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Screening of FDI into the Union and its Member States

Accompanying the document

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Second Annual Report on the screening of foreign direct investments into the Union

{COM(2022) 433 final}

Contents

1. Foreign Direct Investments into the EU – 2021 overview

A) Main findings

- Global foreign direct investment (FDI) inflows reached EUR 1.5 trillion in 2021, outperforming by 52% the values observed in 2020. The EU contributed with EUR 117 billion to the world value, with a 31% decrease in inflows compared to 2020.
- In 2021 we observed over 4 000 transactions done by foreign investors in the EU, 20.5% more than in 2020. The rebound was skewed towards the acquisition of equity stakes in existing companies, which was 32% higher compared to 2020.
- The US and the UK dominated foreign transactions with 58% of the acquisitions and 60% of the greenfield investments.
- In 26% of the cases, foreign investors used their existing EU subsidiaries to invest in the EU[1].
- Information and Communications Technology (ICT) was the top sector by number of foreign acquisition (30%) and the second by foreign greenfield investments, after wholesale and retail. Manufacturing came next with 26% of all foreign acquisitions and 12% of the greenfield investments.
- In 2021, 53% of all foreign acquisitions in manufacturing targeted high-tech firms (compared to 45% in 2020).

B) A rebound of global FDI but weak flows in the EU

Global foreign direct investment (FDI) inflows recovered in 2021, reaching EUR 1.5 trillion, and outperforming by 52% the values observed in 2020 and remaining 11% above the pre-pandemic level[2]. The availability of vaccination against COVID-19 and the gradual re-opening of the largest economies fuelled the *momentum* for FDI. International investors (particularly the US) rebalanced their portfolios exploiting a buoyant stock market offering new market opportunities.

OECD projections covering the whole 2021 suggest that, while at the world level FDI increased by 27% compared to the previous year, the EU27 experienced a decrease by 31% compared to 2020 and still lagged behind pre-COVID-19 levels by 68%.[3] When looking at the number of foreign led transactions[4], acquisitions of equity stakes are instead in a recovery path; however, greenfield projects still lag behind.

[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. To note that in 2021 only 8% of the investments (greenfield investments and equities) were originated by EU subsidiaries of Russian global ultimate owners.

[2] Source OECD. Data extracted on 29/04/2022.

[3] 2021 performance is mostly due to a the last quester of the year that was characterised by negative inflows (disinvestments) for EUR 11.8 billion. Source OECD.

[4] GLOSSARY: 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

"Increased expenditures on both fixed assets and intangibles will not translate directly into a rapid FDI rebound, as confirmed by the sharp contrast between rosy forecasts for capital expenditures[5] and still-depressed greenfield project announcements"[6].

The breakdown of FDI inflows by instrument[7] (**Figure 1**) suggests that in 2021, the negative level of intercompany debt almost halved compared to 2020, and reinvestment of earnings (EUR 204 billion) rose again in 2021, surpassing the pre-COVID-19 year (EUR 160 billion in 2019). This is a signal of rising profits of multinational enterprises in 2021 (which were down 36% on average in 2020[8] compared to 2019) and hence of the likely rebound in mergers & acquisitions (in short: M&A) activity. Despite the increased number of M&A transactions in 2021, FDI from equity investments still fails to recover[9], suggesting that the positive outlook has not fully materialised.

Investments from cross-border M&A and greenfield activities have increased in the first quarter of 2022, thanks to few large transactions, although the number of deals decreased slightly[10]. The prospects for 2022 remain uncertain and heavily dependant on the behaviour of the pandemic and on the war Russia is conducting in Ukraine.

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.

[5] Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company (Investopedia, last access April 2022).

[6] James Zhan, Director of investment and enterprise, UNCTAD. World Investment Report 2021 - Investing in Sustainable Recovery | Publications | UNCTAD Investment Policy Hub.

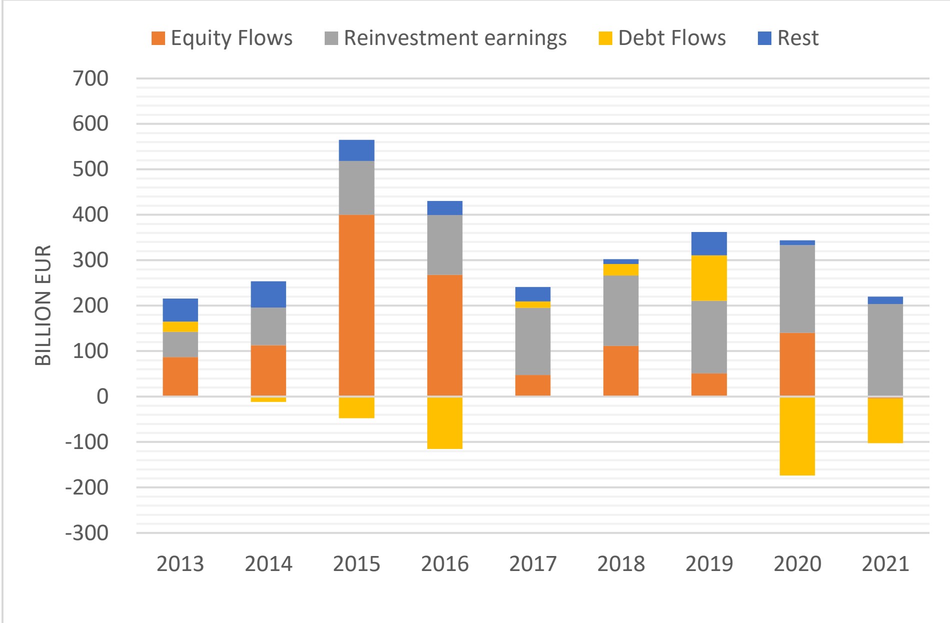
[7] Financial flows consist of three main components: equity capital, reinvestment of earnings of foreign parents' affiliates, and intracompany debt.

[8] Unctad, 2022, World Investment Report 2021: INVESTING IN SUSTAINABLE RECOVERY (unctad.org).

[9] In 2021, net equity capital FDI inflows reached €-4bn in the EU22 (data are not available for Bulgaria, Croatia, Cyprus, Malta, and Romania). The drop is mainly driven by the Netherlands, that records €-110bn disinvestments. Positive net equity FDI inflows are observed, among others, in Germany with €32bn in 2021 (+42% compared with 2020) and in France with €27bn (+26%).

[10] JRC FDI Bulletin, 2022Q1, JRC129302.

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



Source: OECD data, extracted on 30/04/2022. 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".

C) Clear rebound in dealmaking with +32% new acquisitions and +12% new greenfield investments

In 2021 we observed over 4 000 transactions done by foreign investors in the EU27, 20.5% more than in 2020. The rebound was skewed towards the acquisition of equity stakes in existing companies, with a 32% increase compared to 2020, setting M&A and minority investments[11] almost back to 2019 levels. Greenfield projects modestly increased by 12% in 2021 compared to 2020, yet remaining 38% below pre-COVID-19 levels[12].

In 2021, the US was the main foreign investor in the EU with 32.3% of all foreign acquisitions and 39.4% of all foreign greenfield investments. In spite of the acceleration in dealmaking, US greenfield investments are 36% below the level observed in 2019 (**Table 1**). The only two greenfield investors bouncing back to pre-COVID-19 levels in 2021 were the group of offshores countries and Russia. Russia, with 71 transactions (of which 45 are greenfield investments) was the 11th foreign investor in the EU in 2021 with 1.3% of all foreign acquisitions and 2.1% of foreign greenfield investments.

[11] 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.
[12] See figures in the Annual Report 2022.

Table 1. Number of foreign acquisitions and greenfield investments: share over total for 2021 and percentage change on 2020 and 2019. Detail by jurisdiction of the ultimate investor.

