European Commission

Strategic Trade & Investment Controls

Report on the screening of Foreign Direct Investments into the Union

Statistical Update on Export Controls

Trade

October 2023

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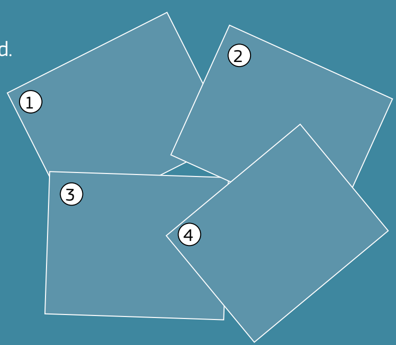

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Third Annual Report on the screening of foreign direct investments into the Union (2022)

and

Statistical Update on Export Controls (2021)

Foreword by Executive Vice President Valdis Dombrovskis

We continue to operate in a very challenging global environment, with heightened geopolitical tensions and security challenges, exacerbated by Russia's unjustified war of aggression against Ukraine. In this context, the need for **Strategic Trade and Investment Controls for Security** - including Foreign Direct Investments (FDI) Screening and Export Controls - remains strong.

The FDI Screening Regulation, which entered into force in October 2020, enables the EU to screen foreign investments into the EU internal market for potential risks to security and public order. Thanks to the EU cooperation mechanism, Member States and the Commission systematically exchange information on FDI transactions that raise security concerns.

In 2022, well over 400 FDI transactions were scrutinised by Member States and the Commission under extremely tight deadlines – almost 90% of these were screened in just 15 calendar days. This shows that the EU cooperation mechanism functions effectively, while still providing reassurance that the transactions screened do not present risks to security and public order. In the remaining FDI transactions, a deeper examination was required to identify possible risks to security and public order, in some cases resulting in a Commission opinion. The EU cooperation mechanism has in the past year continued to demonstrate its added value, providing a tool to focus the attention of Member States on potential risks and appropriate safeguard measures. This has allowed Member States to take an informed decision on these transactions, while keeping the EU open to foreign investments.

But every chain is only as strong as its weakest link. With national screening mechanisms in place in 21 Member States, there is still a need for the remaining Member States to put in place comprehensive screening mechanisms to enhance the EU's collective security. This would allow us to target existing blind spots, where - due to the lack of screening - some transactions remain under the radar, raising concerns as to potential impacts of foreign takeovers on security and public order.

Before the summer, the Commission and the EU High Representative set out a roadmap for European Economic security in a Joint Communication to the European Parliament and the Council. This highlighted how we need to build a shared understanding of risks to the EU's economic security, and consequently make better use of existing tools and consider whether new or different tools are needed to tackle high likelihood and high impact risks. Against this backdrop, we are completing an evaluation of the FDI Screening Regulation and preparing a revision to be presented before the end of 2023.

Recently, EU Export Controls, which is the other leg of the EU Strategic Trade and Investment Controls for Security, have gained additional importance and visibility, in particular in the context of the EU's sanctions on Russia. In line with the modernised Regulation that entered into force in 2021, the Commission and Member States have been working to improve transparency and accountability through reinforcing the annual reporting, notably as regards data on licensing decisions. This will provide more information on Member States' dual-use licensing activities and a solid basis for outreach to industry and civil society, helping to make export control policy better understood and more effective. The Commission is now engaging with Member States to determine ways for improving the effectiveness and efficiency of the existing Dual-Use Regulation.

Valdis DOMBROVSKIS
Executive Vice President of the European Commission
for an Economy that works for people
19 October 2023

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THIRD ANNUAL REPORT ON THE SCREENING OF FOREIGN DIRECT INVESTMENTS INTO THE UNION

Introduction

This Report is the third Annual Report by the European Commission on the application of the EU Foreign Direct Investment (FDI) Screening Regulation[1] (the "FDI Screening Regulation", or the "Regulation").

The Report covers the year 2022 and provides transparency around the operation of FDI screening in the EU, and developments in national screening mechanisms. It contributes to the accountability of the Union in an area where, given the security interests at stake, transparency regarding individual transactions is neither possible nor appropriate.

It is based on reports by the 27 Member States and other sources and consists of four chapters:

- Chapter 1 on trends and figures for FDI into the EU;
- Chapter 2 on legislative developments in Member States;
- Chapter 3 on FDI screening activities by Member States;
- Chapter 4 on the EU cooperation mechanism on FDI screening.

This Annual Report is an important tool for strategic trade and investment controls to ensure security and public order in the European Union.

(1) Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I , 21.3.2019, p. 1).

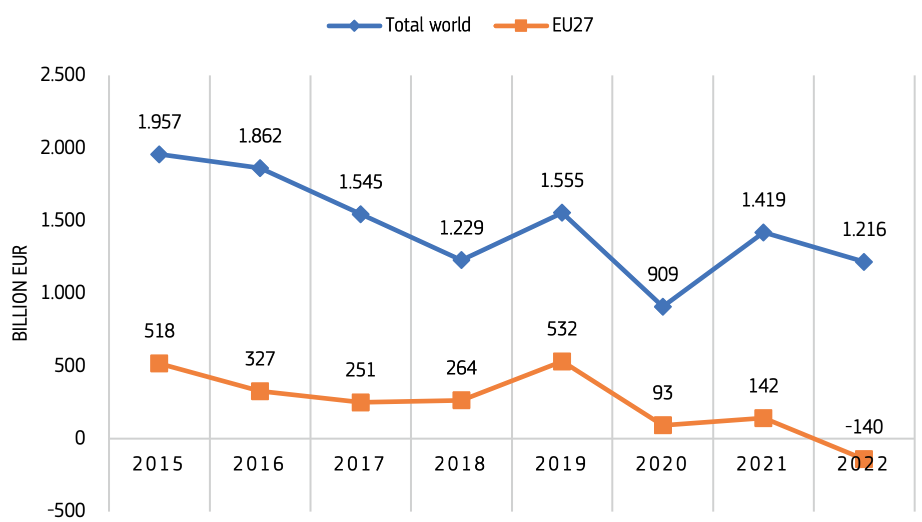
Chapter 1
Foreign direct investments into the European Union – Trends and figures

1. Overall evolution

In 2022, the global FDI totalled EUR 1.2 trillion (**Figure 1**) and were 34% above the 2020 levels, after a robust post-COVID growth in 2021(2). Yet, it displayed a year-on-year decrease of -14.3% compared to 2021.

The EU27 contributed to this global decrease in 2022, with EUR -140 billion of inward FDI, compared to the EUR +142 billion recorded for 2021. The EU27 result is primarily driven by decreases of inward FDI in Luxembourg(3). Besides the EU27 (-199% compared to 2021), declines in FDI flows in 2022 were also observed for other important recipients, such as the US (-12%) and China (-41%).

Figure 1: World and EU27 inward FDI flows(4)



Source: OECD data, extracted on 03/05/2023. Data refers to inward FDI flows.

However, the cumulated number of foreign transactions(5) into the EU27 displays an increasing trend between 2015 and 2022 (**Figure 2**). The average yearly number of foreign acquisitions and greenfield investments into the EU27 in this period were about 2 200 and 3 200, respectively. The positive trend confirms the openness of EU Member States to foreign investments.

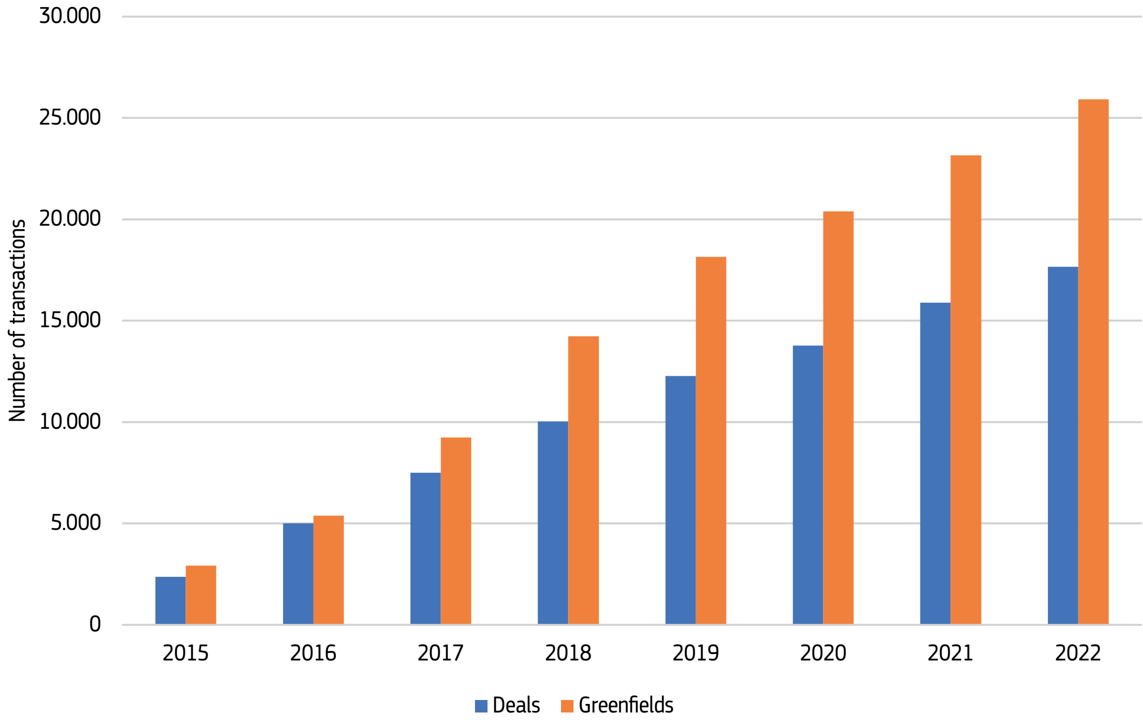
(2) Pitchbook, Global M&A report 2022, January 2023

(3) OECD, FDI IN FIGURES, April 2023 – https://www.oecd.org/corporate/mne/statistics.htm

(4) The data provided here has been revised by the OECD for the past years. Thus, it differs from the data displayed in the second annual report on FDI screening.

(5) Foreign direct investment can take two different forms: greenfield, and mergers and acquisitions (M&As). International greenfield investments typically involve the creation of a new company or establishment of facilities abroad, while an international merger or acquisition amounts to transferring the ownership of existing assets relating to an economic activity to an owner abroad.

Figure 2: 2015-2022 yearly cumulative number of foreign transactions into the EU27



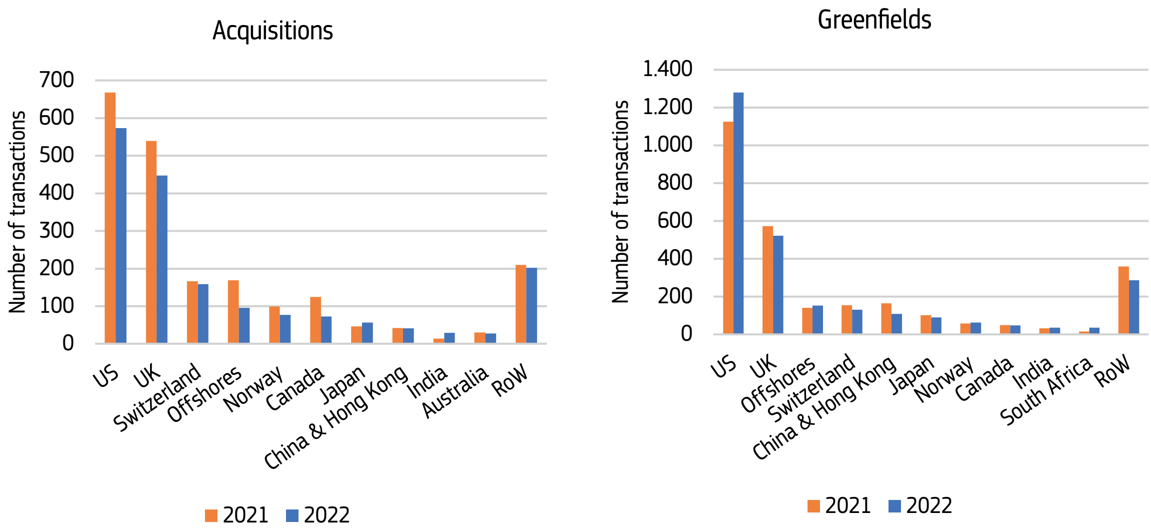
Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 (Zephyr) and on 02/02/2023 (Orbis Crossborder Investment). Data for 2015 corresponds to the flows of FDI in 2015, while data for the subsequent years correspond to the cumulated sum of yearly flows.

There was a fall in deal making, especially in the second half of 2022, resulting from the economic slowdown and rising cost of financing due to higher interest rates, decided by the main central banks to keep inflation at bay. The weakening of the confidence in global markets had some main contributing factors. Inflationary trends, worsened by Russia's war of aggression against Ukraine, and the resulting pressure on energy and commodity prices, together with generalised supply chain disruptions, induced a prudent approach of investors waiting for more favourable conditions.

2. Top Origin Countries of Foreign Investors

A comparison between 2021 and 2022 transactions data by foreign jurisdiction of origin shows differing patterns regarding the relative importance of each between acquisitions and greenfield investments (**Figure 3**).

Figure 3: Number of foreign acquisitions* (left) and greenfield investments (right) in 2022 and 2021 – Detail by foreign jurisdiction (top ten investors into EU27)



Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 (Zephyr) and on 02/02/2023 (Orbis Crossborder Investment). OFCs: Offshore Financial Centres (see footnote 1). RoW: Rest of the World. (*) Acquisitions of equity stakes above 10% of the capital of the EU27 business.

The US remained the top foreign investor in 2022, accounting for 32.2% of all foreign acquisitions and 46.5% of all greenfield investments, followed by the UK accounting for 25.1% and 19% of acquisitions and greenfield investments, respectively. The UK remained the second source of investment despite a decline in both the number of acquisitions (17.1%) and greenfield investments (8.9%) in 2022 compared to 2021.

However, some differences emerge between the two types of FDI: for greenfield investments, the US experienced a 13.7% year-on-year increase in 2022. The Offshore Financial Centres[6] (OFCs), the third most important origin jurisdiction for greenfield investments, also experienced an increase in 2022 compared to 2021 (+8.5%).

In 2022, the OFCs replaced China as the third most important jurisdiction of origin of greenfield investments. In fact, greenfield investments into the EU27 originating from China diminished and China was fifth, with a share of 3.9% down from 5.9% in 2021.

3. Other Origin Countries of Acquisitions and Greenfield Investments

Other origin jurisdictions which experienced a decline in number of greenfield investments between 2021 and 2022 are Switzerland (15.5%, which represents the second largest drop in number of greenfield investments after China), Japan (11.8%) and Canada (2%). For acquisitions, OFCs (-43.2%) and Canada (-41.6%) experienced a sharp decrease in numbers in the same two years. Conversely, other jurisdictions which experienced an increase in the number of greenfield investments in 2022 are Norway (6.9%), India (9.1%) and South Africa (118.8%). For acquisitions, Japan (23.9%) and India (107.1%) registered a robust growth in investments in the EU in 2022.

(6) The main offshores by number of M&As or Greenfields are (in alphabetical order): Bermuda, British Virgins Islands, Cayman Islands, Mauritius and the United Kingdom Channel Islands. For the full list of Offshore Financial Centres, see e.g., Commission Staff Working Document - Following up on the Commission Communication "Welcoming Foreign Direct Investment while Protecting Essential Interests" – SWD(2019) 108 final – 13 March 2019.

4. Top Destinations of Foreign Acquisitions and Greenfield Investments

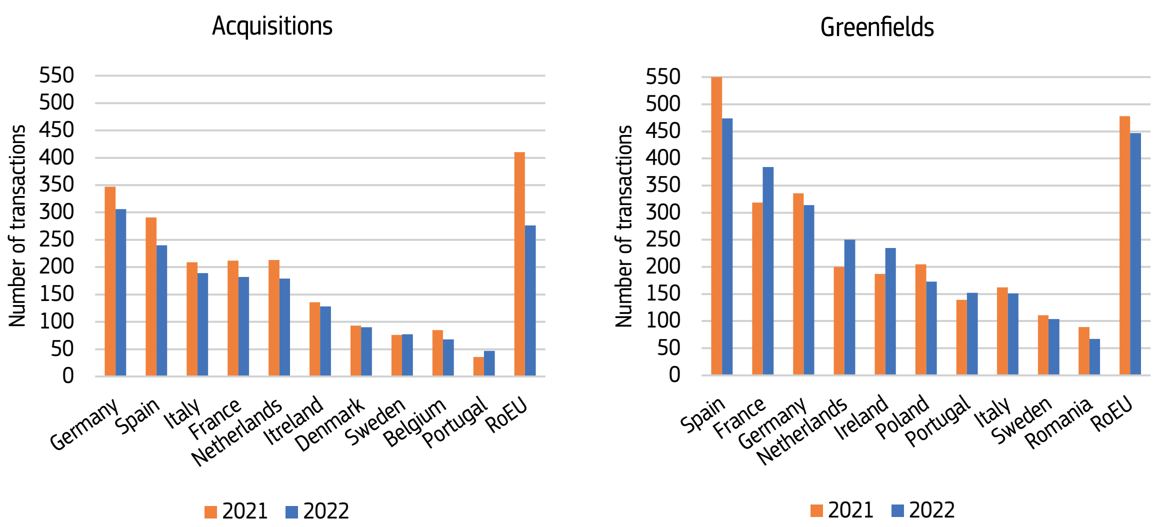
The number of foreign transactions by target EU27 country records a generalised decline in 2022 compared to 2021 (**Figure 4**).

Germany, with a share of 17.2% of all acquisitions, remained the first destination of foreign direct investments in 2022. Spain, despite a -17.5% decrease in the number of acquisitions in 2022 compared to 2021, retained the second place with a 13.5% share. Italy, France and the Netherlands followed, with shares of foreign transactions of 10.6%, 10.2% and 10%, respectively. Most destination countries experienced a decline in the number of acquisitions, ranging from -3.2% in Denmark to -20% in Belgium. The only two exceptions were Sweden and Portugal, with a 1.3% and 30.6% growth in 2022, respectively.

As regards greenfield investments, Spain was in 2022 the number one destination in the EU27 (representing a 17.2% share of the total number of greenfield investments in 2022) followed by France and Germany with 14% and 11.4% respectively of greenfield investments in 2022.

France experienced an increase in 2022 of the number of greenfield investments received compared to 2021 (+20.4%), while for Spain and Germany there was a decline of 13.8% and 6.5%, respectively. Of note is that the Netherlands and Ireland saw an increase in greenfield investments by 25% and 25.7%, respectively. Romania and Poland, however, saw considerable drops in greenfield investments with -24.7%, and -15.6%, as compared to 2021.

Figure 4: Number of foreign acquisitions* (left) and greenfield investments (right) in 2022 and 2021 – Detail by destination Member State (top ten EU27 destination Member States)

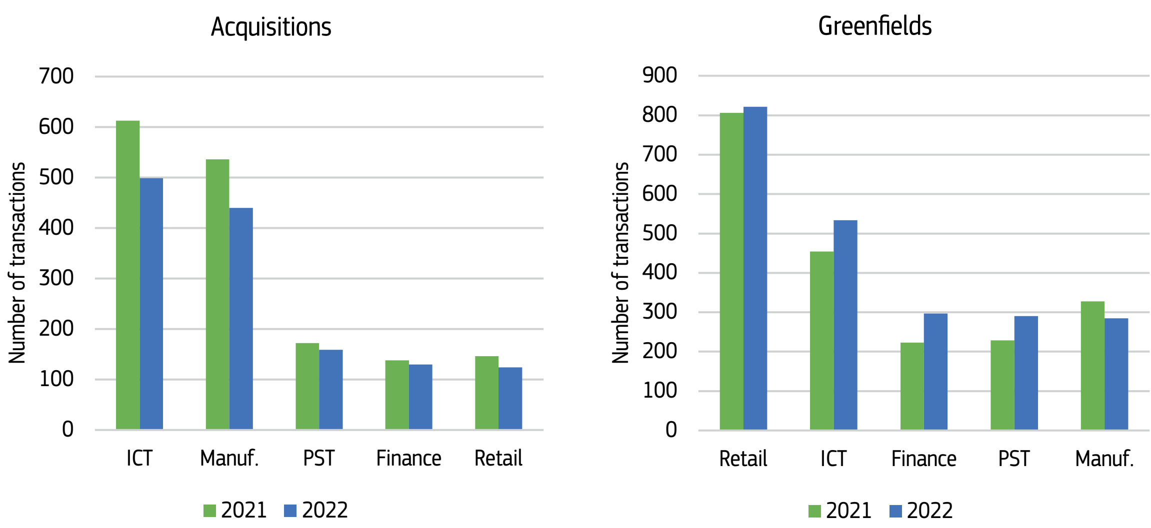


Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 (Zephyr) and on 02/02/2023 (Orbis Crossborder Investment). RoEU stands for Rest of EU27. (*) Acquisitions of equity stakes above 10% of the capital of the EU27 business.

5. Sector Specific Information

A closer look to the evolution between 2021 and 2022 of foreign acquisitions and greenfield investments by sector[7] into the EU27 shows mixed trends (**Figure 5**). The five main sectors saw a decrease in the number of acquisitions, while greenfield investments saw increases in all but one (manufacturing) sector.

Figure 5: Number of equity stakes* (left) and greenfield investments (right) in 2022 and 2021 – Detail by NACE Rev. 2.1 sectors (top five categories)



Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 (Zephyr) and on 02/02/2023 (Orbis Crossborder Investment). PST stands for professional, scientific and technical activities (NACE Rev. 2, section M), it contains among other things R&D facilities. ICT stands for Information and Communication (NACE Rev. 2, section J). (*) Acquisitions of equity stakes above 10% of the capital of the EU27 business.

The overall number of acquisitions in the ICT sector declined by 18.6% in 2022 compared to 2021. ICT was the sector receiving the highest share of investments in acquisitions in 2022 (28%). Moreover, ICT grouped 19.4% of new greenfield investments in 2022, ranking second after Retail: ICT experienced a 17.6% growth in the number of greenfield investments in 2022 compared to 2021.

Manufacturing was the second most important sector in 2022 in terms of the share of acquisitions (24.7%), but only fifth in terms of the share of greenfield investments (10.4%). This sector experienced a decline in the number of both acquisitions (-17.9%) and greenfield investments (-13.1%) in 2022, when compared to 2021.

The largest year-on-year increase in number of greenfield investments was observed in the Finance and in the Professional and Scientific activities sector categories, with 33.2% and 26.6% increases in 2022, respectively.

