Chapter 1

Boosting Growth Potential

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Slow income growth in Mexico has prevented its convergence to the average income levels of OECD countries. To strengthen growth potential, structural reforms are needed that will boost investment and reverse the trend of negative productivity growth that has undermined gains in well-being. Key reforms called for include boosting human capital, making labour markets more flexible and more formal, removing restrictive barriers to entry to different economic sectors, and improving the quality of the judiciary. Strengthening competition is an urgent objective that could likely yield the most front-loaded benefits. Also needed are institutions capable of ensuring that the reforms agreed are effectively implemented. This will require improvements in the legal framework and political commitment to reform. Many of the commitments contained in the Pact for Mexico pursue these purposes, but their full and coherent implementation is a requisite for greater growth.

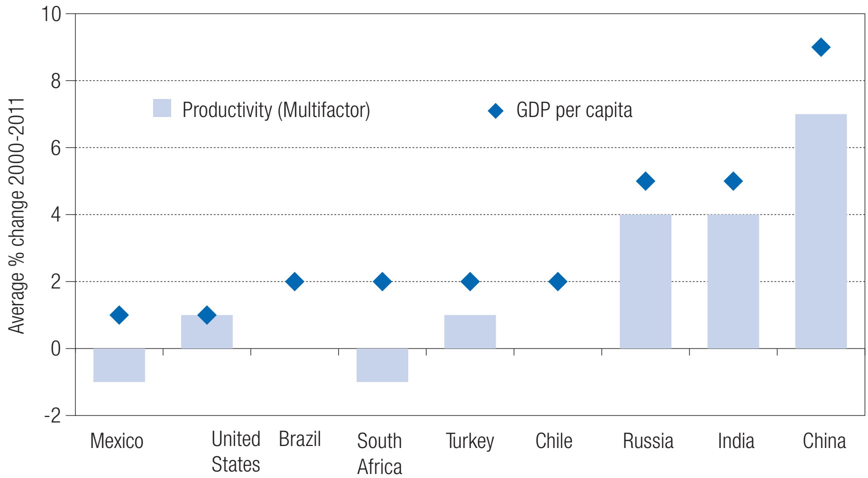
Although its GDP per capita is one of the lowest among OECD countries, Mexico has many strengths that it can draw upon to generate growth: a stable macroeconomic environment; a high degree of trade openness; proximity to the largest economy in the world; a young population; and ample natural resources. It has also made considerable progress in education and health coverage and in enhancing competition, and has one of the most innovative poverty reduction programmes in the world. Still, important bottlenecks remain that prevent Mexico from reaping the full fruit of such assets. As a result, overall economic performance has been disappointing over the past decade, especially in terms of productivity (though some improvement has been recorded since 2010).

The gap between Mexico's living standards and those of middle-range OECD economies is almost entirely due to lower levels of labour productivity. To reduce that gap, Mexico needs a reform agenda to boost productivity and remove the obstacles that have hampered its dynamism over the past decades. This is made all the more urgent by growing competition from other economies.

Most worrying is that multifactor productivity growth has been negative over the past decade (Figure 1.1), leading to an income growth of only 1.2% per year. During this period Mexico's GDP per capita growth was insufficient to significantly narrow the income gap with the leading OECD countries. This low productivity growth contrasts with major emerging markets, where productivity growth was sufficient to significantly boost incomes. In fact, in Brazil, Chile, South Africa and Turkey, incomes increased at a speed two or three times faster than those in Mexico. In China, India and Russia, incomes rose even faster.

