FDI Framework

The Federal Republic of Germany is an open market economy, in which the engagement of foreign companies and investors is welcome. The federal government sees foreign direct investment (FDI) as an important initiator of economic growth and employment in the country.

A company looking to invest in Germany can do so in different ways. Foreign direct investment takes two forms:

Company Establishment (Greenfield Investment)

The establishment of a company in Germany is a straightforward process. Foreign investors can choose freely between available legal company forms for their business projects. Foreign company establishments in Germany are not subject to reviews under German foreign trade regulations.

For further information about business establishment in Germany read

• Establishing a Company

Mergers and Acquisitions (M&A)

In the majority of cases, foreign investors can acquire stakes in German companies without special restrictions.

To minimize threats to German public order and/or security, the Federal Ministry for Economic Affairs and Energy (BMWi) may review and, if necessary, also prohibit acquisitions of domestic companies by foreign buyers. Any acquisition of 25 percent or more of the voting rights of a company located in Germany by investors based outside the EU or the EFTA region can be subject to such review. If the domestic target company operates in a particularly sensitive area (e.g. critical infrastructure and other civil security-related infrastructure), the BMWi can review acquisitions of 10 percent or more of the voting rights.

Special rules apply to the acquisition of domestic companies, which operate in sensitive security areas (e.g. manufacturers and developers of weapons and other military key technologies). Under these rules, the BMWi can review whether an acquisition of 10 percent or more of the voting rights of a domestic company by any foreign buyer poses a threat to German security interests.

All reviews are made on a case-by-case basis and not applicable to other companies or acquisitions. The investigations are non-discriminatory and do not distinguish acquisitions based on investor country of origin.

For further information on Investment Reviews in Germany read:

• Federal Ministry for Economic Affairs and Energy

How can GTAI help?

The main function of GTAI is advising foreign investors on setting up their business in Germany. GTAI does not have the mandate to advise investors on the acquisition of stakes in German companies.

However, enquiries on merger and acquisition projects can be directed to GTAI’s partners and other specific service providers in this area.