

POLITICAL BARRIERS IN MEXICO AND THEIR IMPACT ON NEARSHORING: A CRITICAL ANALYSIS

Recently, we have published some notes related to the advantages that the phenomenon known as "Nearshoring" can bring to Mexico, as well as the competitive advantages that exist in the country in terms of foreign trade. However, it is necessary to take into account that Mexico's current reality also has different negative factors that could greatly reduce the positive effects of the mentioned phenomenon.

In the landscape of globalization and increasing economic interdependence, nearshoring has become a popular strategy that allows companies to relocate certain operations to nearby countries to take advantage of lower production costs, greater control over the supply chain, and easier access to emerging markets. However, the full utilization of this phenomenon in Mexico has been hampered by a series of aspects related to current Mexican politics. This article analyzes these barriers and provides recommendations for overcoming them.

Political Instability:

The Mexican political scenario has been extremely unstable during the current six-year term, which has generated an atmosphere of uncertainty that can discourage national and foreign investment. Political consistency is key to the development of business confidence, and instability can cause companies to opt for more predictable markets. Legal certainty is fundamental for attracting investment in any country.

Tax Policy:

Mexico's fiscal policy has also posed a challenge. High tax rates and the lack of clear fiscal incentives can act as barriers to nearshoring. In comparison, other countries in the region, such as Costa Rica and Panama, have implemented attractive fiscal policies for foreign companies, which include fiscal incentives for investment in technology and infrastructure development.

Bureaucracy and Corruption:

Bureaucratic complexity and high levels of corruption represent another obstacle to nearshoring in Mexico. Companies need transparency, efficiency, and predictability in administrative and legal processes to be able to operate successfully. Transparency International's corruption perception index places Mexico in an unfavorable position compared to other countries in the region, which can act as a deterrent for companies looking for nearshoring.

Deficiencies in Infrastructure and Human Capital:

Nearshoring requires solid infrastructure and trained human capital. Although Mexico has made significant progress in these areas in recent decades, challenges persist. Deficiencies in logistics and transportation infrastructure can complicate nearshoring operations. Additionally, despite having a significant number of university graduates, Mexico faces challenges in terms of the skills of its workforce, particularly in high-tech areas.

Recommendations:

To overcome these barriers, Mexico could consider a series of actions. Firstly, implementing fiscal policies that incentivize foreign investment and the relocation of operations to Mexico. Secondly, it is essential to combat corruption and improve bureaucratic efficiency. Finally, Mexico must

continue to invest in infrastructure and education to improve the skills of its workforce and ensure robust infrastructure for trade and production.

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