The OECD estimates that Mexico's potential GDP growth rate is presently just above 3% per annum, though actual growth has averaged 4.5% following the great recession in 2008-09, as the economy recovers its longer-term growth path (Figure 1.2). Two percentage points of growth are the contribution of favourable demographics – given Mexico's youthful population. However, this advantage is set to decline in the coming years, though it will remain positive. Another 1 percentage point of growth comes from gains in human capital, *i.e.* rising education levels, which can help to make up for the declining gains from the "demographic bonus". The additional capital per worker adds another percentage

Figure 1.1. **Negative productivity growth has meant slow income growth**



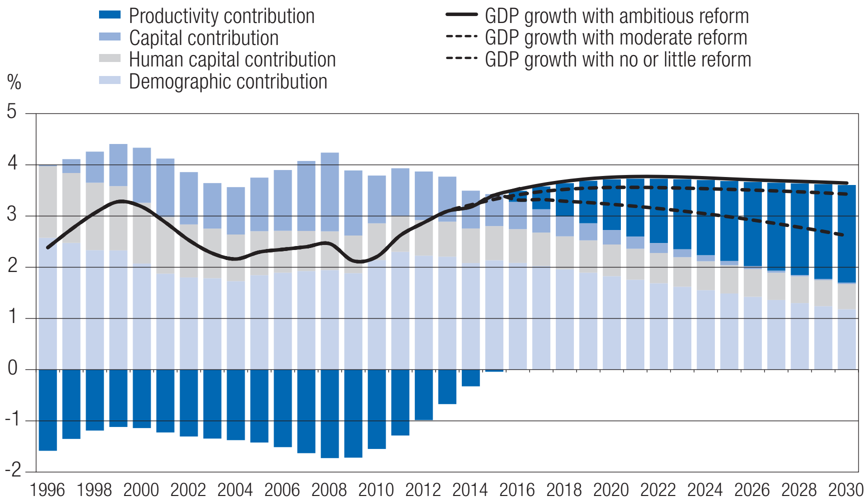
Source: OECD Economic Policy Papers No. 3, "Looking to 2060: Long-term Growth Prospects for the World", forthcoming b.

point, but this is offset by a similarly large negative contribution of multifactor productivity.

Productivity-enhancing structural reforms could substantially boost the pace of growth in the coming years and accelerate convergence with the OECD countries (see Figure 1.2). A moderate course of reform would raise Mexico's potential growth to around 3.5% annually in the medium term, though demographics will cause it to slow as the old age population increases. This could be partially offset if migration flows substantially reverse, or if education quality rises faster than the number of years of schooling.

With a more ambitious course of reform, growth rates could be lifted even further, to a rate approaching 4% per cent annually in the medium term – or even higher if sufficiently ambitious, as the new government hopes in its Pact for Mexico. This however requires Mexico to go well beyond the OECD averages, and implement reforms that mirror the best-performing OECD economies. Such an ambitious course of reform would help lift per capita incomes more than twice as quickly – from about 30% of the United States at present to close to half of the US level by the end of the projection horizon. A large proportion of this faster catch-up would likely come from competition reforms, though reforms in multiple areas would be needed to be carried out over a similar period to achieve an even higher growth path.

Figure 1.2. **GDP growth potential under different reform scenarios**



Source: OECD Economic Outlook database and OECD calculations.

Raising growth potential through structural reforms

The main opportunity for raising growth potential is to improve productivity. However, if necessary reforms are not undertaken, the rate of potential growth could actually fall, significantly. The reforms discussed below would help to raise potential growth – perhaps even yielding greater gains than would have resulted from ambitious reform through higher productivity and human and physical capital deepening. They would also increase employment and reduce informality – in most cases without increasing inequality – and thus improve the welfare of all Mexicans.

The OECD's *Going for Growth* report serves as a tool for identifying and prioritising structural reforms that can help make long-term gains in GDP per capita. These reform priorities are subject to the prerequisites of macroeconomic and fiscal sustainability. Such report includes the following five key priorities for boosting Mexico's long-term growth:

- *Raise educational achievement* – Weaknesses in educational enrolment and quality limit productivity gains and exacerbate inequality. Stronger standards have been implemented, but student and teacher evaluation systems need to be developed further (see Chapter 6).
- *Reduce job protection on formal contracts* – Institutional rigidities in the labour market hurt productivity growth and aggravate informality, also harming equity. A major reform in this area to reduce the cost of hiring and firing regular workers, ease shorter-term contracts and considerably

simplify labour court procedures was recently approved by Congress (see Chapter 5).

