

ALERT MEMORANDUM

EU FDI: State Of The Union (2026)

October 22, 2026

I. Introduction

On October 14, 2026, the European Commission (Commission) published its sixth annual report on the screening of foreign direct investments (FDI) into the Union (the Report).¹ Notable findings:

- **New FDI Regulation.** The adoption in June 2026 of the new Foreign Investment Screening Regulation (FISR), which repeals the 2019 FDI Screening Regulation, represents an important milestone in the EU's economic security agenda. The FISR will apply from January 17, 2028 after an 18-month transition period.
- **FDI inflow.** The U.S. and the UK remained the top two sources of M&A driven FDI (together c. 54% of foreign M&A), landing primarily in Western Europe. In 2025, Information Communication and Technology (ICT) overtook Manufacturing, with Professional, Scientific and Technical activities (PST), Finance, and Retail rounding out the top five. For greenfield investments, Accommodation jumped into second place behind Retail.
- **Active FDI regimes.** All 27 Member States have now adopted FDI screening regimes, with Croatia, Cyprus, and Greece adopting national FDI screening laws in 2025.
- **EU cooperation mechanism.** The number of FDI filings reviewed within the mechanism was 667 in 2025, a sharp 40% jump from 477 in 2024 and 488 in 2023. It is the largest annual increase since the mechanism was created. These filings were shared by 21 EU Member States, and 65% originated from only four countries (Austria, France, Italy, Spain).
- **Enforcement trends.** In 12% of the cases submitted to the European cooperation mechanism, the Commission undertook a deeper assessment (Phase II of the cooperation mechanism)² compared to 8% in 2024 and 2023;

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¹ Report from the Commission to the European Parliament and the Council: Sixth Annual Report on the screening of foreign direct investments into the Union, SWD(2026) 290 final of October 14, 2026.

² Not to be confused with Phase 2 of the national review by relevant authorities.



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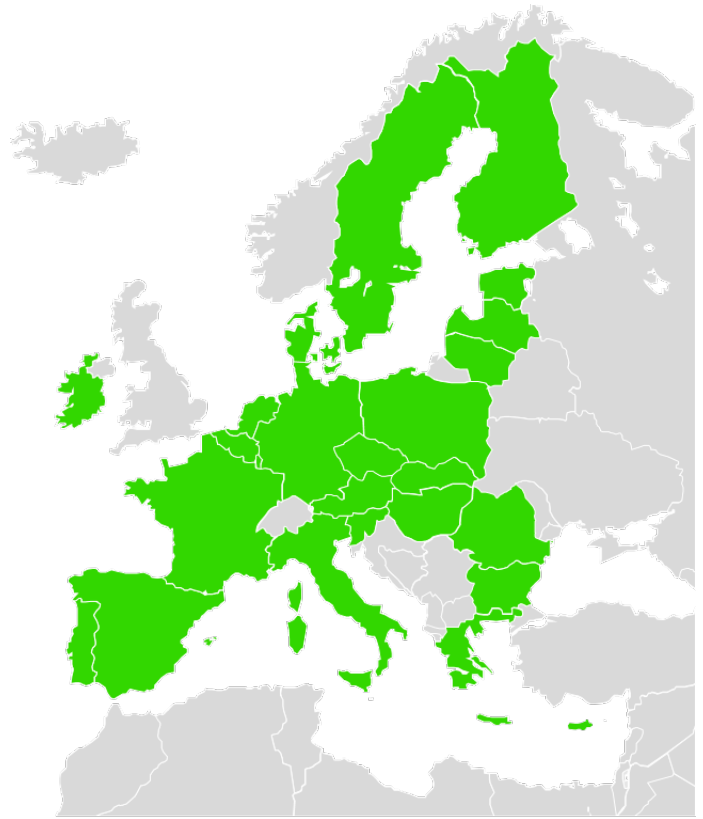
the Commission issued an opinion in <2% of the cases, and Member States comments doubled to 6% of the cases in 2025 compared to 3% in 2024. Manufacturing (53%) and ICT (19%) remained the main sectors subject to a Phase II EU cooperation review.