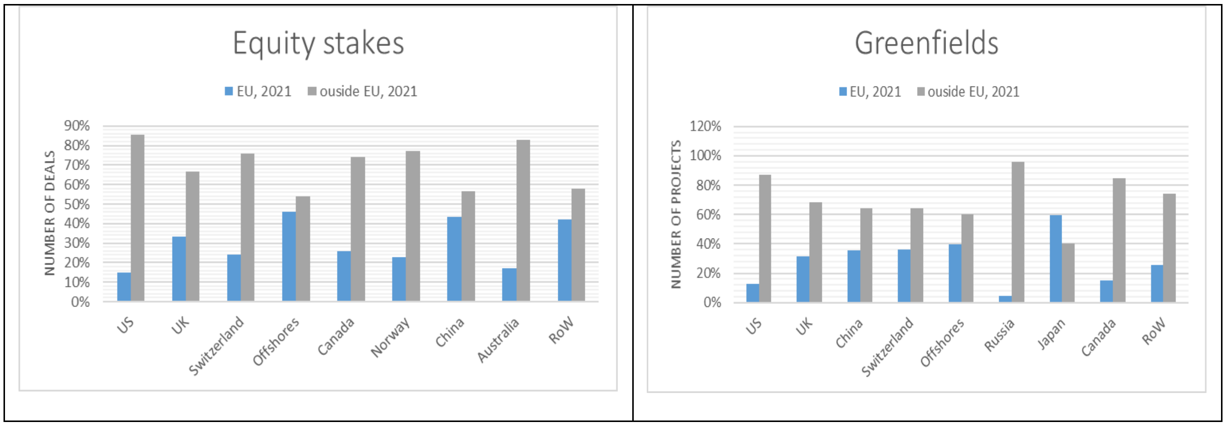
EQUITY STAKES	SHARE (%)	YEAR-ON-YEAR	
	2021	21/20	21/19
US	32.3	54%	3%
UK	25.6	15%	-9%
OFFSHORES	8.1	50%	1%
SWITZERLAND	7.0	12%	-16%
CANADA	5.7	100%	15%
NORWAY	5.2	87%	28%
CHINA	2.4	-8%	-56%
JAPAN	2.3	-30%	-59%
SINGAPORE	1.9	375%	153%
AUSTRALIA	1.5	61%	-9%
RUSSIA	1.3	108%	4%
ROW	6.8	-9%	-37%

GREENFILEDS	SHARE (%)	YEAR-ON-YEAR	
	2021	21/20	21/19
US	39.4	7%	-36%
UK	20.9	9%	-35%
CHINA	6.1	-4%	-49%
OFFSHORES	6.0	32%	25%
SWITZERLAND	5.8	2%	-65%
JAPAN	3.7	-6%	-53%
RUSSIA	2.1	254%	130%
NORWAY	1.9	5%	-50%
CANADA	1.8	0%	-66%
SOUTH KOREA	1.6	94%	-26%
ROW	10.8	39%	-34%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 22/02/2022. ROW: Rest of the World.

Investors, especially large conglomerates with multiple activities, often use subsidiaries registered in other countries (e.g. the group's financial branch) to conduct investments. These are fully operating companies, not special financial vehicles set in place for the purpose of a specific investment. Data suggests that in 2021, foreign investors used their EU subsidiaries for 26% of their investment transactions, on average (**Figure 2**). Looking at the jurisdiction of the controlling parent, this percentage dropped to 14% for US investors, while UK investors used their EU subsidiaries in one third of the cases, indicating tight economic links between the UK and EU. Among the top foreign investors, the group of offshore countries invested in the EU via their EU subsidiaries in 43% of the cases. In many instances these are funds with offices in the EU that acquire minority stakes in EU companies. For China and Hong Kong the investments done via EU subsidiaries reached 38% in 2021.

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 22/02/2022. Offshores: Offshore financial Centre[13]. RoW: Rest of the World. China includes Hong Kong. Equity stake refers both to M&A and the acquisition of non-controlling stakes in EU companies.

With nearly 600 acquisitions of equity stakes and 350 greenfield investments in 2021, Information and Communications Technology (ICT) was the top sector by number of foreign acquisition (30%) and the second by foreign greenfield investments (15.4%), after retail (**Table 2**). The 2021 two digits year-on-year growth in the acquisition of equity stakes (+34%), brought ICT 27% above its pre-COVID-19 levels, while the rebound is yet to come for greenfield investments (which experienced a 46% decline in 2021 compared to 2019). The US and the UK grouped the biggest share of foreign transactions in ICT, with 64% of the acquisitions and 69% of the greenfield investments. When looking at the size of the acquired EU companies in 2021, ICT acquisitions involved small companies in 43.3% of the cases (**Table 3**).

Manufacturing ranked among the top three target sectors in 2021, with nearly 26% of all foreign acquisitions and 12% of greenfield investments (**Table 2**). In spite of the acceleration in dealmaking in 2021 (+38% for acquisitions and +12% for greenfield investments), manufacturing was still below 2019 levels both in acquisitions and greenfield investments. As in the case of ICT, US and UK were the main foreign jurisdictions investing in manufacturing, with 56% of all foreign acquisitions and 44% of the greenfield investments respectively for each jurisdiction. Among the remaining foreign investors in 2021, China and Japan originated 10% of the greenfield projects each.

Looking at the other sectors severely hit during the pandemic, accommodation somewhat recovered in 2021. The number of acquisitions almost tripled in 2021, bringing this sector 18% away from 2019 levels (**Table 2**). For greenfield investments the performance was even better. Accounting for 10.2% of all foreign greenfield investments, in 2021 accommodation rose by 28% compared to 2020 and 6% compared to 2019.

[13] The main offshores by number of M&A or GFs 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.

Table 2. Number of foreign acquisitions and greenfield investments: share over total for 2021 and percentage change on 2020 and 2019. Detail by target sector (NACE-Rev.2).

EQUITY STAKES	SHARE (%)	YEAR-ON-YEAR	
	2021	21/20	21/19
ICT	30.0	34%	27%
MANUFACTURING	25.9	38%	-13%
PST*	8.0	39%	8%
RETAIL	7.1	30%	-30%
FINANCE.INSUR	6.0	2%	-34%
ELECTRICITY	4.1	7%	-20%
REAL.ESTATES	2.9	60%	-37%
CONSTRUCTION	2.7	152%	10%
ACCOMMODATION	2.4	188%	-18%
HEALTH	2.3	-6%	-23%
TRANSPORT	2.2	-2%	-49%
ADMINISTRATIVE.SUPPORT	1.7	-6%	-43%
ARTS.ENTERT	1.2	26%	-43%
MINING	1.0	36%	27%
EDUCATION	0.9	20%	29%
AGRICULTURE	0.7	40%	56%
REMAINING SECTIONS	1.0	90%	-10%

GREENFIELD INVESTMENTS	SHARE (%)	YEAR-ON-YEAR	
	2021	21/20	21/19
RETAIL	28.0	6%	-26%
ICT	15.4	15%	-46%
MANUFACTURING	12.0	12%	-55%
TRANSPORT	10.3	32%	-5%
ACCOMMODATION	10.2	28%	6%
FINANCE.INSUR	8.4	9%	-50%
PST*	8.3	-2%	-57%
ADMINISTRATIVE.SUPPORT	2.1	-10%	-57%
ARTS.ENTERT	1.3	133%	33%
WHOLESALE AND RETAIL	1.2	13%	-41%
ELECTRICITY	1.0	109%	64%
CONSTRUCTION	0.5	-20%	-63%
EDUCATION	0.4	-31%	-83%
WATER SUPPLY	0.3	17%	0%
OTHERSERVICE	0.2	-29%	-17%
HEALTH	0.2	100%	0%
REMAINING SECTIONS	0.2	-55%	-67%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 22/02/2022. / * PST = professional, scientific and technical services (section M of Nace rev.2)

Table 3 – Size of acquired companies in EU (share over total by sector, 2021) and share of foreign acquisitions (share over total). Detail by Nace-Rev.2 sectors.

