaining influence’ or ‘exerting soft power’ (Casarini, 2013; Godement & Vasselier, 2017; Le Corre, 2018b; Ishmael, 2019), some (Yaqing, 2012) avoid this terminology and instead stress the absence of a stable actor in global governance during the crisis years. This missing actor provided the opportunity and necessity for China to take on this position. Additionally, while China did feel the negative economic effects of the crisis on its commerce, the country continued to grow economically. For this reason, China took the responsibility particularly in economic areas and bolstered its position in decision-making processes of international organisations like the World Bank (Yaqing, 2012). Thus, because of these disagreements among scholars on interpreting China's interference in Europe, the focus has been mainly on China's rationale and intentions, with little attention paid to the member states' motivation to seek rapprochement with China.

2.2 Academic relevance

This thesis' objective aims to contribute to a better understanding of the complex intra-EU and EU-China relationship. Academic literature likewise focuses on achieving the latter objective, but the perspective is frequently different. As outlined previously, existing literature is largely devoted to the rationale behind China's foreign policy. The rationale of European member states behind their rapprochement with China, however, remains unexplored. A few scholars have addressed these issues, but remain centred around the EU-level. Researchers contributing to this debate claim that the EU lacked China expertise and relied on incorrect assumptions (Cameron, 2019). Eventually, after almost two decades, the EU recognised the Chinese persistence in its own political system. The country would not become more democratic and liberal the wealthier it became, as some other emerging economies showed. Reinhard Bütikofer, Chair of the European Parliament's Delegation for Relations with the People's Republic of China, argues: "The penny seems to have dropped that China will not be moving towards a liberal democratic society and market economy anytime soon" (Cameron, 2019, p.2). However, these shifting perspectives did not increase academics' interest in the deeper cause and the possible correlation between the economic crisis and the member states' reasoning for the rapprochement. The focus remains primarily on whether and why China seeks rapprochement with European member states, and its possible implications.

2.3. Political relevance

This research has an important political relevance in the contemporary world that lies in the supposed consequences of intensified cooperation between China and individual EU member states. In recent years, clashes and tensions between the EU and China in various arenas intensified. Firstly, the question of Hong Kong and the country's human rights situation. In 2020, the EU issued a series of declarations condemning journalist detentions and China's oppression of the Uyghur minority (Eran, 2021). Furthermore, another factor contributing to tensions and greater EU-scepticism is China's growing interests in investing in key EU sectors such as telecommunications and infrastructure points (Eran, 2021). The closer cooperation between China and member states poses a threat to the EU's coherence, integrity, and status as a global actor. This research thus contributes to broadening the horizons of academic literature and providing answers to the political understanding of EU internal politics.

This fear of deteriorating intra-EU relations derives mainly from the milder approach member states seem to take on China (Ishmael, 2019). In recent years, multiple member states turned against the EU’s stance on China and pursued an individualistic path. Instead of reaching agreement on a coherent China policy, countries maintained a softer attitude, as for example Hungary demonstrated. Hungary's government showed a changed position on China-related matters at the EU-level. The first clash stems from 2016 when Hungary lobbied to not criticise China openly in a joint EU statement on the South China Sea dispute. Viktor Orbán, Prime Minister of Hungary, argued that “no one has the right to interfere with [the Chinese political system] by adopting the role of kind of a self-appointed judge” (Piccone, 2018, p.17-18). Thereafter, a comparable situation occurred in 2017 when Hungary blocked the signing of a joint EU letter condemning presumable tortures of lawyers in China (Stanzel, 2017). These trends are visible in multiple EU member states and require extensive scrutinization of the complex intra-EU relations and China’s role.

3. Theoretical and contextual framework

3.1 Theoretical framework

This research's theoretical framework is based on the International Relations theory, and within that, on the theoretical perspective of neo-liberalism. Baylis et al. (2014, p.127) state that this theory "are more than theories; they are paradigms or conceptual frameworks that define a field of study, and define an agenda for research and policy-making." The theories tend to better justify state behaviour and explain the nature of global politics. Liberals in the 18^{th} and 19^{th} centuries believed that many wars were driven by states' mercantilist beliefs to secure their sovereignty through wealth (Burchill, 2005). Neo-liberalism theory, a revised version of liberalism, arose in the American academic debates on International Relations in the 1980s. Within the policy world, a foreign policy based on neo-liberalism is associated with encouraging free trade, open borders, and values of the western world (Baylis et al., 2014). Free trade was perceived as a more peaceful process of enhancing national wealth and as a stepping stone towards state unification since it binds together the states' common interests (Burchill, 2005). Especially during the Cold War, various tensions among countries were threatening regional and global security. The neo-liberalist viewpoint includes the assumption that to achieve peace, states need to transfer some of their sovereignty to establish integrated (economic) communities (Baylis et al., 2014). The interdependency of a common economic and political interest would create limits on the intentions to solve conflicts military (Burchill, 2005).

Therefore, the multilateral cooperation between six European countries to join forces in the coal and steel industries, which later became the EU, is considered a pioneering example of regional integration. At the time, this was especially important to France and Germany, which used to resolve disputes military (Daddow, 2017). Liberals believe that the creation of EU institutions was a necessary step towards closer cooperation among European states (Burchill, 2005). However, in reality, and not seen from within the policy world, foreign policy viewed from a neo-liberalist perspective is dominated by national (economic) interests that take precedence over geopolitical interests such as democratic peace (Baylis et al., 2014). Thus, the fragile nature of inter-state cooperation means that, as with the EU, it is necessary to determine common strategic and economic interests that can lead to a formal agreement with rules for all parties (Burchill, 2005).

3.2 Contextual framework:

This contextual framework focuses on the rapidly developing intra-EU relations during Europe's sovereign debt crisis. In 2008, the world was experiencing something that Nassim Taleb identified as a 'black swan event,' because the Global Financial Crisis was an unpredictable event with a major impact that surprised both policymakers and economists (Karyotis & Gerodimos, 2015). The crisis, which began in the US, has been a catalyst for shifting global and intra-EU relationships. The deregulation process of the financial sector in the 1980s resulted in a shift in the banks' behaviour. They started to take on tasks unrelated to their traditional tasks of providing loans and collecting deposits (Baldwin & Wyplosz, 2020). Among the new roles they adopted was that of investor. The problem started when asymmetric information caused distrust among other banks, and brought a halt to the money inflow. Eventually, due to the refusal of the US government to bail out an important bank which owed sums to other banks in the world, the crisis spread to Europe (Baldwin & Wyplosz, 2020). The US largely recovered from this recession in 2010, while Europe experienced a second recession in 2012. European governments found themselves deeply in debt due to negative growth and significant budget shortfalls. As Baldwin and Wyplosz argue:

"The result is an amazing paradox. The financial crisis led governments to run considerable budget deficits to contain the recession, which worked, but the deficits led financial markets to become worried about the sustainability of public finances, which then provoked a deep recession in the affected countries." (Baldwin & Wyplosz, 2020, p.481-482)

These affected countries were mainly southern European countries such as Greece, Spain, Portugal, and Italy. With the introduction of the Euro, almost all crisis management instruments necessary for adjusting to monetary and economic shocks vanished. The interest rate and currency adjustment mechanisms, in particular, could have prevented a lot of suffering in these countries (Serapioni & Hespanha, 2019). Austerity - government measures or policies aiming at lowering public expenditure - became the default policy response to the economic crisis because the EU had few alternative solutions, unlike the US which could bail out its banks via the central Treasury and central bank. Ideologically, austerity became the solution because of the attractive power of not spending more than available (Blyth, 2013). The austerity measures proved to be very harmful to southern European economies. It resulted in even greater declines in GDP, which created various social consequences. The countries also faced high unemployment levels, brain drain, increased poverty and income inequalities (Serapioni & Hespanha, 2019). Figure 2 shows that overall EU unemployment rose dramatically during that period, but the most severe economic consequences occurred in southern Europe.

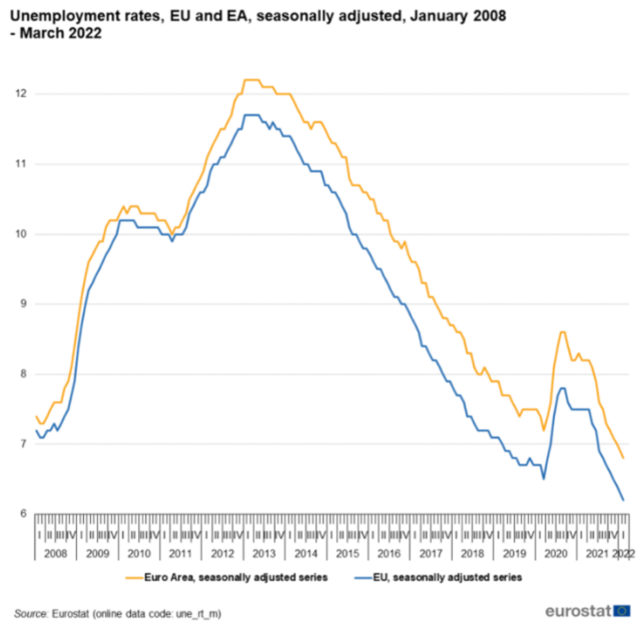

Figure 2: Eurostat, 2022b

This unemployment rate shows how Europe faced two crises, of which the second recession hit the EU even harder. This continued until the peak in 2013, when the overall unemployment slowly started to decrease (Eurostat, 2022b). The same uprising trend is also visible in Table 1, showing the development of the sovereign debt in southern countries and the Eurozone. The sovereign debt as a percentage of the GDP in these countries increased rapidly during the crisis years, particularly in Spain and Greece (Serapioni & Hespanha, 2019).

	2008	2009	2010	2011	2012	2013	2014
Greece	109.4	126.7	146.2	172.1	159.6	177.4	178.9
Portugal	71.7	83.6	96.2	111.4	126.2	129.0	130.6
Spain	39.5	52.8	60.1	69.5	85.7	95.5	100.4
Italy	102.4	112.5	115.4	116.5	123.4	129.0	131.8
Eurozone	68.7	79.2	84.8	86.9	89.9	91.8	92.0

Table 1: Sovereign Debt (% of GDP): Greece, Portugal Spain, Italy and Eurozone (2008-2014). Serapioni & Hespanha, 2019, p.7.

The imposed austerity policies and their economic consequences created a North-South wedge between the member states. On the one hand, Northern EU member states were sceptical of bailouts and favoured austerity measures. According to a survey conducted by the Pew Research Center, at least half of the respondents from three western European countries (France, United Kingdom, and Germany) are against their government providing more financial assistance to member states with severe financial problems. Similarly, respondents from Greece, Italy, and Spain argue that other EU governments should provide financial aid to countries in financial distress (Pew Research Center, 2012). These findings demonstrate how the EU was divided on the issue of providing (more) financial help to countries in need, preventing the EU from acting decisively when it was most needed. It exacerbated tensions between countries, at a time when more financial support appeared critical to their recovery.

This framework assumes that foreign investments facilitate the exchange of information from foreign-owned companies, qualified labour, and technology. Countries that have received significant Chinese investments, most notably in Africa and Asia, demonstrate that these investments positively impacted their economies. Among other things, the countries experienced increased employment and economic prosperity (Zaman et al., 2021). It formed an appealing perspective for European countries that longed for investments to recover economically and felt left alone by the EU. As a result, China could take on the role of 'good guy' and lend a hand to EU countries (Ishmael, 2019). In order to understand whether the country's economic condition influenced the member states' behaviour towards the EU and China, the first hypothesis is the following:

Hypothesis 1: During the crisis, EU member states in economic distress were more likely to open up their economy to China.

The crisis did not merely have economic consequences but also had a political and social impact (Hall, 2012; Müller, 2012; Serapioni & Hespanha, 2019). The persistent tensions between Northern and Southern Europe harmed the EU's cohesion. The two sides made several accusations about each other's political willingness. As Hall asserts: "If the governments of Southern Europe had pursued different policies, there would have been no crisis" (Hall, 2012, p.357-358). Simultaneously, Northern member states were portrayed as frugal and unwilling to support their partners, which appeared to be true for some of them, as previously revealed by the Pew Research Center survey. However, the EU has always been composed of a diverse group of countries. Initially, the EU was established by predominantly Western European countries that already differed economically, culturally, and in terms of political leadership. Following its establishment, an increasing number of countries with diverse political economies became part of the EU, resulting in an even more diverse Union. Thus, it is impossible to exclude the diverse histories, cultures, and perspectives on norms and values among member states from this debate (Hall, 2012). Yet, when joining the Union, all governments agreed on the EU's core values as enshrined in Article 2 Treaty on European Union: “The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities” (Eurobarometer, 2021, p.89). It is exactly these values that seem to weaken the intra-EU relations among the member states. Since the EU policy towards China exists at two levels – the EU-China relations and the bilateral relations between China and individual member states – reconciling national domestic policies with the EU's agenda frequently causes friction (Ishmael, 2019). Therefore it is hypothesized:

Hypothesis 2: Member states’ negative perception of the EU after the economic crisis made them more likely to lean towards China.