- *Remove barriers to entry and competition* – In general, the costly registration procedures that prevail at the sub-national and federal levels, as well as a lack of contestability in key network services – notably the telecommunications (see Chapter 9), electricity, oil and gas sectors (see Chapter 12) – limit productivity growth. Legal restraints on private investment in the national oil company (PEMEX) –a major potential source of capital – limit the company's production. At the same time, that company's efficiency and governance need to be improved.
- *Eliminate restrictions on foreign direct investment* **–** Barriers to foreign direct investment in services (including network services) and infrastructure are among the most restrictive in the OECD area, harming trade, investment and technological upgrading. Foreign investment restrictions in transport, media, fixed-line telecom and financial services need to be relaxed (see Chapter 8).
- *Improve the rule of law* – Sound legal institutions are important for any type of structural policy to be effective. Weaknesses in the legal system hurt the efficacy of contracts and the security of property rights, reducing firm size and investment. Legal reforms to improve efficiency and fairness of court proceedings have not yet been implemented in many states.

All of the above structural reform priorities were highlighted in the 13 decisions President Peña Nieto announced in his inaugural Message to the Nation and the recent Pact for Mexico. To establish the priority in which reforms are to be sequenced (see Box 1.1), both their long and short-term effects need to be considered. Education reforms can offer the greatest potential long-term benefits in terms of productivity, but those gains clearly can take years to be fully realised as a new generation of young people need to be educated (Barnes *et al.,* 2011). Recent OECD work suggests that product market reforms – notably, removing barriers to entry in network industries and restrictions on foreign investment – are the reforms most likely to pay off in the short term. Labour market reforms are often thought to have negative short-term side effects; however, recent OECD evidence suggests that this is not necessarily the case, and that if designed well, the effects can be positive even in the short run (OECD, 2012a). Improvements in the rule of law and the contractual environment are likely to take time to be fully effective since they involve fundamental changes in the operation of the court system, though these can in turn help to re-enforce product and labour market reforms.

Weaknesses in the legal system hurt the efficacy of contracts and the security of property rights, reducing economies of scale and limiting investment and efficiency. Major reforms have been initiated to improve the accountability and professionalism of the judicial sector, including through the implementation of oral trials; however, these have yet to be implemented for criminal cases in about one-third of the states, and only experimentally in a few states for civil cases. Legal reforms such as revision of the *amparo* system of injunctions are also needed at the federal level to strengthen competition; in some network sectors, these injunctions are used to obstruct regulators' actions. Specialised economic courts now being established through recent competition law should help to restrict the application of *amparos* and streamline other competition decisions. While the 13 Presidential decisions and the 95 commitments of the Pact are key steps to push these reforms forward, major efforts will be required, along with strong, continued political commitment of stakeholders.

Reforms to product markets and related institutions that could boost investment and the speed of convergence are discussed in depth in this chapter. Dedicated chapters will deal in more depth with education and labour market reform, which are no less important. Similarly, reforms to tax and spending policies would help to leverage domestic savings and capital inflows to boost investment – notably in infrastructure – and make higher growth rates more sustainable and balanced across various regions and over time (see Chapter 4).

Box 1.1. **Making reform happen**

The business of actually carrying out reform is complex and involves a wide range of political economy considerations, both country-specific and general. A recent OECD analysis has examined the political economy of 20 specific case studies of reform in 10 Member countries and assessed the conditions that can make actual reform possible (OECD, 2009 and 2010). Such review, which builds on earlier OECD work, suggests a number of basic principles that have proven successful:

Governments need to have an electoral mandate for reform. Reform "by stealth" has severe limits; major reforms for which governments have not previously sought public approval tend to succeed only when they generate visible benefits very rapidly, which major structural reforms generally do not. While crises can create opportunities for reform surprises, sustainability is essential for real impact.

