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Mexico, Germany Sign Bilateral Agreement to Protect Investments

by LADB Staff

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In early October, the governments of Mexico and Germany announced an agreement to promote and protect bilateral investments and to expand trade. The agreement, signed in Bonn by Mexican President Ernesto Zedillo and German Chancellor Helmut Kohl, must still be ratified by the legislatures in both countries. Speaking to reporters at the signing ceremony, Mexican Trade Secretary Herminio Blanco said the accord offers mechanisms to ensure that private investments including property, capital, and profits will receive adequate protection.

Blanco said the agreement also offers companies from one country a mechanism to resolve disputes with the government of the other country. Accord intended to boost German investment in Mexico. The government expects the agreement to attract more German investment in the Mexican economy, particularly by medium-sized companies. Direct German investment in Mexico is currently about US\$1.7 billion, mostly from large chemical manufacturers and automobile companies such as Bayer, BASF, Volkswagen, and Mercedes Benz.

According to Blanco, the agreement is similar to existing bilateral accords with other countries, such as Spain, Sweden, and Argentina. Still, the agreement could face strong debate in the Senate, which can only modify or reject the accord.

In an interview with the daily newspaper *El Economista*, Sen. Jose Angel Conchello of the center-right Partido Accion Nacional (PAN) said some senators are concerned that recent bilateral investment agreements have not offered sufficient reciprocity to Mexican investors. "In some recent agreements, our government has offered many incentives to foreign investors, while Mexican counterparts have not received the same benefits," said Sen. Conchello. (Sources: Associated Press-Dow Jones news service, 10/07/97; *El Universal*, *Excelsior*, 10/08/97; *The News*, 10/09/97; *Novedades*, 10/09/97, 10/10/97; *El Financiero International*, 10/13/97; *El Economista*, 10/09/97, 10/15/97, 10/16/97)

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