6. Further details

More details on the above figures are available in the accompanying Commission Staff Working Document, providing more information on the impact per Member State and sector, on the origin of foreign investors in the EU27, and on foreign state participation in foreign investors in the EU27.

(7) The sectors used to categorise are the NACE [Nomenclature of Economic Activities] Rev. 2.1, see: https://showvoc.op.europa.eu/#/datasets/ESTAT_Statistical_Classification_of_Economic_Activities_in_the_European_Community_Rev._2.1._%28NACE_2.1%29/data.

Chapter 2
Legislative developments in Member States in 2022

1. The EU FDI Screening Regulation and EU Member States' FDI screening mechanisms

In 2022, the European Commission continued to exchange and engage with Member States to ensure that all of them adopt, adapt and implement national FDI screening mechanisms.

The Commission expects all 27 Member States to establish a comprehensive national FDI screening mechanism. To safeguard the Union against potentially risky foreign investments from third countries, a comprehensive national screening mechanism in all Member States is indispensable. With this tool, all Member States and the European Commission would be able to screen relevant FDI and Member States would be able to take informed screening decisions. This would in turn contribute to protecting the collective security of the Member States and the Union, along with the security of the Internal Market.

Furthermore, the European Commission strongly encouraged and facilitated the alignment of national screening mechanisms. It assisted Member States with technical and policy guidance, meetings and information exchange notably on best practices. Yet, despite this regular cooperation and several important similarities, noticeable divergences between national screening mechanisms remained, as highlighted in an evaluation study of the FDI Screening Regulation published in 2022[8]. These discrepancies encompassed notably what constitutes a formal screening of an FDI, timelines, sectoral coverage and notification requirements.

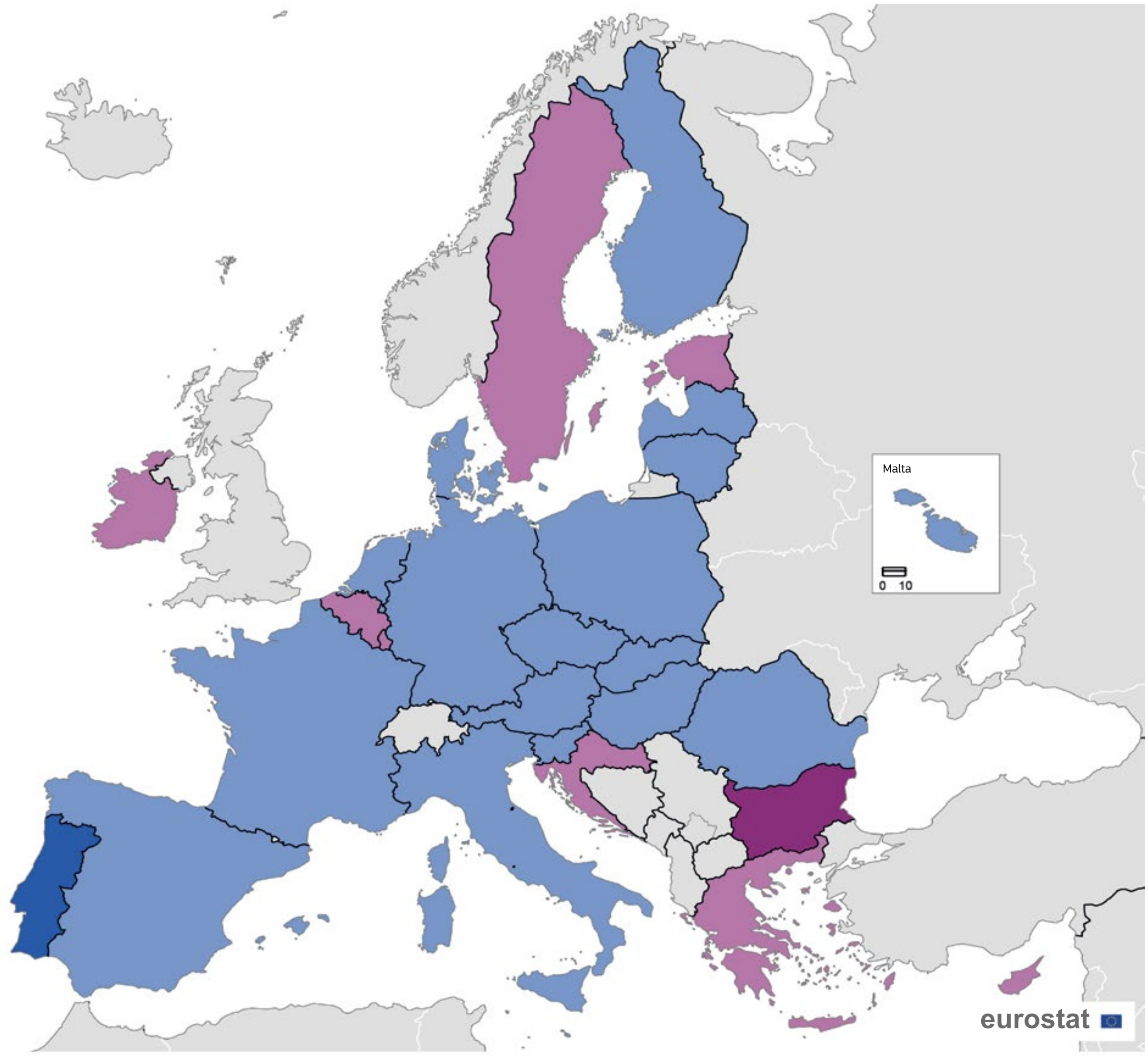
2. Overview of Member States' national screening mechanisms

Russia's war of aggression against Ukraine and uncertainties in relation to geopolitical developments have brought even more into focus the criticality of key industries such as energy, space, defence including key technologies. Consequently, many EU Member States have either adopted new national screening mechanisms or updated and expanded existing ones in reaction to the current situation. In detail, in 2022, one Member State adopted a new screening mechanism, and eight Member States amended their existing ones (see table below). By the end of 2022, eight Member States had already initiated consultative or legislative processes to establish a new national screening mechanism. Some are very close to adopting or having their mechanism entering into force in 2023. In 2022, two thirds of all EU Member States had an FDI screening legislation in place.

(8) OECD study – Framework for Screening Foreign Direct Investment into the EU – assessing effectiveness and efficiency – 10-11-2022 - https://www.oecd.org/investment/investment-policy/oecd-eu-fdi-screening-assessment.pdf

The map below gives an overview of the legislative situation of EU Member States.

Produced in May 2023



Steps initiated
Adoption of screening mechanism ongoing
Screening mechanism adopted/updated since 2017
Screening mechanism adopted before 2017

Administrative boundaries: ©EuroGeographics ©UN -FAO ©Turkstat
Cartography: Eurostat - IMAGE, 05/2023

Source: Member States' reporting.

3. Developments in EU Member States in 2022 – FDI screening mechanisms

The following table gives an overview of all 27 Member States' legislative situation and developments in 2022[9].

National FDI screening mechanism in place	Czechia, Denmark, Germany, Finland, Malta, Portugal, Slovenia
Amended an existing mechanism	Austria, France, Hungary, Italy, Latvia, Lithuania, Poland, Spain
Had a consultative or legislative process expected to result in updates to an existing mechanism	The Netherlands, Romania
Adopted a new national FDI screening mechanism	Slovakia
Had a consultative or legislative process expected to result in the adoption of a new mechanism	Belgium, Croatia, Cyprus, Estonia, Greece, Ireland, Luxembourg, Sweden
Initiative underway	Bulgaria

Most national legislative developments revolved around three main topics: (1) starting a legislative process to introduce a national FDI screening mechanism, (2) upgrading national screening procedures and expanding covered sectors, and (3) prolonging the validity of national screening mechanisms.

4. New Member State's screening mechanisms

Estonia finalised the draft of the Foreign Investment Reliability Assessment Act which was approved by the Government in May 2022. The legislative procedure in the Estonian Parliament started in June 2022 and the law was adopted in January 2023. It is expected to enter into force on 1 September 2023. **Ireland** published draft legislation in 2022 to introduce a new FDI screening mechanism and the proposal is currently being considered by its Parliament. It is expected that the screening mechanism will come into force in late 2023 or early 2024. In **Luxembourg,** the initiative to create an FDI screening mechanism, approved in 2021 by the government, was reviewed for opinion by the Council of State in 2022 and amended. These amendments were approved in 2023. The new regime is applicable as of 1 September 2023. In **Belgium,** the Draft Cooperation Agreement was reviewed by nine Belgian entities (Federal Parliament and the Parliaments of the Federated Entities) and adopted in 2023. The national Belgian screening mechanism went into force on the 1 July 2023.

In 2022, **Cyprus** drafted a new law for the establishment of a national FDI screening framework, which has to be approved by the House of Representatives in Cyprus. **Bulgaria** initiated steps to establish a screening mechanism.

5. On updated national FDI screening mechanisms

In 2022, **France** prolonged by one year the temporary obligation for foreign investors to notify investments when acquiring at least 10% of the voting rights of listed companies. **Latvia** adopted amendments in reaction to Russia's war of aggression against Ukraine by prohibiting Belarussian and Russian citizens from obtaining a qualifying holding or decisive influence in a company of significance to national security. **Italy** introduced urgent measures to react to the economic and humanitarian effects of the crisis triggered by Russia's war (cybersecurity, raw materials, agricultural goods, etc.). **Poland** prolonged until June 2025 the temporary regulations stemming from the Act on the Control of Certain Investments, which notably added a list of new sectors to be subject to screening.

(9) For more details, please see the accompanying Commission Staff Working Document on FDI screening.

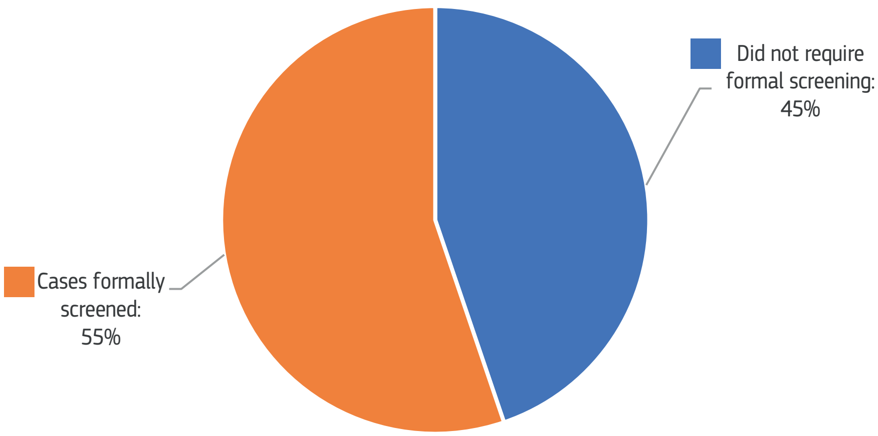
More detailed information on the legislative developments in Member States' national screening legislations can be found in the accompanying Commission Staff Working Document. Also, a list of national legislative updates is maintained by the European Commission on its website[10].

[10] The list of screening mechanisms notified by Member States (last update: 17 August 2023) is available under: https://circabc.europa.eu/rest/download/7e72cdb4-65d4-4eb1-910b-bed119c45d47

Chapter 3
Member States' FDI screening activities

The FDI Screening Regulation establishes a cooperation mechanism on FDI screening between the European Commission and EU Member States and amongst Member States based on exchange of information on transactions subject to screening at Member State level. It is always the Member State in which the investment takes place that decides which investments to screen, approve, condition, or block. This chapter is based on – and aggregates – data provided by Member States on their screening activities. Based on aggregate data received from Member States, a total of 1 444 requests for authorisations of acquisition made by the foreign investors[11] and *ex officio* cases were handled in 2022. Not all authorisation requests resulted in a decision to screen as this largely depends on the Member States' legislation and on how they classify and treat the requests[12].

Figure 6 – Member States' FDI Screening Activity[13]–



Source: Member States' reporting.

There is a clear trend towards screening more cases formally. Indeed, out of all the authorisation requests and *ex officio* cases, roughly 55% of the cases were formally screened. This marks a significant increase in the proportion of formally screened cases compared to 2021.[14] About 45%[15] of the applications were deemed ineligible or did not require formal screening.

The number of authorisation requests is unevenly distributed across EU Member States. However, a diversification of screening among EU Member States can be observed as the top four Member States accounted for 66% of all authorisation requests in 2022, down from 70% in 2021 and almost 87% in the first report.

(11) Some Member States did not report any cases under their screening legislation. Some Member States also reported 'consultations' on the eligibility of the cases, which are included in this number.

(12) Member States have different screening procedures. So, the cases reported depend on the domestic procedures (scope, eligibility check upfront or later, etc.). For instance, some Member States declared cases ineligible before a formal screening procedure is carried out, while others first formally screened cases and then declared them ineligible. The graphs and numbers reported in this chapter aim at accurately reflecting Member States' screening activities as reported by them, regardless of their domestic system.

(13) From the total number of reported cases formally screened by Member States, cases received by one Member State were subtracted to produce the data shown in Figure 6. This is because that Member State provided partial information about cases received and did not provide information about all possible outcomes of notified cases.

(14) It was 29% in the second annual report for the whole year 2021, and 20% in the first annual report for 2020.

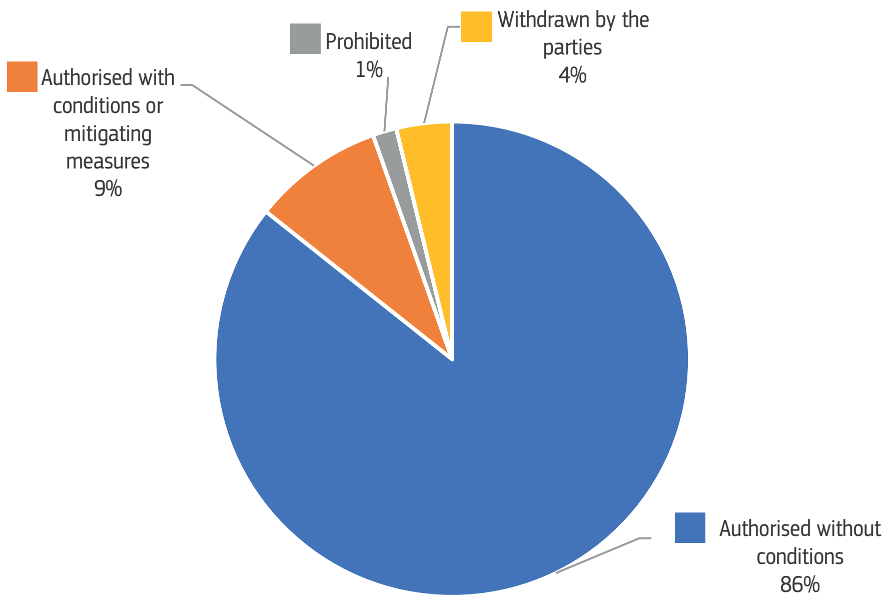
(15) It was 71% in the previous report.

Out of the cases formally screened in 2022, and for which Member States have reported a decision[16], the overwhelming majority (86%) was authorised without conditions.

However, 9% of the decisions involved an approval with conditions or mitigating measures (in 2021, 23% of cases involved authorisation with conditions or mitigating measures). In these cases, national screening authorities have negotiated - or imposed, depending on the Member State - certain actions, assurances, and commitments from the investors before approving the planned foreign direct investment.

Finally, national authorities ultimately blocked transactions in 1% of all decided cases, while for a further 4% the transaction was withdrawn by the parties.

Figure 7 – Notified decisions on FDI cases



Source: Member States' reporting.

In summary, these findings give rise to the following remarks:

- In comparison to 2021, Member States have in 2022 considered more requests for authorisations received as sensitive given that the proportion of formally screened cases has increased significantly.
- In 2022, 86 % of transactions where a decision was reported to the Commission, were authorised by the relevant Member State without any conditions; in 2021 only 73% of the transactions were authorised without conditions.
- In 9% of the transactions the Member States imposed mitigating measures as a condition for the go ahead of the transactions. In 2021 the figure was higher at 23%.
- Only 1% of the transactions were blocked by Member States (same as in the previous year). This confirms that the European Union remains open to foreign direct investments and Member States only deny transactions that pose very serious threats to security and public order.

(16) One Member State reported a general figure on the number of requests for authorisation and two (partial) figures on outcomes. Thus, these cases were subtracted to produce the data shown in Figure 7. Moreover, some cases were carried over in 2023 and hence their outcome was unknown in 2022, thus, these have been subtracted too.

Chapter 4
EU cooperation mechanism on FDI screening

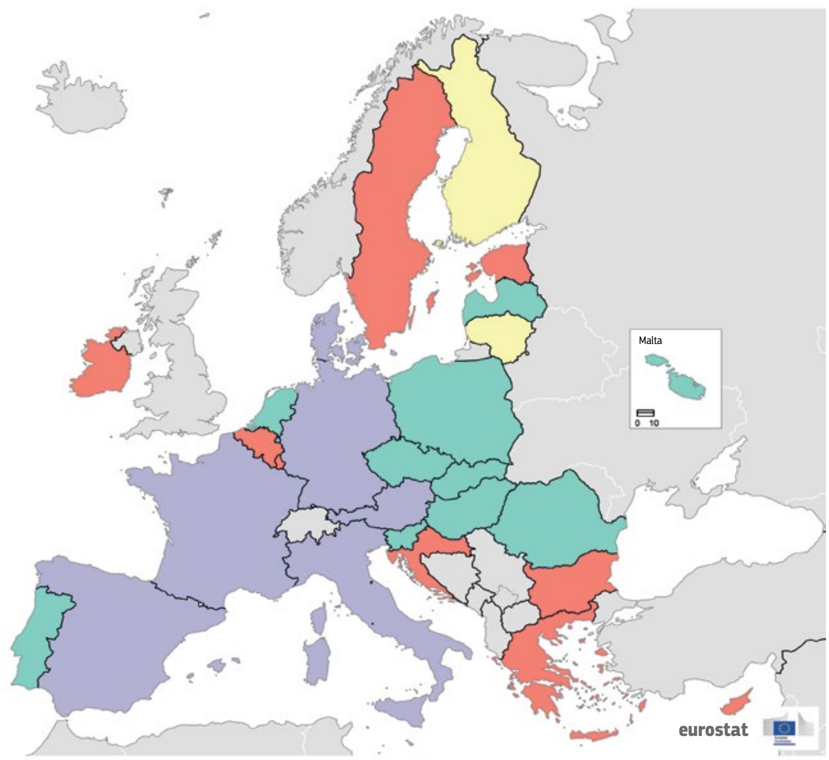
1. Notifications and other actions taken under the FDI Screening Regulation

a) Overview of activity in 2022

In 2022, 17 Member States submitted a total of 423 notifications(17), pursuant to Article 6 of the FDI Screening Regulation, compared to 13 Member States in 2021(18). Six Member States, namely Austria, Denmark, France, Germany, Italy and Spain, were responsible for more than 90% of those notifications. The notified transactions varied greatly in terms of sectors of the target company, value of the transaction and origin of the ultimate investors, among other parameters.

The map below shows the notifications to the EU cooperation mechanism in 2022

Produced in May 2023



Administrative boundaries: ©EuroGeographics ©UN-FAO ©Turkstat
Cartography: Eurostat - IMAGE, 05/2023

No screening mechanism yet in force
10+ notifications
5-9 notifications
0-4 notifications

Source: Member States' reporting.

(17) Yet, in 2022 there were cases dealt with from **19 Member States**: The Commission opened *ex officio* cases notably concerning Member States with no national screening mechanism in place.

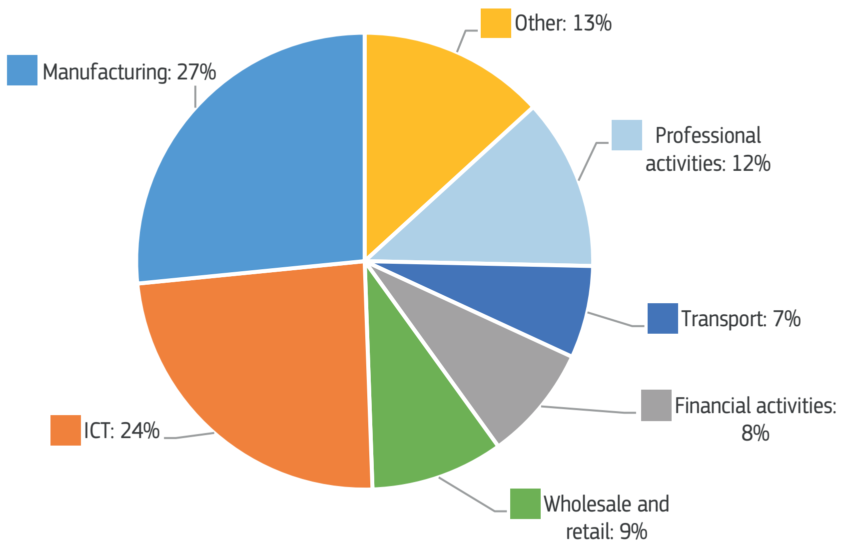
(18) See https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2022)433&lang=en

The map above indicates the number of notifications received in the framework of the EU cooperation mechanism on FDI Screening. In 2022, out of the eighteen Member States with a national screening mechanism in place, ten Member States submitted between 0-4 notifications, two submitted 5-9 notifications and six submitted more than 10 notifications.

b) Main sectors of FDI into the EU (in Phase 1)

The four sectors with the highest number of transactions in 2022 were Manufacturing[19], ICT[20], Professional Activities[21], Wholesale and Retail[22], thus following the same trend as in 2021[23]. The first two remained the same as the ones identified in the second annual report but in a different order. The sector Professional Activities took the third place (previously it was Financial Activities[24]), followed by Wholesale and Retail.

Figure 8 - Main targeted sectors overall in 2022[25]



Source: Member States' notifications.

c) Average value of FDI into the EU

Looking at the transactions' value, almost half of them (49%) had a value[26] of less than EUR 500 million (62% in the previous report). 42% of the transactions involved a value of EUR 100 million and more (it was 55% in the previous report).

(19) Manufacturing encompasses activities by companies which are involved in the transformation of materials into new products. For example, this encompasses the manufacturing of electrical equipment and motors, of industrial machinery and equipment, of weapons and ammunitions, of pharmaceuticals, etc.

(20) ICT stands for Information and Communication Technologies. It encompasses activities by companies providing essential infrastructures and tools for knowledge creation, sharing and diffusion. For example, this encompasses computer programming, software publishing, data processing and hosting, wireless telecommunication activities, etc.

(21) 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, research & experimental development on biotechnology, etc.

(22) Wholesale and Retail includes activities relating to pharmaceutical goods, chemical products, electronic and telecom equipment and supplies, computers, computer peripheral equipment and software, metals and metal ores, etc.