Effective communication by governments is important. Major reforms are usually accompanied by coordinated efforts to persuade voters and stakeholders that reform is needed, with special emphasis placed on the costs of not reforming. Where the costs of the status quo are opportunity costs, they tend to be politically "invisible", making the challenge to "sell" these reforms all the greater.

Policy design should be underpinned by solid research and analysis. An objective evidence-based proposal for reform with a sound technical analysis serves both to improve the quality of policy and to increase the chances that the reform will be adopted. Research presented by an authoritative, non-partisan institution that commands trust across the political spectrum may have a final impact.

Structural reforms that ultimately prove successful often take considerable time to implement. The more successful reforms in the case studies generally took over two years to adopt, and that does not include the preparation work: in many reform episodes, problems and proposals are debated and studied for years before the authorities actually set to work framing specific reforms.

Cohesion of the government is important. If the government undertaking a reform initiative is not united around the policy, it will send out mixed messages, and opponents will exploit its divisions; defeat is usually the result. The case studies suggest that cohesion matters more than such factors as the strength or unity of opposition parties, or the government's parliamentary strength.

Government leadership is essential. Reform progress may be facilitated by frequent discussions involving the government and the social partners (*i.e.* unions and private groups). However, firmness on the part of the government also seems to be a critical element of success. A co-operative approach is unlikely to succeed unless the government is in a position to reward co-operation by the social partners, or can make a credible threat to proceed unilaterally if a concerted approach fails.

The previous condition of the policy intended to be reformed matters. The most successful reforms of firmly established policies often have been preceded by the "erosion" of the status quo through smaller piecemeal reforms or unsuccessful reform attempts. Where the existing arrangements are well institutionalised and popular, and there appears to be no danger of imminent breakdown, gaining acceptance of reform is far more difficult to propose, explain, "sell" and implement.

Successful reform requires persistence. Another significant conclusion is that previously blocked, reversed or very limited reforms need not be seen as failures: they may play a role in illustrating the unsustainability of the *status quo* and setting the stage for a more successful attempt later on.

The OECD case studies confirm the conclusions of earlier analytical work with respect to the facilitating effect of crises and sound public finances. Finally, the studies cast some doubt on the often repeated claim that voters tend to punish reforming governments: the likelihood of subsequent re-election was about the same for those involved in the more and less successful reform episodes.

Product market reforms to boost productivity growth and living standards

Product market competition is weak in many sectors in Mexico, and this often hurts efficiency, productivity and consumer welfare. State-owned monopolies provide and distribute electricity and produce oil, but concentration is high in many other sectors. Analysis conducted jointly by the Mexican competition authority (*Comisión Federal de Competencia*, CFC) and the OECD suggests that the average Mexican household spends close to a third of its budget on products that are produced in monopolistic or highly oligopolistic markets; the share is even higher for the lowest-income households. In a number of sectors, current regulations help market incumbents prevent the entry of new firms or effective competition from existing competitors. By drawing on the OECD's expertise as well as the CFC's and other domestic analyses, Mexico has undertaken a project supervised by the Ministry of Economy intended to identify any obstacles to competition, to improve regulatory quality, and to propose reforms based on the international best practices.

Better-quality regulation and easier entry to the market, through streamlining the processes for opening new firms through one-stop-shops, would increase the competition that incumbent firms face from new entrants. While major reforms in this area have been done at the federal level, many states still need to make greater efforts (OECD, 2012b). This would lead to lower prices, increased efficiency and innovation, and enhanced aggregate productivity growth – all of which promote consumer welfare.