4. Research design

This study is employed making use of a qualitative comparative research design and a multiple case study. The qualitative nature of this research derives from its definition given by Merriam (2009, p.14): “It is an effort to understand situations in their uniqueness as part of a particular context and the interactions there.” The purpose of a qualitative approach is “to understand the phenomenon of interest from the participants’ perspectives, not the researcher’s.”

The field under study is foreign policy analysis. Alden and Aran (2017, p.3) define foreign policy as "The study of the conduct and practice of relations between different actors, primarily states, in the international system." It forms a dynamic field in which several entities, such as states, institutions, and individuals functioning within an international system, interact. Foreign policy analysts seek to develop theories and concepts that explain nations' behaviour in international relations and the influence of other states or societal factors on foreign policy formulation (Alden & Aran, 2017). Kaarbo et al. (2013, p.1-2) argue that this field of study connects "the study of international relations (the way states relate to each other in international politics) with the study of domestic politics (the functioning of governments and the relationships among individuals, groups, and governments)." In this regard, the foreign policy preferences of EU member states have an impact on the EU's overall foreign policy.

The foreign policy analysis is conducted following a comparative research design. Bryman (2012, p.72) defines this type of research design as follows: “This design entails studying two contrasting cases using more or less identical methods.” The comparative research design provides a better understanding of the social phenomena – EU member states seeking rapprochement with China – via the comparison of two most similar cases (Bryman, 2012). The main aim of this research design is to find clarifications for the contrasts and affinities among the cases and to better understand the socio-cultural settings in various national circumstances. A limitation of this method is that a cross-cultural research design could create certain barriers, such as uncertainty whether existing data from for example surveys or statistics are reliable and comparable (Bryman, 2012). This research focuses mainly on secondary data from news articles and academic journals between 2008 and 2016. 2008 has been chosen because it includes the start of the first economic recession in Europe and 2016 is assumed to be the starting point of a changed attitude of the EU towards Chinese investments and declining Chinese investments to Europe (Kokoromytis & Chryssogelos, 2022).

Case selection

This research will compare two most similar cases and can be considered a multiple case study research. Just as for the comparative research design, a multiple case study also derives from the ambition to interpret obscure social phenomena (Yin, 2003). An advantage of analysing two or more cases is that the results are considered more compelling, making the complete research more convincing. The case studies are carefully chosen to be able to forecast similar outcomes or contrasting outcomes but for foreseeable causes (Yin, 2003). To provide a justifiable answer to the research question and to confirm or refute the hypotheses, the two chosen case studies had a similar economic situation during the sovereign debt crisis. The variable 'economic situation' is operationalised based on government debt and social indicators such as the unemployment and poverty rates. The variable 'rapprochement with China' is measured based on the level of investments in the country and cooperation agreements signed between the countries.

The selected cases are Greece and Portugal. Greece is an interesting case study because of the severity with which their economy was affected by the economic crisis. In late 2009, Greece's debt was 127% of GDP, while it was 105% in 2007. Even after 2010, when the country was bailed out, the government debt kept rising to immense heights (Baldwin & Wyplosz, 2020). A similar development is visible in the unemployment rate of Greece, as depicted in Table 2 (Serapioni & Hespanha, 2019). Despite the slowly declining unemployment rate, it was still 17.6% in 2020 and remains significantly higher than during pre-crisis years (Eurostat, 2022a). Another important aspect is the country's change in behaviour towards the EU during the economic crisis. The severe economic situation made Greeks lose trust in their government, their institutions, and the EU itself. At that time, Greece desperately needed financial assistance from the EU. The population and government blamed their Eurozone partners for the consequences of the austerity measures that were seen as wrong and unfair (Pagoulatos, 2012).

	2008	2009	2010	2011	2012	2013	2014
Greece	7.8	9.6	12.7	17.9	24.5	27.5	26.5
Portugal	8.8	10.7	12.0	12.9	15.8	16.4	14.1
Spain	11.3	17.9	19.9	21.4	24.8	26.1	24.5
Italy	6.7	7.7	8.4	8.4	10.7	12.1	12.7
Eurozone	7.6	9.6	10.2	10.2	11.4	12.0	11.6

Table 2: Unemployment rate (%): Greece, Portugal, Spain, Italy and Eurozone (2008-2014). Serapioni & Hespanha, 2019, p.7.

The second case study is Portugal. This country was also hit hard during the economic crisis and its society had to face the harsh consequences. Although not as high as Greece and Spain's, the unemployment rate has increased significantly since 2008 (Table 2, Serapioni & Hespanha, 2019). The same is true for the sovereign debt as a percentage of the GDP, which increased from 71.7% in 2008 to 130.6% in 2014 (Table 1, Serapioni & Hespanha, 2019). Portugal also forms an interesting case study because of their long-standing relationship with China, which has its roots in Portugal's colonial history in Asia (Le Corre, 2018b). Similarly, the country received considerable Chinese investments during the economic crisis. Between 2010 and 2015, the country received approximately $7.23 billion in Chinese investments, accounting for 8% of the total amount invested in the EU (Casaburi, 2016/17). In 2015, Portugal was the European country that received the most Chinese investments concerning the size of its economy (Casaburi, 2016/17). As such, both countries are a justifiable case to examine whether their economic situation and the negative perception of the EU led the country to seek rapprochement with China.

5. Greece & Portugal

5.1 Economic situation:

The EU's response to the economic crisis contained roughly five components (Flassbeck & Lapavitsas, 2015, p.13):

I. The ECB offered affected banks liquidity support to prevent the banks from collapsing.
II. Emergency loans were made available to the peripheral countries to prevent default and ensure each country could still inject capital into its national banking system.
III. The peripheral countries were required to implement austerity measures to lower their national debt and stabilise their government finances.
IV. Under the guise of 'improving competitiveness,' the EU promoted deregulation and privatisation to lower wages and to free the operations of private capital in the hope that this would spur economic growth.
V. The EU amended its constitution by adding new rules to guarantee the financial discipline of its member states.

5.1.1 Greece

"Invest in Greece? Mamma Mia!" (Maguire, The Times, 2010)

This is just one headline from a news article characterising Greece's situation during the European sovereign debt crisis. The country does not contribute much to the EU's GDP, only 2% (Antonopoulos & Papadimitriou, 2012). Yet, it became the epicentre of the economic crisis almost from the start. Before joining the EMU, Greece had already trouble advancing the desired market reforms. Every effort to restructure the economy was deemed nearly impossible because of issues such as corruption, an outdated and unproductive public sector, and most importantly, the persistent opposition to reforms from advocacy groups (Kalyvas et al., 2013; Karyotis & Gerodimos, 2015). The negative and even painful perception of 'reform' among the Greeks can be attributed to several factors. Sotiropoulos (2013, p.2) presents an extensive list of arguments: "unfulfilled promises by successive governments; grandiose reform plans which have never come to fruition; campaigns by vested interests to preserve their market niches or preferential regimes; drives by the far right, the Greek Orthodox Church, and the communist left to associate reform with neo-liberalism and the perils of globalization; and bad publicity meted out to reformers by newspapers of the opposition, mass media controlled by local tycoons, and unscrupulous journalists."

