TOWARD A MORE COMPETITIVE BUSINESS ENVIRONMENT

EXECUTIVE SUMMARY

Message 1. Government regulations that restrict competition, especially in non-tradable sectors, increase the costs of key inputs for doing business and essential goods and services, reducing Mexico's competitiveness. A coherent mechanism to remove anticompetitive and market-distortive national and sub-national regulations is needed to overcome the negative effects of limited market competition. Lack of pro-competitive regulations in such key strategic input sectors as telecommunications and air transport has negative economic externalities that translate into a costly and less efficient environment in Mexico for producers and consumers. In addition, removing foreign ownership restrictions will allow for more contestability.

Message 2. Significant progress has been made in simplifying federal regulations related to the business environment. Further reforms that could improve the business environment include streamlining procedures related to electricity connectivity and new business registration (particularly at the sub-national level), improving mechanisms for contract enforcement, and reducing the costs of formal sector employment by increasing labor mobility.

OBJECTIVE

Strengthening competition and streamlining key regulations for firms are key to increasing Mexico's competitiveness. Firm-level productivity and business entry for formal enterprises in Mexico are low relative to international peers. Factors that hinder productivity include concentrated markets with dominant firms in strategic sectors and lack of effective pro-competition regulations, both of which increase the price of inputs and reduce the overall economy's competitiveness. Furthermore, cumbersome business regulations hinder connectivity to electricity, registration of new businesses, and enforcement of contracts and increase the cost of formally employing workers.

KEY CHALLENGES

Limited competition

Mexico's economic underperformance can be partly explained by concentrated markets, restrictive regulation, and anticompetitive behavior.[1] The Central Bank of Mexico has estimated such costs at 1 percentage point of GDP growth each year. Worldwide empirical evidence confirms that anticompetitive behavior results in higher prices, inefficient allocation of resources, rent seeking, consumer welfare deadweight loss, and suboptimal economic performance in the form of adverse incentives to innovate and invest, reduced productivity, and lower output.[2] Studies on the Mexican economy point out that inefficiencies in key sectors (such as telecommunications, electricity and oil) create wide spread and amplified negative externalities throughout the economy.[3] Striking examples of such inefficiencies in Mexico include the telecommunications and transport sectors, discussed below.

Lack of competition reinforces existing inequities by affecting low-income households disproportionally. On average, 31 percent of household spending is used to buy products and services provided by highly oligopolistic or monopolistic markets. Such market power implies an average price premium of around 40 percent for about 7 percent of spending by Mexico's poorest households. Higher prices reduce welfare 19.8 percent more in the poorest income decile than in the richest decile and 22.7 percent more in rural areas than in urban areas.[4]

Internationally, Mexico lags behind other countries in terms of indicators on market competition. Market structures in Mexican subsectors are less prone to competition: 27 percent of subsectors have only one provider (fixed line telecommunication infrastructure, oil and gas and electricity transmission and distribution, among others), compared with only 8 percent in other Organization for Economic Co-operation and Development (OECD) countries and 12 percent in other Latin America and the Caribbean (LAC) countries.[5] According to the Global Competitiveness Report, Mexico ranks in the bottom quintile regarding the extent of market dominance (124/142) and the effectiveness of antimonopoly policy (120/142).

Comisión Federal de Competencia (COFECO)[6] is empowered to enforce competition law but must rely on other entities to implement and execute its decisions, weakening its institutional powers. COFECO promotes competition principles in federal, state, and municipal acts. The government retains the power to reject COFECO's opinions but is obliged to publish its rejection. COFECO can also issue nonbinding opinions on existing laws, regulations, agreements, and other administrative acts, which must be published. According to Article 14 of the Competition Law, on request or by its own initiative COFECO may analyze the compatibility of laws, regulations, and other administrative acts adopted by states and municipalities with article 117 of the Mexican Constitution, which guarantees the free movement of people, goods, and services). COFECO's decisions are reported to district and state attorneys, who ultimately put forward the relevant judiciary action.

Major changes to the Competition Law came into force in 2011, but clear implementation rules and actions are pending to ensure its effective enforcement. Expanded investigative powers for COFECO, added provisions on leniency, and increased fines are powerful instruments to encourage compliance with the law, but clear and transparent rules are needed for their application in order to increase predictability and transparency and mitigate business risks. A specialized court for regulatory matters related to COFECO decisions has been created, but trained personnel on competition law and economics are lacking. COFECO's binding opinions on government legislation that affect competition and collaboration agreements with *Comision Federal de Mejora Regulatoria* (COFEMER)[7] and *Procuraduria Federal del Consumidor* (PROFECO)[8] are a step forward to integrating pro-competition principles in regulatory policies, but further action is needed to render them effective.