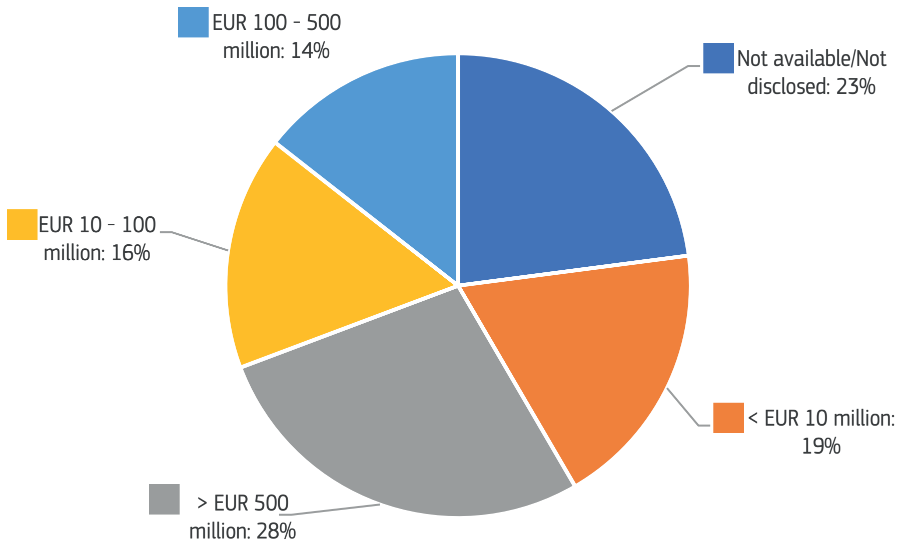
(23) In the first annual report it was Manufacturing, ICT, and, Wholesale and Retail, categorised under the NACE codes C, J and G respectively. In the second annual report it was ICT, Manufacturing and Financial Activities, categorised under the NACE codes C, J and M.

(24) Financial activities encompass activities by holdings, funds or similar actors in the financial sector which aim at acquiring a specific (equity) stake or control in a target company. For example, this encompasses fund management activities, activities of holding companies, financial services, insurance activities, etc.

(25) As cases can cover several sectors (i.e. NACE codes), the total in the graph is higher than the total number of cases notified in 2022. The category 'other' encompasses all other sectors below 4%, notably: energy, water, mining, real estate, construction, health, etc.

(26) The value, where available, relates to the target company which may be an EU-based subsidiary of a larger corporate target company. It relates to the total value of the transaction.

Figure 9 – Respective value per notified FDI transaction in 2022[27]



Source: Member States' notifications.

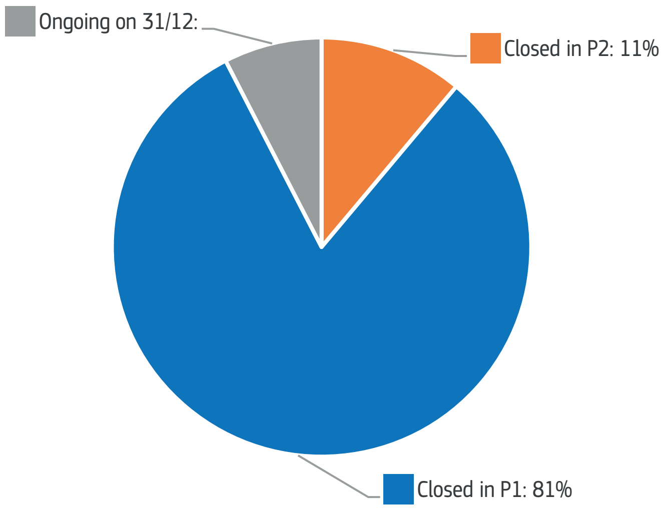
The notified transactions show a broad range in terms of value, with the lowest deal-value at less than one euro and the highest at approximately EUR 25 billion.

d) Procedure and swiftness in closing FDI cases

In line with the FDI Screening Regulation, FDI transactions notified by the Member States are assessed by the European Commission in two possible phases:

All notified transactions are assessed under Phase 1, with only a limited number proceeding to Phase 2. Phase 2 implies a more detailed assessment of cases that could possibly affect security or public order in more than one Member State, or create risks to projects or programmes of Union interest. Cases in Phase 2 can be concluded with an opinion of the European Commission.

Figure 10 - Cases closed in Phases 1 and 2 - and ongoing ones



Source: Member States' notifications.

([27]) N/A includes blanks, not available/not disclosed and not applicable.

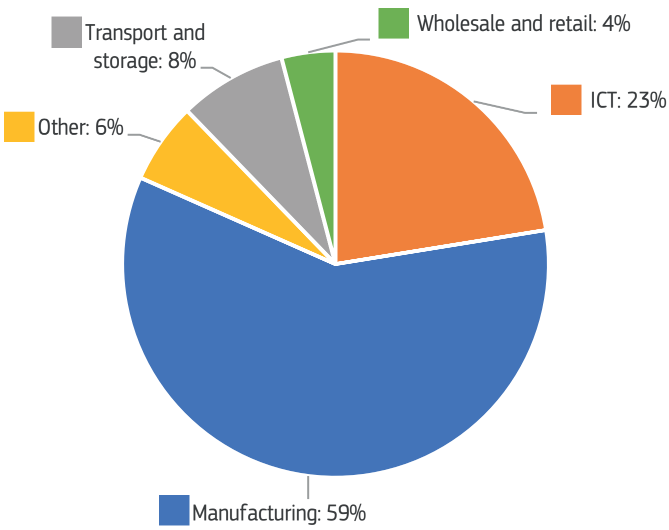
Of the 423 cases notified in 2022 within the cooperation mechanism, 81% were closed by the European Commission in Phase 1. 11% proceeded to Phase 2 with additional information being requested from the notifying Member State. 8% of those cases were still ongoing on the cut-off date of this report, i.e. not yet closed in Phases 1 nor 2[28].

When opening Phase 2, the European Commission requests additional information which varies, depending on the transaction and detail of the information supporting the notification[29]. The information requested may include one or several elements such as: data on products and/or services of the target company; possible dual-use classification of any products involved; customers, alternative suppliers and market shares; influence of the investor on the target company after the transaction; IP portfolio and R&D activities of the target company; additional defining characteristics of the investor and its strategy. This information is requested to better assess the criticality of the target company and/or the potential threats posed by the investor.

e) Main sectors of FDI into the EU (in Phase 2)

The main sectors for Phase 2 examinations were Manufacturing and ICT. Together they accounted for 82% of all Phase 2 cases. The Manufacturing sector rose quite drastically from 44% in 2021 (in previous report) to 59% in 2022. Also compared to 2021, Transport and storage is now the third most examined sector by the Commission (it was Financial Activities in the previous report), before Wholesale and Retail. The category “Other” includes several sectors which accounted for less than 4% of the cases.

Figure 11 – Phase 2 main targeted sectors in 2022 cases[30]



Source: Member States’ notifications.

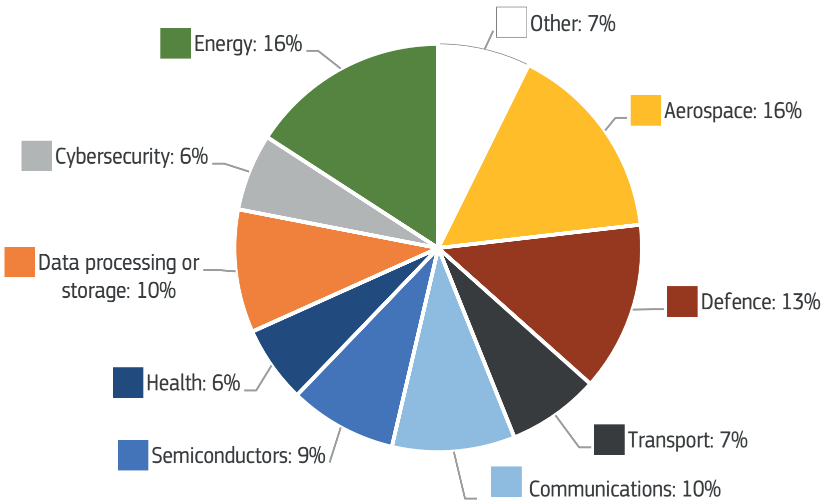
The top sector, Manufacturing, encompasses critical infrastructures and/or technologies. Looking more closely (Figure 12), there are significant changes in the sub-sectors, notably Energy and Aerospace (both 16%, down from respectively 21% and 20% in 2021), Defence (13%, down from 25% in 2021), Semiconductors (9%, down from 18% in 2021) and Health (6%, same as in 2021). In addition, in 2022, there were more sectors above 5%: Data processing and storage as well as Communications (both 10%), Transport (7%) and Cybersecurity (6%). This indicates a greater diversity of (sub-)sectors targeted by FDI.

(28) From these cases, 72% were closed in phase 1. Thus, in total, 87% of the 2022 cases were closed in phase 1.

(29) The notification form - request for information from an investor for the purposes of notifications pursuant to Article 6 of the Regulation, and the Frequently Asked Questions document, serve to ensure some degree of uniformity and a minimum level of information about the transaction, the investor and the target company provided in the notification under the Regulation. Both documents are available at https://policy.trade.ec.europa.eu/enforcement-and-protection/investment-screening_en

(30) As stated in footnote 25, one case can touch upon several sectors, thus the total in the graph is higher than the total number of cases notified in 2022.

Figure 12 - Manufacturing sub-sectors in Phase 2 in 2022 cases[31]



Source: Member States' notifications

In 2022, a total of 11 Member States accounted for 56 Phase 2 cases[32]. For all Phase 2 cases, the average period of time for Member States to provide the requested information was 24 calendar days (compared to 22 in 2021), with a range from 1 to 126 days (compared to 3 to 101 calendar days in 2021). The FDI Regulation does not set precise timelines within which Member States must respond, but the timeline under the Regulation is suspended until full information is received.

f) Origin of ultimate investors

Of the 423 cases notified in 2022, the six main countries of origin were the USA, the UK, China, Japan, the Cayman Islands and Canada. Compared to 2021 , the percentage for US and UK ultimate investors went down from respectively 40% to 32% and from 10% to 7.6%. Also, the share of China origin investors decreased, from 7% down to 5.4%. The share of investors originating in Japan have increased from 3% in 2021 to 5% in 2022.

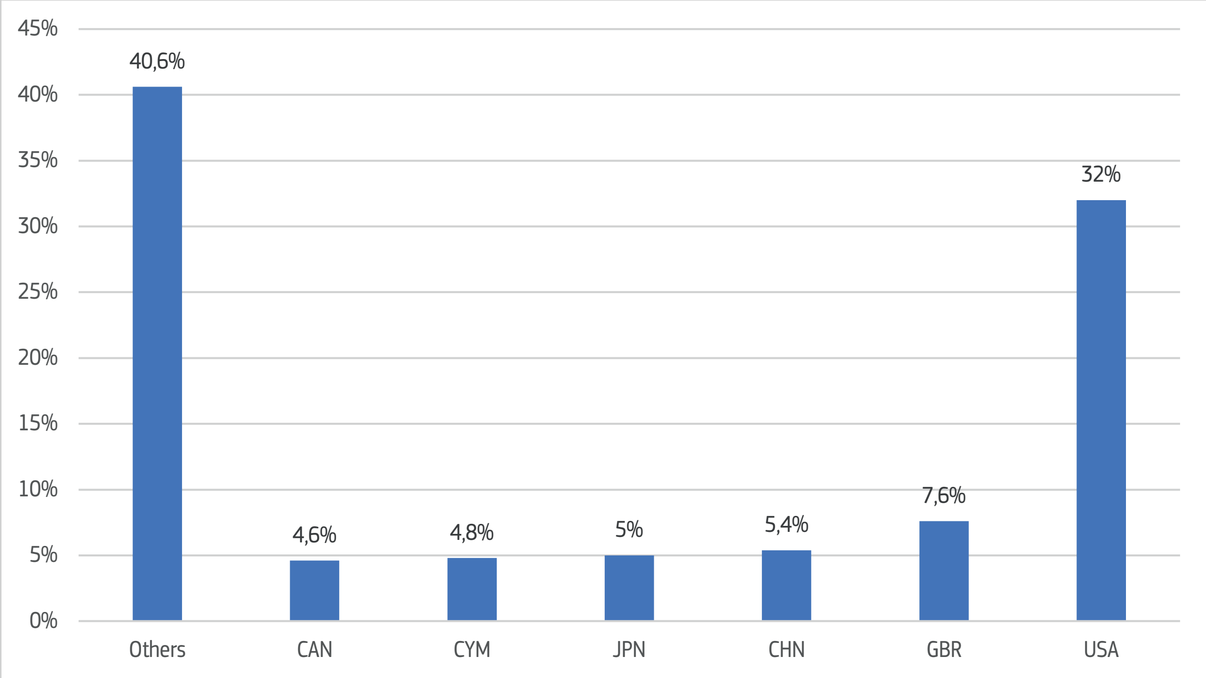
Around 40%[33] of notified cases originated from countries other than the top six compared to 2021 where the share was only 29 %. This marks a clear increase in the diversification of origin of the ultimate investors. This is also reflected in the fact that in 2022 the ultimate investors originated from 52 different countries (it was 43 in 2021).

(31) See previous footnote.

(32) It was nine in the second report for 47 Phase 2 cases and six Member States for 36 Phase 2 cases in the first report.

(33) Other origin countries' can be divided as follows: UAE (3.2%), SGP (2.6%), JEY (2%) AUS (1.8%), CHE (1.6%); and the remaining 28,8% is spread out all around the world.

Figure 13 - Origin of Ultimate Investors in 2022 cases



Source: Member States' notifications.

g) Multi-jurisdiction FDI and their main sector

Of all the cases notified in 2022, 20% (compared to 28% in the second report and 29% in the first report) constituted multi-jurisdiction FDI transactions because they concerned (and were notified by) several Member States[34].

The main sectors subject of such notifications were: Manufacturing (up from 20% in the previous report), ICT (down from 39% in the previous report), Professional activities (new), Wholesale and Retail (same percentage as in the previous report) and Transport (new).

Table – Multi-jurisdiction FDI transactions and main sectors

Manufacturing 31%
ICT 20%
Professional activities 14%
Wholesale and retail 11%
Transport 8%
Other 16%

Source: Member States' notifications

(34) "Multi-jurisdiction FDI transactions" refers in this context to FDI transactions where the target company is a corporate group with a presence in more than one Member States (and possibly also third countries), e.g., by way of subsidiaries in more than one Member State. Depending on the circumstances, and the particularities of the screening mechanism of the relevant Member States such deals are **notified by more than one Member State**, albeit rarely in a coordinated and synchronised manner.

h) Additional findings

In addition to the analysis of notified cases by Member States pursuant to Article 6 of the Regulation in 2022, the European Commission has in 2022 also made use of Article 7 of the Regulation. Article 7 allows the European Commission to screen *ex officio* an investment of a Member State – whether the latter has its own screening mechanism or not. As described in Article 7(5) of the Regulation, where a Member State or the European Commission considers that an FDI which is not undergoing screening is likely to affect security or public order, it may request information from the Member State where that FDI is planned or has been completed. This information would enable other Member States to possibly provide comments and/or the European Commission to issue an opinion.

The European Commission has under the Regulation the possibility to adopt opinions on FDI transactions notified by Member States. However, such opinions remain confidential pursuant to Article 10 of the Regulation and no information is provided on individual opinions in this report. Opinions have been issued in less than 3% of the cases notified by Member States under the EU cooperation mechanism and are issued only when and if required by the circumstances of a case, more specifically the risk profile presented by the investor and the criticality of a target company. When an opinion is issued, any recommended mitigating measures are proportionate and specific to the risks and criticality identified. European Commission's opinions may also consist of sharing relevant information with a screening Member State, and may also suggest potential mitigating measures to address identified risks. It is ultimately for the Member State where the investment takes place to decide on the transaction, while it shall give due consideration to any European Commission opinion. Opinions relating to projects and programmes of Union interest are shared with all Member States.

Member States participated actively in the EU cooperation mechanism by sending comments to the notifying Member States: nine Member States sent comments concerning around 7% of the notified cases.

2. The data above leads to similar but distinct key conclusions as the ones drawn for the previous report for 2021.

a) Similar findings

First, the processing of cases through the EU cooperation mechanism continues to function very well. Of the 423 cases notified in 2022, the vast majority (81%[35]) were closed in Phase 1, i.e. very quickly, with only 11% of the notified cases closed in Phase 2 (same as in the previous report), and less than 3% of cases resulting in European Commission's opinions.

Second, there is a continuous trend towards more diversification of screening among Member States. Yet, there are some Member States contributing with more cases: i.e. four Member States accounted for 66% of all applications received under the EU cooperation mechanism in 2022 (it was 70% in the second annual report and 86.5% in the first one).

Third, while most cases are assessed rapidly in Phase 1, within the prescribed 15 calendar days, the duration of cases entering Phase 2 shows significant variation given the time needed by Member States to provide answers to a Commission's request for additional information, with them often depending on the investor for the requested information.

(35) See footnote 28.

b) Distinct findings

Fourth, the main sectors of interest to foreign investors (Manufacturing, ICT, Professional activities, Wholesale and Retail, Financial activities, Transport) changed somewhat with Manufacturing being now the first one (instead of ICT in 2021) and Professional Activities taking the third place (previously it was Financial Activities). But there were more (sub-)sectors targeted by FDI in 2022, under the category Manufacturing.

Fifth, the origin of the ultimate investor (USA, UK, China, Japan, Cayman Islands, Canada) involved in cases notified under the Regulation remains approximately stable although the share of the US, UK and China decreasing somewhat in 2022 compared to 2021, while the share of Japanese investors increased. In addition, in 2022, ultimate investors originated from 52 different countries up from 43 in 2021. This could be an indicator that the EU further increased its openness to investors from more diverse countries.

Sixth, a lower number of multi-jurisdiction FDI cases have been dealt with: 20% in 2022 compared to 28% in 2021.

3. FDI from Russia and Belarus in the context of Russia's invasion of Ukraine

As already stated and detailed in the previous annual report, the European Commission adopted in April 2022 a Guidance[36] to Member States on FDI from Russia and Belarus, to ensure that particular attention is given to investments into critical EU assets from entities or persons somehow related to the Russian or Belarusian governments. In 2022, Russia accounted for less than 1.4% of the cases notified to the European Commission and Belarus for 0.2%.

4. Steps taken since 1 January 2022, and looking ahead

This third report marks the further strenthening of a European policy essential for the protection of security and public order in the Union. In 2022, more Member States were about to establish a national FDI screening mechanism while others improved their frameworks. The FDI cooperation with partner countries, notably the US through the Trade and Technology Council (TTC) Working Group on FDI, allowed the EU to consolidate further the EU screening system. Almost three years after the entry into force of the Regulation, the EU is now a well-established active player in the field of FDI screening.

The present report confirms further the added-value of the FDI Regulation and of the EU cooperation mechanism which has proven to be appreciated and efficient.

In 2022, there were no reported leaks on notifications, opinions or other action undertaken under the FDI Regulation. Appropriate handling and **protection of any information submitted** for the purpose of Articles 6, 7 and 8 of the Regulation is crucial to ensure the required trust between all actors involved (parties to a transaction, the notifying Member State, the 26 other Member States and the European Commission).

(36) Communication from the Commission - Guidance to the Member States concerning foreign direct investment from Russia and Belarus in view of the military aggression against Ukraine and the restrictive measures laid down in recent Council Regulations on sanctions (OJ C 151 I, 6.4.2022, p. 1).

The European Commission welcomes that additional Member States are about to adopt a national FDI screening mechanism or further strengthen their existing mechanisms for potentially risky foreign investments. It **firmly expects that all Member States will have a comprehensive national FDI screening mechanism in place in the near future. The Commission encourages Member States to make effective use of their screening mechanim.** This would directly contribute to the shared security objective. As stated in the recently adopted **Communication on European economic security strategy**(37), "Member States who have not yet implemented national FDI screening mechanisms should do so without further delay." The increase in the number of Member States with a national FDI screening mechanism should logically lead to more cases notified and thus an intensification of the use of the EU cooperation mechanism. Yet, as the economic environment remains uncertain, the number and nature of future notifications is hard to predict.

On **avenues for future developments**, the European Commission had launched in 2021 a **study on the FDI cooperation mechanism** which was published in October 2022(38). Its objective was to assess the articulation between the screenings carried out by the national authorities and the European Commission. It also aimed at identifying any significant efficiency or effectiveness issue considering the policy goals of the FDI Screening Regulation(39). The study contributed to the Commission's reflections on the need for a revision of the FDI Screening Regulation in 2023, together with the experience gathered since the entry into force of this instrument.

Indeed, since October 2020, the European Commission and Member States have reviewed more than 1 000 FDI transactions. In this context, a public consultation was launched on 14 June 2023 and closed on 14 July 2023. The Communication on European economic security strategy(40) of 20 June 2023 announced that **the Commission** is evaluating the current framework and **will propose a revision of the FDI Screening Regulation before the end of 2023**.

The Commission services are working to prepare this revision.

(37) Joint Communication to the European Parliament, the European Council and the Council on « European economic security strategy » - 20.06.2023 – JOIN(2023) 20 final https://circabc.europa.eu/rest/download/a75f3fb8-74e3-4f05-a433-fdbf406d5de6

(38) OECD Study "Framework for Screening Foreign Direct Investment into the EU – Assessing effectiveness and efficiency" - https://www.oecd.org/investment/investment-policy/oecd-eu-fdi-screening-assessment.pdf

(39) The specific objectives of the study are (i) to present an overview of the existing legislation of the Member States which currently have a screening mechanism; (ii) review how the national legislations and the FDI Screening Regulation regulate the interaction between national authorities and with the European Commission within the cooperation mechanism set up by the FDI Screening Regulation; (iii) identify any significant problems in the current system of national laws and the FDI Screening Regulation which may lead to less effective and/or less efficient outcomes in light of the policy goals of the FDI Screening Regulation, and, (iv) the need to keep administrative burden for investors and other stakeholders proportionate to the policy goals and relevant security or public order concerns.

(40) See footnote 37.