- **Outcomes.** The overall outcome trends remain stable over the past 3 years. 87% cases were cleared unconditionally, 9% required remedies, and 4% were withdrawn/prohibited.

II. EU FDI Screening And The New Foreign Investment Screening Regulation (FISR)

In 2026, the EU adopted a revised framework to replace the 2019 FDI Screening Regulation – the new Foreign Investment Screening Regulation (EU) 2026/1386 (FISR). Following the Commission’s proposal of January 2024, the FISR was signed on June 17, 2026, and entered into force on July 26, 2026. In practice, the FISR will apply from January 17, 2028, after an 18-month transition period, although it is likely that most changes will be *de facto* implemented sooner.

The adoption of the FISR is the most significant development in EU FDI screening since the 2019 FDI Screening Regulation. It aims to strengthen the EU’s ability to address risks to security and public order arising from foreign investments. The revised framework establishes “*a common minimum level of harmonisation across the Union*” and “*its central objective is to close existing gaps in national screening systems, improve coordination among Member States and among Member States and Commission, and ensure that potentially sensitive investments are assessed consistently across the Single Market*”.³



The key elements of the FISR are as follows:

- **Mandatory national regimes.** All Member States will be required to maintain an operational, *ex ante* national FDI screening mechanism. In practice, this requirement is already met: by the end of 2025, all 27 Member States had enacted an FDI screening law at national level.
- **Common minimum scope.** The FISR introduces a harmonized minimum scope of transactions that must be subject to screening across all Member States. This covers investments involving activities related to dual-use and military items, critical technologies (notably semiconductors, quantum, and artificial intelligence), critical infrastructure in the transport, energy, and digital sectors, critical raw materials, certain systemically important financial market entities, and electoral infrastructure. The FISR also introduces an EU-level definition of greenfield investments (foreign investments made through the establishment of new facilities in the Union) and brings them within its scope, but leaves it to Member States to decide whether

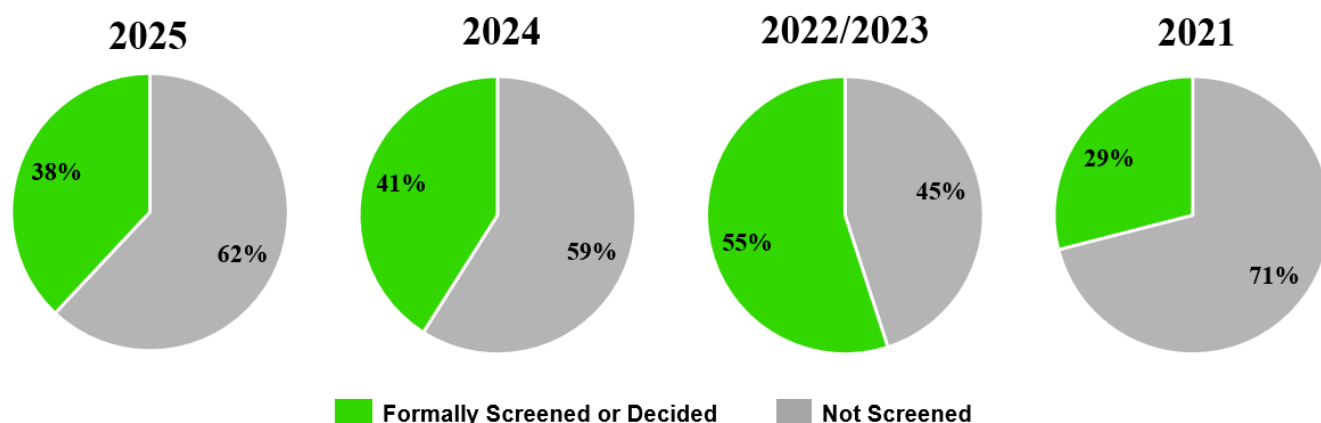
³ See The Report, pp. 24-25 and also our [Alert Memo](#) dated June 16, 2026 on the new EU FDI Screening Regulation and also our [Alert Memo](#) dated March 12, 2024, on the (then-proposed) new EU FDI Screening Regulation.

to include them in their national screening mechanisms. By contrast, intra-group internal reorganizations are largely excluded from the FISR's scope, provided (i) the beneficial owner of the target remains unchanged and (ii) no new third-country entity is introduced into the upstream ownership chain.

