

ALERT MEMORANDUM

EU FDI: State of the Union (2025)

October 23, 2025

I. Introduction

On October 14, 2025, the European Commission (“**Commission**”) published its fifth annual report on the screening of foreign direct investments (“**FDI**”) into the Union (the “**Report**”).¹ Notable findings:

- **FDI inflow.** The majority of M&A-driven FDI continued to originate from investors in the U.S. and the UK, landed primarily in Western Europe and targeted 6 sectors – Manufacturing, Information Communication and Technology (“**ICT**”), Professional, Scientific and Technical activities (“**PST**”), Finance, Retail, and Accommodation.
- **Active FDI regimes.** 25 out of 27 EU Member States have an active FDI regime, with Croatia and Cyprus expected to join shortly.
- **EU cooperation mechanism.** The number of FDI filings reviewed within the mechanism was flat – 477 in 2024 compared to 488 in 2023. These filings were shared by 21 EU Member States, though ~85% originated from only 7 countries – Austria, France, Germany, Italy, Lithuania, the Netherlands, and Spain.
- **Enforcement trends.** As in 2023, only 8% of the cases went to Phase II; EC issued an opinion in <2%, and Member States submitted comments in 3% of the matters. Manufacturing (50%) and ICT (19%) were the main sectors subject to a Phase II review.
- **Outcomes.** The overall outcome trends were almost identical in the past 3 years – 85-86% were cleared unconditionally, 9-10% required remedies, and 5% were prohibited or abandoned.

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¹ Report from the Commission to the European Parliament and the Council: Fifth Annual Report on the screening of foreign direct investments into the Union, SWD (2025) 296 final of October 14, 2025. For previous editions, see our [Alert Memo](#) on EU FDI: State of the Union, on the Report from the Commission to the European Parliament and the Council: Fourth Annual Report on the screening of foreign direct investments into the Union, SWD (2024) 234 final of October 17, 2024, our [Alert Memo](#) on the EU FDI: State of The Union, on the Report from the Commission to the European Parliament and the Council: Third Annual Report on the screening of foreign direct investments into the Union, SWD (2023) 329 final of October 19, 2023, and our [Alert Memo](#) on the First Review Of The EU FDI Screening Regulation, the Report from the Commission to the European Parliament and the Council: First Annual Report on the screening of foreign direct investments into the Union, SWD (2021) 334 final of November 23, 2021.



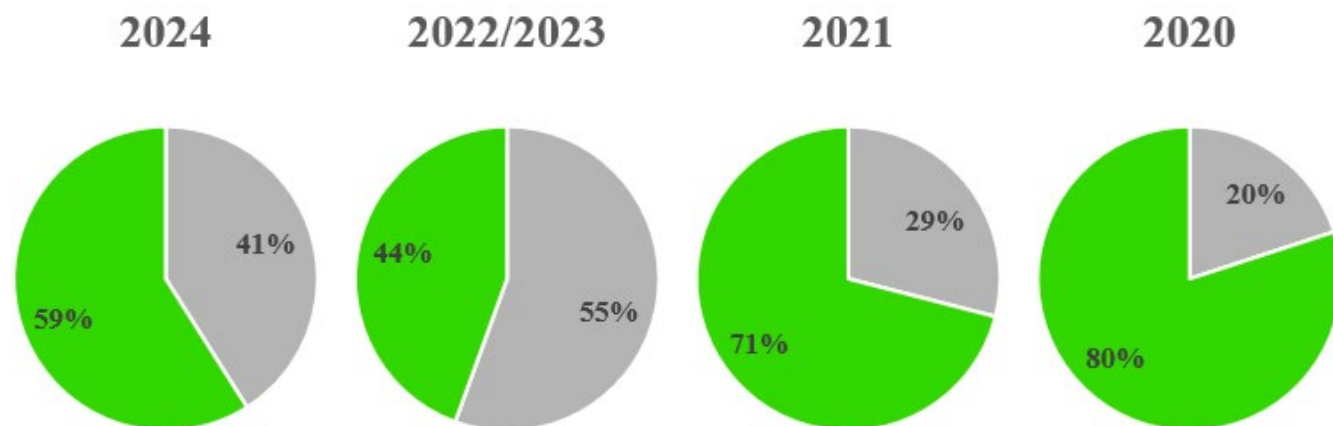
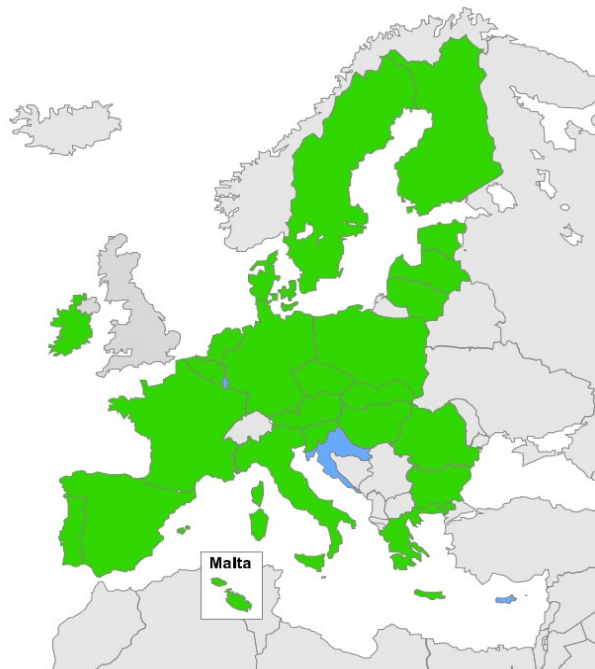
II. EU FDI Expansion – 2 EU Member States To Go

