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EUROPE IS GIVING ITSELF A CHINESE-STYLE RIGHT OF SCRUTINY

IAA (INDUSTRIAL ACCELERATOR ACT): EUROPE IS SHAPING THE
CONTOURS OF CONDITIONAL ACCESS TO ITS MARKET

2026

STRATEGIC ANALYSIS · SINO-EUROPEAN INVESTMENT · 2025

Industrial Accelerator Act (IAA): A new framework for Sino-European partnerships in strategic sectors

A text that does not mention China, but is in part addressed to it

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KEY FIGURES

> 83%

of global battery cell
manufacturing capacity
controlled by China

> 80%

of photovoltaic module
manufacturing across
the entire value chain

€100M+

FDI threshold triggering
the new contribution
framework

Chapter IV of the proposal does not mention any third State. But the threshold of 40% of global manufacturing capacity held by the investor’s country of origin leaves very little room for ambiguity when crossed with the four sectors covered.

SCOPE OF APPLICATION

Its scope is deliberately limited to foreign direct investments exceeding EUR 100 million in the following four strategic sectors:

- Batteries and their value chain for energy storage;
- Electric vehicles and components linked to electrification and digitalisation;
- Solar photovoltaic technologies;
- The extraction, processing and recycling of critical raw materials.

Yet in all four of these segments, the industrial reality is documented. China today controls more than 83% of global battery cell manufacturing capacity, and more than 80% of photovoltaic module manufacturing across the entire value chain.

These dependencies expose the Union to structural risks, which China’s recent restrictions on the export of critical materials — rare earth magnets, anode materials, lithium refining technologies — have illustrated very concretely.

The text therefore does not close the European market to Chinese investors. It redraws the legal framework within which future Sino-European partnerships will have to be structured.

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FROM RISK TO VALUE

What distinguishes this text from existing foreign investment control mechanisms is its legal basis.

Regulation (EU) 2019/452, currently in force on the screening of foreign investments, is based on a logic of security and public order: it allows an investment to be blocked or conditioned when it poses a risk to essential State interests.

The IAA introduces a complementary and different logic. Investment is no longer assessed solely according to the danger it represents, but according to the industrial value it brings to the Union: skilled jobs, localised research, shared technology, local sourcing.

Here, the Commission explicitly draws a lesson from the Chinese experience. The Impact Assessment recalls that China, for decades, conditioned access to its market on technology transfer, joint ventures under Chinese control, localisation of R&D and local sourcing — conditions that enabled its industries to move up the value chain while absorbing foreign know-how.

“The Union is now adopting a symmetrical logic, precisely in the sectors where China holds the dominant position it once reserved for Western investors on its own territory.”

The two regimes coexist and overlap. A Sino-European partnership could therefore meet the security requirements of the 2019 Regulation and nonetheless be blocked or conditioned under the IAA for lack of sufficient industrial contribution.

REGULATORY REGIMES AT A GLANCE

	2019/452	IAA
Legal basis	Security	Industrial value
Trigger	Risk to State	FDI > €100M
Assessment	Danger	Value to Union
Can overlap?	—	Yes

The Six Conditions

From twelve months after the entry into force of the Regulation, the competent national authorities will only be able to approve the investments concerned if they find at least four out of the following six criteria — one of which is mandatory.

CONDITION A) Limitation of foreign control

The foreign investor may not hold more than 49% of the capital, voting rights or any equivalent rights conferring control over the European target.

CONDITION B) Joint venture with a Union partner

The investment may be structured as a JV, provided the foreign investor holds less than 50%, and the participation of the European partner is genuine: in management, technology transfer, and capacity-building. The JV may not be a formal shell; it must embody a genuine shared industrial project.

CONDITION C) Licence of intellectual property and know-how

The foreign investor must conclude agreements enabling the European entity to benefit from licences over the IP and know-how necessary for the activity. The regime is asymmetrical: pre-existing IP remains exclusively European; joint developments are co-owned — the reverse of what China long imposed on its foreign partners.

CONDITION D) R&D expenditure in the Union

The foreign investor must devote each year, in the Union, an amount at least equivalent to 1% of the target's annual gross turnover, pro rata to its participation.

CONDITION E) **MANDATORY CONDITION** Employment of Union workers

At least 50% of the workforce linked to the investment must consist of Union workers, across all categories of positions — technical, managerial and supervisory. This requirement applies from implementation and must be maintained throughout operations.

CATL/Tesla case: US conditions for public support led to far deeper localisation of the value chain — advanced cell manufacturing, local R&D — than CATL's European establishments, which have remained concentrated on final assembly.

CONDITION F) Strengthening the Union's value chains

The foreign investor must publish a local sourcing strategy and endeavour to source at least 30% of its inputs from suppliers established in the European Union.

ANTI-CIRCUMVENTION CLAUSE

The text provides for a provision aimed at preventing avoidance strategies. The competent authorities could apply all or part of the mechanism to an investment carried out in the Union by a European subsidiary of a foreign investor, where circumvention is established or where no less restrictive measure is available.

The interposition of a pre-existing European structure will therefore not, under the IAA, constitute sufficient protection.

PRACTICAL IMPLICATIONS FOR EUROPEAN COMPANIES

For European companies that already have Chinese partners, or that are currently negotiating a JV in one of the covered sectors, the practical implications are immediate.

— **JV Governance**

will have to be rethought. The 49% limit presupposes that the European partner holds formal majority control and exercises real participation in management and strategic decisions — a substantial shift from the passive roles many European players have previously occupied.

— **Intellectual Property**

will become central from the negotiation stage. The ownership regime for IP — prior, concurrent and future — must be structured carefully. Licences, exclusivity conditions and rights over collaborative developments will become structuring clauses of the JV agreement.

— **Local Employment & R&D**

will become contractual and regulatory obligations. The requirement for predominantly local, continuous and verifiable employment transforms good practice into an enforceable legal requirement. R&D volume, localisation and scope must be documented.

A NEGOTIATION LEVER

The IAA framework also constitutes a lever for companies currently in negotiation. It justifies requiring a deeper anchoring of the Chinese partner in Europe, more balanced governance, and a more rigorous structuring of rights over technology.

A DIRECTION ALREADY CLEAR

The proposal must be examined by the European Parliament and the Council. Adjustments are likely regarding the definition of thresholds, the exact scope of the covered sectors, and the modalities of application of the anti-circumvention clause. Some Member States may argue for greater flexibility, particularly those that have the most to gain from attracting foreign industrial investment to their territory.

“But the direction has been set, and it is clear enough for companies that are currently structuring partnerships with Chinese players in the battery, photovoltaic, electric vehicle or critical raw materials sectors to integrate it — without delay — into their strategic and contractual thinking.”

KEY QUANTITATIVE REQUIREMENTS

Capital cap	Foreign investor ≤ 49% of capital / voting
R&D obligation	Min. 1% of target’s annual gross turnover
Local workforce	Min. 50% Union workers across all job
Local sourcing	Min. 30% of inputs from EU-established
Approval threshold	Min. 4 out of 6 criteria must be met (cond.