- **Certain intra-EU investments brought into scope.** A key innovation is the extension of screening to certain intra-EU investments where the EU-based investor is ultimately owned or controlled by a third-country person or entity (although these investments still benefit from the protection of single market rules under the Court's jurisprudence). This is particularly significant for clients structuring investments through EU holding vehicles.
- **Harmonized procedures.** The FISR harmonizes key procedural aspects of national regimes, including a two-phase national review process, procedural safeguards for investors, powers to review non-notified transactions retroactively, enhanced transparency obligations, and a harmonized 45-calendar-day deadline for initial Phase I national screening.
- **Common risk-assessment criteria.** The FISR harmonizes the criteria for assessing whether a foreign investment poses risks to security or public order. It requires Member States and the Commission to take into account common factors relating to (i) the target's activities, including the investment's effects on critical technologies, critical infrastructure, critical inputs, sensitive data, the media, electoral processes, public health, food security and proximity to sensitive facilities and (ii) the profile of the investor, including its links with a third country, its track record, any applicable sanctions, and the opacity of its ownership structure.
- **Strengthened cooperation.** The revised cooperation mechanism introduces more structured information exchanges between Member States and the Commission, coordination for multi-jurisdiction transactions, and a feedback mechanism through which Member States report the outcome of national procedures. It is further supported by an EU-level database containing information on investments notified under the cooperation mechanism and the outcomes of national reviews since October 2020. A common EU filing portal may be established at the request of at least nine Member States.

III. EU FDI Enforcement Trends

Filings. Member States received 4,773 filings (including *ex officio* matters) in 2025, a substantial increase from 3,136 in 2024 and 1,808 in 2023, consistent with the roll-out of national FDI regimes in several Member States. 38% of these filings were formally screened and decided, down from 41% in 2024, a ratio heavily influenced by the high number of cases in Sweden that did not require formal screening (excluding Sweden, the formally-screened share would have been 65%).



The number of filings undergoing screening within the EU FDI screening cooperation mechanism⁴ rose sharply by 40% to 667 in 2025 (from 477 in 2024 and 488 in 2023). This is by far the largest annual increase since the mechanism was created, and a 61% increase since the first full year of operation in 2021 (414 filings). The number of Member States notifying transactions remained at 21 in 2025. However, 86% of the 2025 filings were submitted by only 7 countries: Austria, France, Germany, Ireland, Italy, Lithuania, and Spain. Four of them (Austria, France, Italy, and Spain) accounted for 65% of the filings.