25 EU Member States currently have an active FDI regime – most recent joiners were Bulgaria, Ireland and Greece. The two remaining Member States, Croatia and Cyprus, are expected to join the FDI block shortly.²

Under the current EU FDI regime, Member States are only encouraged to screen FDI investments. In contrast, under the proposed new EU FDI Regulation, all EU Member States will be obliged to adopt and maintain active FDI regimes.³

III. EU FDI Enforcement Trends

Filings. Member States received 3,136 filings (including *ex officio* matters) in 2024, a significant increase from 1,808 in 2023 and 1,444 in 2022, in part due to the entry into force of new FDI regimes in several Member States. 41% of these filings were screened and decided, a noticeable decrease compared to the 55-56% decision rate in 2022 and 2023. This is likely to do with the substantial increase of filings in 2024 many of which were likely overcautious filings that did not need to be made.



The number of filings undergoing screening within the EU FDI screening cooperation mechanism⁴ was essentially flat – 477 in 2024 compared to 488 in 2023. The number of Member States notifying transactions grew from 13 in

² For more granular information on each Member State, please see Commission Staff Working Document: Screening of FDI into the Union and its Member States, COM (2025) 632 final.

³ See The Report, p. 24 and also our [Alert Memo](#) on the proposed new EU FDI Screening Regulation.

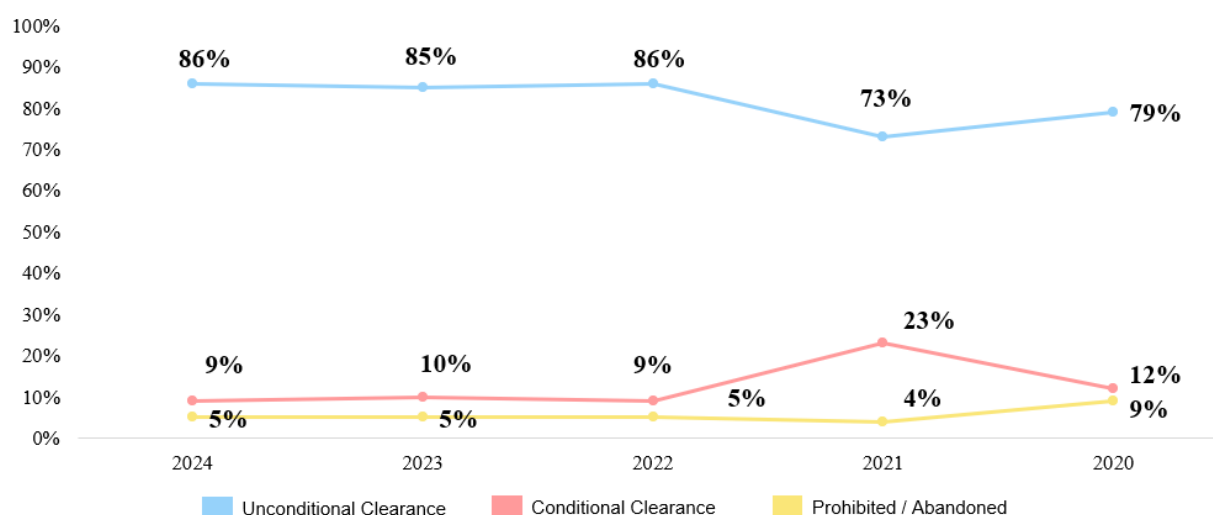
⁴ Unlike well-established FDI regimes in the United States, Canada, and Australia, the EU does not have the power to review and authorize foreign investments nor, more generally, act as an overarching regulator. Instead, the Commission facilitates the cooperation among Member States screening foreign investments under their national FDI screening regimes, and provides views and opinions for the Member States consideration where relevant. In practice, Member States must notify the Commission and all other Member States of FDI undergoing screening. The Commission or other Member States can intervene if they wish by providing an opinion within a statutory period of 35 calendar days (this normally suspends the course of the national screening). If a third of Member States consider a particular FDI to likely affect security or public order in a Member State or in the EU, the Commission must provide its opinion. While such opinion is not binding, this process creates pressure on the host Member State, which should take due account of the Commission opinion.

