

DOUBTS ABOUT MEXICO'S POTENTIAL DESPITE HOGAN LOVELLS LAUNCH

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Concerns among some analysts that Mexico is too reliant on the global economy to generate continued growth, but Hogan Lovells bets on new offices in Mexico City and Monterrey

Hogan Lovells has taken what some legal market sources view as the bold step of opening in Mexico, despite concerns among a number of analysts that the country is too dependent on the vagaries of the international economy to generate sustained growth. At the beginning of July, Hogan Lovells announced that it was merging with Mexican firm Barrera, Siqueiros y Torres Landa – a move that means Hogan Lovells has expanded its international presence with new offices in Mexico City and Monterrey. Commenting on the merger at the time, Hogan Lovells CEO Steve Immelt said 2013 had ushered in sweeping structural reforms in Mexico, which could “unlock major potential for investors and companies in a broad range of industries that are looking to capitalise on the current environment”.

Burkhart Goebel, Hogan Lovells' Madrid-based continental Europe regional managing partner, says that one of the key objectives of the firm's new Mexican offices will be to build on the firm's existing presence in Venezuela, particular its work in the areas of energy and arbitration.

Optimism in energy sector

The Mexican energy sector seems an especially good bet. At the end of last year, members of the Mexican Congress voted in favour of liberating the state-controlled energy market to allow foreign investment. It is still relatively early days, but there is some optimism that this could trigger billions of dollars of investment in the energy sector.

Meanwhile, lawyers in Mexico say that significant reforms in the labour, education, energy, tax, financial, antitrust, telecommunications and commercial law areas have heightened expectation levels among to domestic and international companies that are looking to start or expand businesses in the country. This has led to anticipation among the legal sector that the increased interest from investors in the country will translate into investment and projects – as well as other opportunities in areas such as energy, oil and gas and infrastructure.

Mexico too reliant on US?

However some analysts have reservations about Mexico's economic potential. It is argued by some economists that the steps taken by the Mexican government to liberate the country's energy sector, for example, is an acknowledgement that Mexico is too reliant on trends in the international economy, particularly that of the US.

One Madrid-based partner says there is a "question mark" over the Mexican market. "Mexico has a strong dependence on the US economy," he adds. "Mexico will suffer because the US economy is shrinking (see our Global Report on page 29)." And statistics support this theory – the US economy shrank by 2.9 per cent in the first quarter of 2014, its worst performance for five years. The partner adds: "Mexico's performance in the Pacific Alliance has been significant but can Mexico forge an identity of its own?"

However, other lawyers have more confidence in Mexico's economic prospects. Fernando de las Cuevas, head of mergers & acquisitions at Gómez-Acebo & Pombo, says Mexico offers significant opportunities for growth, particularly in comparison to other Latin American countries. "Mexico is a big market and it is growing," he says. "There have been five or six significant investments [in Spain] from Mexico, but no significant outbound investment from Brazil [for example]." Indeed, data published by Dealogic this year showed that six of the 10 biggest Latin American acquisitions in Spain in 2013 were made by Mexican companies. De las Cuevas concludes that Mexico is "internally opening up to competition".

Garrigues partner Ángel Calleja also feels very positive about the Mexico market. "There are great opportunities in Mexico as there are a lot of Spanish links which operate in both directions – Mexico is, also, from a regulatory perspective, very open."