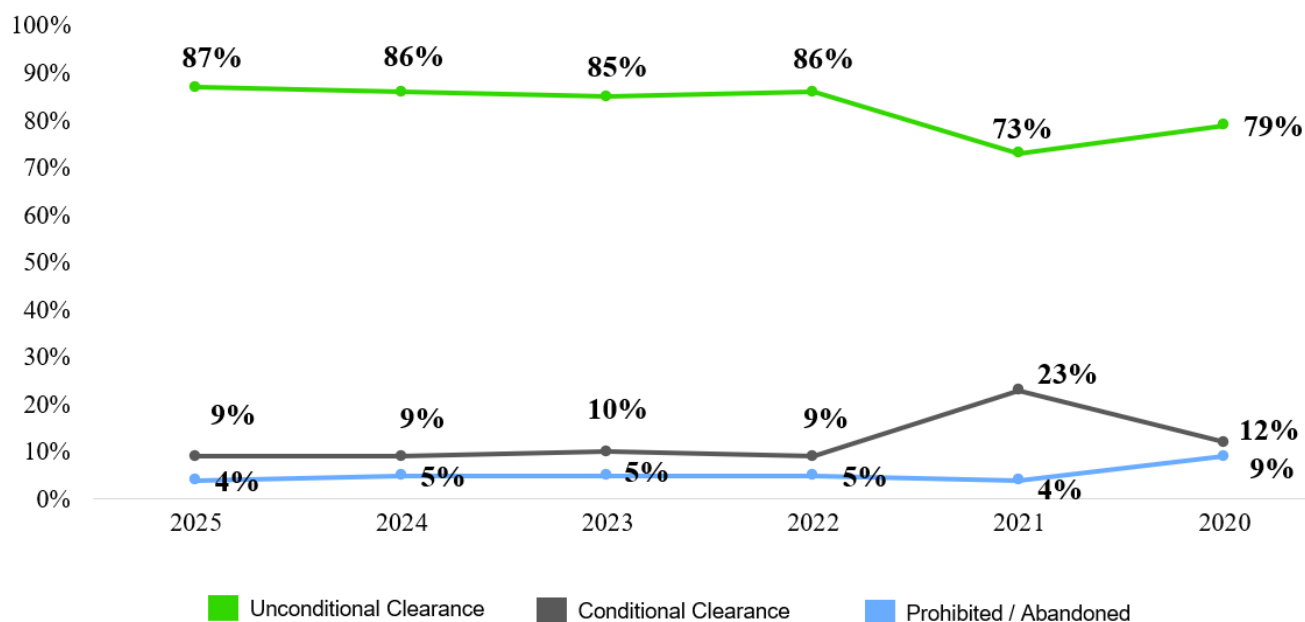
EC/Member State involvement. The Commission and other Member States were involved in an increasingly noticeable number of cases in the context of the EU cooperation mechanism in 2025: in 12% of the cases submitted to the European cooperation mechanism, the Commission undertook a deeper assessment (Phase II of the cooperation mechanism)⁵ (an increase from 8% in 2024 and 2023), indicating that more transactions were assessed by the Commission as sensitive for security and public order. As in 2024, the Commission issued an opinion in <2% of the notified cases. Member State comments doubled from 3% of cases in 2024 to 6% in 2025, and the number of Member States issuing comments jumped from about one third to 57%, pointing to a more active use of the cooperation mechanism by more Member States.

Outcomes. Outcome trends remained stable: 87% of cases were cleared unconditionally in 2025 (86% in 2024), 9% required remedies (mostly behavioral, unchanged), c. 1% were prohibited, and 3% were withdrawn by the parties (down from 4% in 2024). 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 FDIs that pose serious risks to security or public order and where such risks cannot be mitigated"*.⁶

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.

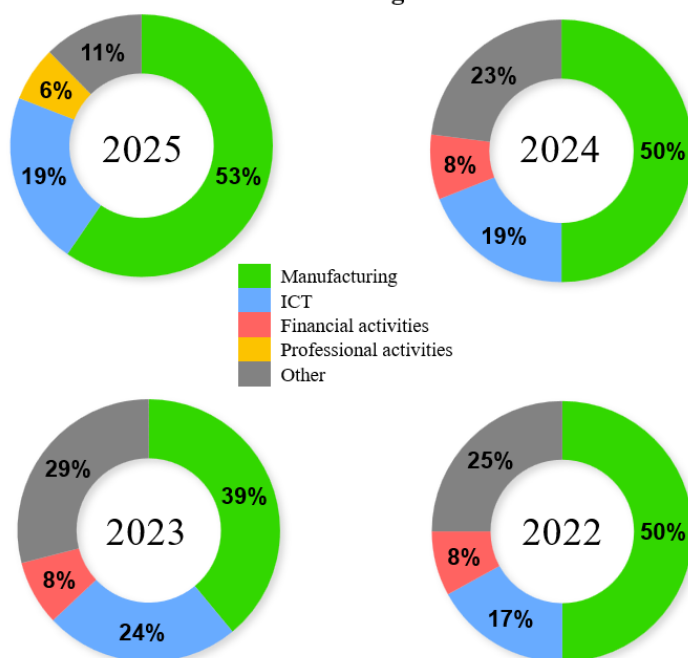
⁵ Not to be confused with Phase 2 of the national review by relevant authorities.

⁶ The Report, p. 14. Substantively the same message was included in the 2025, 2024, and 2023 Commission Reports.