Nevertheless, despite this opposition, reforms were necessary for Greece to join the EMU. To be eligible to join the EMU, member states were required to have annual budget deficits of approximately 3% or less. Greece implemented strict deficit reduction strategies to reach this percentage, resulting in EMU admission in 2001 (Robbins, 2015). In October 2009, one particular event highlighted the severity of Greece's sovereign debt issue and caused more fear and mistrust on the financial markets. In that month, the newly elected Greek government announced that their government deficit data was incorrect. Greece's deficit ratio appeared to be 12.5% of GDP instead of the 2009 deficit ratio of 3.7%. This ratio increased Greece's government deficit to 115.1% of its GDP (Karyotis & Gerodimos, 2015). Another factor fuelling the crisis was that banks behaved increasingly as investors. Additional countries joining the EMU brought about a decline in interest rates, making short-term borrowing possible for highly indebted countries such as Greece (Robbins, 2015). However, by borrowing money in the short-term and investing it in long-term financial projects, Greek banks became dependent on borrowing. Apart from increasing fragility as a result of borrowing, there was moral hazard because banks were aware of their important position and the necessity to be bailed out by the government in the event of bankruptcy (Baldwin & Wyplosz, 2020).

The unpleasant revelation of their incorrect bookkeeping made financial markets lose trust in the Greek government. Therefore, Greek banks were no longer able to act as an investor and to borrow money. Thus, the government had to turn to the troika – IMF, EC, ECB – for financial assistance (Hartmann, 2017). In May 2010, the troika negotiated Greece's first bailout financial support package, which ultimately amounted to €110 billion for 2010 to 2013. €80 billion came from Eurozone member states in the form of bilateral loans, while the IMF contributed the remaining €30 billion (IMF, 2010). Nonetheless, the troika policies were deemed unsuccessful in stabilising and reducing the government debt. In 2009, Greece's sovereign debt represented 130% of GDP; by 2014, it had risen to 177% (Flassbeck & Lapavitsas, 2015).

Outside of Greece, the country's dire situation was believed to be due to the profligate government and the low productivity of Greek workers. Consequently, the proposed solution was for the government to reduce expenditures and raise taxes. Simultaneously, workers should increase their productivity or their wages would be cut (Antonopoulos & Papadimitriou, 2012). Eventually, between 2010 and 2014, Greek wages decreased by approximately 27%, causing significant social consequences such as mass poverty (Flassbeck & Lapavitsas, 2015). Thus, European neo-liberal leaders concentrated on imposing strict austerity measures, particularly cuts on social benefits, and focused on the economy's privatisation. Instead of focusing on the problems in the private sector and the financial institutions, the EU emphasised the licentiousness of the Greek government and the 'pampering' of its population (Antonopoulos & Papadimitriou, 2012). Eventually, as previously depicted in Tables 1 and 2, Greece suffered high public debt and interest rates for many years, went through an extreme recession, and was forced to implement stringent austerity measures and structural reforms. Besides, the country felt humiliated by its portrayal as the main 'sick man of Europe' for many years and by the emergency money injections required to prevent bankruptcy (Pagoulatos, 2012).

5.1.2 Portugal

Unlike Greece, Portugal could have functioned as a warning sign before the onset of the financial crisis, as it was among the first countries showing symptoms. Since 2000, the economy has been in decline, characterised by negligible economic growth, rising unemployment and government debt. These trends were also visible in Spain and Greece, but their economies continued to grow (Reis, 2013). The 2007 unemployment rate of 8.9% was the highest since 1960, except for 1985. In 2013, youth unemployment rate peaked at 40%, causing a disproportionate amount of suffering among young people (Glatzer, 2018). The country's economic misery also affected migration flows. Between 2011 and 2015, approximately 586.000 Portuguese left the country, the majority being higher educated (Glatzer, 2018).

One explanation for Portugal's disappointing economic situation is the lack of productivity growth. During the 1990s, productivity continued to increase by 3.5% annually due to structural changes to the economy. However, beginning in the 2000s, labour productivity declined significantly, to the point where the country barely experienced any economic growth from 2007 to 2009. Portuguese companies had one of the EU's lowest productivity rates at the time (Baer et al., 2012; Magone, 2014). This low productivity was partly caused by the absence of technological advancements and modernisation in Portuguese companies (Magone, 2014). The government decided to increase expenditures significantly to prevent the Portuguese economy from shrinking further after 2009. Consequently, the government deficit reached new heights in 2009 and 2010 (Baer et al., 2012). Another reason was the dependence of Portugal on foreign money to create domestic economic growth. This caused a significant accumulation of external debt and, just as for Greece, dependence on foreign money. Portuguese banks tried to fill the void between their credit and deposits by purchasing bonds that would then be sold on the international markets (Rato, 2020).

Eventually, in April 2011, the Portuguese government was compelled to follow Greece and accept IMF financial assistance. The IMF and EU provided a €78 billion bailout package for 2011-2014 (Gurnani, 2016). This package focused on decreasing both the high external and public debt, as well as facilitating the transition to sustained debt reduction. This three-year scheme also included the need for privatisation of a significant amount of state-owned assets in sectors such as energy, transportation, communication, and insurance (Casaburi, 2016/17). As such, the bailout package was divided into three parts: balanced fiscal consolidation, structural reforms, and stabilisation of the financial sector (Baer et al., 2012). The program's objective was to diminish the unfavourable social effects of the adjustments made. Nonetheless, the economic-adjustment programme had negative short-term consequences for Portugal. Among other things, the country's recession deepened as unemployment continued to rise and wages to fall. Initially, despite the emphasis on debt reduction, the dept-to-GDP ratio kept increasing. Regarding diminishing unfavourable social effects, spending cuts in education, health care, and social security disproportionately affected those already experiencing hard times, such as unemployed people (Gurnani, 2016).

Thus, Greece and Portugal discovered the design flaws of the Eurozone's financial system and economic integration (Howarth & Quaglia, 2014). These countries often asked themselves, 'Have we done enough?' However, with the introduction of the Euro and its financial system, a significant number of crisis management adjustment mechanisms disappeared. It was challenging for member states such as Portugal and Greece to maintain their financial stability individually, particularly during the crisis (Avgouleas & Arner, 2017).