SECTORS	SHARE OVER TOTAL BY SECTOR, 2021			
	Micro	Small	Medium	Large
ICT	21.87	43.31	24.20	10.62
MANUFACTURING	14.04	27.09	34.73	24.14
PST*	18.18	38.64	26.52	16.67
RETAIL	23.08	37.36	27.47	12.09
FINANCE	35.71	48.21	8.93	7.14
CONSTRUCTION	13.89	30.56	33.33	22.22
TRANSPORT	9.09	15.15	48.48	27.27
ELECTRICITY	32.26	32.26	25.81	9.68
HEALTH	19.35	22.58	29.03	29.03
OTHER SECTORS	25.95	23.66	26.72	23.66
AVERAGE ALL SECTORS	21.34	31.88	28.52	18.25

Source: JRC calculations on Bureau van Dijk Orbis-Global data extracted on 22/02/2022. The first four columns are based on detailed balance sheet data, available only for 72% 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 services (section M of Nace rev.2)

Following the Eurostat definition, foreign transactions in the manufacturing sector were reclassified by technological intensity in two categories, high and low tech manufacturing[14]. In 2021 acquisitions in high tech manufacturing grouped 53% of the total number of foreign deals in manufacturing, and 64% of the greenfield investments (**Table 4**). The shares in 2020 were 45% and 62%, respectively. This reclassified data shows that the rebound of foreign investments in manufacturing affected all types of investments, also those in low tech manufacturing. This is the case of both China and Japan, where 2019 investments were highly skewed towards high tech, while in 2021 they appear more balanced. A slightly different picture holds for greenfield investments. In this case, some jurisdictions show a clear preference for high tech investments (US, Switzerland, Japan, Offshores), while there are also jurisdictions pursuing a more diversified portfolio in 2021.

Table 4. Technological content of foreign investments in manufacturing, high vs low technology.

Origin	Year	Acquisitions		Greenfield investments	
		High tech. (%)	Low tech. (%)	High tech. (%)	Low tech. (%)
US	2021	54.2	45.8	63.0	37.0
	2020	56.6	43.4	59.1	40.9
	2019	45.7	54.3	69.3	30.7
UK	2021	39.6	60.4	50.0	50.0
	2020	50.5	49.5	58.1	41.9
	2019	39.4	60.6	47.9	52.1
Switzerland	2021	46.0	54.0	92.3	7.7
	2020	45.5	54.5	82.6	17.4
	2019	48.3	51.7	80.6	19.4
China	2021	52.2	47.8	42.9	57.1
	2020	71.4	28.6	50.0	50.0
	2019	64.6	35.4	70.0	30.0
Japan	2021	52.9	47.1	69.6	30.4
	2020	80.0	20.0	56.0	44.0
	2019	68.2	31.8	59.8	40.2
Offshores	2021	46.3	53.7	75.0	25.0
	2020	50.0	50.0	59.3	40.7
	2019	32.0	68.0	83.3	16.7
RoW	2021	37.4	62.6	55.4	44.6
	2020	53.1	46.9	64.7	35.3
	2019	49.1	50.9	65.1	34.9

Source: JRC calculations on Bureau van Dijk Orbis-Global data extracted on 22/02/2022. RoW: Rest of the world, Offshores: Offshore Financial Centres, China includes China and Hong Kong.

[14] 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.

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

The re-opening of EU economies after the pandemic, buoyant stock markets and cheap credit have increased the appetite for new foreign acquisitions and greenfield investments in the EU. In 2021, in line with previous years, the US was the main foreign investor in the EU, with over 600 deals and 700 greenfield projects. Germany, Spain, France and the Netherlands were the top target countries, hosting nearly 60% of all US deals and 54% of all US greenfield investments in the EU (**Table 5a, b**). The increased presence of US investors in 2021 (compared to the previous year) affected all EU countries, especially Belgium and Denmark, where the US dealmaking reached again pre-COVID-19 levels. The US investors concentrated 2021 dealmaking mainly in ICT (38%) and in manufacturing (28%), both bouncing back and surpassing the pre-COVID-19 levels of 2019 (**Table 6a**).

In contrast with dealmaking in equity stakes, in 2021 US-originated greenfield investments increased by a modest 7%, remaining 36% behind the number of projects in 2019, mainly in Germany and Sweden. US greenfield investments were mostly spread across few sectors with ICT accounting for 21.7% of all US greenfield investments in the EU, and with manufacturing and retail grouping 20.4% and 11.1%, respectively (**Table 6b**).

The UK was the second foreign investor in the EU, with about 1 000 transactions in 2021, which were evenly split between greenfield investments and acquisitions of equity stakes. The year-on-year increase of 14.5% in acquisition of equity stakes principally involved four EU countries, as over 48% of all UK deals in 2021 were located in Germany, Spain, France and Ireland (**Table 5a**). Year-on-year[15] growth saw a redirection of dealmaking from Spain mainly towards Denmark and France. In 2021, 48.5% of the UK transactions were in ICT and manufacturing (**Table 6a**), with retail collecting 11% of UK acquisitions of equity stakes.

UK greenfield investments were even more geographically concentrated than acquisitions of equity stakes (**Table 5b**). Nearly 59% of the UK greenfield investments went to four EU countries, Spain, the Netherlands, France, Germany, with the last two countries losing ground on a year on-year basis. As much of 31.7% of UK greenfield investments were in ICT, while manufacturing and finance grouped 12.1% and 9.7%, respectively, of the UK greenfield investments in the EU (**Table 6b**).

[15] Percentage change of 2021 with respect to 2020.

Table 5 – Foreign investments (number of deals and projects) by origin of the investor and destination country (top investors and receivers), share 2021 and percentage change with respect to 2020.

Table 5a – Acquisitions of equity stakes (M&A and minority)

ORIGIN	YEAR	DESTINATION									
		DE	ES	FR	NL	IT	IE	DK	BE	SE	RoEU
US	2021	18.2	16.3	12.7	12.2	8.6	6.7	3.6	5.1	3.2	13.5
	y/y	46%	72%	86%	64%	29%	35%	229%	100%	11%	29%
UK	2021	15.2	12.4	11.0	8.4	6.6	9.4	7.2	5.2	4.6	19.8
	y/y	1%	-11%	62%	0%	18%	-4%	157%	44%	-4%	22%
OFFSHORES	2021	13.8	15.7	6.9	7.5	15.1	5.7	5.7	1.3	2.5	25.8
	y/y	16%	14%	120%	33%	100%	125%	80%	-50%	-	58%
SWITZERLAND	2021	16.9	10.3	10.3	10.3	19.1	1.5	3.7	4.4	2.2	21.3
	y/y	-38%	56%	100%	27%	136%	0%	67%	100%	50%	-19%
CANADA	2021	26.8	8.9	15.2	11.6	8.9	5.4	3.6	3.6	0.9	15.2
	y/y	275%	67%	42%	86%	150%	200%	100%	33%	-67%	89%
NORWAY	2021	10.9	5.9	1.0	12.9	5.9	1.0	13.9	4.0	20.8	23.8
	y/y	450%	200%	-	8%	-	0%	-18%	300%	320%	71%
CHINA	2021	23.9	26.1	8.7	4.3	6.5	0.0	2.2	2.2	2.2	23.9
	y/y	8%	-50%	-100%	0%	70%	-	0%	0%	67%	0%
ROW	2021	11.9	13.8	10.0	11.9	7.1	2.6	1.5	3.7	2.6	34.9
	y/y	-9%	-18%	35%	23%	46%	0%	-56%	67%	-30%	-45%

Table 5b – Greenfield investments

ORIGIN	YEAR	DESTINATION									
		ES	FR	DE	NL	IE	PL	IT	SE	RO	RoEU
US	2021	20.1	15.4	11.6	7.3	11.5	6.7	5.6	2.3	3.1	16.4
	y/y	29%	5%	-32%	-19%	46%	119%	-9%	-33%	238%	3%
UK	2021	28.7	12.1	8.6	9.5	8.2	9.1	4.7	2.2	1.1	15.9
	y/y	85%	-24%	-47%	57%	65%	20%	-15%	67%	-50%	-3%
CHINA	2021	25.7	11.8	8.8	5.1	1.5	3.7	8.8	7.4	3.7	23.5
	y/y	46%	-41%	-25%	-22%	-	0%	20%	233%	150%	-30%
OFFSHORES	2021	28.6	9.8	3.8	10.5	2.3	1.5	7.5	3.0	3.0	30.1
	y/y	52%	8%	-50%	27%	-63%	-33%	900%	-33%	300%	67%
SWITZERLAND	2021	20.9	7.8	18.6	5.4	0.8	3.1	6.2	5.4	4.7	27.1
	y/y	4%	-44%	4%	-13%	-50%	0%	0%	-	100%	0%
JAPAN	2021	13.4	17.1	20.7	15.9	4.9	2.4	0.0	2.4	1.2	22.0
	y/y	0%	27%	-11%	117%	33%	-60%	-100%	-33%	-	-25%
RoW	2021	18.1	9.4	12.1	8.2	4.0	6.7	2.5	5.9	4.7	28.5
	y/y	217%	27%	-11%	50%	78%	59%	-33%	26%	46%	40%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 22/02/2022. 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, Offshores stands for Offshore Financial Centres, RoEU: Rest of EU. China includes deals/projects originated both in China and Hong Kong. y/y stands for year-on-year and is the percentage change between 2021 and 2020.

