



Ensuring freedom of investment through
modern investment protection agreements

Mercedes-Benz



German companies are global players – at the end of 2022, the stock of direct investments by German companies in third countries amounted to over 1.6 trillion EUR.¹ At the same time, Germany is also a hub for foreign investments – in 2022, the stock reached more than 749 billion EUR. In contrast, in 2022, 94 billion EUR of direct investment from Germany were spent. As a result, there are calls for an improved investment environment to increase the attractiveness of direct investments in Germany and Europe. Direct foreign investments create jobs and boost prosperity – both in the host country and in the home market as well. Direct investments also help global companies to better understand the local markets. For these reasons, Mercedes-Benz is in favor of a rules-based freedom for investment on the basis of modern investment protection agreements.

An increasing number of countries have started to regulate foreign direct investments due to security policy aspirations. These regulations are usually the result of concerns that foreign investments in critical infrastructure could result in security risks or that key technologies or essential companies are being bought up in a targeted manner. A country's competitive advantage could then suffer and jobs could disappear. However, Mercedes-Benz considers foreign locations to be an essential part of its global lineup and a key element to better understand and serve local markets. Furthermore, foreign investments protect jobs – not only in the host country but also at home in Germany, because expertise, technology, equipment and components from domestic facilities are always needed. For these reasons, Mercedes-Benz stands behind a rules-based investment freedom, achieved with suitable measures such as modern investment protection agreements.

- **Balance between national security and positive investment climate**

A restrictive tightening of investment or prohibiting investments can cause a downward spiral that can seriously harm the investment climate – this applies to incoming investments as well as outgoing investments (“Outbound investment”). Mercedes-Benz believes that the protection of security interests and competitive advantages are of great importance. Securing critical infrastructure and the right to prohibit the takeover of certain companies are rights that the government must be able to exercise. Also, the “right to regulate” has to be preserved. However, such measures should not be exploited as a means of arbitrarily controlling market access or shielding the domestic economy from competition. Mercedes-Benz is of the opinion that any restrictions on investment freedom have to be carefully considered and introduced only after an in depth look at the possible pros and cons for a country's economy, companies, citizens and workers as well as national security.

- **Modern investment protection agreements**

Apart from harming the investment climate, tight restrictions on investment rules or prohibitions on investments for the sake of national interests can lead to jobs losses and lower prosperity. The investment protection agreements of today try to solve this dilemma by protecting foreign investors from unfair expropriation or providing them with adequate compensation while also protecting governments' rights to regulate. Mercedes-Benz supports agreements of this type that serve as a guarantee for open markets while at the same time providing reliable protection for governments and companies. New standards for dispute resolution as established already in the free trade agreement with Canada can serve as a yardstick for addressing justified concerns. For the long term, we also support the establishment of a multilateral investment court as a replacement for private courts of arbitration, they could serve as a neutral party.

[¹ "German foreign direct investment in 2022-23", Deutsche Bundesbank, May 31, 2024]

<https://www.bundesbank.de/en/press/press-releases/german-foreign-direct-investment-in-2022-23-933292>