5.2. Relationship with China

5.2.1 Sino-Greek relationship

According to the Bank of Greece, China made its first investments in Greece in 2003 (Tonchev & Davarinou, 2017). The year 2006 was remarkable because of the elevation of the relationship to a strategic partnership and the visit of Greek premier Costas Karamanlis to China. This meeting discussed preliminary interests in closer cooperation, particularly in ports and the shipping industry. It was only in the crisis' aftermath that China became a key investor in Greece and that Sino-Greek relations intensified noticeably (Tzogopoulos, 2017).

The Chinese port diplomacy arose with the start of the Belt and Road Initiative, an investment and development programme through which China aims to become better connected with the rest of the world by investing in infrastructure and economic integration in other countries along the ancient Silk Route (Minghao, 2016). The Chinese government was especially interested in the Greek Piraeus port. This port in Athens is essential for the Maritime Silk Road and the connectivity of Chinese and European trade. Shipping goods to the Piraeus port reduces the transit time from Shanghai by ten days compared to Northern European ports such as Rotterdam (Tonchev, 2015). It started around 2008 and 2009 when Greece launched an international tender for two of its primary container terminals. The tender was won by the China Ocean Shipping (Group) Company (COSCO) for 35 years. The Greeks hoped that the Chinese goods arriving at the port would first be assembled in Greece, creating additional economic benefits (Kokoromytis & Chryssogelos, 2022). The Chinese investments contributed to the port's substantial growth. Only four years later, in 2013, the port entered the top 10 of Europe's largest container ports (Van der Putten & Meijnders, 2015), while in 2014 the port became the fastest-growing container port globally (Tonchev, 2015). From 2009 to 2014, the throughput of the terminals rose five-fold (Van der Putten & Meijnders, 2015). Between 2013 and 2015, when the Greek economy was still suffering, the number of containers shipped from the Chinese-owned terminals increased. At the same time, the containers shipped from the Greek-owned terminals decreased significantly: from 598.255 in 2014 to 293.353 containers in 2015 (Tzogopoulos, 2017).

The fourth component of the EU’s response to the economic crisis, promoting privatisation, facilitated the Chinese involvement. Following the bailout clause, the Greek government increasingly privatised public property beginning in 2011. This development enabled COSCO to bid for the Piraeus Port Authority in 2016 successfully. The Chinese company was promised 51% of the port's authority as well as the approval to construct a third terminal for €280.5 million (Kokoromytis & Chryssogelos, 2022). The payment of an additional €88 million for a 16% stake brings COSCO's share of the port to 67% (Kokoromytis & Chryssogelos, 2022). The Chinese have been clearly enthusiastic about the rapprochement with Greece through their ports. The Chinese government referred to COSCO's involvement in the Greek port as "the dragon's head" of its investments in Greece (Tzogopoulos, 2017), to the Greek port in general as "a ‘pearl’ in Sino–Greek cooperation", and aims to turn Piraeus into "China’s gateway into Europe" (Van der Putten & Meijnders, 2015, p.9).

Thus, the Piraeus port formed the flagship project of Chinese investors in Greece. However, it was not the only project undertaken as part of increased privatisation. In 2014, another tender was held for the former Hellenikon airport in Athens. The Greek group Lamda Development, supported by the Chinese firm Fosun, submitted a bid of €915 million (Tonchev & Davarinou, 2017). Fosun intends to invest approximately $200 million in the airport project. In addition to transport infrastructure, China invested in other areas such as telecommunication, real estate, and energy (Tonchev & Davarinou, 2017). Greece's Independent Power Transmission Operator, which formerly belonged to Greece's largest state-owned energy provider, was the second-largest recipient of Chinese investments. China State Grid International Development Ltd purchased a 24% stake for €320 million in 2016 (Kokoromytis & Chryssogelos, 2022). Additionally, Chinese firms are becoming increasingly involved in renewable energy projects since 2012. Several firms invested in the installation and construction of hydroelectric power utilities, wind and photovoltaic power plants (Tonchev & Davarinou, 2017). Lastly, Chinese investments increased in the real estate sector. Hundreds of Chinese citizens purchased property in Greece because of the Golden Visa programme – a programme launched in 2013 which provides a five-year residency visa in exchange for investments in Greek real estate (Tonchev & Davarinou, 2017). All these developments demonstrate the mutual interest in closer cooperation.

Left-right cooperation

What impact do these closer economic ties between China and Greece have on the EU-Greek relationship? One thing both Greece and China have in common is that they both are two of the world's most ancient civilizations, which could be a benefit for establishing bilateral dialogues easier. Or as former Greek Minister of Foreign Affairs Nikos Kotzias said in an interview with a Chinese news agency in 2018: “In a certain way, Greece and China are two "sister countries" that grew up in parallel and established the civilization of Europe and Asia, respectively” (Hellenic Republic, 2018). The official diplomatic ties between China and Greece date back to 1972. That year, the Greek military dictatorship announced to officially recognize the PRC and to 'de-recognize' Taiwan as the Chinese government (Kokoromytis & Chryssogelos, 2022). Prior to the economic crisis, Sino-Greek relations were barely developing. The percentage of Greek exports to China was hardly 0.5% of the total Greek exports, whereas only 3.5% of Greek imports originated from China (Tzogopoulos, 2017).

From 2009 to 2014, Greece had pro-EU governments that strived to combine their beliefs with the pursuit of national goals to meet the growing anti-EU public opinion of the Greek population. The population's opposition to the EU grew as a result of the austerity measures and persistent economic misery. Left and right activists gathered and demonstrated against the EU, while calling for a strategic reorientation towards other non-Western powers such as China (Chryssogelos, 2019). The crisis thus created a wedge between the Greek population and the political elites (Raimundo et al., 2021). The fragmentation of the political arena brought about changes in the Greek political system, as more electorally significant parties, both pro-EU and anti-EU, entered the field. However, as shown in Figure 3, the European crisis did not significantly alter the perspectives of mainstream parties as PanHellenic Socialist Movement (PASOK), New Democracy (ND), Greek Communist Party (KKE) on the EU (Vasilopoulou, 2018). Especially left-wing party SYRIZA, and right-wing populist party ANEL attracted the electorate's attention during the crisis. Both parties investigated the effect of EU membership on the Greek best interests, and cherished the view of a Greek strategic reorientation towards other countries (Chryssogelos, 2019).

Figure 3: Party positions on the EU. EU position: overall orientation of party leadership in each survey year (1=strongly opposed; 7 = strongly in favour) Vasilopoulou, 2018, p.319.

