

Larry Pascal for Latinvex: Mexico, Brazil Skies - Closed No More'

By Larry B. Pascal | October 18, 2016

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The United States has been a leader in advocating the removal of barriers to competition in the civil aviation market and to this effect has signed more than 120 bilateral Open Skies Agreements with countries around the world. However, not all of Latin America has embraced this policy, with Mexico and Brazil being two of the largest holdouts. However, recently, with respect to the two largest economies of Latin America, there have been important developments in liberalized flying between the countries, as well as the possible reduction of foreign investment restrictions (in the case of Brazil).

Some observers may be surprised that until recently the U.S. and Mexico had a restrictive bilateral air services agreement, given the fact that cross-border trade and services has grown tremendously since the entering into effect of the North American Free Trade Agreement in 1994. The prior air services agreement was designed to protect the incumbent Mexican airlines, and particularly the second largest carrier, Mexicana de Aviacion, which has since filed for bankruptcy and ceased operation. The old bilateral agreement restricted cross-border air service to the "2+2" formula for city pairs involving the largest markets (e.g. NYC-Mexico City) and a slightly more relaxed variation of "3+3" allowing three carriers from each country to serve smaller city pairs between countries...

Brazil has undergone a tumultuous period culminating with the impeachment of former President Dilma Rousseff. Brazil's new President Michel Temer is perceived as more committed to free market reforms than his predecessor and has announced several privatization initiatives, including Brazilian airports. At this time, Brazil is considering raising the maximum foreign investment in a Brazilian airline from 20 to 49 percent.

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