2021 to 21 in 2024. However, 84% of the 2024 filings were submitted by only 7 countries: Austria, France, Germany, Italy, Lithuania, the Netherlands, Romania, and Spain.

EC/Member State involvement. The Commission and other Member States were involved in a limited number of cases: only 8% of the notified cases went to Phase II (same as in 2023 but down from 13% in 2022); in <2% of the notified cases the Commission issued an opinion; and in 3% of the cases another Member State submitted comments (down from 6% in 2023).

Outcomes. The overall outcome trends were almost identical in the past 3 years – 85-86% cases were cleared unconditionally, 9-10% required remedies (mostly behavioral), and 5% were prohibited or abandoned. This is in line with the Commission’s bottom line finding that “*these numbers show a stable trend, which confirms that the EU has remained open to foreign investment and that Member States only block those FDIIs that pose very serious threats to security or public order*”.⁵

At the Member State level, a notable exception is France where 54% of the clearance decisions required remedies in 2024, up from 44% in 2023.⁶

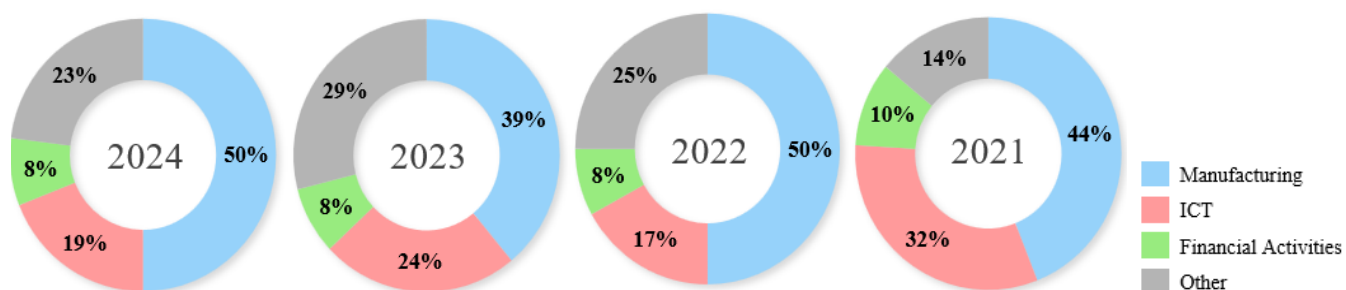


The main sector for Phase II FDI reviews was Manufacturing (50% in 2024, up from 39% in 2023), followed by ICT (19% in 2024, up from 24% in 2023), and Financial activities (8% in 2024 and 2023). Within ICT, focus remained on Defence (37%), Semiconductors (21%), and Aerospace (16%).

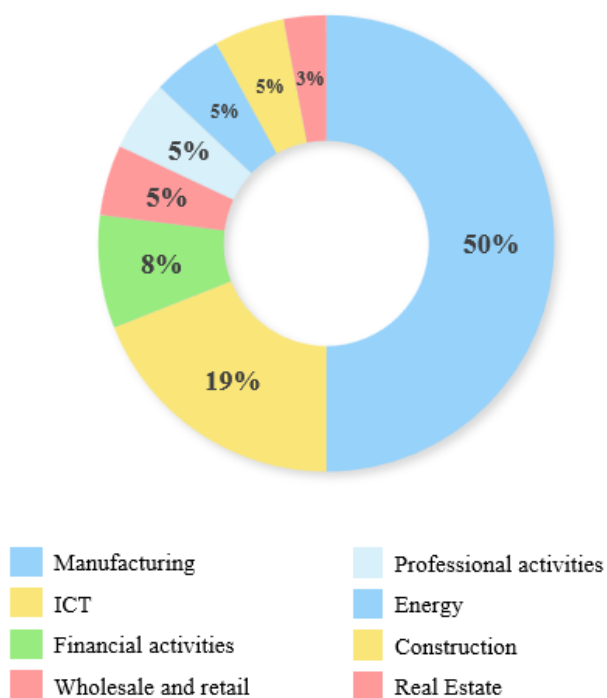
⁵ The Report, p. 14. The same message was included in the 2024 and 2023 reports.