Chapter 1
Foreign Direct Investments into the EU – 2022 overview

a) Main findings

- Global Foreign Direct Investment (FDI) inflows totaled EUR 1.2 trillion in 2022, -14.3% below values in 2021. The EU contributed to the reduction of global flows with EUR 140 billion.
- A total of 4 500 new acquisitions of equity stakes and greenfield projects were recorded in the EU27 in 2022, a figure 7.2% lower than 2021 levels. The decrease was explained by a contraction in M&As and minority investments, with a -15.5% combined decline compared to 2021.
- The US was the main foreign investor in the EU27, grouping 32.2% of all acquisitions of equity stakes and 46.5% of all greenfield investments.
- In 2022, foreign companies used their EU27 subsidiaries for 23% of their investments[1].
- Almost 60% of the investments in the EU27 targeted the Information and Communication Technology (ICT), Retail, and Manufacturing sectors.
- In 2022, acquisitions in high tech manufacturing grouped 59% of the total number of foreign deals, and 67% of the total greenfield investments, in the Manufacturing sector.

b) Stable global FDI, but weak flows in the EU27

Net Global FDI inflows experienced a year-on-year reduction in 2022, totalling EUR 1.2 trillion, down by -14.3% compared to the values in 2021, but 34% above 2020 levels. OECD data for 2022 indicates that the EU27 experienced a noticeable decrease in FDI inflows compared to the previous year, and also to 2020[2]. This drop in 2022 FDI inflows is however largely due to sizeable disinvestments that took place in Luxembourg in 2022[3]. Excluding Luxembourg, 2022 FDI flows into the EU27 increased by 22%[4] compared to 2021.

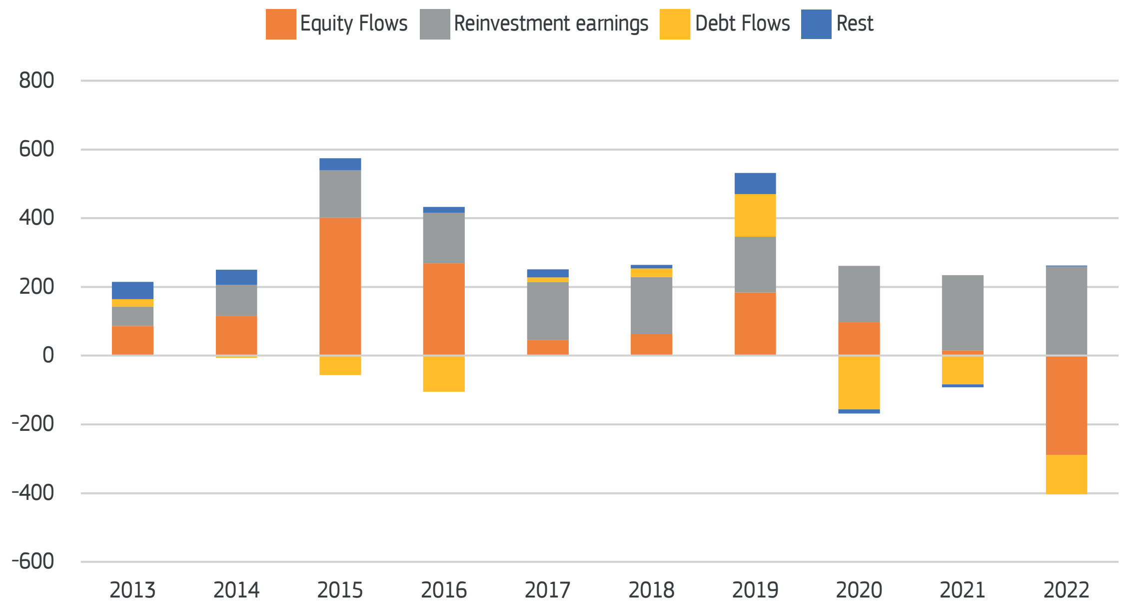
(1) By using an established EU company – which carries out an economic activity in a Member State – to invest into another EU company, the investment becomes an "intra-EU" one and hence falls outside the scope of the FDI Screening Regulation.

(2) See figures in the Annual Report 2023.

(3) OECD, FDI IN FIGURES, April 2023 – https://www.oecd.org/corporate/mne/statistics.htm. Although largely due to disinvestments in Luxembourg, global FDI flows still declined in the EU in 2022 compared to 2021. Besides, other major FDI recipients, such as China and the US, also recorded less FDI inflows in 2022.

(4) https://www.oecd.org/daf/inv/investment-policy/FDI-in-Figures-April-2023.pdf

Figure 1. FDI inflow in EU27 with breakdown by instrument (billion EUR)



Source: OECD data, extracted on 03/05/2023. Data refers to inward FDI flows. The details by instrument does not include inflows into Bulgaria, Croatia, Cyprus, Malta, and Romania whose value is grouped under Rest. FDI values exclude investments from resident special purpose entities. "Debt flows" stands for "Intercompany debt flows".

The breakdown of FDI inflows by instrument[5] (**Figure 1**) suggests that in 2022, reinvestment of earnings accounted for most of the flows into the EU27, reaching EUR 260 billion, a figure above the record value of EUR 219 billion observed in 2021. This evidence points to the fact that high profits of multinational enterprises in the post-COVID period are an important factor in explaining the rebound in FDI activity. The decline in FDI inflows at the EU27 level was mainly driven by the level of intercompany debt and equity flows, which accounted for EUR 115 billion and EUR 288 billion, respectively.

Looking at the number of foreign transactions[6], acquisitions of equity stakes decreased in 2022 compared to 2021, while the number of greenfield projects remained stable. Foreign M&As and greenfield investments have also slowed down significantly in the first quarter of 2023, both in terms of numbers and values, compared to the same quarter the previous year. The prospects for the EU economy in 2023 remain uncertain.

(5) Financial flows consist of three main components: equity capital, reinvestment of earnings of foreign parents' affiliates, and intracompany debt.

(6) We use the term foreign investor to identify non-EU entities (companies or persons) acquiring equity stakes or initiating greenfield investment projects in the EU (in short 'greenfields' or 'greenfield investments'). The terms foreign and non-EU are used interchangeably. Throughout the text, the term acquisitions will identify the acquisitions of equity stakes in EU companies, be it M&A or stakes below 50% but above 10% of the capital, and the term transactions will be referred to the sum of acquisitions and greenfield investments. Portfolio investments are excluded. For additional information see the section on methodology and sources.

c) Slowdown in dealmaking with -15.5% new acquisitions and -1% new greenfield investments

Investments by foreign companies in the EU27 lost *momentum* in 2022: There was a total of 4 500 new acquisitions of equity stakes and greenfield projects, which is 7.2% lower than 2021 levels. The decrease is explained by a contraction in M&As and minority investments(7), with a -15.5% decline compared to 2021. The war of aggression in Ukraine and the worsening of macroeconomic conditions significantly impacted EU27 M&A in 2022. Increasing inflation driven by skyrocketing energy and commodity prices prompted higher interest rates and an increased cost of capital, discouraging investors(8). The number of greenfield investments remained virtually constant, with a 0.9% reduction. Despite the slowdown, both acquisitions of equity stakes and greenfield projects remained above 2020 levels with increases of +18.3% and +22.5%, respectively(9).

The US was the main foreign investor in the EU27, with 32.2% of all acquisitions of equity stakes and 46.5% of all greenfield investments (**Table 1**). The decrease in deal making from the US, by 14.2% year-on-year, was offset by a growth in the number of greenfield projects (+13.7%) in 2022 compared to 2021. India is the only investor in the top-ten registering year-on-year growth rates for both acquisitions and greenfield investments in 2022, with +107% and +9.1%, respectively. Acquisitions of equity stakes from Japan increased significantly (+23.9%), while robust growth in greenfield projects originating in Offshore Financial Centres(10) (OFCs), Norway and South Africa was observed (by +8.5%, +6.9% and +119% year-on-year, respectively). In contrast, investments from Russia(11) collapsed, with a -68.8% decline for acquisitions and an 82.3% decline for greenfield projects year-on-year(12).

Table 1. Number of foreign acquisitions and greenfield investments: share over total for 2022 and percentage change with respect to 2021 and 2020. Detail by jurisdiction of the ultimate investor (for top-ten jurisdictions)

Equity stakes	share (%)	year-on-year (% change)	
	2022	21/22	20/22
US	32.2	-14.2	27.9
UK	25.1	-17.1	8.2
Switzerland	8.9	-4.2	25.2
OFCs	5.4	-43.2	-12.7
Norway	4.3	-22.2	37.5
Canada	4.1	-41.6	15.9
Japan	3.2	23.9	-10.9
China	2.3	-2.4	-14.6
India	1.6	107.1	16.0
Australia	1.6	-6.7	64.7
RoW	11.3	-3.8	49.6

Greenfileds	share (%)	year-on-year (% change)	
	2022	21/22	20/22
US	46.5	13.7	38.1
UK	19.0	-8.9	10.1
OFCs	5.6	8.5	44.3
Switzerland	4.8	-15.5	-12.1
China	3.9	-34.1	-36.1
Japan	3.3	-11.8	-1.1
Norway	2.3	6.9	40.9
Canada	1.7	-2.0	17.1
India	1.3	9.1	9.1
South Africa	1.3	118.8	150.0
RoW	10.4	-20.3	44.2

Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). OFCs: Offshore Financial Centres. RoW: Rest of the World. China includes Hong Kong.

(7) We define minority investment as the acquisition of equity stakes for more than 10% (but less than 50%) of the capital of the target company.

(8) In 2022, the cost of borrowing for corporations in the euro area increased by 30 basis points to 3.41% in December 2022 (ECB, https://www.ecb.europa.eu/press/pr/stats/mfi/html/ecb.mir2212~4e7d08f6a5.en.html)

(9) See figures in the Annual Report 2023.

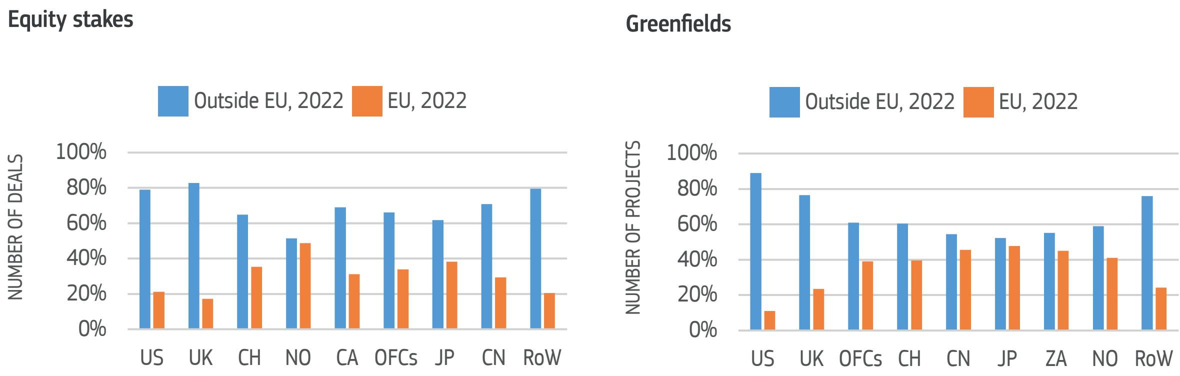
(10) The main Offshore Financial Centres by number of M&As or greenfields are (in alphabetical order) Bermuda, British Virgins Islands, Cayman Islands, Mauritius and the United Kingdom Channel Islands. For the full list of Offshore Financial Centres, see e.g. Commission Staff Working Document - Following up on the Commission Communication "Welcoming Foreign Direct Investment while Protecting Essential Interests" – SWD(2019) 108 final – 13 March 2019.

(11) For more details, see below the section entitled "Russian shareholding in Europe".

(12) Only 10 investments in equity stakes in EU companies and 11 greenfield projects originated from Russia in 2022.

Investors, especially large conglomerates with multiple activities, often use subsidiaries registered in other countries (e.g., the group's financial branch) to conduct investments[13]. In 2022, foreign non-EU investors performed investments using their EU subsidiaries in 23% of transactions recorded this year, on average (**Figure 2**). Looking at the geographical breakdown on the origin jurisdiction of the investor, the use of EU subsidiaries ranges from 14% of transactions by investors originating in the US to 44% by investors originating in Norway. A high share of transactions by investors originating in OFCs[14] and Japan (approximately 42%) also took place through EU subsidiaries.

Figure 2. Location of the direct investor. Detail by origin of the controlling parent and type of investment (acquisition of equity stakes and greenfield investments)



Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). OFCs: Offshore Financial Centres. RoW: Rest of the World. China includes Hong Kong. Equity stake refers both to M&As and the acquisition of non-controlling stakes in EU companies.

Almost 60% of the investments in the EU targeted three sectors: Information and Communication Technology (ICT), Retail and Manufacturing. With more than 1 000 investments in 2022, ICT was the top sector by foreign acquisitions of equity stakes (28%), and ranked second for greenfield projects (19.4%), after Retail (29.9%). The two digits year-on-year decrease in ICT acquisitions (-18.6%) contrasted with a robust growth of greenfield investments (+17.6%) in this sector (**Table 2**).

A large share of ICT related foreign greenfield projects in 2022 (over 80%) were related to computer programming (mainly opening of new software development and R&D centres) and data processing and hosting activities (such as opening of new data centres and sales offices). Acquisitions of equity stakes in the ICT sector involved micro and small target companies in more than 70% of the cases (**Table 3**).

Manufacturing accounted for 24.7% of all new foreign acquisitions and 10.4% of greenfield investments in 2022 (**Table 2**). Despite the decline observed in both acquisitions (17.9%) and greenfield projects (-13.1%) in 2022 compared to 2021, transactions in Manufacturing were still above 2020 levels for both types of FDI. Acquired manufacturing companies were larger than targets in the ICT sector, with a share of medium and large companies above 55% (**Table 3**).

In 2022, Manufacturing greenfield projects focused mainly on openings (or expansions) of manufacturing plants for different types of pharmaceutical products (10.3% share), electronic components (6.7% share), motor vehicles (5% share, mostly related to electric vehicle production) or batteries and accumulators (4.6% share).

(13) These are fully operating companies, not special financial vehicles set in place for the purpose of a specific investment.

(14) In many instances these are funds with offices in the EU that acquire minority stakes in EU companies.

Investments in equity stakes grew substantially in the Transport (+24%) and Administrative support (+18.6%) sectors in 2022. These two sectors experienced a very positive trend in the post-Covid period, with an increase of 40.9% and 82.1% in 2022 compared to 2020, respectively. For greenfield investments, a strong performance was observed in the Finance (+33.2%), Professional and Scientific (+26.6%) and Health (+200%) sectors. Finance and the Professional and Scientific sectors accounted for more than 10% of greenfield projects each in 2022 (**Table 2**).

Table 2. Number of foreign acquisitions and greenfield investments: share over total for 2022 and percentage change with respect to 2021 and 2020. Detail by target sector (NACE Rev. 2)

Equity stakes	share (%)	year-on-year (% change)	
	2022	21/22	20/22
ICT	28.0	-18.6	13.4
Manufacturing	24.7	-17.9	18.6
PST	8.9	-7.6	33.6
Financ. Insur.	7.3	-5.8	10.2
Retail	7.0	-15.1	-0.8
Electricity	4.3	-10.5	8.5
Transport	3.5	24.0	40.9
Admin. support	2.9	18.6	82.1
Construction	2.5	-32.3	83.3
Real estate	2.4	-34.8	13.2
Accommodation	2.1	-24.5	164.3
Health	1.9	-17.1	-22.7
Arts. Entert.	1.5	-6.9	22.7
Mining	1.0	-21.7	20.0
Education	0.8	-17.6	7.7
Agriculture	0.7	-25.0	20.0
Remaining sections	0.6	-38.9	10.0

Greenfield Investments	share (%)	year-on-year (% change)	
	2022	21/22	20/22
Retail	29.9	2.0	26.3
ICT	19.4	17.6	53.9
Financ. Insur.	10.8	33.2	56.3
PST	10.5	26.6	35.5
Manufacturing	10.4	-13.1	4.0
Accommodation	6.5	-29.4	-11.8
Transport	5.1	-44.0	-26.2
Admin. support	2.7	5.8	43.1
Real estate	1.2	-10.8	0.0
Electricity	0.9	-33.3	50.0
Arts. Entert.	0.7	-35.5	66.7
Water supply	0.7	0.0	125.0
Health	0.4	200.0	300.0
Education	0.3	0.0	-42.9
Construction	0.3	-46.2	-63.2
Other services	0.1	-33.3	-42.9
Remaining sections	0.1	-57.1	-75.0

Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). PST = Professional, Scientific and Technical activities (section M of NACE Rev. 2 sector classification). ICT stands for Information and Communication (NACE Rev. 2, section J). Due to the rounding up of numbers to the first decimal, the total of some percentages might reach 100,1%.

Table 3. Shares of foreign acquisitions in each target firm size category (over sector specific total acquisitions), 2022. Detail by NACE Rev. 2 sectors

Sectors	Share over total by sector, 2021			
	Micro	Small	Medium	Large
ICT	28.1	42.7	21.2	8.0
Manufacturing	15.6	29.2	35.0	20.3
PST	31.1	37.0	26.1	5.9
Financ. Insur.	25.7	28.7	28.7	16.8
Retail	38.0	35.4	16.5	10.1
Electricity	22.7	22.7	22.7	31.8
Transport	21.1	31.6	21.1	26.3
Admin. support	32.4	17.6	26.5	23.5
Construction	27.6	27.6	24.1	20.7
Other sectors	22.6	27.4	32.3	17.7
Average all sectors	*26.5*	*30.0*	*25.4*	*18.1*

Source: JRC calculations based on Bureau van Dijk Orbis-Global data extracted in September 2022 and Zephyr data extracted on 06/02/2023. The first four columns are based on detailed balance sheet data, available only for 73% of the acquisitions of equity stakes observed. Each row sums to 100. Micro: enterprises with less than 10 persons employed; Small: enterprises with 10-49 persons employed; Medium: enterprises with 50-249 persons employed; Large: enterprises with 250 or more persons employed. PST = Professional, Scientific and Technical activities (section M of NACE Rev. 2 sector classification). ICT stands for Information and Communication (NACE Rev. 2, section J). Due to the rounding up of numbers to the first decimal, the total of some percentages might reach 99.9% or 100,1%.

Following the Eurostat definition, foreign transactions in the manufacturing sector were reclassified by technological intensity in two categories, high- and low-tech manufacturing(15).

In 2022, foreign deals in high tech manufacturing grouped 59% of the total number of deals related to the manufacturing sector. Conversely, 67% of the total foreign greenfield investments in the manufacturing sector corresponded to high tech manufacturing activities (**Table 4**)(16). The shares in 2021 were 50% and 65%, respectively. For some jurisdictions there was a shift towards investments in high technology sectors. This is the case of the US, whose share of investments in high tech manufacturing increased by almost 15 percentage points for acquisitions and 4 percentage points for greenfield projects between 2020 and 2022. On the other hand, the share of investments in low tech manufacturing from Switzerland and China increased over the same period.

(15) High tech includes high tech and medium-high tech firms, and low tech includes medium-low and low tech ones (NACE-Rev.2, 2 digits). For further details, see Eurostat classification: https://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf.

(16) The percentages displayed indicate the share of high (low) technology acquisitions and greenfield projects over total annual acquisitions and projects for each investor origin jurisdiction (rows sum up to 100%).

Table 4. Technological content of foreign investments in manufacturing, high vs low technology (by origin jurisdiction)

Origin	Year	Acquisitions		Greenfield investments	
		High tech. (%)	Low tech. (%)	High tech. (%)	Low tech. (%)
US	2020	51.72	48.28	61.5	38.5
	2021	56.25	43.75	63.2	36.8
	2022	66.23	33.77	65.5	34.5
UK	2020	52.38	47.62	50.0	50.0
	2021	40.38	59.62	54.5	45.5
	2022	48.19	51.81	56.8	43.2
Switzerland	2020	43.24	56.76	60.7	39.3
	2021	49.09	50.91	61.3	38.7
	2022	38.89	61.11	52.6	47.4
China	2020	80.00	20.00	90.0	10.0
	2021	58.33	41.67	93.9	6.1
	2022	60.00	40.00	89.3	10.7
OFCs	2020	59.26	40.74	62.5	37.5
	2021	53.66	46.34	78.1	21.9
	2022	41.67	58.33	70.0	30.0
Japan	2020	78.95	21.05	50.0	50.0
	2021	50.00	50.00	42.9	57.1
	2022	78.26	21.74	81.8	18.2
RoW	2020	52.38	47.62	63.9	36.1
	2021	43.27	56.73	56.4	43.6
	2022	60.71	39.29	68.0	32.0

Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). RoW: Rest of the world, OFCs: Offshore Financial Centres. China includes Hong Kong.

d) The US and UK dominated foreign transactions in acquisitions equity stakes and greenfield projects

In 2022, new foreign acquisitions of equity stakes and greenfield investments in the EU originated primarily in the US, in line with previous years. Just over 570 acquisition deals and 1 280 greenfield projects originated in the US. This represented a decline compared to 2021 numbers for acquisitions, but an improvement for greenfields. Overall, US FDI transactions were mostly concentrated in three Member States: Germany, Spain and France. Acquisitions of equity stakes in German target companies by US investors represented almost 20% of the total US acquisitions into the EU in 2022 (**Table 5a**), while new greenfield investments into Germany represented 16% of total US greenfield projects in 2022 (**Table 5b**).

The contraction in acquisitions of equity stakes by US investors in 2022 compared to 2021 affected all destination Member States, but not evenly (**Tables 5a,5b**). The decline affected France (-27.8%), the Netherlands (-23.4%) and Spain (-19.8%) the most. For the case of US greenfields into the EU, Germany saw the largest year-on-year increase in the number of new US projects in 2022 compared to 2021 (+50.7%), followed by Poland (+26.3%). Only Romania, the Netherlands and Italy received less US greenfield investments in 2022 compared to the previous year.

Focusing on the sectoral breakdown, US acquisitions in 2022 mostly targeted ICT firms, with this sector grouping a 33.2% share of all US acquisitions into the EU (**Table 6a**). However, the number of US acquisitions in this sector declined by 21.5% compared to 2021. ICT also grouped 21.2% of US greenfield projects into the EU (the second largest share after Retail), and in contrast with the evolution of acquisitions of equity stakes, they increased by 14.8% year-on-year (**Table 6b**).

The UK was the second most important foreign investor in the EU in 2022, with about 440 and 520 acquisitions of equity stakes and greenfield projects, respectively. In contrast with US investments, UK transactions contracted in 2022 compared to 2021 for both types of FDI. Acquisitions of equity stakes by investors originating in the UK primarily targeted firms in Spain, with a 14.3% share out of al UK acquisitions in the EU in 2022. In terms of year-on-year comparisons between 2021 and 2022 acquisitions originating in UK declined for all destination Member States, except Sweden. Greenfield investment originating from the UK were more geographically concentrated than acquisitions, and also had Spain as main destination (18% share), followed by Ireland (16.1% share). UK greenfields into Ireland also experienced the highest year-on-year increase (+82.6%). In 2022, UK acquisitions of equity stakes mainly targeted ICT and Manufacturing firms, with these two sectors grouping 22.8% and 18.6% of all UK acquisitions, respectively (**Table 6a**). Retail grouped 31% of greenfield investments originating in the UK (**Table 6b**). Greenfields originating in the UK are less concentrated when compared to acquisitions, with ICT, Professional and Scientific services and Finance grouping similar shares (14.8%, 14.4% and 10.9%, respectively).