In 2021 the number of Chinese acquisitions of equity stakes and greenfield projects were half of those seen in 2019, and remained nearly unchanged with respect to 2020. This trend mirrors the decreasing role of China in global cross-border M&A that was at a 10 year low in 2021[16].

[16] Rhodium, 2022.

Tight controls on outbound capital flows, prudent approach to granting credit to companies compared with few years back[17], uncertainty surrounding developments related to geopolitical and commercial tensions have shaped the Chinese appetite for dealmaking in 2021 (and also the appetite of companies to have a Chinese investor). These factors are likely to play a relevant role also in 2022. In 2021 Chinese transactions were mainly concentrated in few EU countries. Half of the Chinese equity investments involved Germany and Spain (**Table 5a**), with the latter losing ground in 2021 (together with France). An increased interest of Chinese investors is observed in Italy and Sweden. Chinese transactions in 2021 involved predominantly companies in manufacturing (50%), followed by finance (10.9%, **Table 6.a**).

The number of Chinese greenfield investments in the EU failed to recover in 2021, and decreased by an additional 4% on a year-on-year basis, bringing Chinese greenfield investments 56% below the levels recorded in 2019. The fewer Chinese greenfield investments observed in 2021 were mainly concentrated in Spain, France, Germany and Italy (with a combined 55%), while Romania and Sweden recorded the highest 2021 year-on-year growth (**Table 5b**). The zoom by sector of the investment (**Table 6b**) shows that 51.5% of the Chinese greenfield investments took place in ICT, while only 0.7% targeted manufacturing.

Table 6 – Foreign investments (number of deals and projects) by origin of the investor and target sector (top investors and sectors), share 2021 and percentage change with respect to 2020.

Table 6a – Acquisitions of equity stakes (M&A and minority)

ORIGIN	**YEAR**	**NACE SECTOR**					
		ICT	Manufacturing	PST	Retail	Finance	Others
US	2021	38.2	28.1	7.6	4.6	4.8	16.8
	y/y	55.5%	78.8%	11.6%	0.0%	15.4%	86.0%
UK	2021	27.3	21.2	9.0	11.0	6.2	25.3
	y/y	0.7%	5.0%	32.4%	89.7%	6.9%	17.8%
OFFSHORES	2021	27.0	25.8	6.9	3.8	13.2	23.3
	y/y	59.3%	105.0%	120.0%	100.0%	0.0%	23.3%
SWITZERLAND	2021	20.6	36.8	6.6	9.6	3.7	22.8
	y/y	-6.7%	51.5%	0.0%	30.0%	-44.4%	3.3%
CANADA	2021	33.9	15.2	14.3	5.4	3.6	27.7
	y/y	90.0%	70.0%	700.0%	100.0%	33.3%	72.2%
NORWAY	2021	51.5	12.9	11.9	5.9	3.0	14.9
	y/y	79.3%	116.7%	1100.0%	100.0%	0.0%	25.0%
CHINA	2021	4.3	50.0	6.5	0.0	10.9	28.3
	y/y	-33.3%	-17.9%	50.0%	-100.0%	66.7%	18.2%
ROW	2021	17.1	29.0	4.8	8.6	6.7	33.8
	y/y	21.1%	14.7%	-23.5%	-11.5%	-14.3%	18.2%

[17] Also fueled by large defaults

Table 6b – Greenfield investments

ORIGIN	YEAR	NACE SECTOR					
		ICT	Manufacturing	PST	Retail	Finance	Others
US	2021	21.7	20.4	10.5	11.1	8.9	27.5
	y/y	-6.9%	19.3%	-1.1%	15.5%	-1.3%	13.7%
UK	2021	31.7	12.1	5.6	7.1	9.7	33.8
	y/y	4.3%	5.7%	-16.1%	13.8%	-4.3%	26.6%
CHINA	2021	51.5	0.7	19.1	6.6	2.2	19.9
	y/y	9.4%	-50.0%	13.0%	50.0%	-75.0%	-22.9%
OFFSHORES	2021	51.9	9.0	5.3	5.3	3.8	24.8
	y/y	27.8%	33.3%	16.7%	-46.2%	400.0%	83.3%
SWITZERLAND	2021	30.2	18.6	17.8	7.8	9.3	16.3
	y/y	-2.5%	71.4%	-8.0%	-23.1%	-7.7%	-4.5%
JAPAN	2021	19.5	12.2	34.1	4.9	12.2	17.1
	y/y	-23.8%	100.0%	3.7%	0.0%	-23.1%	-17.6%
ROW	2021	23.0	14.9	16.1	6.7	7.7	31.7
	y/y	40.9%	-6.3%	91.2%	17.4%	34.8%	70.7%

Source: JRC elaboration based on Bureau van Dijk data, extracted on 22/02/2022. RoW: Rest of the world, Offshores Offshore Financial Centres. 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). “Others” category aggregates the remaining NACE sections.

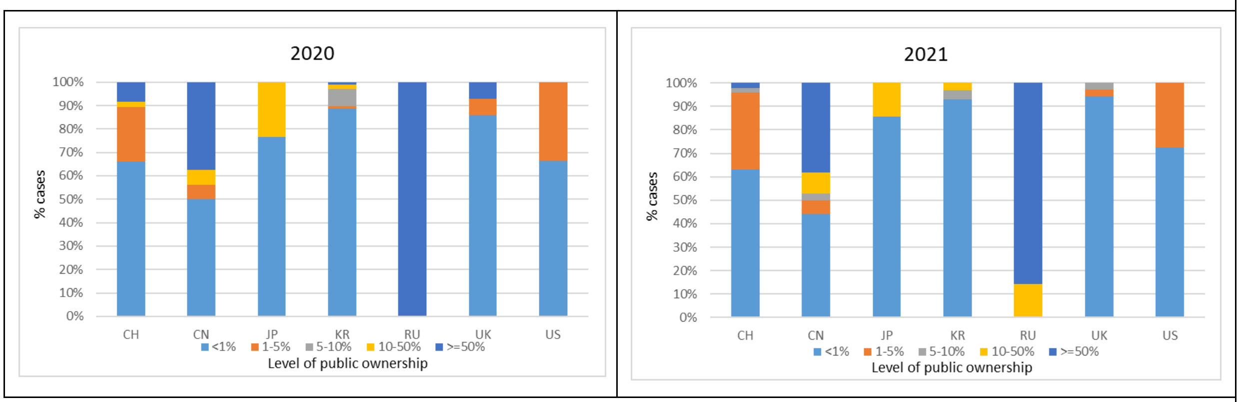
E) Public shareholding in foreign investors, 2021

This Box analyses *public* shareholding in EU foreign investment transactions in 2021, considering both acquisitions of equity stakes and greenfield projects. *Public* shareholding 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 2021, 14% of the foreign acquisitions (16 % in 2020) recorded presence of *public* shareholding from the selected jurisdictions. Slightly lower the case of greenfield investments, where 13% of cases (12% in 2020) presented *public* holdings.

In the large majority of cases, *public* shareholding is expressed through minority stakes, with an overall average of 3%, more specifically 3.4% for acquisitions and 2.4% for greenfield investments. This implies that looking merely at control stakes would give a very limited picture of *public* holdings (Figure B1).

Figure B.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 March 2022.

The pattern of *public* shareholding varied widely across the selected foreign jurisdictions, with the largest proportion of cases (47%) being from the United States. This country conveys *public* shareholding mainly through federal and local funds controlled by *public* bodies, which hold usually small stakes (on average below 1%) in US and foreign entities investing in the EU. The second largest group of cases comes from South Korea (25%), with average stakes still below 1%. Similarly, all other countries present very small average *public* shares, except China with about 19% and Russia with a very significant 44%[18].