Several national and subnational regulations restrict competition in Mexico. At the national level restrictions on foreign ownership and the number of firms in key sectors (such as oil, natural gas, and electricity) reduce the likelihood of entry into key nontradable and service sectors. On a scale of 0, no foreign ownership allowed, to 100, full foreign ownership allowed, the maximum shareholding for Mexico is 0 in electricity, 54.4 in transport, and 24 in media—all below LAC and OECD averages (between 70 and 80). According to OECD data on the level of restrictiveness of sectoral regulations, Mexico lags significantly behind best practices in electricity, gas and telecommunications.[9] Subnational regulations, for instance on the production of maize flour, tortillas, fuel retail, and licensing for ground passenger transportation, can restrict entry and facilitate cartel behavior or discriminate against entrants (see Table 1). Such regulations can raise prices and harm quality and product variety. Anticompetitive regulations for professionals such as notaries also increase the cost of doing business. Even deployment of network services can be affected by subnational regulations on rights of way, boosting costs for network and coverage expansion, especially for mobile operators.

Table 1. Cases of competition issues in subnational regulatory frameworks

Product or service	Anticompetitive regulation issued or proposed by subnational governments	Importance (1)
Maize and related products	Municipal regulations: entry restrictions (incumbents participate in the entry process for new firms), minimum distances protect against competition, mechanisms allow for price coordination.	7 percent of consumer expenditure on food and beverages. From a sample of 78 municipalities, 51 have regulations that restrict competition, affecting 6.5 million of people.
Automotive fuels	Municipal regulations: minimum distance restrictions protect incumbents from competition.	4 percent of total consumer expenditure
Ground passenger transportation	Municipal regulations: restrictions in licensing new terminals lessen competition. Consideration of local conditions according to federal regulations affects entry as well.	4 percent of total consumer expenditure
Notaries	State regulations: statutory limitations in the number of notaries restrict entry, minimum fees lessen price competition for standard services.	30–85 percent of cost of registering a firm

(1) Based on Instituto Nacional de Estadistica y Geografia, Documento Metodologico: Indice Nacional de Precios al Consumidor, 2010; PROFECO, Inhiben ayuntamientos competencia en tortillas, Brujula de Compra,2010; World Bank Group, Doing Business in Mexico 2009.

Anticompetitive regulations and distortive government interventions in Mexico's telecommunications sector have negative spillovers. Sectors with horizontal impact throughout the economy (often referred to as input markets and subject to network externalities) will likely have spillovers that affect performance and efficiency not only sectorally, but also economy-wide. Such sectors, often deemed to be strategic and to have public good characteristics, have been subject to heavy government involvement and restrictive regulation, thereby preventing effective competition and ultimately discouraging foreign direct investment and growth. For example, telecommunications market practices have resulted in broadband costs 45 percent higher than the OECD average (130 percent higher in purchasing power parity terms[10]) and low penetration of service (11.3 broadband connections per 100 people, compared with 71 for the OECD). Overall economic welfare loss from the dysfunctional telecommunications sector are more substantial—around $129.2 billion over 2005–09, or 1.8 percent of GDP a year.[11] America Movil has earned an estimated additional $6 billion a year by maintaining its market dominance with little investment in infrastructure and minimal innovation.[12]

Anticompetitive practices in air transport and other infrastructure sectors that are strategic inputs into productive sectors harm the Mexican economy. Fares for routes to and from Mexico City are 40–80 percent higher than for comparable routes in Mexico, due partly to a restrictive slot allocation mechanism to manage congestion.[13] In addition, inadequate regulation of airport services resulted in direct costs to airlines and costs per airplane higher than the LAC average and in major LAC airports.[14] Other important network industries restrict competition as well; for instance, limitations to private participation in the electricity sector and lack of vertical separation between the operation of infrastructure and the provision of railway services (transportation of passengers or freight).