Table 5. Foreign investments (number of deals and projects) by origin of the investor and destination country (top investors and receivers), share 2022 and percentage change in the number of transactions with respect to 2021

Table 5a. Acquisitions of equity stakes (M&As and minority)

Origin	year	Destination									
		DE	ES	IT	FR	NL	IE	DK	SE	BE	RoEU27
US	2022	19.0	14.8	9.6	9.9	10.3	9.8	4.4	3.1	5.2	13.8
	y/y	-6.0%	-19.8%	-14.1%	-27.8%	-23.4%	-1.8%	0.0%	0.0%	-6.3%	-16.0%
UK	2022	13.6	14.3	12.8	11.0	7.4	11.0	5.1	4.9	2.5	17.4
	y/y	-29.9%	-7.2%	29.5%	-15.5%	-26.7%	-2.0%	-32.4%	46.7%	-56.0%	-30.4%
Switzerland	2022	24.5	10.1	10.7	15.1	10.7	1.3	2.5	1.3	3.1	20.8
	y/y	34.5%	0.0%	-46.9%	84.6%	0.0%	0.0%	-20.0%	-33.3%	-28.6%	-21.4%
OFCs	2022	11.5	12.5	16.7	8.3	4.2	7.3	6.3	5.2	1.0	27.1
	y/y	-57.7%	-53.8%	-36.0%	-11.1%	-66.7%	-30.0%	-25.0%	-37.5%	-66.7%	-38.1%
Norway	2022	9.1	5.2	1.3	1.3	15.6	0.0	23.4	20.8	6.5	16.9
	y/y	-41.7%	-33.3%	-80.0%	0.0%	-7.7%	-100.0%	28.6%	-27.3%	25.0%	-38.1%
RoW	2022	18.4	13.7	10.0	10.0	12.6	3.3	3.3	3.3	3.7	21.9
	y/y	2.6%	-13.2%	10.3%	-17.3%	10.2%	-12.5%	100.0%	40.0%	14.3%	-30.4%

Table 5b. Greenfield investments

Origin	Year	Destination									
		DE	ES	FR	NL	IE	PL	IT	SE	RO	RoEU27
US	2022	16.0	16.3	14.3	5.5	9.7	7.5	5.9	3.7	2.1	19.0
	y/y	50.7%	6.1%	12.3%	-6.7%	0.8%	26.3%	-2.6%	14.6%	-27.0%	21.5%
UK	2022	10.9	18.0	10.0	6.5	16.1	11.1	4.8	1.7	2.1	18.8
	y/y	21.3%	-41.6%	-22.4%	-34.6%	82.6%	7.4%	13.6%	-30.8%	37.5%	-4.9%
Switzerland	2022	14.5	14.5	8.4	5.3	6.9	9.2	3.1	9.2	3.8	25.2
	y/y	-32.1%	-34.5%	-15.4%	0.0%	800.0%	140.0%	-63.6%	20.0%	-28.6%	-25.0%
China	2022	13.0	18.5	11.1	5.6	2.8	2.8	9.3	14.8	1.9	20.4
	y/y	-46.2%	-41.2%	-33.3%	-14.3%	50.0%	-57.1%	-16.7%	45.5%	-66.7%	-46.3%
Japan	2022	11.1	14.4	4.4	11.1	7.8	7.8	4.4	1.1	1.1	36.7
	y/y	-44.4%	0.0%	-73.3%	-23.1%	40.0%	75.0%	100.0%	-50.0%	-66.7%	22.2%
OFCs	2022	15.0	17.0	5.9	6.5	2.6	3.3	5.9	2.0	3.3	38.6
	y/y	475.0%	-31.6%	12.5%	-23.1%	0.0%	150.0%	-43.8%	-40.0%	25.0%	25.5%
RoW	2022	12.0	19.9	9.2	7.7	4.1	11.5	5.1	3.4	3.4	23.7
	y/y	-6.7%	19.2%	-17.3%	-5.3%	0.0%	38.5%	9.1%	-44.8%	-33.3%	-28.4%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). BE: Belgium, DE: Germany, DK: Denmark, ES: Spain, FR: France, IE: Ireland, IT: Italy, NL: Netherlands, PL: Poland, SE: Sweden, RO: Romania, RoW: Rest of the world, OFCs stands for Offshore Financial Centres, RoEU27: Rest of EU27. China includes Hong Kong. y/y stands for year-on-year and is the percentage change of the number of transactions between 2022 and 2021.

Acquisitions of equity stakes from investors originating in the OFCs experienced generalised declines in 2022, compared to 2021, in all destination Member States, with year-on-year reductions in number of acquisitions ranging from -66.7% in the Netherlands and Belgium to -11% in France (**Table 5a**). Italy was the main destination of OFCs acquisitions in 2022. For the case of greenfield investments, projects originating in OFCs mainly targeted Spain, and a more mixed pattern of year-on-year evolution is observed (**Table 5b**).

Over one third of acquisitions of equity stakes originating in OFCs in 2022 targeted EU27 firms operating in the ICT sector (**Table 6a**). While acquisitions by OFCs investors in this sector experienced a small year-on-year decline (-2.7%), acquisitions in the Manufacturing sector (which grouped a 12.5% share) declined by -70.7% in 2022 compared to 2021. Greenfield investments originating in OFCs targeted mostly the Retail (38.6% share) and also the ICT (20.3% share) sectors (**Table 6b**). Greenfields with OFCs origin targeting the latter sector experienced a large increase (+82.4%) in 2022 compared to 2021.

Chinese FDI into the EU27 predominantly took the form of greenfield investments in 2022 (**Table 5b**). Chinese greenfield projects are rather concentrated, with Germany, Spain, Sweden and France receiving all shares above 10% of total Chinese projects in 2022. However, with the exception of Sweden, these top-four destinations of Chinese greenfields experienced year-on-year declines in 2022, particularly Germany (-46.2%). Two sectors, Retail and Manufacturing, concentrated more than 60% of Chinese greenfield projects into the EU27 in 2022 (**Table 6b**). Despite the importance of these sectors, both Retail (-52.3%) and Manufacturing (-15.2%) experienced year-on-year declines in the number of Chinese projects in 2022. The top-five greenfield projects in terms of capital expenditure (in EUR) originating in China in 2022 in the Manufacturing sector were all related to high tech manufacturing activities (defined using the same classification as in Table 4). The two largest projects were related to battery manufacturing (with a combined capital expenditure of EUR 9.3 billion), while the other three projects in the top-five related to production of electric vehicles or batteries for these (with a combined expenditure of EUR 3.1 billon).

Table 6. Foreign investments (number of deals and projects) by origin of the investor and target sector (top investors and sectors), share 2022 and percentage change in the number of transactions with respect to 2021.

Table 6a. Acquisitions of equity stakes (M&As and minority)

Origin	year	NACE sector					
		ICT	Manufacturing	PST	Retail	Finance	Others
US	2022	33.2	26.9	9.9	6.8	5.4	17.8
	y/y	-21.5%	-19.8%	9.6%	5.4%	-6.1%	-8.9%
UK	2022	22.8	18.6	9.2	9.8	9.2	30.4
	y/y	-33.8%	-20.2%	-26.8%	37.5%	-22.6%	-2.9%
Switzerland	2022	17.6	22.6	11.3	4.4	13.2	30.8
	y/y	-17.6%	-34.5%	100.0%	-22.2%	40.0%	11.4%
OFCs	2022	37.5	12.5	3.1	11.5	5.2	30.2
	y/y	-2.7%	-70.7%	-72.7%	-57.7%	-37.5%	-37.0%
Norway	2022	54.5	26.0	2.6	2.6	5.2	9.1
	y/y	-16.0%	53.8%	-83.3%	-33.3%	-33.3%	-53.3%
RoW	2022	23.5	31.4	8.8	6.3	5.1	24.9
	y/y	5.2%	3.1%	18.8%	-12.9%	-29.0%	-26.7%

Table 6b. Greenfield investments

Origin	year	NACE sector					
		ICT	Manufacturing	PST	Retail	Finance	Others
US	2022	29.6	8.6	21.2	10.1	10.3	20.2
	y/y	38.8%	-3.5%	14.8%	24.0%	18.9%	-10.1%
UK	2022	31.8	7.1	14.8	14.4	10.9	21.1
	y/y	-7.3%	12.1%	1.3%	44.2%	26.7%	-41.5%
Switzerland	2022	40.5	14.5	16.8	8.4	9.9	9.9
	y/y	12.8%	-38.7%	-26.7%	-15.4%	30.0%	-45.8%
China	2022	38.0	25.9	11.1	13.0	5.6	6.5
	y/y	-52.3%	-15.2%	500.0%	250.0%	-45.5%	-75.0%
Japan	2022	6.7	33.3	24.4	7.8	14.4	13.3
	y/y	-66.7%	-6.3%	69.2%	-36.4%	225.0%	-50.0%
OFCs	2022	38.6	7.2	20.3	2.6	11.8	19.6
	y/y	-15.7%	57.1%	82.4%	-33.3%	125.0%	-9.1%
RoW	2022	25.2	10.7	21.2	10.7	12.4	19.9
	y/y	-11.3%	-35.9%	23.8%	28.2%	70.6%	-38.8%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 06/02/2023 for equity stakes (Zephyr dataset) and on 02/02/2023 for greenfields (Orbis Crossborder Investment dataset). RoW: Rest of the world, OFCs: Offshore Financial Centres. China includes Hong Kong. PST stands for Professional, Scientific and Technical services (NACE Rev. 2, section M), it contains among other things R&D facilities. ICT stands for Information and Communication (NACE Rev. 2, section J). "Others" category aggregates the remaining NACE sections. y/y stands for year-on-year and is the percentage change of the number of transactions between 2022 and 2021.

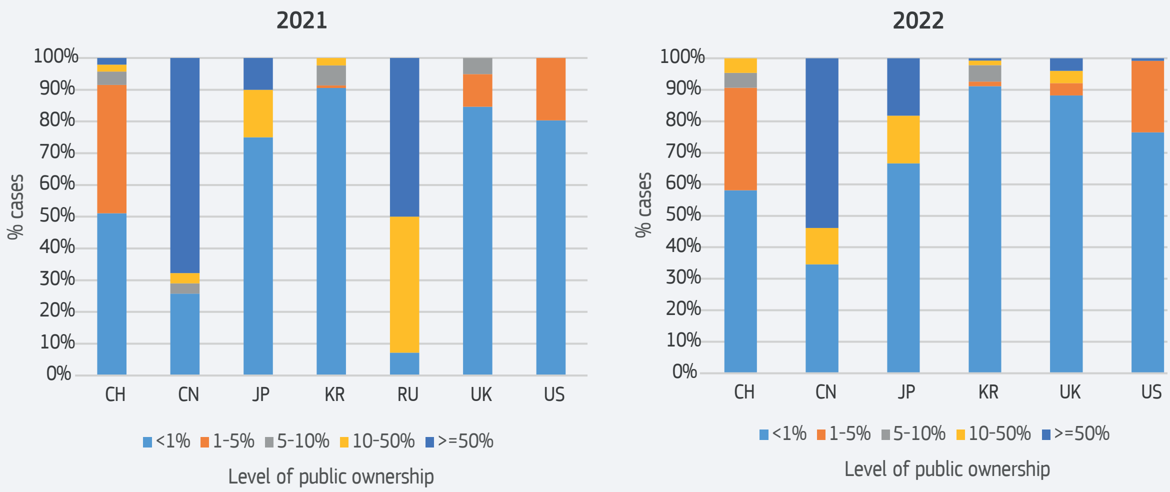
e) Public shareholding in foreign investors, 2022

This box analyses *public* shareholding in EU foreign investment transactions in 2022, considering both acquisitions of equity stakes and greenfield projects. *Public* shareholding[17] occurs whenever a state-controlled body or company holds stakes (either control or minority) in a foreign investor. We investigate *public* shareholding coming from the main foreign investors into the EU, namely Switzerland, China, Japan, South Korea, Russia, the United Kingdom, and the United States.

In 2022, 13.9% of the foreign acquisitions (13.7% in 2021) recorded presence of *public* shareholding from the selected jurisdictions. For greenfield investments, the percentage were slightly lower, where 12.3% of cases (10.7% in 2021) presented *public* holdings.

In most cases, *public* shareholding is expressed through minority stakes, with an overall average in 2022 of 4.3%, more specifically 4.5% for acquisitions and 4.1% for greenfield investments. This implies that looking merely at control stakes would give a very limited picture of *public* shareholdings (**Figure E.1**).

Figure E.1. Foreign acquisitions and greenfield investments with public participation: share by amount of participation and country.



Source: JRC calculations on Bureau van Dijk data extracted in November 2022. Russia is removed from the discussion relating to the 2022 data, as information was only based on one data point.

The pattern of *public* shareholding varied widely across the selected foreign jurisdictions in 2022, with the largest proportion of cases (47%) being from the US. This country conveys *public* shareholding mainly through federal and local funds controlled by *public* bodies, which hold usually small stakes (on average below 1.5%) in US and foreign entities investing in the EU. The second largest group of cases comes from South Korea (25%), with average stakes of around 1.5%. Similarly, all other countries present very small average *public* shares, except China with about 38%[18].

Public shareholding tends to be more substantial in foreign investors active in specific industries. The manufacturing sector alone accounted for 49% of the cases, although the amount of *public* stakes is rather limited in this group (on average 2.3%). The second-largest industry affected by *public* shareholding is the ICT sector (12% of cases), with an average stake of 5%.

Other industries had smaller presence of *public* shareholding, but with higher stakes. For example, 11% of cases were in the Financial sector, with an average *public* stake of 16% (the highest *public* average share was recorded in 2022). Wholesale and retail trade grouped a similar 11.5% of cases and on average a 0.6% stake.

Although overall over half of the analysed transactions entail domestic *public* shareholding in 2022, i.e., *public* owners holding stakes in an investor registered in their same country, the selected jurisdictions show rather different preferences. For example, China reported no domestic cases, as their *public* stakes were detected only in investors registered outside China. On the opposite side, the UK held *public* shares almost exclusively (96% of cases) in British companies investing in the EU. The US and Switzerland, finally, showed roughly 80% and 67% of domestic cases of *public* shareholding, respectively.

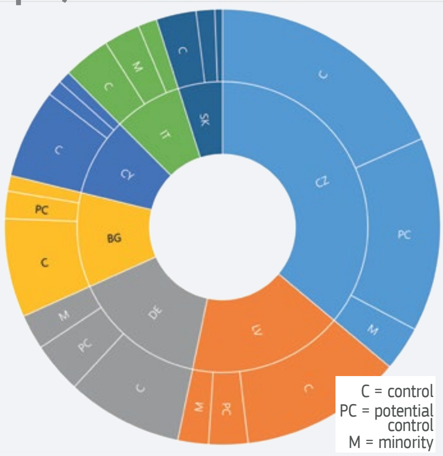
(17) This encompasses the so-called SOEs, i.e., State Owned Enterprises.

(18) The data on State influence depends on the reconstruction of ownership links among subsidiaries, sometimes very difficult for Chinese companies. Those companies often use offshore subsidiaries to enter the EU, with little or no information on the links with mainland China, or have complex nested structures not fully captured by Bureau van Dijk raw data.

f) Russian shareholding in Europe (EU27)

This box reports on Russian investments in EU firms as of 2021[19] (investment stock). *We detail both* ***controlling*** *and* ***non-controlling*** *(influence) stakes held by investors from Russia (RU). Companies with multiple Russian shareholders, each holding a stake below 50%, but all of them summing up to more than 50% of the capital of the EU business, are considered as cases of* ***potential control(*).***

Figure F.1. Number of EU27 companies under Russian control or influence, by Member States (top 7)



As stated in the previous report, **Russia exerts influence or control in almost 30 000 companies in the EU** (0.11% of the EU companies[20]). It controls about 17 000 EU companies, has potentially controlling stakes in other roughly 7 000 companies and minority stakes in 4 000 companies. We observe an additional 2 000 companies with a reported non-controlling Russian shareholder, for which the amount of stake is not known. The breakdown for top Member States is reported in **Figure F.1**.

The **top-five EU Member States by number of Russian-controlled companies** are Czechia (with 28% of the total number of EU companies controlled by RU; it was 24.7% in the previous report), Latvia (14.1%; it was 18% in the previous report), Germany (12.2%; it was 12.3% in the previous report), Bulgaria (8.3%, same as in previous report) and Cyprus (7.1%; it was 10.3% in the previous report). Czechia, Germany, and Latvia are also the top countries by number of companies **with Russian influence** (31.7%, 12.7% and 11.1% respectively; 32.6%, 12% and 13.1% in the previous report), followed by Italy (7.7%; previously 7.8%) and Bulgaria (6%; previously 5.5%). Ireland (it was Latvia in the previous report) and Cyprus have the highest percentage of controlled companies with respect to their size (measured by the number of companies).-

Table F.1. Assets controlled by the Russian government

Location of the EU company	Number	Percent
CY	112	34.2
IE	54	16.5
NL	26	7.9
FR	16	4.9
LU	14	4.3
DE	12	3.7
CZ	9	2.7
HY	9	2.7
MT	9	2.7
SK	9	2.7

In 58.2% of the EU companies under Russian control or influence, assets are held by a natural person (it was 57.7% in the previous report), in 8.9% by a company and in 1.4% by a public authority/State (it was 9.7% and 1.1% previously). **The Russian government** controls assets mainly in Cyprus (18.18% of the cases; down from 34.2% in the previous report), Ireland (13.5%, down from 16.5% in the previous report) and the Netherlands (11.06%, down from 16.5% previously) (see **Table F.1**). These assets are in companies for 89.2% of the cases (it was 79.9% previously), and in banks or other financial institutions for the remaining cases.

The sectors with the largest presence of Russian investors remain the same as in the previous report: Wholesale (with 4 316 and 3 499 companies under control and influence, respectively), Real Estate (2 775 and 2 309), Professional Scientific and Technical activities (1 654 and 1 245). Russia also controls 1 195 companies in Finance and Insurance and exerts influence on 910 Manufacturing firms.

Russia directly controls 38 EU companies in the Oil & Gas sector (it was 36 in the previous report) **and 36 in Electricity** (it was 33 in the previous report)**.** Nine of the controlled Oil & Gas firms are in Germany, while minority stakes are found in six Oil & Gas companies mainly in Eastern and Nordic Europe. As for Electricity, six controlled companies are in Germany and five in Latvia, while large minority stakes are present in firms mainly in Latvia, Italy, Croatia and Hungary.

Source: JRC calculations on Bureau van Dijk data extracted in November 2022. (*) Potential control refers to direct shareholding only.

(19) It covers the stock of companies as of 2021 as it is based on balance sheet information, which is available only up to 2021. 2022 balance sheets are still incomplete at the time of drafting this document.

(20) EU companies are approximately 26 million (latest available year 2020, Eurostat business demography).

g) Semiconductors

Semiconductors are not just related to computers and smart phones. They are embedded in our cars, industrial machineries, home appliances, as well as satellites and advanced military devices. Hence, chips are currently present everywhere in our lives, and will be even more necessary to feed the green and digital transition in the coming years. In 2022, global semiconductor sales reached USD 574.1 billion, about double the value as compared to 10 years prior, in 2012, when sales totaled USD 291.6 billion. This fast-growing market is expected to reach USD 1 trillion in early 2030s(21). In the EU, the combined turnover of EU companies involved in the semiconductor supply chain reached EUR 240 billion in 2021, about 1.7% of European GDP(22).

"*The fate of nations has turned on their ability to harness computer power*" says the economic historian Chris Miller(23). Security of supply chains has therefore become a national security matter when core technologies key for critical sectors and infrastructures are involved. In this context, geopolitical considerations also play a key role. It is hence important to monitor non-EU investments in this industry.

Figure G.1 - Number of foreign transactions: share over total, 2022. Detail by type of deal

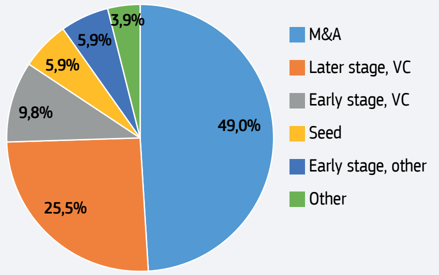
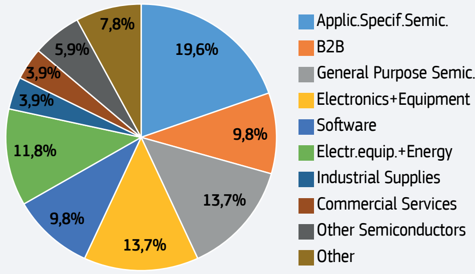


Figure G.2 - Number of foreign transactions: share over total, 2022. Detail by Pitchbook industry code

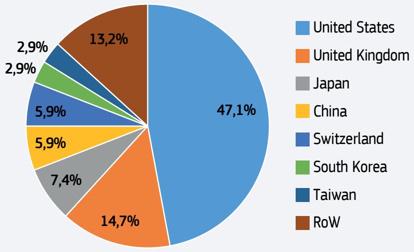


In 2022, we observed 51 foreign investment transactions involving EU target firms active in the semiconductor sector, 46% more than in 2021, worth a total amount of USD 6.6 billion of capital invested. The recovery in transactions is mostly due to an increased number of M&As (+100% as compared to 2021), representing almost half of all investment transactions and 96% of the capital invested in 2022 (**Figure G.1**)(24).

Observed venture capital (VC) investment deals were 24 in 2022 (a 14% higher as compared to 2021), implying USD 262 million investment. In 2022, later stage VC financing, typically used to bring products to the market, represented over 54% of all VC deals (up from a share of 29% in 2021), and 71% of the total amount of VC invested. Early stage or seed financing grouped 11 deals (and USD 77 million investments) in 2022 and displayed a downward trend (-27%) with respect to the number of early-stage financing deals observed the year before.

A further look into the Primary Industry Code of the target company (**Figure G.2**) shows that in 2022, most of the foreign investment deals (with a 19.6% share) were addressed to EU targets operating in specific semiconductor activities (such as wafer or sensors production). General-purpose semiconductors, and electronics and equipment related activities grouped the second and third largest share of foreign transactions (these include for example, manufacturing or development of integrated circuits, chips and lasers).

