

Fifth EU Annual Report on Foreign Direct Investment



Economic
Security

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On October 14, 2025, the European Commission (the “Commission”) published its [fifth annual report](#) on the screening of foreign direct investments in the Union. In it, it describes the latest developments in the area of foreign direct investments (“FDIs”) in the EU, as well as legislative developments at the member state and European level and other trends in FDI screening.

1. Foreign direct investment in the EU

1.1. Investment trends and review activity

Compared to the previous year, FDI in the EU fell by 8.4% in 2024. Persistent uncertainties such as escalating global trade tensions and geopolitical conflicts are cited as the reasons for this downward trend. In total, just under 1,300 applications for approval were formally reviewed across the EU in 2024. The vast majority (86%) of these were approved without conditions. Only 1% of decisions were rejected. Of the remaining decisions, 9% were subject to conditions or remedial measures. The remaining 4% of applications were withdrawn before a formal decision was made. The report notes that, as a result, only FDIs that pose a significant security risk continue to be blocked. By comparison, according to the [report](#) published on January 31, 2025, by the German Federal Ministry for Economic Affairs and Energy, 261 review procedures were carried out in Germany in 2024 under the AWV. Under the EU-wide cooperation mechanism, which allows national authorities to inform their foreign partner authorities and the Commission about notifiable transactions with cross-border implications and thus take coordinated action, 477 notifications were made in 2024. Particularly sensitive transactions mostly concerned critical technologies, for example in connection with the defense sector.

1.2. Legislative developments

Since the introduction of Regulation (EU) 2019/452 of the European Parliament and of the Council of March 19, 2019, establishing a framework for the screening of foreign direct investments into the Union (the “**FDI Regulation**”), 24 Member States have introduced their own FDI screening mechanisms, most recently Bulgaria and Ireland in 2024. The remaining Member States, Croatia, Cyprus, and Greece, are in the process of consultations and legislative procedures. A majority of Member States with existing control mechanisms have

made various changes, in particular to better protect infrastructure and economic sectors that are strategically important for national security.

The increasing prioritization of Member States' national security is also reflected at the EU level. The report briefly addresses the legislative process for amending the FDI Regulation. The Commission presented an initial proposal on January 24, 2024, followed by the European Parliament's ("**the Parliament**") amendment proposal in May 2025 and the Council of the European Union's ("**the Council**") own proposal in June 2025. The legislative process is currently in trilogue negotiations, with a third trilogue scheduled for November 2025. The Commission's proposal aimed, among other things, to include indirect foreign investments (via EU subsidiaries) in the scope of the regulation, to improve the cooperation mechanism between Member States and the Commission through a uniform standstill obligation, and to harmonize the definition of critical sectors in the EU more closely. The proposals from the Parliament and the Council go further and provide for binding investment screening mechanisms in all Member States but differ in the depth and scope of the sectors covered and in the role of the Commission. The Parliament wants to extend screening to additional sectors such as transport, electoral infrastructure, and critical raw materials, while the Council focuses more on military and dual-use goods. The Parliament's proposal would also give the Commission the power to prohibit investments itself, while the Council wants to leave this decision to the Member States.

2. Outlook

The amendment to Regulation (EU) 2019/452 is intended not only to introduce a minimum standard but also to reduce the regulatory burden on economic operators. Nevertheless, economic operators must expect that requirements going beyond this minimum standard will continue to be imposed at national level, and that these requirements will diverge. A careful assessment of national regulations will therefore continue to be necessary in the case of company acquisitions, mergers, and restructurings. Contrary to the initially envisioned timeline, the legislative process will now likely not be completed in 2025, but rather at the beginning of 2026.

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