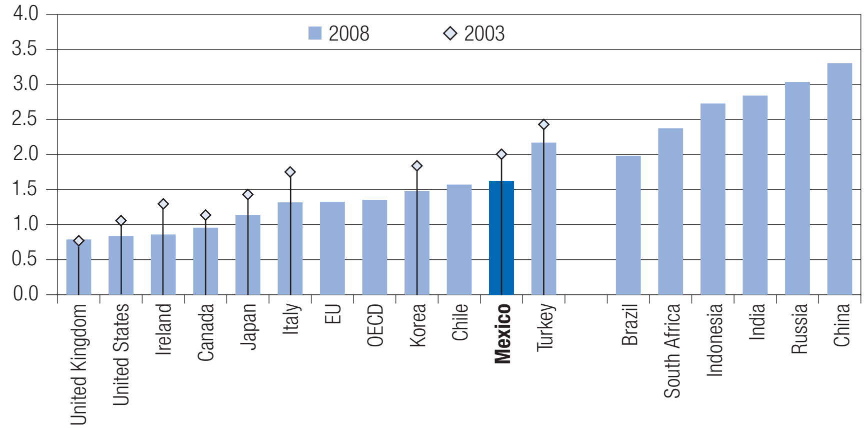
The OECD's three recent Mexican bid rigging/procurement studies (involving IMSS, the State of Mexico and ISSSTE) provide solid research and analysis for changes in procurement regulation and practices. If the recommendations of the OECD reports on IMSS, State of Mexico and ISSSTE procurements (and subsequently the CFE report) are implemented, the substantial savings generated could help fund some of the projects/initiatives that will boost growth (education and infrastructure).

Improving regulation can have a significant impact on productivity growth by enhancing competition

OECD research suggests that promoting more competition, cutting red tape and streamlining regulations could help in reducing Mexico's regulatory burdens increasing the country's productivity significantly. The OECD product market regulation indicator (PMR) shows that major progress has occurred in recent years, though more reforms are still needed (Figure 1.3). This is mainly due to barriers to entry and foreign investment in services and network industries, including telecommunications, transport and electricity. OECD simulations

Figure 1.3. **Mexican product market regulation has declined**

Index scale of **0-6,** from least to most restrictive



Source: OECD (forthcoming a), *Economic Policy Reforms: Going for Growth 2013*, OECD, Paris.

from the 2011 *Economic Survey* suggest that if Mexico brought its regulations in line with OECD best practice, productivity could be as much as 18% higher in 10 years. Productivity could be 9% higher in a more moderate reform scenario, whereby Mexico's regulatory reform reached a PMR indicator score close to the OECD average. A breakdown of the effect of different reform efforts suggests that reforms in network industries could bring particularly high productivity payoffs, even higher than those obtainable through a broad administrative simplification, already highly desirable. While these estimates must be interpreted with caution, they nevertheless convey an idea of the scale of productivity improvements possible if Mexico succeeds in implementing urgent administrative and competition regimen reforms.

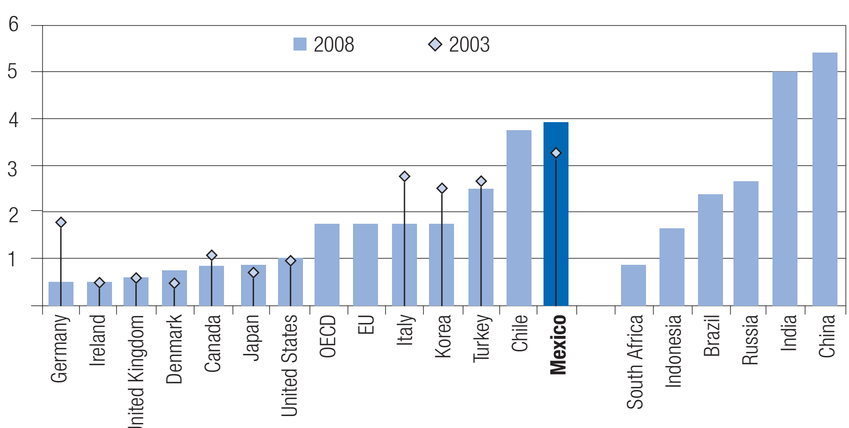
Competition in Mexico's network industries is limited either by restrictions on foreign and private investment – such as in the production and distribution of energy, two cases where the industry is dominated by a single state-owned firm – or by the overwhelming dominance of the private market incumbent in the telecommunications sector. The simulation exercise suggests that the impact on productivity would be especially sweeping if thorough reforms were undertaken across a number of sectors. At the same time, far-reaching reforms in these sectors face political difficulties because there are powerful vested interests in preserving the status quo, and in some cases these interests are represented in the different decision-making instances. Strong communication of the benefits of proposed structural reforms is therefore very important in order to gain public opinion's and political parties' support for their implementation.