Public shareholding tends to be more substantial in foreign investors active in specific industries. The manufacturing sector alone accounted for 48% of the cases, although the amount of *public* stakes is rather limited in this group (on average 1.5%). The second-largest industry affected by *public* shareholding is the ICT sector (14% of cases), with an average stake of 1%. Other industries had smaller presence of *public* shareholding, but with higher stakes. For example, 10% of cases were in the Financial sector, with a mean *public* stake of 11%. Wholesale and retail trade followed with 9% of cases and on average a 2% stake, while the highest *public* average share was recorded in Professional Activities (13%).

Although overall about half of the analysed transactions entail domestic *public* shareholding, i.e. *public* owners holding stakes in an investor registered in their same country, the selected jurisdictions show rather different preferences. For example, China and Japan reported no domestic cases, as their *public* stakes were detected only in investors registered outside Japan or China. On the opposite side, the UK and Russia held *public* shares almost exclusively (90% of cases) in, respectively, British and Russian companies investing in the EU, with majority shares only for the latter. The United States and Switzerland, instead, showed over three-quarters of domestic cases of *public* shareholding.

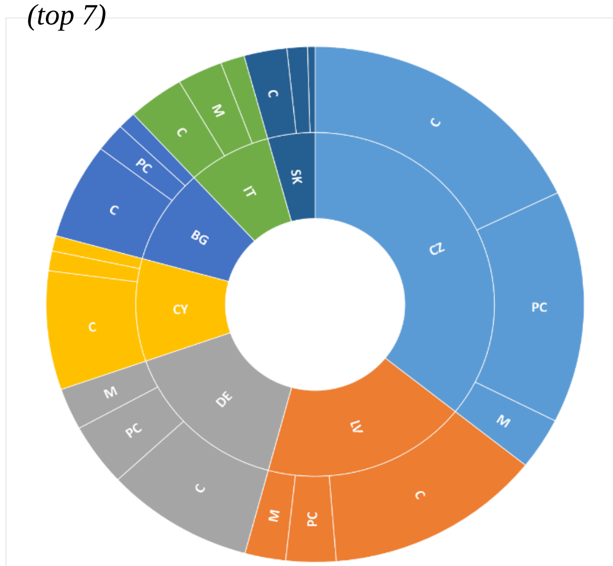
[18] The data on State influence depends on the reconstruction of ownership links among subsidiaries, sometimes very difficult for Chinese companies. Those companies often use offshore subsidiaries to enter the EU, with little or no information on the links with mainland China, or have complex nested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

F) Russian shareholding in Europe (EU27)

This box reports Russian investments in EU firms as of 2020[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(*)**.*

Russia exerts influence or control in over 30 thousand companies in the EU (0.12% of the EU companies[20]). It controls about 17 thousand EU companies, has potentially controlling stakes in other 7 thousand companies and minority stakes in 4 thousand companies. We observe an additional 2 thousand 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 Fig 1.

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



The **top EU countries by number of Russian-controlled companies** are the Czech Republic (with 24.7% of the total number of EU companies controlled by RU), Latvia (18%), Germany (12.3%), Cyprus (10.3%) and Bulgaria (8.3%). Czech Republic, Latvia, and Germany are also the top countries by number of companies **with Russian influence** (respectively 32.6%, 12% and 13.1% respectively), followed by Italy (7.8%) and Bulgaria (5.5%). Latvia and Cyprus have the highest percentage of controlled companies with respect to their size (measured by number of companies).

Table 1. Assets controlled by the Russian government

location of the EU company	number	%
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
HU	9	2.7
MT	9	2.7
SK	9	2.7

In 57.7% of the EU companies under Russian control or influence, assets are held by a natural person, in 9.7% by a company and in 1.1% by a public authority/state. **The Russian government** controls assets mainly in Cyprus (34.2% of the cases), Ireland (16.5%) and the Netherlands (7.9%) (See Table 1). These assets are in companies for 79.9% of the cases, and in banks or other financial institutions for the remaining cases.

The sectors with the largest presence of Russian investors are Wholesale (with 4530 and 3607 companies under control and influence, respectively), Real Estate (2714 and 2470), Professional Scientific and Technical activities (1721 and 1272). Russia also controls 1199 companies in Finance and Insurance, and exerts influence on 883 Manufacturing firms.

Russia directly controls 36 EU companies in the Oil & Gas sector and 33 in Electricity. Ten 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, seven controlled companies are in Germany and five in Latvia, while large minority stakes are present in another 36 EU firms mainly in Latvia, Croatia and Hungary.

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

[19] It covers the stock of companies as of 2020 as it is based on balance sheet information, which is available only up to 2020. 2021 balance sheets are still incomplete at the time of drafting this document.

[20] EU companies are approximately 23 million (latest available year 2018, Eurostat business demography)

2. Methodology and sources

Raw data on acquisitions of equity stakes and greenfield projects is from Bureau van Dijk datasets (Orbis-Global, Zephyr and Orbis-CrossBorder). Data has been retrieved in February 2022 and then 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[21]. Throughout the text the term *acquisition* will identify the acquisition 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. 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 due to the fact that companies are not obliged to report the deal's 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 is 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 2021, the ownership information used is that of 2020, 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 2021, the information on balance sheet used is that of 2020.

[21] See Article 2(2) of Regulation (EU) 2019/452 (the FDI Regulation).

Note that very small firms (and to some extent small companies) are poorly covered in this database (see OECD, 2020[22] 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.

[22] See: https://www.oecd.org/economy/coverage-and-representativeness-of-orbis-data-c7bdaa03-en.htm.

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 for each Member State reflects:

- whether the relevant Member State has, as of 30 December 2021, a national investment screening mechanism in place;
- legislative developments in the field of investment screening during the reporting period (Q1 2021 – Q4 2021);
- any ongoing initiatives that may be expected to result in the introduction of a national screening mechanism or amendments to an existing mechanism.

Austria

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Austria did not have any legislative developments. Austria's last legislative development took place on 25 July 2020, when the new Austrian Investment Control Act 2011 entered into force.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Austria currently does not have any ongoing initiatives which can be expected to lead to updates to its existing screening mechanism and related legislation.

REPORT: The Austrian government publishes an annual report in German. The latest version can be found under:

https://www.bmdw.gv.at/Themen/Investitionskontrolle/T%C3%A4tigkeitsberichte-der-Investitionskontrollbeh%C3%B6rde.html

Belgium

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Belgium did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

As of 31 December 2021, Belgium had not established an investment screening mechanism. After a broad consultation with relevant stakeholders, a preliminary draft law was adopted by the federal Council of Ministers in July 2020. Following the opinion of the Council of State in September 2020, it was decided in 2021 to draft a so-called 'cooperation agreement' between all governments involved, with the aim of setting up a national screening mechanism. On 31 December 2021, the discussions at the political level were ongoing with a view to finalise a draft text.

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.

Since January 2019 legislation ("*Bestuursdecreet*" of 7 December 2018) on the safeguarding of the strategic interests of the Flemish Community and Flemish Region became effective.

It allows the Government of Flanders to annul or declare inapplicable any legal action by a Flemish or local government body or bodies derived from these through which a foreign natural or legal person gains power of control or decision-making power in that government body, provided that the strategic interests of the Flemish Community or the Flemish Region are threatened – namely if the continuity of vital processes is jeopardised, if certain strategic or sensitive knowledge could fall into foreign hands, or if the strategic independence of the Flemish Community or the Flemish Region would be compromised – and provided that the Government of Flanders can demonstrate that it has attempted to achieve the safeguarding of strategic interests with the consent of the government body concerned.

Bulgaria

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Bulgaria did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

As of 31 December 2021, the Bulgarian authorities had not yet established a national screening mechanism. Nevertheless, in 2021, Bulgaria participated in the EU cooperation mechanism under Regulation (EU) 2019/452 and notifications from other Member States were reviewed. Despite this, Bulgaria has not started any initiatives to establish a domestic screening mechanism.

Nevertheless, in 2022, Bulgaria is planning to set up a working group with the purpose of establishing a national screening mechanism.

Croatia

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Croatia did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

As of 31 December 2021, the Croatian authorities had not yet established a national screening mechanism. Nevertheless, Croatia has established a National Contact Point (NCT), consisting of the Secretariat and the Interdepartmental Commission for the screening of Foreign Direct Investments. The NCT has the authority to request further information from foreign investors. In addition, it is responsible for reviewing, developing, and updating FDI screening regulations.