Regulatory burden

Mexico has made substantial progress in streamlining regulations for business, but some activities remain less efficient than in comparator countries, and sharp disparities remain between states. The government's new ambitious and comprehensive reform program to move toward a Base Cero regulation approach has simplified many procedures and norms, reducing costs for businesses. According to the 2010 World Bank Enterprise Surveys, approximately 14 percent of senior management time is spent dealing with the requirements of government regulation, down from 21 percent in 2006. Yet a third of Mexican firms surveyed identify business licensing and permits in general as a major constraint to doing businesses, well above the LAC average of 16 percent. Variation in regulatory burden across states is substantial: the percentage of senior management time spent dealing with the requirements of government regulation is 17 percent in Distrito Federal and 20 percent in Coahuila, compared with 9 percent in Nuevo Leon. Regulatory challenges for businesses remain in four key areas:

- **Accessing electricity.** Nearly half of Mexican firms consider electricity a major constraint to business activity, well above the regional average of 38 percent, according to results from World Bank Enterprise Surveys. The demand for electricity from a growing population and industries is increasing, straining both generation and transmission capacity. The number of days needed to obtain a new electricity connection can exceed 30 and is longer in Distrito Federal and Estado de Mexico than elsewhere in the country. Moreover, the duration of a typical electrical outage (2.6 hours) for firms is twice the regional average, and losses due to electricity outages (3.4 percent of sales) are also higher than the regional average. Facilitating connections can be worthwhile, as a recent study shows that the time and cost to obtain an electricity connection in major business cities are inversely correlated with the electrification rate.[15]

- **Registering a business.** Few firms take advantage of federal improvements in business registration procedures, and state and municipal requirements remain a challenge. Although many of Mexico's informal firms are not viable enough to warrant the costs of formalization, some high-potential firms are deterred by the cost of the procedure. The government launched the tuempresa.gob.mx portal in August 2009 to allow some companies to register online for name clearance and incorporation. However, usage is low, with approximately 3,000 new businesses created since launch.[16] In Distrito Federal, with the highest system use, just 5–7 percent of firms use the portal to register, while in most other states less than 1 percent do. The system still requires a physical visit to a notary; few notaries use electronic tools, and many view the system as a threat.

Additional bottlenecks include acquisition of an operating license, which according to the Enterprise Surveys takes 54 days, 17 percent longer than the LAC average. Furthermore, although the majority of steps for opening a business are federal requirements, state requirements (from the *Registro Público de Comercio*) and municipal requirements (obtaining operating licenses and public notices of opening) remain hurdles.[17] Lack of formal registration reduces firms' ability to access productivity-enhancing services such as finance.

- **Enforcing contracts.** Enforcement of claims is costly and slow. An efficient judicial system makes it easier for firms to engage in transactions and to stay in business while awaiting the outcome of a court dispute.[18] World Bank Doing Business indicators for 2012 suggest that the cost of executing claims in Mexico is high. Although access to tribunals is constitutionally protected and free, related charges (mainly the attorney to execute the claim)[19] can raise the cost to 32 percent of the claim total, well above the OECD average of approximately 20 percent. Furthermore, there is an uncertainty about the likelihood of obtaining a real return, given the number and characteristics of appeals and challenges to judicial decisions and numerous cases in which citizens refuse to comply with court orders. Mexico requires 38 procedures to execute a contract, more than several comparator countries, with processes related to trial and judgment and enforcement taking relatively more time. A 2012 World Bank report on Insolvency and Creditor Rights Systems[20]characterized the enforcement of claims as slow, formalistic, and subject to numerous delay tactics by debtors.[21] One challenge is the constitutional limitations hindering out-of-court enforcement proceedings for security interests. Another source of inefficiency is the jurisdiction of commercial matters, currently shared by the federal and state judiciaries, as most commercial lawsuits filed and solved in the local jurisdiction, end up being debated and decided in the federal jurisdiction.

- **Formally employing workers.** The cost of formally employing workers remains high due to rigid labor market regulations. Surveys such as the 2011/2012 *Global Competitiveness Report* score Mexico poorly on issues related to labor market efficiency. Compared with other OECD countries, Mexico's labor regulation is perceived to emphasize job security over employment creation.[22] Major impediments to hiring workers and creating and expanding business activities include restrictions on night work and fixed-term contracts (which are prohibited for permanent tasks) and on certain types of temporary work, including seasonal labor. Flexibility is limited for both collective and individual dismissals: third-party notification is required if a worker is dismissed, and priority rules for redundancies make workers with significant tenure very difficult to dismiss. Average severance pay for a worker with 1–10 years of experience can be as much as 22 weeks of salary, much more than in Brazil and Chile.[23]

Tax administration appears more complicated in Mexico than in regional comparators. The percentage of firms identifying tax administration as an obstacle to doing business in Mexico (27 percent) is higher than the LAC average (23 percent). According to the World Bank's Doing Business 2012 survey, a medium-size Mexican company averages 347 hours a year on reporting taxes, far more than the 186 hours in OECD countries. Tax declaration and payment procedures have been simplified and reduced—for example, a 2010 decree eliminated the monthly declaration of the flat-rate business tax and the annual declaration of the value added tax—but surveys of firm employees suggest that further simplification is possible.