The main change in Greek foreign policy started in 2015, when a new government was formed with SYRIZA and ANEL (Raimundo et al., 2021). This new coalition government was not formed based on a common ideology, but rather on their anti-austerity preferences and

Eurosceptic stance, which became increasingly politicised. Despite SYRIZA slightly moderating its anti-EU stance once it realised it could attain power (Figure 3, Vasilopoulous, 2018), the new government viewed EU membership as a privilege for the elite, and only disappointed the Greek population. The main area of contention, the economy, made negotiations between the EU and the anti-austerity government antagonistic (Chryssogelos, 2019). The Greek government increasingly redefined national concerns that had previously been Europeanized. This initiated a process of politization of EU membership, and a de-Europeanization of several areas of the Greek foreign policy (Raimundo et al., 2021). Simultaneously, the SYRIZA-ANEL coalition altered its stance on foreign investments. These investments were deemed essential for the economy's recovery, and as such the government increased its positive messaging to foreign investors. Costas Douzinas, a member of SYRIZA and former chair of the Greek parliament's Committee on Defence and Foreign Affairs, eloquently encapsulated the tense atmosphere at the time by stating, ‘while the Europeans are acting towards Greece like medieval leeches, the Chinese keep bringing money’ (Raimundo et al., 2021, p.541). In July 2016, a meeting between Greek Prime Minister Alexis Tsipras and Xi Jinping demonstrated to international creditors that Greece was not dependent on the EU and benefitted from financial support of China (Tonchev & Davarinou, 2017).

The aversion against the EU led the Greek government to repeatedly withdraw from the objectives of the EU's Common Foreign and Security Policy and by prioritising different nations, in this case China. Firstly, in July 2016, Greece, together with Croatia and Hungary, tried to bypass the EU's foreign policy by opposing the common EU statement on the South China Sea dispute (Raimundo et al., 2021). The statement was initiated after China lost a court case on their claim on 85% of the sea, which was argued to violate Manila's sovereignty. Eventually, the countries accepted an adjusted joint statement refrained from directly mentioning China (Emmott, 2016). Secondly, Greece exhibited its milder stance towards China in 2017 by blocking an EU resolution at the UN Council that condemned the state of human rights in China (Ishmael, 2019). This was the first time an EU statement at the UN's top rights body was not backed by all member states. A Greek foreign ministry’ official argued that continuing the dialogue on human rights via separate talks outside the UN would be more efficient and that this statement just provided "unconstructive criticism of China". This type of criticism is seen as counterproductive and would not contribute to an improvement of the EU-China relations (Emmott & Koutantou, 2017). These actions show how Greece formed the moderating actor between the EU and China.

Greece recently also expressed their shift away from the EU and more closely oriented towards China by proactively signing more cooperation deals. Firstly, in 2018, the signing of a Memorandum of Understanding between Greece and China during Foreign Minister Kotzias's official visit to China (Raimundo et al., 2021). Greece was the first developed Western country to endorse this deal. The signature represents the strong bilateral cooperation between the two nations and is intended to strengthen the BRI. During this visit, foreign minister Wang Yi argued that the Sino-Greek relationship is characterized by mutual trust and already made significant progress in various sectors (Jingxi, 2018). Moreover, in April 2019, Greece joined the in 2012 initiated cooperation format between China and CEE countries (Raimundo et al., 2021). This Beijing-led framework was initially called "16+1" because it was launched by 16 countries plus China to foster dialogue and cooperation among them. With Greece's accession, the framework changed to "17+1".[1] With eleven of these sixteen countries being EU members, the EU has expressed its concerns that China could use the platform to create division and weaken the ties with EU institutions (Stanzel et al., 2016). These developments occurred when the attitude of the EU and member states towards Chinese investments began to change and suspicion grew (Kokoromytis & Chryssogelos, 2022). However, by signing these recent agreements, Greece demonstrates its commitment to maintaining close cooperation with China.

5.2.2 Sino – Portuguese relationship

As previously outlined, the agreements made with the Troika exacerbated Portugal's financial trouble. As a result of having to implement stringent austerity measures while being cut off from international financial markets, the need for foreign investments appeared crucial. Therefore, the pre-crisis Portuguese ‘protectionist economic attitude’ towards China diminished little by little (Ferreira-Pereira & Duarte, 2022), and created favourable terms for Chinese investors during the 2011-2014 bailout period. More openness to Chinese investors was also facilitated by the Troika's privatisation strategy, just as it was in Greece (Raimundo et al., 2021). During the economic crisis, Portugal and China primarily communicated through bilateral channels emphasising their domestic objectives.

The privatisation of Portuguese assets allowed Chinese firms, which are typically state-owned, access to Portugal's strategic sectors, including transport, energy, and finance. In 2012, two major investments of Chinese state-owned companies were made: a €290 million purchase of

[1] Nowadays the platform is called “16+1” again since Lithuania left in 2021 (Lau, 2021).

a 25% stake of the Portuguese National Electricity Network, and a €2.7 billion purchase of 21.35% of Energias de Portugal, the largest producer and supplier of electricity (Ferreira-Pereira & Duarte, 2022). The company's shares in Energias de Portugal increased to 23.3% in 2017, while it continues to receive subsidies from the Portuguese government. In the same year, the Portuguese government loosened restrictions on Chinese firms participating in the bidding process for a potential takeover, while, one year later, they would block a Chinese attempt to acquire a majority share of the company (Le Corre, 2018b). In subsequent years, Chinese investments continued to flow into the country, making it one of the largest receivers per capita and in 2014, even the largest EU receiver (Ferreira-Pereira & Duarte, 2022; Raimundo et al., 2021). The year 2014 partly made Portugal such a large recipient due to the major investment of a Chinese firm in Caixa Geral, the largest bank in terms of deposits. The Chinese investors paid €1.04 billion for the take-over of the bank, which also owns Portugal's largest insurance firm, Fidelidade (Casaburi, 2016/17).

The Golden Visa programme, introduced in Portugal in late 2012, also facilitated the influx of primarily Chinese nationals into the country. They each invested at least €500.000 in exchange for a permanent residency and eventually, a Portuguese passport. In 2018, approximately 3.588 Chinese citizens, 60% of the total number of golden visas, used this scheme (Le Corre, 2018b). Some feared that this programme could jeopardise national sovereignty on the grounds that it would be nothing more than a fast-track to purchasing Portuguese residency (Ferreira-Pereira & Duarte, 2022).