In 2021, the NCT has entered into bilateral exchanges with Member States to develop relevant screening regulations in Croatia.

Cyprus

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Cyprus did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

On 20 September 2021, the Ministry of Energy, Commerce and Industry (the national contact point for FDI Screening) decided that the task of amending the existing legislation or creating a new legislative framework should be outsourced to the private sector.

In addition, in 2021, the National Contact Point has engaged into bilateral exchanges with Member States to examine their best practices with regards to the establishment of national screening mechanisms and legislation.

Czechia

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

On 3 February 2021, the Czech Republic established a national screening mechanism under "The Foreign Investments Screening Act". The Act came into force on 1 May 2022. It establishes rights and duties on foreign investors to target persons or owners of target companies in the Czech Republic.

In line with the EU FDI Screening Regulation, this Act enables national authorities to screen transactions on their potential impact on national security, as well as internal or public order. Examples of this include, but are not limited to, a potential impact on critical infrastructures, key technologies, and defence-related sectors. In this regard, the law is consistent with recommendations of the National Security Audit, Security Strategy of the Czech Republic, and National Strategy for Countering Hybrid Interference. More specifically, the law includes among others:

1. The establishment of the Ministry of Industry and Trade of the Czech Republic as a statutory body of the government, which conducts the screening

2. A definition of foreign investor (ultimate beneficial owner of investing entity originates from a non-EU country)
3. A definition of foreign investment (Foreign investor acquires at least 10% of voting rights in and/or substantial control over a Czech target)
4. A definition of effective degree of control over the target object and person
5. A definition of the target object and the target person
6. A description of the screening procedure
7. A description of the consultation procedure
8. Definitions of administrative periods

In addition, the Act introduces two screening regimes. The first regime concerns a narrow group of the most sensitive areas, where the investor will need approval from national authorities before carrying out the transaction.

The second regime concerns all other national-security relevant investments and allows for the screening of past FDI for up to five years after completion of the transaction. To gain legal certainty that the investment will not be contested retrospectively, the foreign investor can voluntarily ask for confirmation that his or her investment will be subjected to screening or not (consultation).

More information can be found under: https://mpo.cz/en/foreign-trade/investment-screening/

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

The Czech Republic currently does not have any other ongoing initiatives that may result in amendments to its newly established screening mechanism.

Denmark

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

Before adopting a general investment screening regulation in 2021, Denmark had two sector-specific FDI screening regulations: 1) the Act on War Material and 2) the Act on the Continental Shelf and Certain Pipelines Installations on Territorial Waters, providing certain authorisation requirements for foreign investors.

On 1 July 2021, the new Danish FDI screening legislation, “The Investment Screening Act” and related executive orders entered into force, whereby the law does not apply to foreign direct investments and special financial agreements implemented before 1 September 2021.

The Investment Screening Act establishes two screening regimes. On the one hand, it entails a compulsory scheme for authorisation of FDI and special financial agreements within particularly sensitive sectors and activities (defense, dual-use, IT security, critical infrastructure, and critical technology). On the other hand, it entails an optional scheme for the notification of FDI and special financial agreements within other sectors.

In addition, the Investment Screening Act is supplemented by three executive orders issued by the Ministry of Industry, Business and Financial Affairs. These orders provide clarification on the scope of the legislation and further definitions on particularly sensitive sectors and activities, procedures and on confidentiality.

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

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Denmark currently does not have any other ongoing initiatives that may result in amendments of its existing mechanism.

Estonia

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Estonia did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Estonia currently does not have a national screening mechanism in place. However, at the end of year 2021 and the beginning of the year 2022, Estonia launched a public consultation and coordination with other ministries on draft legislation. A draft law is planned to be submitted to the Parliament for adoption in the second half of 2022.

Finland

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. Finland did not have any legislative developments in 2021.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Finland has no ongoing initiatives that may lead to amendments to its existing screening mechanism.

France

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

In 2021, France introduced two major legislative changes to its existing FDI screening legislation.

First, with its "*Arrêté du 10 September 2021*", in amending the "*Arrêté du 31 décembre 2019*", the French government revised the types of documents that must be submitted by investors. That is, foreign investors wanting to acquire voting rights or a stake in a French target company must now submit the EU Notification Form B[23] in addition to other relevant documents.

Second, on 22 December 2021, France has prolonged the obligation for foreign investors to notify investments when acquiring at least 10% of the voting rights (*Décret n° 2021-1758*). In July 2020 the French government first lowered the threshold from 25% to 10% of voting rights. However, in light of the current health crisis and economic developments, the French Minister of the Economy, Finance and Recovery, and the Minister Delegate to the Minister for Europe and Foreign Affairs have requested to prolong this measure.

More information on the above legislative developments can be found under:

- https://www.tresor.economie.gouv.fr/Articles/2021/11/30/bruno-le-maire-et-franck-riester-annoncent-la-prolongation-d-un-an-de-l-abaissement-exceptionnel-du-seuil-de-controle-des-investissements-etrangers-en-france-de-25-a-10
- https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000044553697
- https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000044082732

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

France has no ongoing initiatives that may result in amendments to its existing mechanism.

REPORT: France annually publishes an overview of its activities. It can be found under: https://www.tresor.economie.gouv.fr/Articles/9aa76183-24a8-49ba-9466-179c5b29f99c/files/47b9b032-3d2b-4779-8327-15d3400045ab

[23] This voluntary notification form was put forward by the Commission to serve as a suggestion for Member States on how transactions could be notified to the EU cooperation mechanism.

Germany

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

On 1 May 2021, an amendment to the Foreign Trade and Payments Ordinance (so-called "*17. AWV-Novelle*") entered into force. The amendment entailed procedural and substantive aspects to safeguard essential security interests.

On substantive changes, the German government introduced 16 new case groups, relating to emerging / sensitive technologies, in the cross-sectoral screening procedure in Section 55a subsection 1 of the Foreign Trade and Payments Ordinance. In addition, it revised the case groups of the sector-specific screening procedure (Section 60 subsection 1 of the Foreign Trade and Payments Ordinance). The sector-specific screening applies to domestic companies in sectors related to goods on the German export control list or other defence technology, IT security products to process classified state material, and facilities that are vital for defence.

Regarding the procedural changes, the German government adjusted the thresholds for the acquisition of voting rights that require an investor to notify the acquisition, and that trigger an investment screening. According to Section 56 of the Foreign Trade and Payments Ordinance, a notification by the investor is now mandatory, and an investment screening is triggered under the cross-sectoral screening procedure, upon reaching a 10 % or 20 % threshold, depending on to which case group the domestic German company belongs. If the company does not belong to any of the case groups, a notification is not mandatory, but a screening procedure is nevertheless triggered once the acquired voting rights reach 25 %.

Moreover, Germany also introduced additional acquisition thresholds for transactions where an investor is already holding 10 % / 20 % / 25 % of the voting rights (depending on which case group the German target company belongs to, if any) and now acquires further voting rights. If the aggregated voting rights reach certain further thresholds, a new notification by the investor is mandatory (where the German target company belongs to one of the case groups), and a new screening procedure is triggered.

The German FDI screening mechanism was also supplemented to account for constellations with so-called atypical acquisitions of control in a domestic company. An atypical acquisition of control occurs where an investor acquires voting rights below the relevant thresholds, but at the same time acquires additional rights which – together with the voting rights – grant a level of control over the domestic company which corresponds to the control conveyed by the applicable voting right thresholds. Such additional rights can consist of additional seats or majorities in supervisory bodies or in the management of the company, veto rights in strategic business or personnel decisions, or the granting of rights to certain sensitive business information.

The sector-specific screening criteria of Section 60 subsection 1 of the Foreign Trade and Payments Ordinance were adjusted to better protect German interests. Where the screening procedure previously needed to determine if an FDI will "endanger" the essential security interests of Germany, the question now is if an investment is "likely to affect" these interests.

Finally, the Federal Ministry for Economic Affairs and Climate Action enacted a general administrative act setting out in detail the information to be submitted by investors when notifying an FDI.