Mexico has pursued various reforms in network industries for some time, and there have been both successes and failures. The privatisation of airports has enhanced competition in the sector and domestic air travel was liberalised, although there are still barriers to entry worth addressing. The merging of *Luz y Fuerza del Centro* – a highly inefficient state-owned company– back into the main electricity producer, CFE (Comisión Federal de Electricidad), was meant to enhance the efficiency of the electricity sector. Among other benefits, this has helped to reduce the time that customers in Mexico City have to wait for electricity service – from an average of 10 to 4 months. The concession of fibre optic networks with national coverage, together with new radio spectrum allocations, will allow for infrastructure competition in the telecommunications sector.

However, the most ambitious and far-reaching reforms in the electricity, gas and telecommunications sectors have been limited by the need to mobilise large political majorities to change the constitution or – in the telecommunications sector – by regulatory and judicial weaknesses regarding *de facto* powers. Reforms to ease administrative burdens on start-ups can help, even though their impact is not as sizeable. These include reforms implemented to foster one-stop-shops and address the issue of regulatory burdens at state and municipal levels. They could help improve Mexico's weak productivity performance. On the other hand, administrative reforms are relatively easier to implement than far-reaching reforms of network industries, as less legislative changes are required and *de facto* powers have somewhat lesser influence (Figure 1.4).

Figure 1.4. **Administrative burdens on start-ups**

Index scale of 0-6 from least to most restrictive



Source: OECD, *Going for Growth*, 2013.

Mexico needs to reduce entry barriers for new firms and facilitate the development of innovative firms

Mexico has made significant progress in easing procedures to start up a business, but should consider further easing the regulatory environment, especially at the state and municipal levels. One way the country is working to reduce the time, costs and administrative details that starting up a business entails is through the SARE (*Sistema de Apertura Rápida de Empresas*). Launched a decade ago, SARE has streamlined procedures at the municipal level, halving the time needed for low-risk businesses to register to 72 hours. Reform could be taken further by integrating that initiative with tuempresa.gob.mx, an internet one-stop-shop developed with the support of the OECD to ease compliance with federal business start-up regulations and procedures. OECD research suggests that tuempresa.gob.mx helps bring down the costs for entrepreneurs to comply with start-up formalities, from 16% of per capita GDP to 5.5%. Even though use of the website is growing, as yet it is not the most widely used mechanism to start a business; more effective publicity and interconnection with state and municipal portals for business start-ups would help build its user base. The federal Ministry of Economy and sub-national governments should co-operate in this effort, and engage a wide set of stakeholders to support the platform.

Mexico is engaged in a regulatory review process called *Base Cero*, supported by the OECD, which aims to identify and simplify regulations that are overly burdensome. A first set of five procedures for exporters and start-ups has already been simplified. The government has recently simplified tax declaration formalities, and plans further measures in the realm of taxes and foreign trade and technical regulations. This will facilitate technology absorption. Overall savings are projected to reach around MXN 20 billion. In addition, the OECD has helped Mexico strengthen its regulatory impact assessment (RIA) for new regulations, allowing regulators to concentrate their attention on those that are particularly costly. This allowed the development of a lighter RIA version for low-impact regulations, thus freeing resources and enhancing Mexico's capacity to improve regulations where they imply significant costs and risks. Mexico should continue working to facilitate implementation of the new RIA framework through enhanced training for its personnel.