⁶ Out of 182 transactions eligible for review in France, 99 were cleared with remedies. See Contrôle des Investissements Etrangers en France, Rapport annuel 2025, <https://www.tresor.economie.gouv.fr/Articles/1d11dddb-38a8-4452-94ca-eaf5fe74bc89/files/cdd21b0a-fab8-4537-bf81-cf47aabfe1e7>.

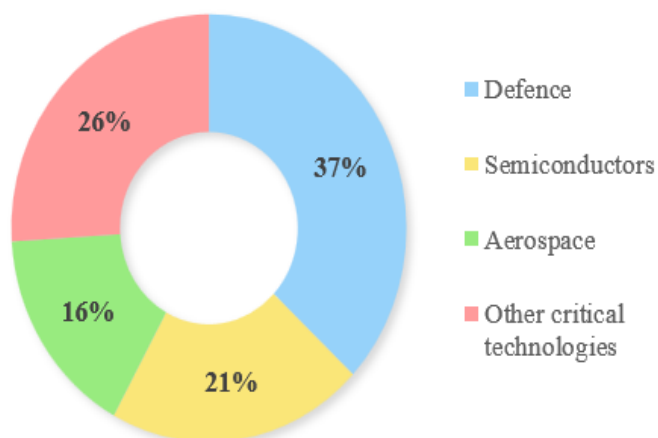
Phase 2 Main Targeted Sectors



Phase 2 Main Targeted Sectors (2024)



Types of critical technologies in Phase 2 cases

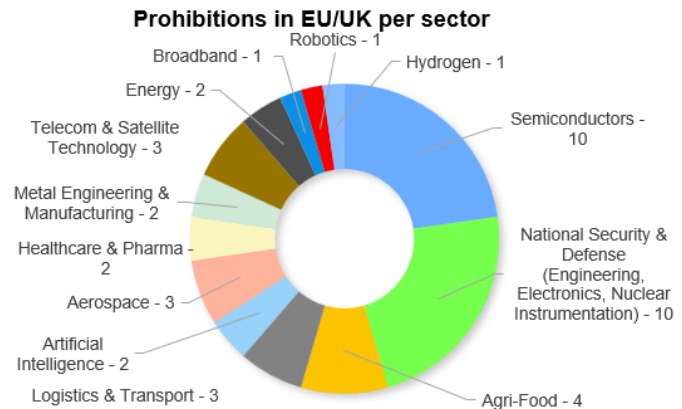
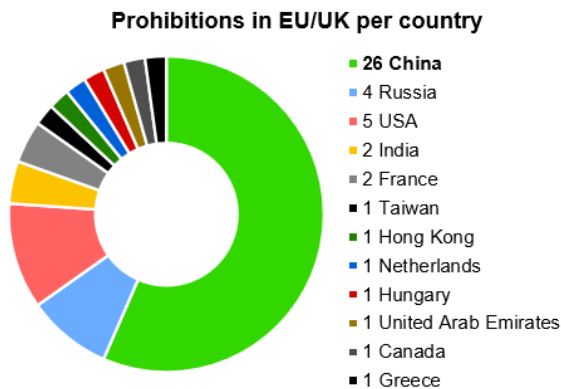


Prohibitions. Considering publicly known prohibitions in the EU/UK in the last decade, 30 out of 45 prohibitions related to investors from China and Russia. There were 6 new prohibitions since last year, 4 of which related to China.