Commercialisation of foreign policy

Portugal's foreign policy also de-Europeanized, albeit to a lesser extent and with less prominence than in Greece. Portugal did not explicitly show repudiation against the EU norms, nor block EU statements on human rights in China (Raimundo et al., 2021). In fact, For decades, China has not been considered a high priority for Portugal's foreign policy. Yet, Portugal showed a longer-term vision to decrease its dependence on the EU and to diversify its economic partners. Whereas the main drivers of this process in Greece were domestic politics and political instability, Portugal's domestic factors are more closely related with external factors such as EU-level developments (Raimundo et al., 2021). The EU-imposed budget cuts and subsequent economic poverty, initiated a greater debate at the elite level on their foreign policy objectives. The once dominant pro-EU perspective in the formulation of Portuguese foreign policy started to decline and became increasingly contested. During this time, Portugal was barely involved in EU foreign policy and followed a more independent path to achieve its domestic targets. Portuguese participation in EU (as well as NATO) missions fell to all-time lows, as the newly elected centre-right government in 2015 attached more importance to cooperation with non-European partners. Moreover, the government prioritised economic diplomacy in its foreign policy, thereby letting go of the ‘protectionist economic attitude’ towards China and shifting Portugal's focus from Europe to China (Raimundo et al., 2021; Ferreira-Pereira & Duarte, 2022).

From 2016 onwards, scepticism regarding Chinese investments started to rise in the whole EU. Yet, in contrast to the increasing negative Portuguese sentiments of the EU as a result of the crisis, the Portuguese national stance towards China during the crisis remained positive (Raimundo et al, 2021). As Le Corre (2018a) asks “Why is it that other countries fear such Chinese initiatives more than Portuguese public opinion or the political elites themselves?” The US repeatedly expressed its concerns regarding the rapprochement with China in vital Portuguese sectors. George Glass, former US Ambassador to Portugal, warned the country in 2019 that "this Xi is not the China with whom the Portuguese have been trading for 500 years" (Ferreira-Pereira & Duarte, 2022, p.227). One argument given for enduring support refers to the 2015 election of the new socialist government led by António Costa. This government started at the end of the Troika’s bailout program and was committed to ending all remaining austerity measures by attracting more foreign investments and stimulating economic growth in response to the population’s growing discontent of the EU (Ferreira-Pereira & Duarte, 2022). Costa's government reinforced this strategy by strengthening their connections with China and repeatedly pictured their partnership as a success. Portugal welcomed closer cooperation and the substantial influx of Chinese investments, restoring the country's growth rate to a healthy level (Le Corre, 2018a). However, in reality, this strategy was facilitated by the lack of a widespread public debate in Portugal about the rapprochement with China and the actual benefits for Portugal (Ferreira-Pereira & Duarte, 2022).

One of the few cases in which Portugal openly opposed to EU foreign policy was the EU's proposal to develop a new screening mechanism for foreign investments. During the 2017 European Council meeting, Costa's government vigorously opposed this proposal. The screening mechanism, which would target particularly Chinese investors, constituted the main pressure point for Portugal as they were first obliged by the EU to privatise strategic sectors and desperately in need of foreign investments. It demonstrates Portugal's more moderate stance, as this contestation intended to expose the lack of European solidarity and was founded on the principle of non-discrimination, rather than a direct defence of China (Raimundo et al., 2021). This way, Portugal's foreign policy increasingly 'commercialised' in order to continue attracting capital, economic growth, and technological innovation. It tried to combine 'listening' to EU member states' concerns about Chinese investments with continuing their closer cooperation with China, arguing that protectionism is looming and that Europeans borders should remain open for foreign innovation opportunities (Ferreira-Pereira & Duarte, 2022).

One key factor playing a role in the changing attitude towards the EU and China in both cases, is the lack of mutual solidarity. The feeling that fellow member states did not show solidarity during major challenges, such as the economic crisis, created a spill over effect on foreign policy of both countries. The perception arose that member states cannot enforce solidarity when they lack it in another area (Müller et al., 2021). As the EU is comprised of 27 member states with diverse cultures, histories, and foreign policy beliefs, a common strategic culture within the EU is still lacking. This problem of a "logic of diversity" the EU is facing, continues to be a concern for future foreign policy cooperation. As an external actor, China, is reinforcing the logic of diversity by attempting to influence the EU's foreign policy. Thus, it is anticipated that the differences between member states will continue to generate contrasting national answers (Müller et al., 2021).

5.3 Comparison

The primary distinction between the two cases is that domestic political instability and politicisation played a significant role in the Greek anti-EU developments, while in Portugal it had different causes. Greece stands out when it comes to politicisation due to the electorate’s response against the established "elites" and the realignment of party competition regarding their relationship with the EU. Prior to the crisis, European left and right parties attempted to find common ground on the issue of European integration (Chryssogelos, 2019). Greece in this case, during the 2000s, had a stable pro-EU two-party government that effectively combined the center-left and center-right principles on the EU. Since the crisis, however, European integration has become more scrutinised and politicised by the population. According to Chryssogelos (2017), these governance crises, such as the economic crisis in Greece, can be viewed as a phase of state transformation that reflects the transition from a nation into an EU member state. It could be placed in a broader context of the EU's 'state of disequilibrium', which explains the disenchantment with integration due to the loss of control for national politicians and the inability to hold EU representatives accountable (Chryssogelos, 2019). The economic crisis induced the political parties to problematise the connection between the national government and the EU. In Greece, the problematisation by political parties was mainly focused on the differences between national and EU objectives (Chryssogelos, 2019). However, as has been observed more frequently in history, parties are inclined to take a strong Eurosceptic stance at the beginning of crises, but, as SYRIZA did, adopt a more moderate stance once they have a greater chance of coming into power. It indicates that political party positions on the EU are not fixed and subject to change within the party system (Vasilopoulou, 2018).

As the lack of mutual solidarity spilled over to the foreign policy area, a new discussion emerged in the Greek discourse on foreign policy. The discussion arose from the left and expressed the Greek view that the Troika, and especially the EU and Germany, handled the economic crisis incompetently and failed to provide the country with economic security. At the time, the economic crisis deteriorated the inferiority complexes of the Greek public opinion, and prejudices about 'Europeanisation.' Some associated this concept with the concept of 'foreign power protection' and, consequently, opposed it (Tsardanidis, 2015; Raimundo et al., 2021). Also, already before the economic crisis the Greek foreign policy has been accused of lacking institutional substance, which can be explained by one factor that plays a significant role in the foreign policy decision-making: the public opinion (Tziampiris, 2013). Consequently, as the Greek public opinion of China increasingly became more favourable the greater China's presence in Greece, the more this impacted Greek politics (Le Corre, 2018b). Thus, in Greece, political instability and antipathy towards the EU have led to a greater inclination towards China.

Despite a pressured political system and increased politicisation of European issues, political instability was not the main cause for Portugal's rapprochement with China. The increased cooperation between Portugal and China, in the form of a substantial influx of Chinese investments, did not cause Portugal to openly oppose the EU's foreign policy (Raimundo et al., 2021). In fact, Portugal agrees openly with the EU's values on human rights, freedom, democracy, equality and the rule of law. The Portuguese approach to China differs from that of Greece and is more focused on the long term, primarily because political values play a minor role in their relationship and Portugal avoids the risk of direct confrontation with China. Already in 2012 during a visit to China by Portuguese foreign minister Paulo Portas, he emphasised the country's desire to develop a 'unified and non-aggressive special relationship' with China (Raimundo et al., 2021). Therefore, there are few written or spoken critiques or opinions pertaining to political values and China. Even more remarkable is that the negative opinions that exist barely affect the public's view of China (Rodrigues, 2018).