Figure G.3 - Number of foreign transactions: share over total, 2022. Detail by foreign investor jurisdiction



The US was the main foreign investor in the EU27 in 2022 with 32 transactions and USD 6 billion(25) invested (**Figure G.3**), followed by the UK. The US was the main source of both VC investment and M&As. Investments originating in Developed Asian countries (i.e., Japan, Taiwan, and South Korea) grouped just over 13% of transactions in 2022 (worth USD 212 million), while China alone was the source of nearly 6% of foreign investment deals in the sector.

(21) Worldwide semiconductor sales calculations from the Semiconductor Industry Association (SIA).

(22) JRC calculations based on balance sheet data (from Orbis-global) for a set of over 1100 EU companies pertaining to the EU semiconductors value chain.

(23) Miller (2022), author of the best-seller book "Chip War: The Fight for the World's Most Critical Technology", Scribner, 2022.

(24) Raw data on investments relating to semiconductor activities comes from the Pitchbook dataset. The companies are classified in the semiconductors sector if Pitchbook reports them as part of the semiconductors industry or if their description contains the keyword semiconductor. Pitchbook also collects data on a wide range of investments from early stage (e.g. seed rounds and venture capital) to M&As. The data reported includes foreign investment transactions targeting EU27 firms in the semiconductor industry, both completed (more than 98%) and in progress or announced (less than 2%), in the period between January and December 2022. Figures include only foreign (non-EU27) investors, classified according to the HQ location of the direct investor (except when the parent company of the direct investor is available, then this location is assigned, in around 20% of cases). The figures below report shares based on number of transactions. Transaction values are only available for a fraction of the investments (63%).

(25) The acquisition of the German company Atotech Deutschland by the US-based firm Mks Instruments is alone responsible for USD 5.5 billion.

Chapter 2
Methodology and sources

Raw data on acquisitions of equity stakes and greenfield projects comes from Bureau van Dijk datasets (Zephyr and Orbis Crossborder, respectively). Data has been retrieved in February 2023 (06/02/2023 for the Zephyr data, and 02/02/2023 for Orbis Crossborder data); and has been further elaborated by the Joint Research Centre (JRC).

The term "foreign investor" is used whenever the investor is ultimately controlled by a non-EU entity (either a company or an individual). When the ultimate owner cannot be established, the location of the investor applies. This definition differs from the one of the FDI Screening Regulation(26). Throughout the text the term *acquisition* will identify the acquisition of equity stakes in EU companies, be it M&As or stakes below 50% but above 10% of the capital, and the term *transactions* will be referred to the sum of acquisitions and greenfield investments. Raw data (including old deals and projects) are regularly updated by the data provider, but data extraction for the same time window, done at different points in time, could lead to different figures due to update lags.

The section only reports the deals' number of transactions. Values are only available for a fraction of the acquisitions since companies are not obliged to report the deals' financial details. For greenfield investment projects, the expected investment and the job creation is always available but not reported in the text for consistency reasons. National account data at the start of the section, although based on the first counterpart location principle, should help in tracking FDI trends.

All types of greenfield projects are accounted for in this document, including the construction of new sites, the relocation of a foreign presence, and the expansion of existing sites. All tables and figures are based on announced and completed transactions but report them with their announced date. Rumours and postponed deals/projects are excluded. A multi-deal, i.e., a deal where there are multiple targets and/or multiple investors is considered a sum of multiple deals. For example, if a foreign investor acquires two companies, this is recorded as two deals. Conversely, if a foreign investor acquires a company with multiple subsidiaries (in different countries), the deal remains unique and is attributed to the parent company's country. Deals with multiple targets and multiple investors (a negligible amount) are disregarded, as it is very difficult to devise a general rule to attribute the transaction. This classification rule is also applied to greenfield investments in case of multi-purpose projects in which several sites are built and/or the projects with multiple investors are announced.

In the analysis of public shareholding, for each investor, the ownership information available at the time of the deal/project is used. Where not available for 2022, the ownership information used is that of 2021, the latest information available. Data on the size of EU target companies acquired by a foreign investor is based on raw data from Bureau van Dijk Orbis-Global. Where not available for 2022, the information on balance sheet used is that of 2021.

Note that very small firms (and to some extent small companies) are poorly covered in this database (see OECD, 2020(27) for additional insights).

Finally, the classification of companies working in high tech manufacturing can be found in Eurostat webpage. Under high-tech we grouped companies falling under Eurostat sections *high tech* and *medium-high tech* firms. All the remaining companies are grouped under low-tech.

(26) See Article 2(2) of Regulation (EU) 2019/452 (the FDI Regulation).

(27) See: https://www.oecd.org/economy/coverage-and-representativeness-of-orbis-data-c7bdaa03-en.htm

Chapter 3
EU Member States – legislative developments

Introduction

This part of the Staff Working Document reflects the information provided by the EU Member States, pursuant to their annual reporting obligation set out in Article 5 of the EU FDI Screening Regulation.

The section reflects for each Member State whether:

- The relevant Member State had a national investment screening mechanism in place as of 31 December 2022;
- Developments occurred in the field of FDI screening during the reporting period (01/01/2022 – 31/12/2022), e.g., amendments to an existing screening mechanism occurred, or ongoing initiative expected to result in the introduction of a national screening mechanism;
- The relevant Member State publishes, or intends to publish, a national report on FDI screening.

AUSTRIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Austria amended its existing mechanism on foreign direct investment (FDI) screening in 2022. It extended - until 31 December 2023 - the 10% screening threshold for FDI in the area of research and development in pharmaceuticals, vaccines, medical devices and personal protective equipment. The amendment (BGBl. I Nr 231/2022) became effective as of 30 December 2022.

REPORT: Yes. The Austrian government publishes an annual report in German. The latest version is not yet available at the date of writing this document but will be found on the following website: https://www.bmaw.gv.at/Themen/Investitionskontrolle.html

BELGIUM

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

As of 31 December 2022, Belgium had not established a national FDI screening mechanism. However, a Cooperation Agreement establishing a mechanism for the screening of foreign direct investments in Belgium was concluded between the Federal State and the competent federated entities on 30 November 2022. The Belgian FDI screening mechanism became operational on 1 July 2023.

The Federal Public Service Economy operates as the national contact point for the implementation of the Regulation (EU) 2019/452 and for the participation in the EU cooperation mechanism.

Link:
https://www.dekamer.be/kvvcr/showpage.cfm?section=flwb&language=fr&cfm=/site/wwwcfm/flwb/flwbn.cfm?dossierID=3079&legislat=55&inst=K

REPORT: No.

BULGARIA

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

As of 31 December 2022, Bulgaria had not established a national FDI screening mechanism. However, Bulgaria initiated first steps to start the process of establishment of an FDI screening mechanism in the fourth quarter of 2022: an Intergovernmental Working Group on the establishment of an FDI screening mechanism was set up on 6 October 2022. Besides, this group met for the first time in November 2022. It analysed the experience of five EU Member States and discussed appropriate models for an FDI screening mechanism in Bulgaria.

REPORT: No.

CROATIA

NATIONAL SCREENING MECHANISM IN PLACE: No

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

As of 31 December 2022, Croatia had not established a national FDI screening mechanism. However, Croatia is undergoing a technical support instrument project with the OECD. One of the activities of the project will result in recommendations for an investment screening mechanism that would enable Croatia to benefit from incoming FDI while simultaneously managing security risks that may be associated with individual transactions and create a more effective and efficient participation in the EU cooperation mechanism. It is expected to be concluded by the end of the summer of 2023.

REPORT: No.

CYPRUS

NATIONAL SCREENING MECHANISM IN PLACE: No

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

As of 31 December 2022, Cyprus had not established a national FDI screening mechanism. However, in 2022, Cyprus drafted a new law for the establishment of a national FDI screening framework. The draft law has been released for public consultation. Following the approval of the Council of Minister in September 2022, the draft law was submitted to the Cypriot House of Representatives.

Link: https://tinyurl.com/ymky9nre

REPORT: No.

CZECHIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

REPORT: Yes. The Czech annual report for 2022 should be released during the autumn 2023.

DENMARK

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

On 2 June 2023, an amendment to the existing FDI screening mechanism was adopted by the Danish Parliament. The aim of the amendment is to tighten control over who constructs, owns, and operates the future Energy Island in the North Sea. The amendment also introduces a new case handling process with a phase 1 and phase 2. The amendment entered into force on 1 July 2023 and has been notified to the European Commission.

More information under: https://businessindenmark.virk.dk/topics/Economy/Investments/

REPORT: No.

ESTONIA

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

In 2022, Estonia was in the process of finalising a draft law and preparing the necessary legislation to implement a national FDI screening mechanism: The Government of the Republic approved the draft of the Foreign Investment Reliability Assessment Act in May 2022. The legislative procedure started in the Parliament in June 2022. The Parliament adopted the law on 25 January 2023 and the national FDI screening mechanism is to enter into force on 1st September 2023.

The mechanism will define the transactions that are considered as foreign investments and should undergo screening, the concept of foreign investor and the range of target undertakings for which the impact of foreign investments on security and public order is assessed (including, for example, critical service providers, state-owned enterprises, manufacturers and suppliers of military or dual-use goods, owners of defence sites, certain media companies and owners and operators of transport infrastructure).

It will also set out the relevant aspects of consideration throughout the investment assessment process. Foreign investment is going to require an authorisation issued by the Consumer Protection and Technical Regulatory Authority.

Such authorisation shall be based on prior mandatory approval on the admissibility, or prohibition, of the foreign investment under screening from the national Commission, which is going to consist of representatives of the Ministries, security authorities and law enforcement agencies. It will also establish national rules on the cooperation mechanism, as provided for in the EU FDI Screening Regulation.

Links:
https://mkm.ee/uudised/riik-hakkab-hindama-valisinvesteeringute-usaldusvaarsust
https://www.riigiteataja.ee/en/eli/504042023002/consolide (English translation)

REPORT: No.

FINLAND

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

REPORT: The Ministry of Economic Affairs and Employment has prepared the Annual Report of 2022 which is publicly available on the Ministry's website:

https://tem.fi/acquisitions (in Finnish, Swedish and English).
https://tem.fi/documents/1410877/0/VN0083008_YKA+vuosiraportti+2022+FINAL_EN.pdf/14dee38b-67e1-a3d7-74ce-230c9bdeb07a/VN0083008_YKA+vuosiraportti+2022+FINAL_EN.pdf?t=1689147367692 (in English)

FRANCE

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

On 23 December 2022, France prolonged - for a year - the obligation for foreign investors to notify investments when acquiring at least 10% of the voting rights of listed companies (Décret n° 2021-1758). It is the second time France prolonged this obligation since its first implementation in July 2020, when the French government lowered the threshold from 25% to 10% of voting rights for listed companies. This measure was taken in a context of economic uncertainties, notably related to the energy crisis.

Link:
https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000046792223

REPORT: Yes. France annually publishes an overview of its activities:
https://www.tresor.economie.gouv.fr/Articles/5ed9606f-f37e-4517-ae5d-445dab7ecad0/files/68cd8466-0b98-44d2-9182-777b8768cee0

GERMANY

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

REPORT: No. However, Germany published in 2022 key facts and figures on investment screening in Germany, available in German and English under: https://www.bmwk.de/Redaktion/EN/Publikationen/Aussenwirtschaft/investment-screening-in-germany-facts-figures.pdf

GREECE

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

In 2022 Greece was working on the draft legislation aiming at the establishment of the national FDI screening mechanism. After an initial consultation with Commission experts, the Greek government revised the drafted legislation. In addition, Greece actively sought conversations with other EU Member States to exchange on best practices.

During the reporting period, the competent Departments of the Hellenic Ministry of Foreign Affairs-MFA were working on the draft legislation aiming at the establishment of the national FDI screening mechanism on the grounds of public order and security, by consulting with the European Commission and exchanging practices with other Member States that already have or are in the process of developing a national FDI screening mechanism.

Two major amendments were introduced to the initial draft during the reporting period. Firstly, the extension of the deadline regarding the FDI screening procedure from 40 to 60 days, pursuant to the FDI Screening Regulation. The establishment of a more elaborated cooperation mechanism between MFA's screening Authority and other competent Ministries/entities.

Also incorporated in the new version of the national draft legislation, are modifications related to the strengthening of the investigation procedure by giving access to any necessary information or data deriving from any legal or natural person and the designation of the competent Authority for the monitoring of the mitigation measures' implementation. Furthermore, specific fines and penalties were introduced. As soon as the respective draft legislation is approved, it will follow a consultation process with other competent Ministries and entities.

REPORT: No.

HUNGARY

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

On 5 January 2022, the amendment of Government Decree 246/2018 on the implementation of Act LVII of 2018 on the Control of Foreign Investments Affecting Hungary's Security Interests entered into force, by the Government Decree 802/2021 (XII. 28.). The purpose of the legislation was to harmonise national screening laws with the EU FDI Screening Regulation: The annex to the decree had to be updated due to changes in the legislation to which it refers.

Link:
https://magyarkozlony.hu/dokumentumok/29d2e1f29792faf30a1ae2978d6374e111c42e25/megtekintes

REPORT: No.

IRELAND

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

The Screening of Third Country Transactions Bill was published in August 2022 and is currently being considered by Parliament. It is expected that the national FDI screening mechanism will come into force in Ireland in Q4 2023 or early Q1 2024.

This new law defines the nature, scale and type of investments that should undergo investment screening. It also sets out the relevant points of considerations throughout the Screening process. It ultimately empowers the Minister to assess, investigate, authorise, condition, or prohibit foreign investments based on a range of security and public order criteria. The screening mechanism will be established in line with the principles outlined in the EU FDI Screening Regulation, and will better assist Ireland to fulfil its obligations under the Regulation's cooperation mechanism.

Link:
https://enterprise.gov.ie/en/legislation/screening-of-third-country-transactions-bill.html

REPORT: No. However, there will be one, once the mechanism will be in place.

ITALY

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

In 2022, with the Law Decree No. 21/2022 dated 21 March 2022 (converted, with amendments, into Law 51/2022), Italy introduced urgent measures to react to the economic and humanitarian effects of the Ukrainian crisis (cybersecurity, raw materials, agricultural goods, etc.). Besides, a Decree of the President of the Council of Ministers No. 133 of 1 August 2022 introduced simplification measures, such as the pre-filing mechanism and the settlement of proceedings when no mitigation measures are adopted. In addition, the Decree of the President of the Council of Ministers No. 189 of 1 September 2022 introduced mechanisms between FDI screening and tender procedures.

Articles 24-28 of the Decree-Law No. 21/2022 of 21 March 2022 amends Law Decree No. 21/2012, providing the overcoming of the transitory regime related to the epidemiological emergency Covid-19 (provided by Article 4 of Decree-Law No. 56 of 30 April 2021). In addition, they define the knowledge and participation for the target company and extend the applicability of the Law Decree No. 21/2012 to greenfield investments. There are also procedural developments concerning simplification of measures and the strengthening of the enforcement within the FDI screening procedure.

Links:
https://www.gazzettaufficiale.it/eli/id/2022/03/21/22G00032/SG
https://www.gazzettaufficiale.it/eli/id/2022/09/09/22G00138/sg
https://www.gazzettaufficiale.it/eli/id/2022/12/06/22G00196/sg

REPORT: Yes. The report on national FDI screening activities has been transmitted by the Presidency of the Council of Ministers to the Parliament on 30 June 2023. It is available under: https://www.senato.it/leg/19/BGT/Schede/docnonleg/47144.htm

LATVIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Latvia amended its national screening mechanism. The amendments stipulate that the Russian Federation or the Republic of Belarus, its citizens or legal persons registered in the Russian Federation or the Republic of Belarus, may not obtain a qualifying holding or decisive influence in a company of significance to national security, or become a member of a partnership of significance to national security, and also the beneficial owner of a commercial company of significance to national security. These amendments were published on 16 June 2022 and entered into force on 23 June 2022.

The National Security Law of Latvia was amended on 20 October 2022. The amendments entered into force on 14 November 2022. The range of subjects to which the National Security Law applies has been significantly expanded. The amendments set that not only commercial companies registered in the Republic of Latvia can have significance for the national security, but also associations and foundations.

Additional criteria were included to identify commercial company, associations and foundations as commercial company, associations and foundations of significance to national security. For example, this applies if it is owning or holding critical infrastructures; or if it has in its ownership a liquefied natural gas facility connected to a transmission system or a distribution system; or if it has access to voter data; or if it is a manufacturer, developer, or exporter of dual-use goods.

REPORT: Yes. A report on national FDI screening activities is in the making. It will present general information about the Latvian national legislation acts and provide statistic information about notifications received and comments submitted.

Links:
https://likumi.lv/ta/en/en/id/14011-national-security-law
https://likumi.lv/ta/id/333449-grozijumi-nacionalas-drosibas-likuma
https://likumi.lv/ta/id/336845-grozijumi-nacionalas-drosibas-likuma

LITHUANIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Minor amendments to the Law have been adopted: Articles No. 12, 13 and 19 of the Law on the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania were amended in March 2022. The main changes were related to procurement provisions and radio frequencies (channels) of electronic communications networks and/or electronic communications services provisions, not to the investment screening regulation. Also, minor updates were made to the list of enterprises and strategic infrastructure important to national security.

Lithuania will set up a working group in spring 2022. Its purpose will be to take into account previous experience from the application of the Law and submit proposals to ensure the effectiveness and efficiency of the national FDI screening procedure.

Link:
https://www.e-tar.lt/portal/lt/legalAct/TAR.57E0E8B29108/asr

REPORT: No.

LUXEMBOURG

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Following the opinion of professional chambers and institutions the 2021 approved government initiative to create an FDI screening mechanism was reviewed for opinion by the Council of State in 2022 and amended accordingly. On 27 January 2023, the Government Council approved these governmental amendments to the bill of law aiming at establishing a national screening mechanism for FDI likely to impact security or public order. On 14 February 2023, an additional opinion of the Council of State was released. The next step will be to present the draft law to the relevant Parliamentary Commission before it will be discussed in the Chamber of Deputies.

Links:
https://chd.lu/wps/portal/public/Accueil/TravailALaChambre/Recherche/RoleDesAffaires?action=doDocpaDetails&id=7885
https://www.chd.lu/fr/dossier/7885

REPORT: No.

MALTA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

REPORT: Yes. The Maltese authorities are currently working on a report which would cover the 3-year journey of the National Foreign Direct Investment Screening Office. This report will be public and made available on the Office's website: https://www.nfdismalta.com/

NETHERLANDS

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

On 19 April 2022, the Dutch House of Representatives adopted the VIFO ("Wet **V**eiligheidstoets **I**nvesteringen, **F**usies en **O**vernames", i.e., Investments, Mergers and Acquisitions Security Screening Act), thereby paving the ground for a general national FDI screening mechanism.

Prior to 2021, the Dutch FDI Screening mechanism was limited to the "Telecommunications Act", "Electricity Act" and "Gas Act". On 30 June 2021, the VIFO was submitted to the Dutch Parliament. The bill passed the lower house on 19 April 2022 and the upper house on 17 May 2022. The VIFO has been finalised. It entered into force on 1st June 2023 as the necessary statutory instruments were ready to enter into force alongside the Act. The statutory instruments will exempt certain dual-use goods and add other technologies/sectors defined as 'highly sensitive': quantum, photonics, semiconductors and high assurance products.

As with the sectoral mechanisms, extra-EU as well as intra-EU and domestic investors will be subject to screening. In contrast to the existing mechanisms, the VIFO contains a two-phase approach.

Besides, the Ministry of Defence and the Ministry of Economic Affairs and Climate Policy are currently drafting a bill for an investment screening procedure for transactions relating to the defence industry.

Links:
Staatsblad 2022, 215 | Overheid.nl > Officiële bekendmakingen (officielebekendmakingen.nl)
https://www.bureautoetsinginvesteringen.nl/
https://urldefense.com/v3/__https:/zoek.officielebekendmakingen.nl/stb-2022-215.html__;!!DOxrgLBm!Co1IvgJNitqXOlffqzJFWj2YZi3Tpw_MdRC7-TADSWUnbwUOVrzeXOuo7lvrKiVZO22a-YZrOfDDMoafEm9NlNsROTOYXbA$

REPORT: The Minister of Economic Affairs and Climate Policy sends an annual letter to the Dutch Parliament reporting on her/his use of the authority to ban transactions under the Telecommunications Act. This letter includes statistics and reporting on general investment screening activities. The most recent letter can be accessed here (in Dutch): https://www.rijksoverheid.nl/documenten/kamerstukken/2022/11/03/rapportage-toepassing-wet-ongewenste-zeggenschap-telecommunicatie

POLAND

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

On 12 May 2022 Poland amended the VAT Act and certain other Acts. In addition, temporary regulations which existed in the Act on the Control of Certain Investments have been prolonged up to June 2025.

Link:
https://eur-lex.europa.eu/legal-content/PL/TXT/PDF/?uri=CELEX:72019L1995POL_202104681&from=EN

REPORT: No.

PORTUGAL

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): No.

REPORT: No.

ROMANIA

NATIONAL SCREENING MECHANISM IN PLACE: No

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Romania published the Emergency Ordinance of the Romanian Government No. 46/2022 on FDI screening in the Official Gazette of Romania on 18 April 2022.

The legal act established a formal national screening mechanism for FDI and for new or greenfield investments made by foreign investors for transactions falling in the scope of the Supreme Council of National Defence's Decision No. 73/2012. It sets a deadline of 60 calendar days for drafting secondary legislation for its application.

In addition, it mandates the Romanian government to set up an Inter-agency Screening Commission in charge of decision-making, chaired by an appointee of the Prime Minister. The Romanian Competition Council (RCC) will ensure secretarial affairs, including the coordination of the expert groups responsible for screening. If the Screening Commission delivers a positive opinion, the RCC will also be responsible for formal decisions on screening cases (even with mitigating conditions). If the Screening Commission delivers a negative opinion, the Romanian Government will take the final decision. Finally, Romania drafted and approved the relevant secondary legislation.

Link:
https://monitoruloficial.ro/Monitorul-Oficial--PI--379--2022.htmlc

REPORT: Yes. Starting in 2022, the Romanian Competition Council will release an annual report on the application of the FDI screening legislation, highlighting and commenting key takeaways.

SLOVAKIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Slovakia's national Parliament adopted the FDI screening act on 29 November 2022. It was then published in the Collection of Laws on 23 December 2022. It is the basis of a comprehensive legislation on the screening of FDI in Slovakia, which replaced the partial legislation previously incorporated in the Act No. 45/2011 Coll., i.e., a partial scheme covering the elements of critical infrastructure within the sectors of energy and industry.

The Regulation of the Government of the Slovak Republic No. 61/2023 is laying down the critical foreign investments and the Decree of the Ministry of Economy of the Slovak Republic No. 64/2023 is laying down the application for the screening of FDI, the form for screening FDI, the request for the modification of a decision on conditional authorisation of an FDI, the report on the execution of a FDI and the monitoring report.