Intra-EU prohibitions remain rare – only 5 deals in the last 10 years. This includes a recent prohibition by Hungarian authorities of an attempted acquisition of a local dairy producer by an investor from Greece.⁷ This is remarkable

⁷ On September 16, 2025, the Hungarian Government prohibited the proposed acquisition of a Hungarian dairy producer Alföldi Tej by Olympos, a Greek-owned dairy company, based on concerns related to food supply security, including market disruption, price distortion in domestic milk production, threats to the dairy supply chain, and potential harm to national interests. Alföldi Tej accounts for nearly 20% of Hungary's raw milk procurement.

given that the recent Court of Justice’s judgment in *Xella*⁸ (likewise related to a Hungarian prohibition) established that Member States may intervene on account of public policy and public security “*only if there is a genuine and sufficiently serious threat to a fundamental interest of society.*” This is a very high threshold that raises questions whether such threat was at play in an intra-EU dairy-related deal.



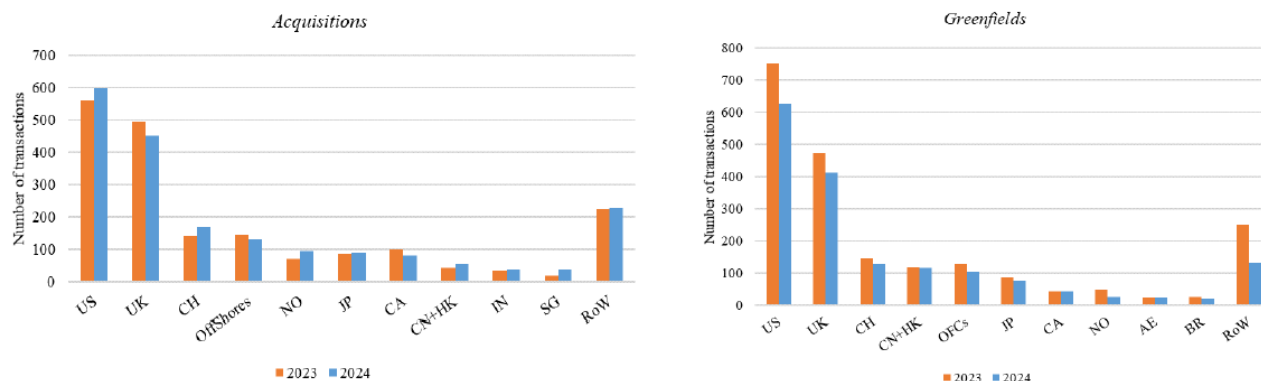
Recent Prohibitions/Deal Abandonments Concerning Non-EU Investors	
Chinese investor (Belgium, 2024/2025)	In 2024/2025, there was reportedly a withdrawal of a transaction in a sensitive sector involving a Chinese investor. Further details are not publicly available.
EMPOSAT Co., Ltd. (Czech Rep., 2025)	On March 19, 2025, the Czech Government prohibited a Chinese satellite company EMPOSAT from establishing and operating a ground station near the city of Brno.
Tekne S.p.A – Nubur Inc. (Italy, 2025)	On August 4, 2025, the Italian Government reportedly prohibited an acquisition of Tekne S.p.A., an Italian defense company active in the design, production and fitting of military vehicles, by Nubur Inc., a US defense company specialized in blue lasers. Tekne issued a press release clarifying that the acquisition was not subject to an outright veto, but rather the Italian Government authorized a phased acquisition plan, starting with a minority investment, and setting certain milestones for a possible acquisition of control over Tekne down the road.
Manta Aircraft – Shenyang Aviation Industry (Italy, 2024)	On October 29, 2024, the Italian Government prohibited a cooperation agreement between Manta Aircraft S.r.l., an Italian aircraft design and technology development company, and China’s Shenyang Aviation Industry Group, that would result in the creation of 50/50 JV in China for the development of two prototypes of passenger aircraft.
Nexperia (The Netherlands, 2025)	On September 30, 2025, the Dutch Government assumed control of a Chinese-owned chipmaker Nexperia due to governance concerns and tech security risks. Dutch courts suspended Nexperia’s Chinese CEO and appointed a non-Chinese director, placing most shares under custodial control.
Investor unknown (The Netherlands, 2024)	In 2024, there was reportedly one prohibition of a transaction in the Netherlands. Further details are not publicly available.