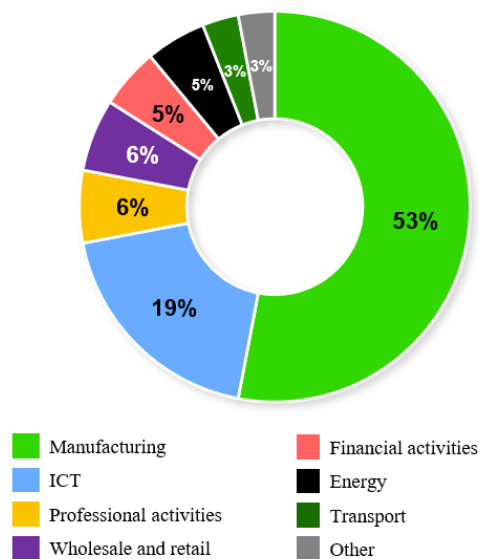


The main sector for Phase II FDI reviews was Manufacturing (53% in 2025, 50% in 2024), followed by ICT (19%, unchanged), with Professional activities and Wholesale and retail each at 6%. The mix of criticality factors underlying Phase II manufacturing cases shifted markedly: critical technologies fell to 37% (from 49%), critical infrastructure to 23% (from 26%), supply of critical inputs to 19% (from 20%), while access to sensitive information more than doubled to 12% (from 5%). Within critical technologies, aerospace surged to 28% (from 16% in 2024), overtaking semiconductors (12%, down sharply from 21%), while defense remained the leading sub-category at 31% (down from 37%). Cybersecurity (4%) and robotics (3%) now appear in the statistics as discrete categories.

Phase 2 Main Targeted Sectors



Phase 2 Main Targeted Sectors (2025)



Investor base and deal profile. The investor base is diversifying and a shift towards smaller deals can be observed. The U.S. share of notified investors fell to 33% (from 40%), with the UK (9%, down from 11%) and China and HK (7%, down from 9%) also declining; the UAE share rose to 5% (from 3%). The share of multi-jurisdiction notifications (transactions screened in two or more Member States) jumped from 19% to 27%, led by manufacturing (32%, up from 26%) and wholesale and retail (25% up from 14%). Transaction values are also trending down: 66% of notified FDIs had a value below €500 million in 2025 (up from 58% in 2024), while the share above €500 million remained broadly stable at 29%, suggesting that more mid-market deals are being caught by national screening thresholds.

Prohibitions. Considering publicly known prohibitions in the EU/UK in the last decade, 35 out of 56 prohibitions related to investors from China and Russia.

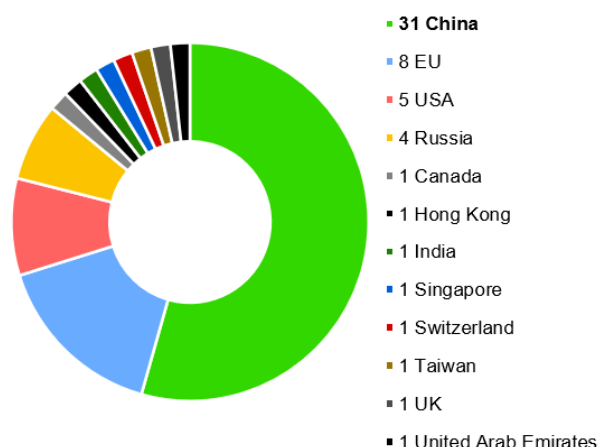
Intra-EU prohibitions remain rare – only 8 deals in the last 10 years. This includes a June 2026 prohibition by Hungarian authorities of the planned acquisition of Sameday Hungary (the Hungarian branch of a Romanian courier service owned by eMAG Group) by Austrian Post. The reasons are not public. The prohibition was reportedly reversed in June 2026, but by then Sameday had already abandoned the deal and announced its exit from the Hungarian market.⁷ At the end of January 2026, the French Ministry of Economy publicly announced that it prohibited the proposed acquisition by Swedish private equity firm EQT Infrastructure of an 80% stake in Eutelsat's Ground Station infrastructure business, on sovereignty grounds. The carve-out encompassed the sale of passive assets intrinsically linked to Eutelsat's core business: the operation of its fleet of 33 geostationary and 600 low-orbit satellites (including c. 1,400 antennas around the world, land, buildings, support infrastructure, and connectivity circuits). Maintaining full control over the entirety of Eutelsat's infrastructure was deemed indispensable for national defense and national security purposes.⁸ In late 2025, Romania's Committee for the Examination of Foreign Direct Investments prohibited the acquisition by MVM Energy (a Hungarian state-owned energy company) of E.ON Energie Romania, on the basis that MVM might pose risks to Romania's energy national security due to its ties with Russian energy supplier Gazprom and Rosatom. MVM Energy eventually abandoned the deal by withdrawing its bid.⁹

