# Brazil and Mexico: Similar challenges



*José Gerardo Traslosheros Hernández, Mexico's consul general in São Paulo, believes that because the two largest Latin American economies have similar problems, they should seek greater integration. For him, Brazilian competitiveness, like Mexican, depends on opening up the economy.*

**Despite a good recovery from the crisis of 2008, why is growth in Mexico still relatively low?**

Brazil and Mexico share similar challenges: Mexico needs to make the labor market more flexible and make it easier to start a business. We must improve the infrastructure of ports, roads, and public transport systems and train more skilled workers—in Mexico, as in Brazil, education spending needs to be more effective.

**In the last decade, the emerging BRICS countries have gained geopolitical and economic influence. Has Mexico been harmed by not being part of this group?**

Mexico is a country with 112 million inhabitants, with per capita income similar to that of Brazil. It has a growing middle class, increasing purchasing power. . . . Whether it is among the BRICS or not is just a matter of definition. For there are also large differences within the BRICS. Brazil's growth is well below that of China and India, for instance. The fact is that, like Mexico, they are large markets and that will encourage growth in demand. Just as important is the fact that Mexico started a trend after the Cold War ended by negotiating an agreement with the United States that also changed the geopolitics.

**In the beginning, NAFTA was related to the expansion of the maquiladoras in Mexico. These are no longer an issue.**

Traditional maquilas are ceasing to exist. These plants were established on the Mexican side of the border, imported component parts, used only Mexican labor, and exported finished products to the United States. From my point of view, that had benefits because it generated jobs. Over time, the difference between industries that only sell abroad and those that sell to the domestic market tended to disappear. We integrated production chains in a context of openness, and today Mexico produces more parts and components—such as for autos and electronics—which generate much more value and are important Mexican exports.

**Has the review of the automotive agreement between the two countries affected Mexican willingness to have closer ties with Brazil?**

Mexico practices an open regionalism. We are interested that Brazil thinks Mexican cars enrich its market, because they are good, and their consumers can benefit. The presence of Mexican cars may encourage the Brazilian industry to develop more competitive cars. And it does not stop there. We have huge complementarity, for example, in aerospace. We would like to have an Embraer plant, because we have parts, engineering service, and quality design. There are also opportunities in other areas, such as capital goods, agricultural machinery, sugar production, and in particular biofuels and biotechnology, in which Brazil has made remarkable strides.