The Act established a complex mechanism for the screening of FDI from third countries on ground of the protection of security and public order in the Slovak Republic and other EU Member States. It establishes the competencies of the Ministry of Economy, other state administration bodies and security forces which participate in the screening of FDI. The Act also laid down the screening procedure, the obligations and rights of the foreign investor before, during and after the screening procedure; also the obligations of the target; the monitoring of their compliance with obligations established by the Act or the screening decision, as well as related offences and penalties; cooperation at national level as a precondition for a comprehensive cooperation of the Slovak Republic with other EU Member States and the European Commission under the FDI Screening Regulation. The new legislation does not apply to foreign investments completed before its entry into force. The Act, together with the implementing legislation entered into force in March 2023.

Links:
Zákon č. 497/2022 Z. z. o preverovaní zahraničných investícií a o zmene a doplnení niektorých zákonov
The Act No. 497/2022 Coll. the screening of foreign investments and on amendments to certain acts

REPORT: Yes. A report on national FDI screening activities is included in the new comprehensive Act on the screening of FDI. The first report will be published in 2024. According to the legislation, the Ministry of Economy of the Slovak Republic will be obliged to publish a summary information on the application of the law during the previous calendar year. Such summary will be published on the website of the Ministry of Economy of the Slovak Republic. The summary information will not contain any specific information about concrete FDI, as well as foreign investors and target entities. There will be exclusively aggregated data for a given year in the form of anonymous statistical data.

SLOVENIA

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Slovenia's mechanism for the screening of FDI within the Intervention Measures to Mitigate and Eliminate the Consequences of the COVID-19 Epidemic Act (Official Gazette of the Republic of Slovenia, No. 80/20, hereinafter referred to as: *ZIUOOPE*) entered into force on 31 May 2020 and was in force until 30 June 2023.

The mechanism was permanently included in the Investment Promotion Act (Official Gazette of the Republic of Slovenia, No. 13/18, hereinafter referred to as: *ZSInv*) and regulated in the framework of the regular legislative procedure. In the second half of 2022, Slovenia entered the preparatory phase of amending the *ZSInv* for the purpose of FDI screening. The legislative procedure was completed on 9 June 2023. The new FDI regime entered into force on 1 July 2023.

Links:
Act determining the intervention measures to mitigate and remedy the consequences of the COVID-19 epidemic (ZIUOOPE): Unofficial English translation.
https://www.gov.si/teme/tuje-neposredne-investicije/

REPORT: No.

SPAIN

NATIONAL SCREENING MECHANISM IN PLACE: Yes.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

Royal Decree-Law 20/2022, of 27 December 2022, on measures in response to the economic and social consequences of the war in Ukraine stated the following:

- Article 61: Article 7bis 1 of Law 19/2003 of 4 July 2003 is amended to include in the definition of foreign investment transactions in which control of all or parts of a Spanish company is acquired.
- Article 62: The temporary regime for the suspension of the liberalisation of certain FDI made by residents of EU and EFTA countries is prolonged until 31 December 2024.

Besides, Spain prepared a new FDI screening regulation which was expected to enter into force in the course of 2022 but will be passed during 2023. Its main objectives were to: (i) update the specific administrative procedure for FDI screening, that dates back from 1999 (RD 664/99), and (ii) give a more specific definition of what is meant by critical technologies, essential input, sensitive data, etc. Therefore, while Article 7 bis of Law 19/2003 would remain in force, this legislation would represent a significant development.

On 27 January 2023, the Council of State issued an opinion on the draft, concluding that the consulted norm deserves an overall favourable judgement.

Links:
BOE-A-2022-22685 Real Decreto-ley 20/2022, de 27 de diciembre, de medidas de respuesta a las consecuencias económicas y sociales de la Guerra de Ucrania y de apoyo a la reconstrucción de la isla de La Palma y a otras situaciones de vulnerabilidad.
Ministerio de Industria, Comercio y Turismo - Detalle Participación Pública

REPORT: Yes.

The report identifies the total number of operations subjected to FDI screening, the total number of authorisations and conditional authorisations, the ultimate Investor´s country of origin and the reasons for subjecting the investment. The report on 2021 and 2022 can be found under:

2021: https://comercio.gob.es/InversionesExteriores/Documents/2021%20EN%20CIFRAS.pdf
2022: https://comercio.gob.es/InversionesExteriores/Documents/2022%20EN%20CIFRAS.pdf

SWEDEN

NATIONAL SCREENING MECHANISM IN PLACE: No.

DEVELOPMENTS DURING THE REPORTING PERIOD (2022): Yes.

On 16 March 2023, the Swedish Government adopted a draft bill setting up a mechanism for the screening of FDI. On the same date, the draft bill was sent to the Legislative Council. After the Legislative Council's comments, the government would return with its bill for parliamentary consideration. The bill is expected to enter into force on 1 December 2023.

According to the draft bill, the screening authority will have the possibility to review FDI in Swedish companies that conduct protected activities, such as essential services, security-sensitive activities (according to the Protective Security Act), sensitive personal or location data, critical raw materials and other metals and minerals, military equipment, dual-use products, emerging technologies and other strategic protected technologies.

Notification will be mandatory in all seven sectors. Furthermore, the obligation to notify an investment falls on the investor (regardless of nationality or domicile) provided that the investment results in a certain amount of influence in the target undertaking, for example if the investor would command 10 percent or more of the total number of votes. The target undertaking will have a disclosure obligation towards investors. The assessment must take place before the transaction is carried out.

The assessment will be carried out in two stages. In the first stage, within the 25 working days of a complete notification, the screening authority decides to either take no further action or launch an in-depth investigation. Once the investigation has been launched the screening authority must take a final decision within three months of the decision to initiate an examination. The screening authority, when reviewing the investment, shall be obliged to consult a number of other Swedish authorities. In addition, it is proposed that the screening authority will have the right to initiate investigations on its own, issue sanctions fees, approve investments subject to conditions as well as the right to prohibit transactions.

Links:
https://www.government.se/press-releases/2023/03/new-act-will-stop-investments-in-companies-by-foreign-actors-that-could-harm-sweden/
https://www.lagradet.se/wp-content/uploads/2023/03/Ett-granskningssystem-for-utlandska-direktinvesteringar.pdf

REPORT: No.

STATISTICAL UPDATE ON DUAL-USE EXPORT CONTROL (2021)

Introduction

This report provides aggregated export control data for 2021. It was prepared by the Commission services based on data made available on a voluntary basis by the Member States' authorities competent for dual-use export controls[1].

The year 2021 saw the entry into force of a new EU Export Control Regulation in September (hereinafter referred to as "the Regulation"), which marked an important milestone in the development of EU export control policy[2]. In particular, the Regulation now requires the Commission to publish an annual report that includes information on authorisations, denials and prohibitions, as well as information on the administration, and enforcement of controls. It requires a new reporting methodology, which will apply to licensing activities in 2022 and will be used for the annual report that the Commission will be preparing in the coming months[3].

This statistical update covers licensing data in 2021 and therefore does not cover aspects of export controls touched by, or measures taken in the form of export restrictions in response to, Russia's war of agression against Ukraine.

This update is published together with the Annual Report on FDI Screening as export control and FDI screening both provide strategic trade and investment controls to ensure security in the European Union.

(1) Some Member States' competent authorities also publicly report on trade in dual-use items. This report also benefited from consultations with Member States' experts in the Dual Use Coordination Group (DUCG) established under Article 24 of the Regulation.

(2) Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items (recast) – (OJ L 206, 11.6.2021, p. 1) - https://eur-lex.europa.eu/eli/reg/2021/821/oj.

(3) The annual report will include information on administration and enforcement and other relevant activities in the year.

EU export controls – Key Data

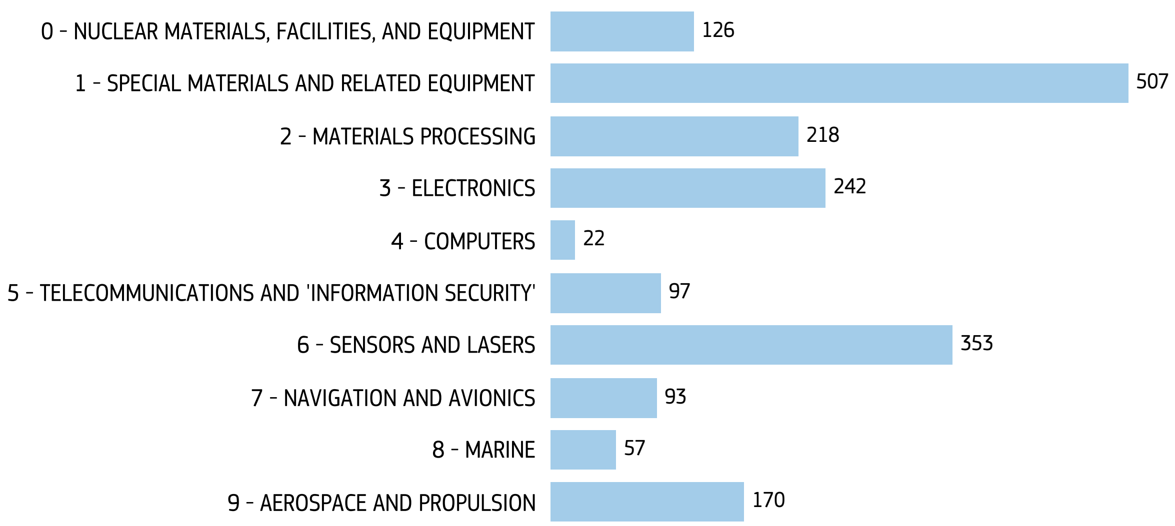
As in previous years, it remains difficult to obtain reliable economic information on overall dual-use exports (including non-listed dual-use items) as there is no official category of "dual-use items" in official economic, customs or trade statistics[4]. However, the Commission and Member States collect data that allows for approximate estimates of exports of dual-use goods based, on the one hand, on specific licensing data shared on a voluntary basis by competent authorities and, on the other hand, on statistics for export declarations to EU customs which include dual-use goods. 2021 export data estimates are presented below[5].

1. EU dual-use trade: items and destinations

In 2021, the Regulation primarily applied to the export of about 1885 dual-use items listed in Annex I (the "EU Control List") and classified in 10 categories from Annex I to Regulation (EU) 821/2021[6] (Figure 1).

These dual-use items relate to circa 1.000 "commodities" from the "customs nomenclature", including chemicals, metals and non-metallic mineral products, computers, electronic and optical products, electrical equipment, machinery, vehicles and transport equipment, etc. and typically fall at the high-tech end of this large, mixed commodity area.

Figure 1: Number of dual-use entries listed in the ten Categories of Annex I of the Regulation.



Statistical estimates of the relative importance of dual-use trade indicate that dual-use exports represent about 2.5% of EU27 total exports (intra and extra-EU), within a broad 'dual-use export domain'[7] of customs commodities that may include, to varying degrees, certain dual-use items (Figure 2). This would put the value of dual-use trade at EUR 147 billion in 2021. Exports have remained comparatively stable since 2017.

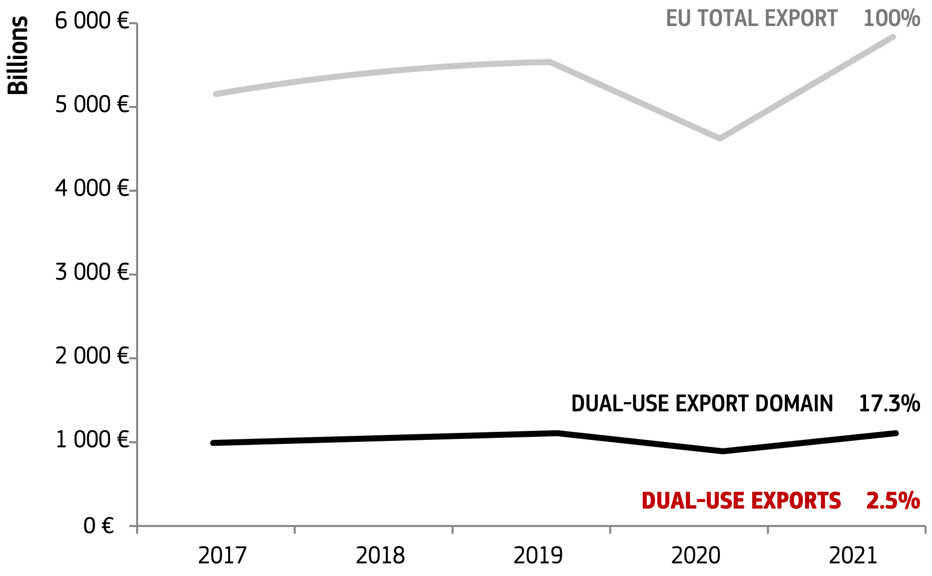
[4] The definition of dual-use items can be found in Article 2(1) of Regulation (EU) 2021/821.

[5] The estimates presented do not include services nor intangible technology transfers associated with the trade in dual-use goods.

[6] The list of categories reflects the Wassenaar Arrangement list, to which category 0 on nuclear items was added.

[7] The statistical methodology developed by the Commission's Joint Research Centre makes use of a correlation table, developed by the Commission's Customs and Taxation Department (DG TAXUD), between dual-use classification numbers and customs codes and of Eurostat's COMEXT data, as well as of licensing data provided by EU27 Member States. The notion of *dual-use export domain* refers to a large mixed goods area, which includes dual-use items. Trade in dual-use items takes place *within* this goods area, but is not identical to it, since the products and items covered in that customs category will be much wider and cover many items that have purely civilian uses, or are not dual use.

Figure 2: Statistical estimates of dual-use intra and extra-EU exports.



Statistical estimates also show the main export destinations and indicate that a large part of the dual-use exports are directed towards countries listed on Union General Export Authorisations (EUGEAs). The ranking of destination countries reflects the EU export market in a basket of goods mostly related to dual-use items (Figures 3 and 4)[8]. Apart from the United Kingdom, newly introduced as export destination, the top five destinations remained the same as in the previous year.

(8) "Stores and provisions extra" are defined as delivery of ships' and aircrafts' stores. "Miscellaneous – countries not specified extra" includes countries and territories not specified within the framework of trade with third countries (i.e., these codes are usually used for goods delivered for offshore installations).

Figure 3: EU dual-use export estimates: top 25 export destination countries and their sub-regions in 2021.

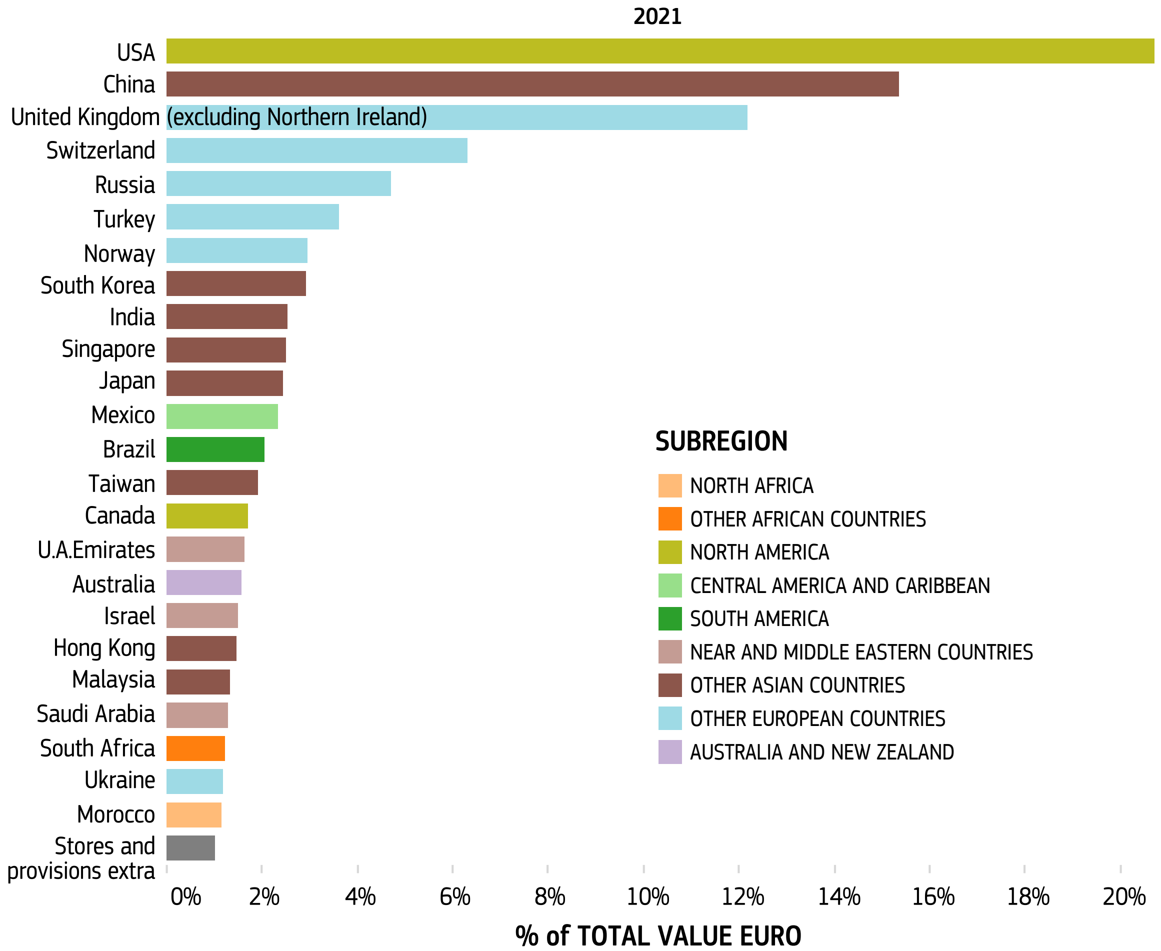
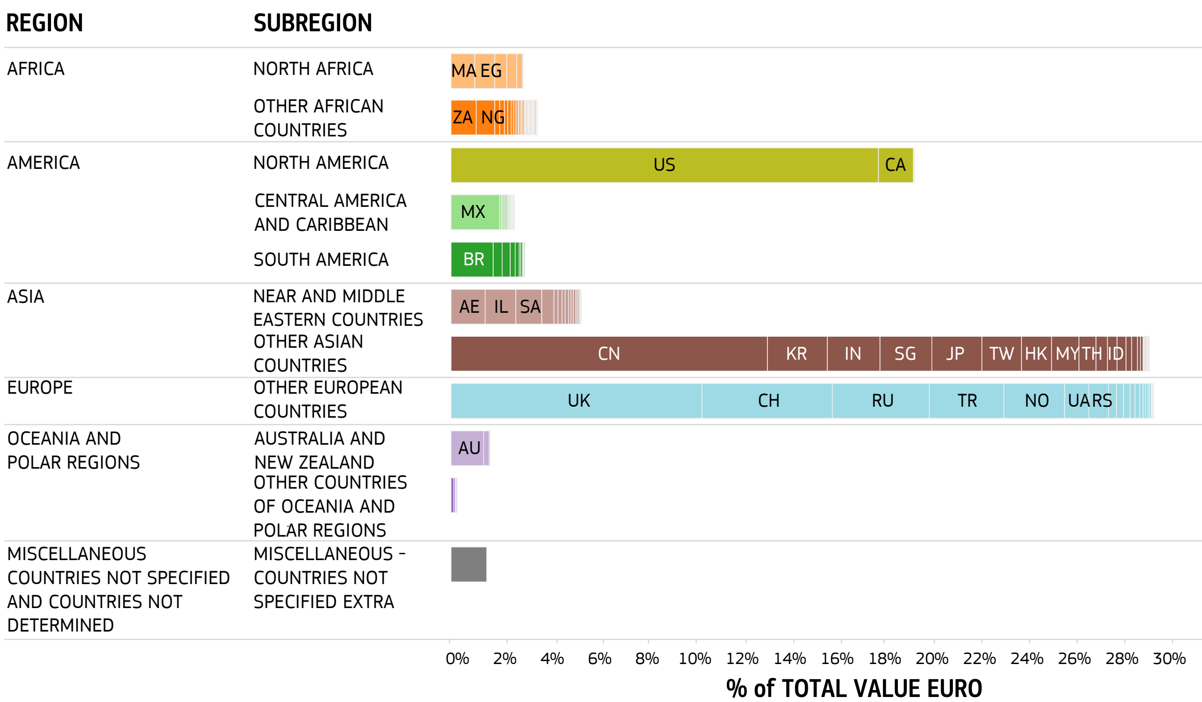


Figure 4: EU dual-use export estimates: destination countries by regions and sub-regions in 2021.



2. EU dual-use licences: applications, authorisations, denials

The Commission and Member States have exchanged licensing data with the support of the Dual Use Coordination Group (DUCG). Some data collected for the reporting period is reported below. It should be noted, however, that – while all Member States replied to the data collection exercise - not all Member States collect all relevant data. From the 2023 report later this year a new methodology will ensure a common approach to what is collected and greater granularity. The information provided below represents approximate estimates of aggregate quantities and values within the limits of the data voluntarily made available by the Member States.

In 2021 the total value[9] of applications reached EUR 45.5 billion and controlled dual-use exports thus represented 2.1% of total extra-EU27 exports.

Authorised dual-use trade amounted to EUR 38.5 billion, representing 1.8% of total extra-EU27 exports, with a majority of transactions authorised under individual licences[10] (around 19,747 single licences issued in 2021) and global licences[11] (by their value). Only a small portion of exports were actually denied: 568 denials were issued in 2021, representing about 0.6% of the value of controlled dual-use exports in that year, and 0.01% of total extra-EU27 exports.

Concerning destinations for export licences, the top 25 extra-EU destinations accounted for 96% of the licensed value, with the main destinations being China, South Korea, Taiwan, the United States and the United Kingdom. To be noted, in this ranking destinations listed as EUGEAs (e.g., USA, UK, Switzerland) are underrepresented as data reported by Member States' licensing authorities are less complete for EUGEAs. This partly explains the difference in destination ranking when compared with the statistical export data shown in Figure 3. With respect to intra-EU transfers, the main destinations were France, Finland, Czech Republic, Germany and Belgium. Breaking down licences by categories of items in Annex I of the Regulation shows that the main categories by value on licences in 2021 were Category 5 on *Telecommunication and 'information security',* Category 0 *on Nuclear materials, facilities and equipment* and Category 3 on *Electronics.*

(9) This figure includes value for licence applications and notifications under Union General Export Authorisations or EUGEAs. General Export Authorisations allow exports of dual-use items to certain destinations under certain conditions, while Global licences can be granted by competent authorities to one exporter and may cover multiple items to multiple countries of destination or end users.