⁷ See, HVG, Hungarian authorities refuse FDI approval for Austrian Post's acquisition of Sameday Hungary, June 5, 2026, available at https://hvg.hu/kkv/20260605_kivonul-a-sameday-futarszolgalat-magyarorszagrol-delivery-solutions-zrt-hazhoz-szallitas-vallalkozas-kkv; HVG, Hungarian FDI authority reverses its earlier refusal and approves the acquisition, according to Austrian Post, June 16, 2026, available at https://hvg.hu/kkv/20260616_sameday-express-one-futarszolgalat-osztrak-posta. Both sources in Hungarian original.

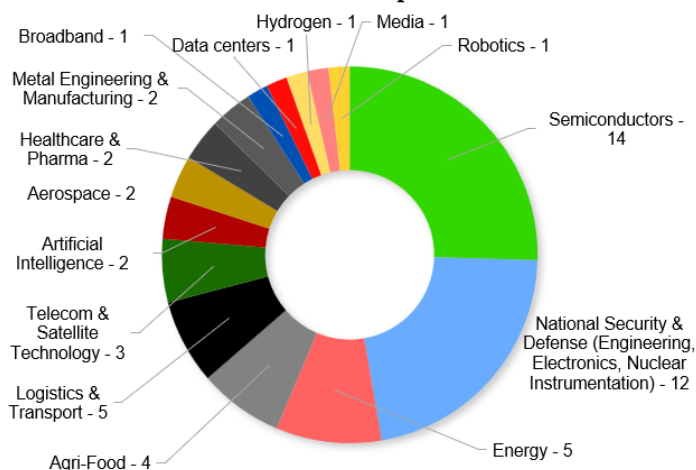
⁸ See, Eutelsat Press Release, Eutelsat announces the end of the transaction to dispose of its passive ground segment infrastructure assets, January 29, 2026, <https://www.mynewsdesk.com/eutelsat/pressreleases/eutelsat-announces-the-end-of-the-transaction-to-dispose-of-its-passive-ground-segment-infrastructure-assets-3429735> and EQT, Transaction between EQT and Eutelsat to carve out satellite ground infrastructure into SatPort Infrastructure will not proceed, January 29, 2026, <https://eqtgroup.com/news/transaction-between-eqt-and-eutelsat-to-carve-out-satellite-ground-infrastructure-into-satport-infrastructure-will-not-proceed>.

⁹ See, Statement raising national security concerns regarding MVM's proposed acquisition, including its ties to Gazprom and Rosatom, January 15, 2025, <https://agerpres.ro/economic/2025/01/15/ministerul-energiei-a-sesizat-ceisd-in-legatura-cu-intentia-mvm-grup-de-a-achizitiona-e-on-energie-r-1412994>; Press release on CEISD's recommendation to prohibit the MVM/E.ON Energie Romania acquisition, August 20, 2025, <https://agerpres.ro/comunicat/2025/08/20/comunicat-de-pres-a-guvern-1477247>; and MVM Group, Announcement confirming termination of the acquisition agreement with E.ON, December 19, 2025, https://mvm.hu/en/Media/MediaTartalmak/Hirek/20251219_MVM_EON_Romania.