There is a need to simplify and improve regulation at the state and municipal level as well; it is important, for instance, to reduce the overlap between different levels of government. The OECD worked with the federal Ministry of Economy and the Mexican Institute for Competitiveness (IMCO) to identify particularly burdensome regulations at the sub-national level, and proposed a reform agenda for nine Mexican states. It also developed a toolkit to simplify sub-national regulations, *i.e.* for business start-ups, construction permits, property registration, and procurement. The federal government should encourage states and municipalities to apply the toolkit, to monitor results, and to co-ordinate regulation across different government levels. IMCO published a report in September 2011 that evaluated state procurement regulations and the promotion of competition.

Beyond the explicit barriers to setting up new firms, Mexico's innovation environment remains weak and not conducive to the development of high-tech companies. R&D expenditure in Mexico's business sector is the lowest of all OECD countries, and overall R&D intensity is less than 0.5% of GDP. The innovation policy mix has recently changed, and could be usefully strengthened. Though tax incentives were eliminated in 2009, the allocation of public funding to the business sector has been made direct and competitive. An R&D and innovation stimulus package was introduced with a strong emphasis on SMEs and linkages with research institutions, and complemented by innovation programmes financed by the Ministry of Economy. As part of the Pact for Mexico, the new government has committed to raising R&D intensity to 1% of GDP in the coming years (commitment 46). Indeed, boosting direct funding, further extending successful initiatives and considering possible tax relief for investors in start-ups would be helpful in strengthening venture capital funds and improving the environment for SMEs – especially those with linkages to research institutions, which could help boost business R&D (see Chapter 10).

Mexico needs to enhance competition

The recent competition law reform applies OECD best practice in helping the competition authority to detect firms abusing market power, and increases the cost of abuse. The law allows for unannounced office visits – thus increasing the likelihood of finding useful evidence – and expands the scope for criminal prosecution against individuals engaged in cartel activities. Maximum fines are changed from a fixed amount (currently around USD 7 million) to as high as 10% of company revenue, which will significantly deter abuse by large companies. As well, individuals now face jail terms of 3 to 10 years for engaging in cartel activity. This will strengthen Mexico's competition framework – and consequently, economic performance. Government procurement groups should take advantage of the damages provision in the Mexican competition laws after successful prosecutions by the CFC. This too would deter cartel activity as well as enable government agencies to recoup revenue to be used for worthwhile endeavours.

Regulation should be reviewed in several sectors to improve the functioning of competition. The following sectoral recommendations are by no means exclusive, and a number of important reforms in other sectors – notably oil & gas, media and data services –have are envisioned as part of the Pact for Mexico, and these are also important. Many of these sectors furnish important inputs for the rest of the economy, and increasing efficiency could have very beneficial effects on aggregate productivity:

- In *air transport,* fair access to landing and takeoff slots at Mexico City's airport, which is operating at full capacity, will be key to ensuring open competition. Allocation is currently non-transparent, largely based on grandfathering, and is controlled by a committee in which only incumbents are represented. Grandfathering will have to be limited to allow for efficient auctioning of a large share of slots. Mexico should also consider abolishing the requirement of route-specific concessions, allowing airlines to operate on any route as long as they fulfil safety and notification requirements.
- In *intercity bus transport,* restrictions on obtaining a permit should be eased and non-discriminatory access to essential facilities better ensured. Currently, the regulator has to base the decision to grant permits to new firms on demand and investment studies. This requirement should be lifted, and restrictions to new firm entry limited to quality service and safety concerns. In cases where bus terminals are an essential utility, *e.g.* when construction of a new terminal is not economically feasible or permission is refused by a local government, the regulator should ensure competitive access.
- Market concentration in *retail banking* is high, in part because of the high costs for customers switching banks. Following CFC/OECD recommendations, Mexico has passed a new law that requires banks to provide transparent information on switching costs. Banks are now permitted to switch payment orders for new customers. Access to essential facilities for new banks – such as card network infrastructure, retail payment systems and credit bureaus – has been relaxed, facilitating entry into the market. The central bank is now required to adopt clear efficiency criteria in its determinations of appropriate interchange fees for debit and credit cards. These legal changes are now being implemented and the government should make sure that this implementation proceeds quickly, helping to improve access to finance. In addition, as envisioned in the Pact, the new administration plans to change the legal framework so that commercial banks and other financial institutions provide credit at lower cost, reduce the cost of financial services, and revise the execution of guarantees to ensure that they respect the rights of borrowers.
- Prices for *medications* are exceptionally high in Mexico, in part reflecting weak competition in the pharmaceutical sector. This is a problem for public health and for public and personal finances (see Chapters 3 and 7). More transparent procedures for public procurement will be key to strengthening competition. The social security institute (IMSS), the competition authority (CFC) and the OECD have agreed to co-operate in promoting transparency,

