

## **Brazil and Mexico embrace closer economic ties**

*Adam Thomson*

*Brazil and Mexico could begin negotiations as early as this year to establish an "ambitious" agreement to bring Latin America's two largest economies closer together.*

In an interview with the FT, Welber Barral, Brazil's foreign trade secretary, said that the idea was to go beyond traditional trade accords. "This is not just a free-trade agreement . . . we are going to try to bring the two economies together," he said. "We are talking about goods, but also about services, about customs and public-sector procurement."

Mr Barral, who was visiting Mexico City to start initial talks aimed at defining core issues for the eventual negotiations, did not say how much the agreement could boost economic growth for both countries. But he added: "The agreement between the two biggest economies [in Latin America] would be very fruitful for both countries."

The combined gross domestic product of the two countries is about \$2,600bn – roughly equal to that of France but with five times the population.

Mr Barral's comments come as Mexico and Brazil have experienced differing fortunes over the past decade or so, with Brazil's economy racing ahead while that of Mexico has remained relatively stagnant.

One factor explaining that divergence is the emergence of China as a ferocious competitor for Mexican industry and exports entering the US, and a seemingly insatiable market for Brazilian commodities.

In spite of the different places the two countries occupy in the global economy, Mr Barral said that there was plenty of scope to develop sectors of mutual interest. One, he said, was the petrochemicals industry. Another was textiles. However, he played down the possibility that any final agreement would facilitate Brazilian access to the North American Free Trade Agreement (Nafta), which binds Mexico, the US and Canada; or that it would enable Mexico to tap into Mercosur, the South American customs union.

"[Greater access] could happen, but we are going to establish clear rules of origin to define clearly what a Brazilian company is and what a Mexican company is," he said. "We want to focus on each other's markets."

Brazil has long had a trade surplus with Mexico. According to Mexico's economy ministry, the surplus reached just over \$1bn last year from total trade between the two countries of \$5.9bn.

Mr Barral said that the driving force behind the desire to create deeper ties between the two countries came directly from Felipe Calderón, Mexico's centre-right leader, and Luiz Inácio Lula da Silva, his Brazilian counterpart.

"There is a very positive political climate," he said about relations between the countries. "There is a good chemistry between the two presidents, and both have expressed more than once how important this agreement would be."

He added that the change of government following his country's presidential election, scheduled for October 3, would not be an obstacle to continuing and concluding the talks. "We are pushing to begin the negotiations this year . . . but the support from the private sector will keep the momentum going."

**Fonte: Financial Times, London, May 12<sup>th</sup> 2010, Americas, online.**