Prohibitions in EU/UK per country



Prohibitions in EU/UK per sector

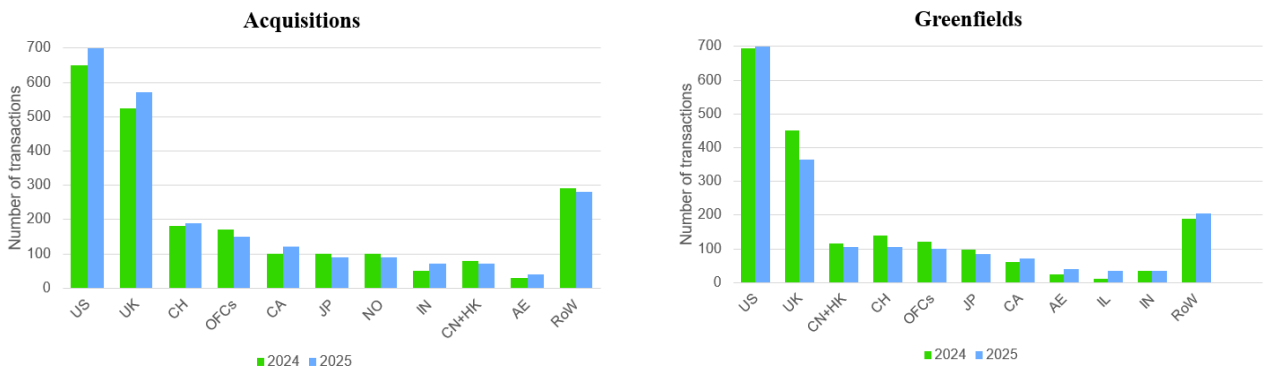


Additional Prohibitions/Deal Abandonments Concerning Non-EU Investors	
Cosco – Zippel (Germany, 2026)	On October 7, 2026, the German Federal Cabinet decided to prohibit the proposed acquisition by Chinese state-owned shipping company Cosco Shipping of an 80% stake in Konrad Zippel Spediteur GmbH (Zippel). Zippel is a Hamburg-based logistics company specializing in inland container transport by rail, barge, and truck between the North Sea ports of Hamburg and Bremerhaven and inland terminals in eastern Germany. The federal government cited significant security concerns, including that the acquisition would deepen strategic dependencies and endanger the resilience of supply chains in Germany and the EU.
GDHF – NHV Group (Belgium, 2026)	On August 5, 2026, the Belgian Interfederal Screening Committee (ISC) prohibited the proposed acquisition of NHV Group by GD Helicopter Finance (GDHF). NHV Group is a Belgian helicopter operator. GDHF is controlled by GDAT Group, a company headquartered in Shanghai, China. The concern was two-fold: (i) NHV's role in transporting personnel to and from offshore wind turbines reportedly gave it access to sensitive information relating to critical energy infrastructure in Belgium and (ii) NHV's bid to participate, as a subcontractor to Airbus, in the maintenance of Belgium's new H145M military helicopter fleet, attracted scrutiny from Belgian military intelligence services.
Defu – Circuit Foil (Luxembourg, 2026)	On January 11, 2026, Jiujiang Defu Technology announced the termination of its proposed acquisition of a 100% stake in Circuit Foil Luxembourg from Volta Energy Solutions. Circuit Foil Luxembourg is a producer of ultra-smooth electrolytic copper foils, a strategic input for AI servers, 5G, data centers, and semiconductors. Jiujiang Defu Technology is a China-based electrolytic copper-foil manufacturer. On January 8, 2026, the Luxembourg Ministry of the Economy issued a conditional authorization limiting Defu to a minority stake with no veto rights and restricting its control over governance, intellectual property and trade secrets, on critical-sector grounds. Defu rejected the conditions and abandoned the deal.
Kyndryl – Solvinity (The Netherlands, 2026)	On May 25, 2026, the Dutch Minister for the Digital Economy and Sovereignty prohibited the proposed acquisition by Kyndryl of Solvinity under the Telecommunications Act. Solvinity is a Dutch cloud services provider that supplies the infrastructure for DigiD, the digital identification platform used by Dutch citizens to access sensitive medical, pension, and tax information. Kyndryl is a US-based IT infrastructure services provider (formerly IBM's infrastructure services division). The Dutch government cited public-interest concerns in the context of a broader push for digital sovereignty over critical cloud and data infrastructure. The prohibition was reaffirmed on October 13, 2026 after an objection procedure, and marks the first prohibition under the Dutch telecommunications FDI regime.
XINGR – Exsemicon (Italy, 2025)	On December 4, 2025, the Italian government vetoed the proposed acquisition by XINGR Holdings Pte. Ltd. of a 45% stake in Exsemicon S.r.l. Exsemicon is an Italian semiconductor company active in the manufacturing of value-added assembled electronic boards. XINGR Holdings is a Singapore-