More information can be found under:

https://www.bmwi.de/Redaktion/EN/Externe-Links/A/allgemeinverf%C3%BCgung-au%C3%9Fenwirtschaftsgesetz-englisch-270521.pdf?__blob=publicationFile&v=4

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Germany has no ongoing initiatives that may result in amendments to its existing mechanism.

REPORT: Germany has not published a report on its activities in 2021, but key facts and figures on investment screening in Germany are available in German and English under:

https://www.bmwi.de/Redaktion/EN/Artikel/Foreign-Trade/investment-screening.html

Greece

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

During the reporting period, one major legislative development took place in Greece: the legislation on the Organisation of the Hellenic Ministry of Foreign Affairs (MFA) – the national competent Authority for FDI Screening – entered into force on 28 February 2021. This law designates the MFA Department that is responsible for 1) the EU cooperation mechanism on FDI Screening and 2) the operation of the planned national FDI Screening mechanism, which is currently being drafted.

This law further provides that the designated Department:

- operates as a contact point for cooperation with other EU Member States and the European Commission in the context of the EU cooperation mechanism for FDI Screening
- cooperates with the competent Greek Authorities and coordinates with them on the process of FDI Screening
- is responsible for drafting and submitting to the European Commission the annual report on FDI Screening as provided by Regulation (EU) 2019/452

More information can be found under:

https://www.mfa.gr/images/docs/eukairies_stadiodromias/organismos-ypex.pdf

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Greece is currently working on the draft legislation for the national FDI screening mechanism on the grounds of security and public order. After an initial consultation with Commission experts, the Greek government is currently revising its drafted legislation. In addition, Greece is actively seeking conversations with other EU Member States to exchange information on best practices.

Hungary

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

In the reporting period, there have been three major developments in Hungary's screening legislation.

First, on 1 December 2021, Hungary added a new point j) to Section 2 (4) of "Act XCIX of 2021" on transitional rules related to emergencies. This addition allows the Hungarian government to require investors to report certain types of activities in the insurance and re-insurance space. This amendment did not, therefore, in itself result in a change to the Hungarian legislation previously in force, but empowered the Government to declare new activities subject to notification.

Second, based on the above authorisation, also with effect from 1 December 2021, a new Chapter 10 has been added to Annex 1 of the Implementing Regulation, as a result of which:

- insurance activities statutory insurance and reinsurance activities according to Act LXXXVIII of 2014 and
- activities directly related to insurance Pursuant to Section 40 (3) (a) and (e) of the Act LXXXVIII of 2014 on insurance activities, are also considered as activities to be notified.

Third, 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 sole purpose of the legislation was to harmonise national screening laws with the EU Screening Regulation. Thus, the implementation of the EU Regulation in Hungary is now fully ensured.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Hungary has no ongoing initiatives, which can be expected to lead to amendments to its existing mechanism.

Ireland

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Ireland did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Ireland is currently in the process of finalising the required primary legislation in order to implement a screening mechanism in Ireland. This new law will define the nature, scale and type of investments that should undergo investment screening. It will also set out the relevant points of considerations throughout the Screening process. It will ultimately empower the Minister to assess, investigate, authorise, condition, or prohibit foreign investments based on a range of security and public order criteria. Finally, it will also establish a screening mechanism in line with the EU FDI Screening Regulation.

Italy

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

Throughout 2021, there have been two major legislative developments in Italy.

First, on 30 April 2021, the Italian government prolonged the applicability of its temporary screening regime (as introduced by Decree-Law No. 23 of 8 April 2020) until 31 December 2021. Under this law, the national screening mechanism applies to acquisitions of at least 10% of shares or voting rights of an Italian target, as well as any subsequent acquisition exceeding 15%, 20%, 25% and 50% thresholds. The necessary pre-condition for this is that investments must exceed EUR 1 million. Finally, the law also applies to investors from EU Member States as long as the transaction results in a majority control of the Italian target.

Second, on 30 December 2021, the applicability of this temporary screening mechanism was once again prolonged until 31 December 2022 through Article 17 of Decree-Law 228 of 30 December 2021 “Urgent provisions regarding legislative deadlines”.

More information on the above developments can be found under:

- First legislative development: https://www.gazzettaufficiale.it/eli/id/2021/04/30/21G00066/sg
- Second legislative development: https://www.gazzettaufficiale.it/eli/id/2021/12/30/21G00255/sg

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

On 21 March 2022, the Italian government adopted Articles 24-28 of Decree-Law 21. These articles amended the Law Decree no. 21 of 2012, by introducing urgent measures to react to the economic and humanitarian effects of the Ukrainian crisis ("Emergency Measures Decree"). Besides these developments, Italy did not have any ongoing initiatives that may result in amendments to Italy's screening mechanism.

More information can be found under:
https://www.gazzettaufficiale.it/eli/id/2022/03/21/22G00032/SG

Latvia

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

In 2021, Latvia had three major legislative developments. First, on 4 February 2021, Latvia amended Regulation No. 606 "Regulations Regarding the Information to be Submitted to the Authority Determined in the National Security Law and the Handling of Information on Foreign Direct Investments". In this amendment, the government clarified a reference to the law based on which the regulations have been issued.

Second, on 20 May 2021, the Latvian government amended Chapter VI of the National Screening law. In this amendment, it included additional criteria to qualify companies as "Commercial Company of Significance to National Security":

- The owners of a forest land in the Republic of Latvia of at least 10 000 hectares;
- The owners of an agricultural land in the Republic of Latvia of at least 4000 hectares;
- has received the special permit (licence) for commercial activities with goods of strategic significance or a military manufacturer certificate issued by the Ministry of Defence, and it has a valid strategic partnership contract with the Ministry of Defence.

Moreover, it granted national authorities with additional rights to decide which information they request from investors.

Third, on 8 December 2021, the Latvian government once again amended the National Screening law by clarifying references to definitions of terms used in the law.

More information can be found under:

- First legislative development:
  - Link to amendment (in Latvian): https://likumi.lv/ta/id/320818-grozijums-ministru-kabineta-2017-gada-3-oktobra-noteikumos-nr-606-noteikumi-par-nacionalas-drosibas-likuma-noteiktajai-instituc...
  - Link to consolidated version of legislative act (in English): https://likumi.lv/ta/en/en/id/294210-regulations-regarding-the-information-to-be-submitted-to-the-authority-determined-in-the-national-security-law-and-the-handling-of-information-on-foreign-direct-investments
- Second legislative development:
  - Link to amendments (in Latvian): https://likumi.lv/ta/id/323576-grozijumi-nacionalas-drosibas-likuma
  - Link to consolidated version of legislative act (with amendments, which are in force since 15/06/2021; in English): https://likumi.lv/ta/en/en/id/14011-national-security-law
- Third legislative development:
  - Link to amendments (in Latvian): https://likumi.lv/ta/id/328592-grozijumi-nacionalas-drosibas-likuma
  - Link to consolidated version of legislative act (in Latvian): https://likumi.lv/ta/id/14011-nacionalas-drosibas-likums

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Latvia is currently working on the amendments of the national FDI screening mechanism. It is planned to widen the scope of national FDI screening mechanism and to include additional companies and transactions.

Lithuania

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

Lithuania has had a national screening mechanism since 2002. The scope and procedures governing the screening of foreign investors are established by the Law on Protection of Objects Important to Ensuring National Security. Significant amendments to the Law were adopted in 2020, implementing the FDI Screening Regulation.

In the reporting period, only minor amendments to the Law have been adopted. 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.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

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 FDI screening procedure.

Luxembourg

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Luxembourg did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Luxembourg currently does not have a national FDI screening mechanism. However, on 16 July 2021, the Government Council approved a government initiative to introduce a national FDI screening mechanism and to set up the rules for the intra-European cooperation mechanism. The draft law as well as the draft Grand-Ducal regulation have been submitted to the Luxembourg Parliament - and for opinion to the Council of State and the professional chambers on 15 September 2021. Both texts follow the normal legislative procedure.

Link to legislation:
https://chd.lu/wps/portal/public/Accueil/TravailALaChambre/Recherche/RoleDesAffaires?action=doDocpaDetails&id=7885

Malta

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Malta did not have any legislative developments. For more information, see below.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

The Malta FDI Screening Office was set up in 2020 to implement the provisions of EU Regulation 2019/452, which were later transposed into a Maltese Legislation - Chapter 620 of the Laws of Malta. The Law came into force on 11 October 2020. Other than this, Malta does not have any ongoing initiatives that may result in the amendment of its existing screening mechanism.