(10) Individual licences are licenses granted to one specific exporter for one end-user or consignee in a third country and covering one or more dual-use items.

(11) Global licences are authorisations granted to one specific exporter in respect of a type or category of dual-use items which may be valid for exports to one or more specified end-users and/or in one or more specified third countries.

Figure 5: Volume (number) of authorisations and denials in 2017-2021[12].

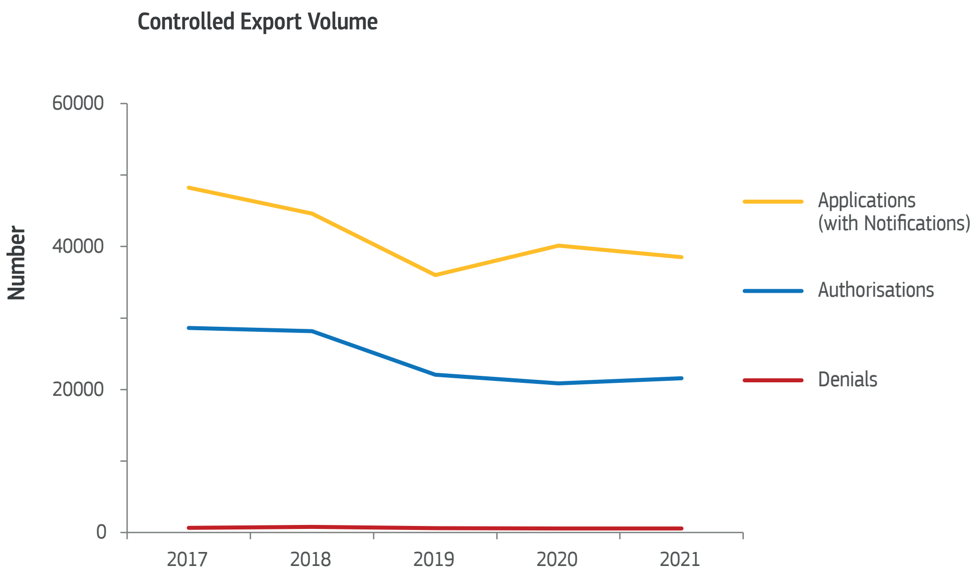
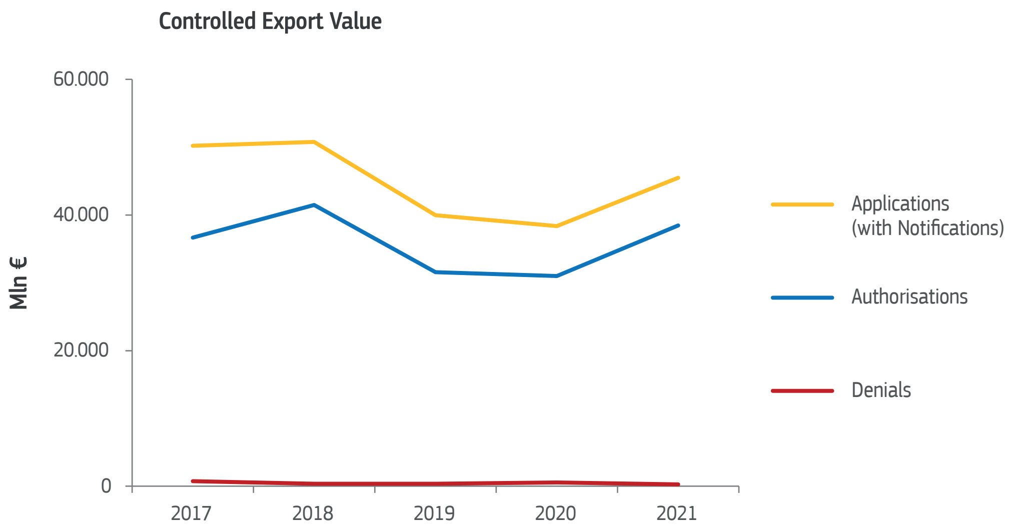


Figure 6: Value (mln EUR) of authorisations and denials in 2017-2021.



(12) In Figures 5 and 6, "Applications" data include all applications for licences, including 'zero notices' and notifications under general authorisations, thus providing an indication of "controlled exports", i.e. the value of extra-EU exports subject to an authorisation process. If the review of an export/transfer licence application results in the fact that the export transaction is not subject to authorisation, the export control auhtority issues a so-called "zero-notice". In cases where no application data is available, the charts make use of authorisation data as estimate for application data. "Authorisations" data refer to dual-use exports authorised under individual and global licences. It should be noted that applications do not necessarily correspond to the sum of authorisations and denials, as a number of applications may be cancelled and some applications may not be finalised within the same year. "Denial" refers to the volume and value of denied exports. Differences in data that indicate a decline in comparison to the previous years are due to Brexit and the fact that UK has not been providing data since 2019.

Figure 7: Volume (number) of authorisations per type of licence in 2021.

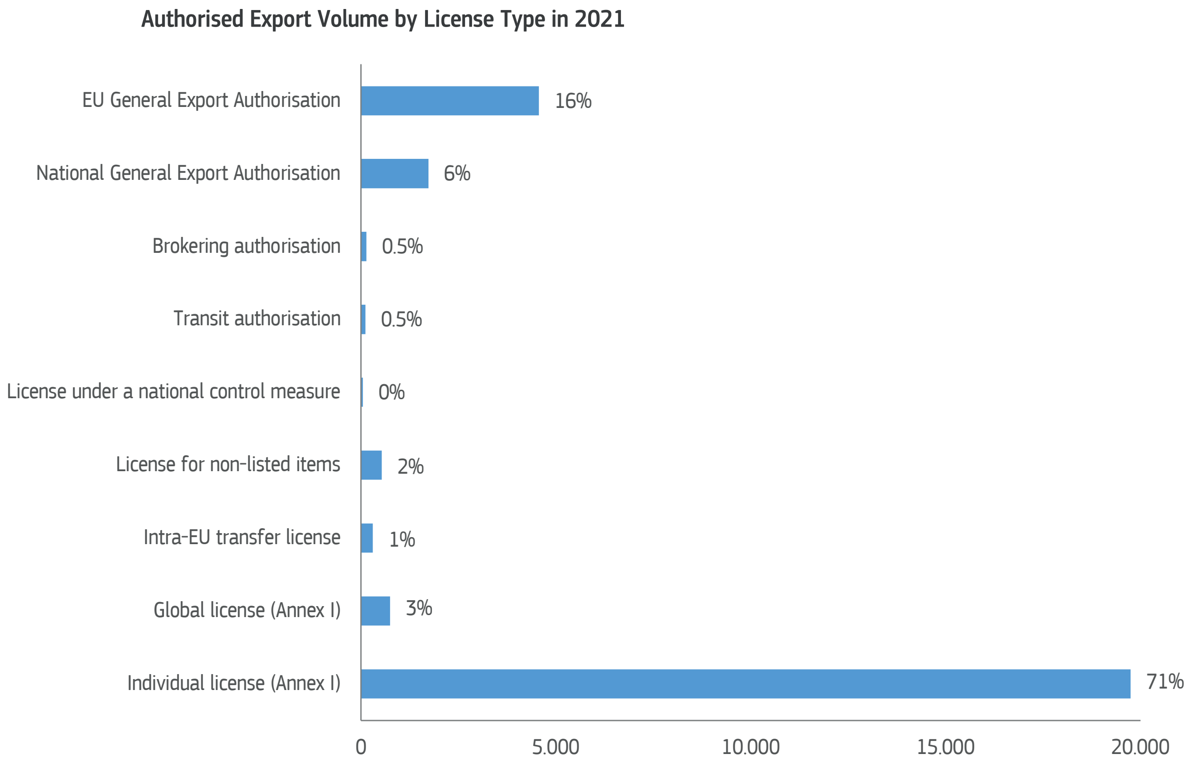


Figure 8: Value (mln EUR) of authorisations per type in 2021.

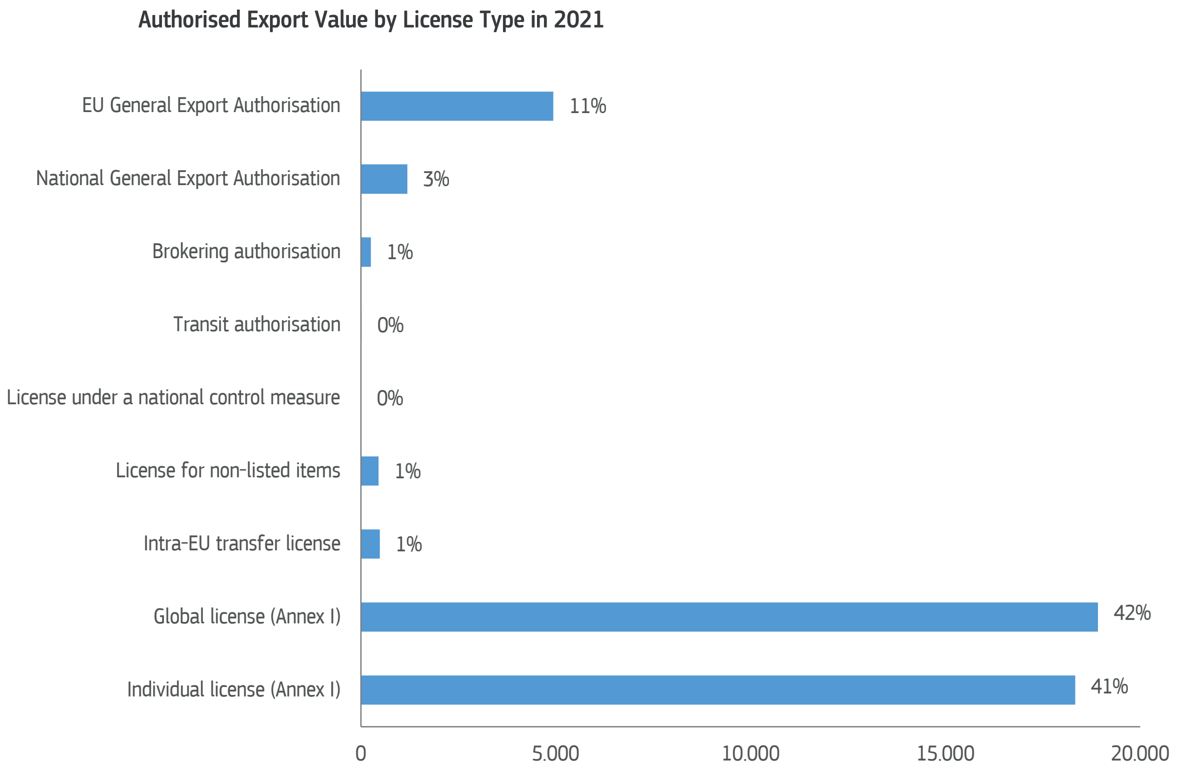


Figure 9: Main extra-EU destinations of authorisations in 2021.

Top extra-EU destinations by percantage value of licenses

China	19%
South Korea	13%
Taiwan	13%
USA	13%
United Kingdom	11%
Russia	5%
Japan	4%
Switzerland	2%
India	2%
Canada	2%
Saudi Arabia	2%
Israel	1%
Turkey	1%
U.A. Emirates	1%
Brazil	1%
Singapore	1%
Mexico	1%
Malaysia	1%
Iran	1%
Morocco	1%
Ukraine	0%
Qatar	0%
Norway	0%
Pakistan	0%
Hong Kong	0%
Grand Total	**96%**

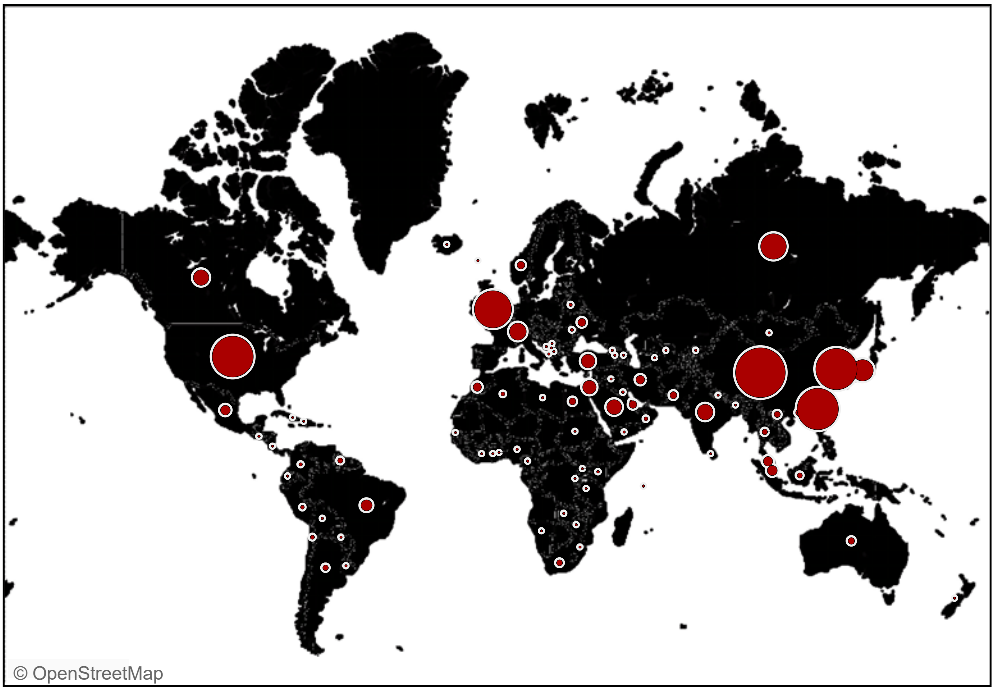


Figure 10: Intra-EU destinations of authorisations in 2021.

Intra-EU destinations by percantage value of licenses

France	40%
Finland	30%
Czechia	10%
Germany	8%
Belgium	6%
Slovakia	1%
Poland	1%
Italy	1%
Netherlands	1%
Spain	0%
Denmark	0%
Sweden	0%
Austria	0%
Ireland	0%
Hungary	0%
Latvia	0%
Lithuania	0%
Bulgaria	0%
Grand Total	**100%**

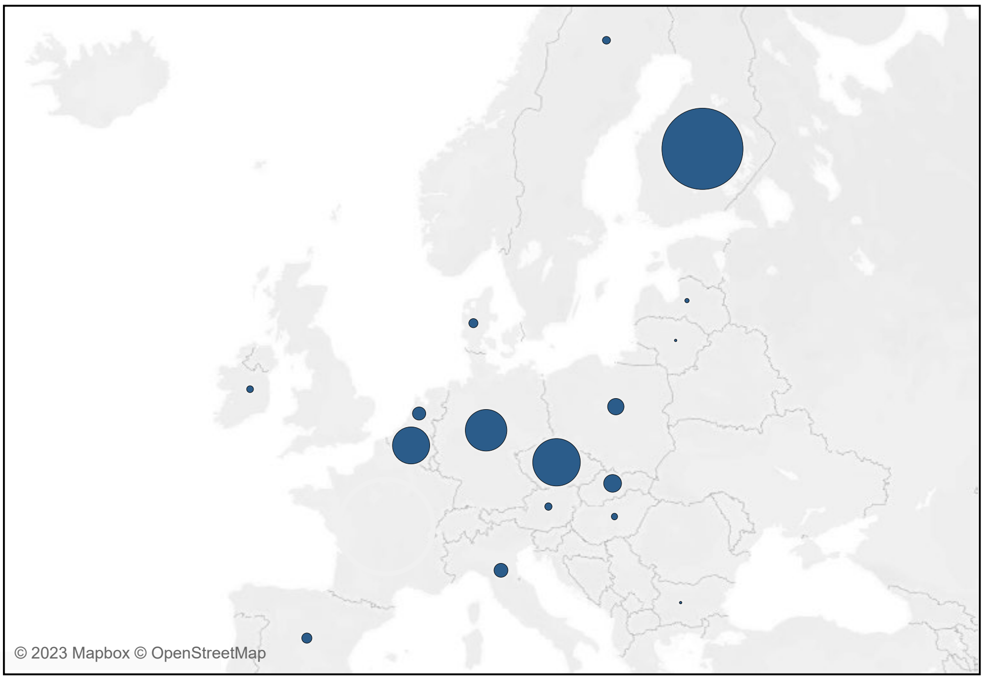
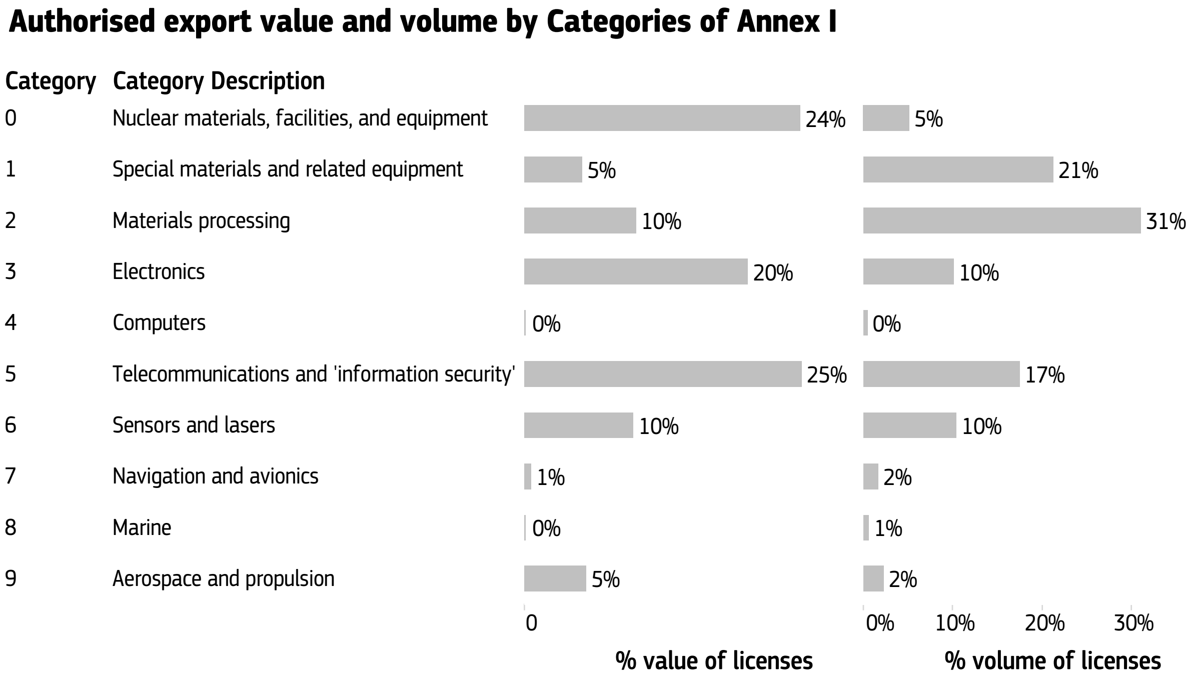


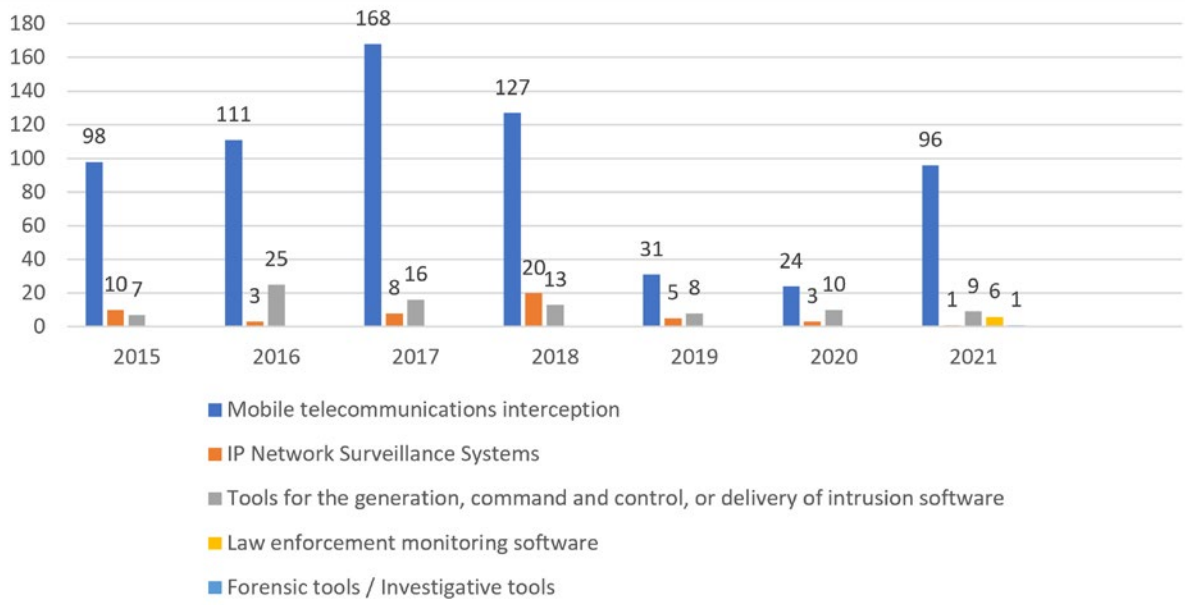
Figure 11: Authorisations by the 10 Categories of Annex I of the dual-use Regulation.



Cyber-surveillance dual-use items

The Surveillance Technology Expert Group (STEG)[13] conducted a technical exchange of information on the application of controls on cyber-surveillance items in 2021. The data collected from Member States shows an increase in the number of licences for the export of these items (see Table 1), with a total of 115 licences for listed cyber-surveillance items[14] issued in 2021 (compared to 37 licences in 2020). In the same period, 35 denials were issued for cyber-surveillance items (compared to 32 denials in 2020)[15].

Table 1: Number of individual licences for listed cyber-surveillance items



(13) Established within the Dual Use Coordination Group.

(14) Mobile telecommunications interception, IP network, intrusion software, law enforcement monitoring software, forensic/investigative tools.

(15) Some data collected for the reporting period is reported; it should be noted, however, that not all Member States collect all relevant data.

Conclusion

Statistical data confirm that in 2021 the overall number of authorisations and denials to export remained reasonably stable.

With regard to the principal destinations, the UK replaced Switzerland as third ranking by number of licences, while the US and China remain respectively first and second. It is also worth noting the increase in authorisations to exports of cybersecurity items. It will be interesting to monitor if this is confirmed in the upcoming annual report covering the year 2022.

Finally, this document 'closes the data gap' between the 2022 annual report - that covered 2020 data - and the 2023 report, that will be compiled according to a new methodology that will be soon made available by the Commission and the Council, and that will apply to the reporting of 2022 data.

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