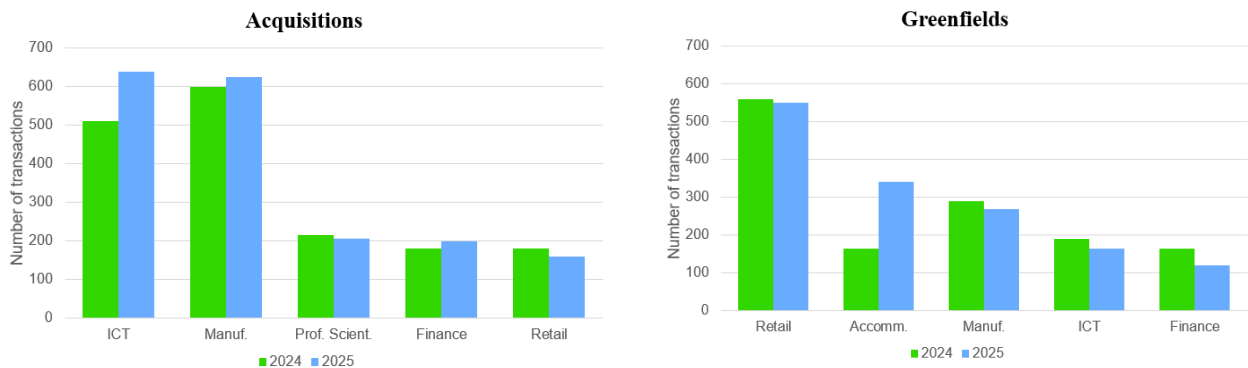
incorporated company controlled by China-based XINGR Technologies (Zhejiang) Limited, which specializes in semiconductor testing technologies, including probe cards. The Italian government cited risks to microelectronics, semiconductors, and strategic know-how, and concluded that conditions or prescriptions would be too difficult to monitor effectively.

IV. EU FDI Overview

Total FDI flows into the EU stabilized in 2024 and 2025 after the sharp decline from 2022 to 2023, reflecting a shift towards M&A activity (+8.5% in 2024, +4% in 2025) and away from greenfield investments (-8.3% in 2024 and -4.3% in 2025). EU FDI continued to be driven by the U.S. and the UK, together accounting for c. 54% of foreign M&A in 2025. Among second-tier origins, India, UAE, and Canada grew most strongly in 2025, while M&A from China and Hong Kong fell 10%. Germany and France remained the main destinations for foreign M&A deals in 2025, followed by Italy and Spain. The top two recipients of foreign greenfield investments in 2025 were Spain and Germany.



In 2025, ICT (27%) overtook Manufacturing (26%) as the top sector for foreign M&A dealmaking, followed by PST,¹⁰ Finance (8.4%), and Retail (6.9%). Greenfield investments remained concentrated in Retail (31%), with Accommodation jumping into second place (18%) ahead of Manufacturing (15%), ICT (9%), and Finance (7%).



¹⁰ 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.

V. Conclusion

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

But the FDI enforcement data tells a more measured story. Of formally screened national cases, 87% are authorized without conditions, c. 9% require remedies (typically behavioral), c. 1% are prohibited, and c. 3% are withdrawn by the parties. Publicly reported prohibitions regarding non-EU investors remain predominantly linked to Chinese investors or entities with strong links to China, although there are rare intra-EU prohibitions too. The Commission's direct involvement remains limited (opinions in <2% of cases), although both Phase II review and Member State comments became more frequent in 2025.

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