and a study of public procurement has been carried out (Chapter 4). As a result, IMSS is conducting some of its purchases, including those of pharmaceutical drugs, through reverse auctions, which will greatly limit the scope for corruption and make collusion among pharmaceutical firms much more difficult. A recent consolidated purchase for five drugs utilising reverse auctions was undertaken by IMSS, ISSSTE and two other health procurement groups that resulted in estimated savings of approximately 1.7 billion pesos. ISSSTE also started efforts in this direction.

- Competition in the pharmaceutical sector could also be strengthened by easing stringent restrictions for *generic pharmaceuticals* without neglecting the public's health. The government is engaged in a number of efforts in this field, such as the renovation of all medicine registration procedures that will conclude this year, leaving only generics complying with bioequivalence requirements; promotional and informational campaigns to raise people awareness of prescriptions and proper use of generics; and a current revision of intellectual property in order to assess areas for improvement. Mexico should quickly lift the requirement that foreign firms wishing to sell generics must operate a plant or a laboratory in Mexico. Mexico should also require doctors to prescribe medications only by their generic compound name, allowing patients to choose the cheapest option in the pharmacy. Obviously, pharmacists should be required to supply generics.
- *Telecommunications* prices are among the highest in the OECD area. Prices for mobile phone services exceed the OECD average by about a third, and prices for moderate-use fixed-line telephony and broadband exceed OECD averages by about two-thirds. A set of ten key reforms were announced in 2012 (see Box 9.1 in Chapter 9) that would help promote stronger competition, and should be implemented as soon as possible. Further ambitious reforms to telecommunications are planned in the Pact for Mexico. The Supreme Court's determinations confirming COFETEL's authority on interconnection rates have already had a clear influence on the market. Smaller operators now pay much lower interconnection rates to terminate calls on Telcel's network, and some operators have introduced more attractive calling packages. New measures have been announced that would allow COFETEL to sanction operators directly without having to rely on the Ministry of Transport and Communications to do so. Efforts to increase competencies and strengthen the enforcement capacity of the COFETEL need to continue. Other reforms that have taken place recently include concessions for the use of the fibre optic network by the state-owned electricity company (CFE) to new participants in the telecommunications sector together with the auctioning of new radio spectrum frequencies. This will allow for increased infrastructure

competition in the telecommunications sector. Chapter 9 elaborates on these challenges in more detail.

OECD Key Recommendations

Simplifying business regulation

- Co-operate with sub-national governments to connect the federal one-stop-shop with state and municipal Internet portals for business start-ups.
- Continue working to facilitate implementation of the new, lighter regulatory impact assessment framework (RIA).
- Encourage states and municipalities to apply the toolkit to simplify sub-national regulations. Co-ordinate regulation across government levels.

Strengthening competition

- Limit grandfathering of airport slots at congested airports to ensure efficient allocation, for example through auctioning. Review the requirement of route-specific concessions and allow airlines to operate as long as they fulfil safety notification requirements.
- Ease restrictions on obtaining a licence in intercity bus transport and ensure non-discriminatory access to essential facilities.
- Implement fully the legal changes to ease access to banking services and facilitate banks' access to essential facilities.
- Quickly lift the requirement that foreign firms wishing to sell generics must operate a plant or a laboratory in Mexico. Require doctors to prescribe medications only by their generic compound name, and pharmacies to supply generics.
- Implement proposed reforms to strengthen competition in the telecom sector.

Further reading

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