Portugal's little attention to political and humanitarian values in its dealings with China, can be mainly explained from a constitutional perspective. Two of the most important constitutional principles are “non-interference in the internal affairs of other states” and “cooperation with all other peoples with a view to the emancipation and progress of mankind” (Rodrigues, 2018, p.73). This makes Portugal hesitant to put bilateral relations with economically important nations as China at stake by meddling in their domestic affairs. This was evident, for instance, during the country's participation in the UN Human Rights Council of 2015–2017, when it was very proactive in criticising racism and xenophobia, but always abstained from explicitly mentioning China (Rodrigues, 2018).

Besides constitutional principles, history and economic interests also contribute to why the different perception of political values remain in the shadow (Rodrigues, 2018). Historically, profound colonial links dating back from the 16th century shaped the strong bilateral relations between the two countries. Especially the ties with Macau, a former tiny Portuguese colony, and the successful negotiation prior to its handover back to China in 1999 ensured that Portugal and China maintained these strong ties (Raimundo et al., 2021). Similarly, cooperation with China has traditionally always been portrayed as successful and beneficial for Portugal. As a result, the Portuguese population and government always agreed on how to engage with China, as both have a favourable view of China and view the collaboration as a win-win situation: Portugal used this financial assistance to mitigate the consequences of the economic crisis as Chinese companies benefited from the privatisation wave beginning in 2011 (Rodrigues, 2018; Raimundo et al., 2021). Thus, while the economic crisis increased the negative perception of the EU within Portugal, this did not make Portugal openly oppose the EU in favour of China. The country rather took a more individualistic and circumventing approach to China and EU foreign policy issues.

From these results, several implications should be clarified. A first implication stems from the change in the EU’s overall stance towards China since 2016. European governments increasingly began to question China’s rationale behind its investments in vital sectors (Kokoromytis & Chryssogelos, 2022). Therefore, the EU emphasized the importance of a level playing field regarding investments and China's neglectance of socio-economic and financial sustainability. Moreover, China was referred to for the first time as a systemic rival (Cameron, 2019). Consequently, the EU developed a new foreign investment screening mechanism "To respond to today's economic challenges, safeguard key European assets and protect collective security" (European Commission, 2020). Particularly Greece had to establish an equilibrium between its EU membership and its alliance with China. Secondly, to better understand the implications of the results, but to also place them into another context, future studies could address the effects of the covid-19 crisis and the Chinese ‘mask-diplomacy’ on its relationship with EU member states. As this crisis also caused an economic crisis in most countries and affected the intra-EU relations, future research could further scrutinize the economic and political effects of this recent crisis on EU countries and their relationship with the EU and China. Did EU member states also seek closer cooperation with China during this crisis?

Conclusion

This research aimed to elucidate the development of the relationship between the EU and two of its member states during the sovereign debt crisis, as well as their stance towards China. On the basis of a qualitative comparative analysis of two cases, Portugal and Greece, it can be concluded that the severe economic conditions in these countries are crucial factors to consider when examining the intra-EU relations. By analysing the changing attitudes of Greece and Portugal towards the EU after the economic crisis, this thesis has shown how a major crisis can shape and affect the intra-EU relations and political decision-making. The results indicate that Greece and Portugal, while in economic distress, were more likely to open up their economy to China. This was the result of a combination of Greece's and Portugal's readiness to seek alternate sources of financial aid in the absence of solidarity from other EU member states, as well as the EU's privatisation strategy in both countries. This privatisation policy resulted in an influx of Chinese investments into crucial sectors of the Portuguese and Greek economies, ultimately assisting the member states' economic recovery. Portugal even became the EU's largest recipient of Chinese investments in relation to the size of their economy. It provided them with economic stability, something, in their view, the EU failed to provide. At the same time, China generously stretched out its hand to Greece and Portugal.

This lack of solidarity and ongoing economic hardship changed the attitude of many European governments, but especially Greece's government. As being most severely affected economically by the crisis, the country was longing for large injections of capital into its economy. The strict and rigid stance of the EU towards Greece resulted in a shift in the attitude of domestic political parties and electorate. Anti-EU parties began to grow and ultimately came to power in the wake of the crisis, starting a process of de-Europeanisation and diversification of economic partners. Thus, the large inflows of Chinese investments were a welcoming way out, creating more willingness among political parties to strengthen their cooperation in other areas. The Chinese firms targeted particularly the transport and energy sector in Greece, making the Greek Piraeus port the flagship project. In the years following the crisis, Greece also signed a number of cooperation agreements with China. Their partnership has been described as strong by numerous Greek and Chinese officials, while Greece demonstrated that it does not have to be dependent on a single institution. The anti-EU government expressed their feeling of resentment by attempting to block EU statements criticising China and disagreements with the EU's common foreign policy. Thus, Greece' negative perception of the EU after the economic crisis made them lean towards China.

Similar to Greece, Portugal encountered a lack of solidarity and a rigid EU when it came to receiving the financial assistance it needed. As the recession in the country deteriorated due to rising unemployment and falling incomes, the negative attitudes towards the EU kept growing. At the same time, Portugal did sought closer cooperation with China, albeit primarily through investments and to a lesser extent through cooperative agreements. The country prioritised its economic foreign policy and their bilateral relationship with China. Yet, Portugal's stance towards the EU has been somewhat distinct from Greece's. Although Portugal's economy was also severely affected and that negative opinions against the EU were developing, the Portuguese were less outspoken than the Greeks in expressing their dissatisfaction with the EU, and explicit support for China. The distinction lies in the longer-term relationship that both countries have established due to its historical links, the positive perception of China among Portuguese, but most notably due to the general lack of importance attached to political values in Portuguese foreign policy. Although Portugal aligns with the EU’s values, it has maintained a zero-risk policy towards China and human rights issues. This "non-interference in the internal affairs of other countries" is one of Portugal's most important constitutional principles and is therefore not exclusively linked to China.

Thus, both countries resisted increasingly to the EU, which deepened their interest in diversifying trade partners, particularly with China. However, both nations' behaviour towards the EU were different. In contrast to Greece, whose foreign policy openly de-Europeanised, Portugal focused more on circumventing problematic situations with both entities. For the foreseeable future, the EU should concentrate on resolving its problem with the "logic of diversity," as it can continue to arise in the event of new crises.

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