More information can be found under: https://www.nfdismalta.com/

REPORT: Malta is in the process of developing an Annual Report. The report will present some background information on the establishment of the Office, the adoption of the EU Regulation and transposition into a Maltese legislation. The report will also present some key abstracts adopted from the EC's Annual Report on Investment Screening and some statistics and figures on Maltese notifications, and general trends with respect to foreign M&A and greenfield projects by origin of investor and target sector. Finally, some highlights will be presented along with some points of action intended by the Maltese authorities in relation to Investment Screening in Malta. Included in the report, there will also be an audit report for 2020 and 2021. It is hoped to publish the Annual Report around April 2022.

Netherlands

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

Prior to 2021, the Dutch FDI Screening mechanism was limited to the "Telecommunications Act", "Electricity, Production, Transport and Supply Act", as well as the "Gas Transportation and Supply Act". On 30 June 2021, the Investments, Mergers and Acquisitions Security Screening Act (VIFO; in Dutch: "Wet veiligheidstoets investeringen, fusies en overnames") was sent to the Dutch Parliament. The bill passed the lower house on 19 April 2022 and the upper house on 17 May 2022. It is expected to enter into force late 2022 or early 2023, after the corresponding lower regulation has been drafted. This bill introduces a general FDI Screening mechanism and concerns acquisitions and investments in sensitive technology and sectors that are considered critical for national security and public policy.

More information can be found under:

www.eerstekamer.nl/wetsvoorstel/35880_wet_veiligheidstoets

https://www.tweedekamer.nl/kamerstukken/wetsvoorstellen/detail?cfg=wetsvoorsteldetails&qry=wetsvoorstel%3A35880

https://www.bureautoetsinginvesteringen.nl/

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

On 19 April 2022, the Dutch House of Representatives adopted the VIFO, thereby paving the ground for a general FDI Screening Mechanism. In addition, the Ministry of Defense and the Ministry of Economic Affairs and Climate Policy are drafting a bill for an investment screening procedure for transactions relating to the defense industry. The aim is to publish a draft version of this bill in late 2022 / early 2023 for public scrutiny (the internet consultation process).

Poland

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Poland did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Poland currently has no ongoing initiatives that may result in amendments to its existing screening mechanism.

Portugal

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Portugal did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Portugal currently has no ongoing initiatives that may result in amendments to its existing screening mechanism.

Romania

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

In 2021, Romania prepared a national emergency bill on FDI screening.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

On 18 April 2022, Romania published the Emergency Ordinance of the Romanian Government (no. 46/2022, on FDI screening) in the Official Gazette of Romania ("*Monitorul Oficial*").

The legal act provides a deadline of 60 calendar days for drafting the mandatory secondary legislation for its application. In addition, it foresees that the Romanian government sets up an inter-agency Screening Commission in charge of decision-making, led by an appointee of the Prime Minister. The Romanian Competition Council (RCC) will deal with the secretarial affairs, including the coordination of the expert groups responsible for doing the screening. Moreover, provided that the Screening Commission offers a positive *avis*, it will also be responsible for formal decisions on screening cases (even with mitigating conditions). Conversely, for cases with a negative *avis*, the Romanian Government will make the final decision.

Finally, Romania is also currently in the process of drafting and approving secondary legislation, however, they will, in the meantime, start notifying cases to the EU FDI screening cooperation network.

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

Slovakia

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

Slovakia does not have a comprehensive legal framework for the screening of foreign investments for the protection of security and public order. However, a partial scheme covering the elements of critical infrastructure in the competence of the Ministry of Economy of the Slovak Republic has been incorporated into the Act. 45/2011 Coll. on critical infrastructure, as amended.

This legislation came into force on 1 March 2021 and covers all direct and indirect transfers and transitions of the elements within critical infrastructure in the competence of the Ministry of Economy of the Slovak Republic. Its coverage goes beyond FDIs. It covers only elements of critical infrastructure within the sectors of energy and industry. So far, Slovakia has not yet screened any transfer or transaction that would meet the definition of FDI according to Article 2 of the Regulation (EU) 2019/452.

Link to legislation in Slovak language: 45/2011 Z.z. - Zákon o kritickej infraštruktúre - SLOV-LEX

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

The Ministry of Economy of the Slovak Republic continues with the preparatory work for the draft of a comprehensive Act on the screening of FDI. This act has already underwent a public consultation and extra-ministerial scrutiny.

In addition, the Slovakian government entered into bilateral consultations with other EU Member States that already have a screening mechanism to further improve the Act. Currently, Slovakia is finalising the documentation regarding the proposed legislation, which is expected to be submitted to the European Central Bank in 2022. Subsequently, it will be submitted for approval by the government of the Slovak Republic as well as the National Council of the Slovak Republic. The proposed mechanism is to come into force on 1st January 2023.

REPORT: A report on national FDI screening activities will be included in the new comprehensive Act on the screening of FDI. According to the proposed 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

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021): No

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 will be in force until 30 June 2023. This mechanism in the scope of the newly adopted legislation was reported by Slovenia pursuant to the FDI Screening Regulation and no new legislation has been either adopted or proposed with regards to the screening of FDI since then.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

However, the mechanism will be permanently included in the Investment Promotion Act (Official Gazette of the Republic of Slovenia, No. 13/18, hereinafter referred to as: *ZSInv*) within the framework of the regular/shortened legislative procedure. Slovenia will take into account the experience in using the existing mechanism, concerns and suggestions of investors and their representatives, and will thus permanently regulate the mechanism in *ZSInv*. Slovenia will enter into the preparatory phase of amending *ZSInv* for the purpose of FDI screening in the second half of 2022 and is to complete the legislative procedure by 30 June 2023. Slovenia will report on relevant developments in this process to the European Commission and consult the European Commission in case of any questions or requests for recommendations.

Links: ACT DETERMINING THE INTERVENTION MEASURES TO MITIGATE AND REMEDY THE CONSEQUENCES OF THE COVID-19 EPIDEMIC (ZIUOOPE): Unofficial English translation.

More information on FDI screening in Slovenia can be found here (only available in Slovene as of now):

https://www.gov.si/teme/tuje-neposredne-investicije/

Spain

NATIONAL SCREENING MECHANISM IN PLACE: Yes

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021): Yes

The Second Final Provision of Royal Decree-Law 12/2021, of 24 June 2021, amended the Sole Transitional Provision of Royal Decree-Law 34/2020. It extended the FDI authorisation regime for certain investments in specific sectors made by investors based in other EU Member States, or in EFTA countries, until 31st December 2021. Subsequently, Article 4 of the Royal Decree-Law 27/2021 extended the regime until 31st December 2022.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

In parallel, a new FDI screening regulation is being prepared. It is expected to enter into force in the course of 2022. The main objectives of this legislative development are to: (i) update the specific administrative procedure for FDI screening, that dates form 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 will remain in force, this legislation will represent a significant development.

REPORT:

An **annual report** on FDI screening activities in Spain has been published. 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
- The reasons for subjecting the investment

The report can be found under:
https://comercio.gob.es/InversionesExteriores/Documents/2020%20EN%20CIFRAS.pdf

Sweden

NATIONAL SCREENING MECHANISM IN PLACE: No

LEGISLATIVE DEVELOPMENTS DURING THE REPORTING PERIOD (2021):

None. In 2021, Sweden did not have any legislative developments.

ANY ONGOING INITIATIVES THAT MAY RESULT IN THE INTRODUCTION OF A NATIONAL SCREENING MECHANISM OR AMENDMENTS TO AN EXISTING MECHANISM?

Preparatory work is ongoing to introduce a Swedish FDI Screening legislation. In August 2019 the Swedish Government appointed an inquiry chair to propose a framework for the screening of FDI in Sweden. The inquiry chair's conclusions were presented in a report in November 2021. The report was circulated to stakeholders for opinion and work is now going on within the Government to produce a legislative proposal to the Parliament.

Link to the proposal: Granskning av utländska direktinvesteringar, SOU 2021:87 (regeringen.se) [there is a summary of the proposal in English on pages 41-57].