IV. EU FDI Overview

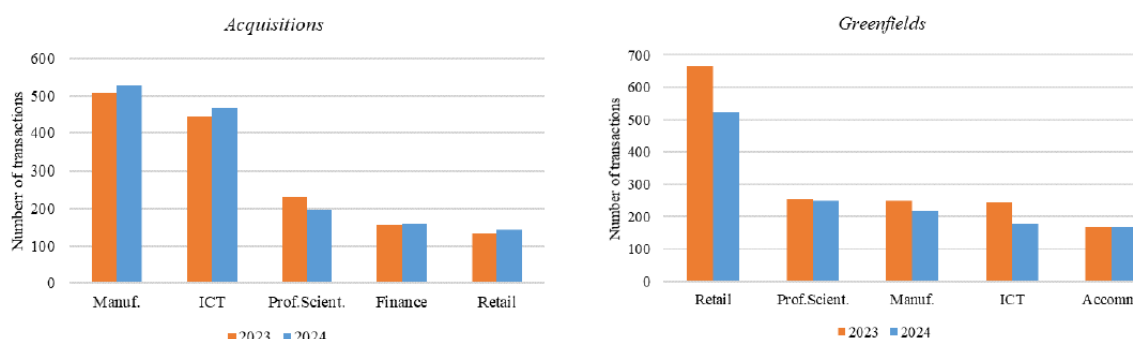
Total FDI flows decreased over the last 2 years (-23% from 2022 to 2023 and -8.4% from 2023 to 2024). This downward year-on-year trend in 2023 and partially in 2024 may stem from uncertainties in the EU economy and investors’ risk perceptions. EU FDI was attracted primarily from the U.S., accounting for 30% of M&A and 37% of greenfield investments, and the UK, accounting for 23% of M&A and 24% of greenfield investments. Germany

⁸ Case C-106/22 *Xella Magyarország*, judgment of July 13, 2023, ECLI:EU:C:2023:568.

(21%) and France (13%) were the main destinations for foreign M&A deals in 2024, followed by Spain, Italy, the Netherlands, and Ireland. The top two recipients of foreign greenfield investments in 2024 were Spain (24%) and Germany (12%).



As in 2023, FDI M&A focused on Manufacturing, followed by ICT, PST,⁹ Finance, and Retail. Greenfield investments were primarily made in Retail, followed by PST, Manufacturing, ICT, and Accommodation¹⁰.



V. Outbound Investment Review Status

On January 15, 2025, the Commission adopted a recommendation addressed to all EU Member States urging them to review EU outbound investments with the aim to strengthen economic security, guide future policy choices, and leverage the EU's open investment climate.

The Recommendation applies to 3 key technologies with a high level of potential risk: semiconductors, artificial intelligence, and quantum technologies. Member States are encouraged to assess risks to economic security that may arise from EU outbound investment transactions.

This includes (i) reviewing both past and ongoing outbound investments in the 3 key sectors, (ii) collecting information and assessing, together with the Commission, risks and security concerns, and possible policy

⁹ Professional activities include activities by law and accounting firms, as well as consultancy and engineering activities. For example, this encompasses activities of head offices, market research and public opinion polling, consultancy, and research & experimental development on biotechnology. Scientific and technical activities include, among other things, R&D facilities.

¹⁰ Accommodation corresponds to NACE Rev. 2 Section I ('Accommodation and food service activities').

responses, and (iii) consulting with relevant stakeholders to understand the investment environment and potential security risks.

Unlike the U.S. outbound investment regime,¹¹ which took effect earlier in 2025, the Recommendation does not target specific third countries, although Member States are encouraged to focus their efforts on individual countries presenting higher risk profiles.

The Recommendation is the latest step taken by the Commission towards the review of outbound investments, as part of its EU economic security strategy published in 2023 and as outlined in greater detail in its subsequent white paper of January 2024.¹²

Member States are asked to provide a comprehensive report on the implementation of the Recommendation and any risks identified by June 30, 2026.¹³

VI. Conclusion

FDI developments continue to unfold against a backdrop of increasing geopolitical fragmentation, including the growing US-China rivalry, EU concerns over strategic dependencies, ongoing sanctions related to Russia's war in Ukraine, and rising protectionist sentiment globally.

But the FDI enforcement data tell a more measured story. The vast majority of filings (92%) continue to be cleared unconditionally in Phase I. Only ~9% require remedies, typically behavioral, and only around 5% are prohibited or abandoned — predominantly involving Chinese investors or entities with strong links to China. The Commission remains directly involved in only a limited number of cases.

Accordingly, while the political rhetoric around FDI grows louder, the EU's enforcement practice has remained cautious, targeted, and largely consistent.

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¹¹ See our [Alert Memo](#) of November 4, 2024.

¹² See our [Alert Memo](#) of February 1, 2024.

¹³ For more information on the Recommendation, see our Cleary Foreign Investment and International Trade Watch [Alert Memo](#) on The EU Commission Urges Member States to Review Outbound Investments of January 22, 2025.