POLICY OPTIONS

1. Supporting Competition

Strengthening the effectiveness of the economy-wide competition policy framework

It is essential to ensure effective implementation of the current Competition Law. To this end, actions should be taken to:

- Finalize the design of a mechanism to ensure that COFECO systematically assesses the potential anticompetitive effects of priority legislation and regulations under the current mandate on binding opinions; define a specific collaboration plan between COFECO, COFEMER, and PROFECO to establish an early warning system to identify competition issues; and establish protocols with key sector regulators for collaborating and addressing issues related to regulated conduct defense.

- Build expertise in competition law and economics and economic regulation within specialized courts in charge of dealing with disputes and judicial injunctions on COFECO's and other regulators' decisions.

- Develop internal protocols to conduct searches under cartel investigations, including the use forensic information technology tools, issue confidentiality guidelines to safeguard the integrity of sensitive commercial information, and increase COFECO's staff skills in cartel investigations.

- Develop guidelines on criteria for settlements and desist commitments following international best practice.

- Finalize guidelines to transparently and predictably determine the optimum value of fines.

- Update guidelines on leniency and settlements and provide specialized training on leniency and settlements to COFECO officials.

A high-level commission with the mandate and ability to recommend eliminating anticompetitive practices at the subnational level should be created to complement COFECO's efforts at the national level. The experience of the Australian National Competition Commission can be useful for the design of such a commission. To ensure the commission's effectiveness, states should commit to accept the commission's recommendations or justify why they are not complying, and an incentive scheme should be devised to reward states that accomplish targets on removing restrictive market regulations. In addition, states should apply a simple standard screening tool to ensure that new regulations do not impede competition and use a framework to identify whether public interest reasons exist to issue regulations that restrain market competition. COFECO could help design both instruments. For instance, specific market regulations at the subnational level (such as those on tortillas, fuels retail, ground passenger transportation, professionals, and network infrastructure deployment) need to be revised to minimize their distortive effect.

Promoting competition in key infrastructure sectors

In the telecommunications sector pro-competition policies should be oriented to facilitate entry in the sector and properly regulate essential inputs for competitors of incumbent companies. Greater regulator independence is needed to increase the effectiveness of the telecommunications legal framework. Also, the intervention of the Secretary of Transport and Communications should be limited to policy, and training should be provided to the Specialized Court assessing COFETEL decisions. A clearer pro-competition framework where regulatory decisions are implemented will stimulate entry and effective competition. In addition, the limitations on foreign ownership for telecommunications companies should be loosened. Liberating and competitively allocating publicly owned spectrum may stimulate entry and competition, particularly if auctions limit allocations to participants by market share, as recently done. Additional criteria such as expansion of network coverage to rural areas could also be considered in spectrum auctions. In addition, based on the international experience[24] and in line with COFETEL's Plan, the following technical regulatory measures should be considered:

- Finalizing an integral interconnection policy that includes a transparent forward-looking cost-based methodology to calculate interconnection fees, quality of service regulations for interconnection services, nondiscriminatory treatment among operators that use the same interconnection facilities, special provisions for operators with significant market power, and options to adapt current interconnection regulations to next generation networks.

- Developing regulations to allow infrastructure sharing, roaming, unbundling and bit stream access, and resale of telecommunications services in order to foster competition at the retail level, particularly in the mobile services and broadband markets.

- Implementing accounting separation regulation for operators with significant market power in order to prevent and detect price-squeezing, cross-subsidization, and discriminatory treatment to competitors in final markets.

- Foresee regulatory reforms on interconnection and licensing to adapt to technology convergence (such as capacity charges for interconnection, interconnection of packet switched networks and services, and general authorizations with open entry regime).

If these measures fail to substantially increase competition in the Mexican telecommunications market, consideration should be given to increase COFECO powers to break up companies with monopolistic power in cases where they abuse their dominant position in the market. While such powers are difficult to implement in practice, the mere threat of being able to do so could induce more competitive behavior.

Measures are needed to manage airport congestion in Mexico City and allow for greater competition. The goal of slot policy is to control congestion while ensuring reasonable retribution to airline and airport investments and encouraging market discipline to allow operators to face the opportunity cost of their access rights. Various options, including secondary trading of slots rights, slots auctions, and congestion fees, should be assessed, taking into account the characteristics of demand to minimize delay costs for passengers, increase market access, and allow for redistribution of benefits. Current rules that differ from best practices should be amended to apply economic criteria in declaring congestion, avoid incumbents' blocking their competitors' entry or expansion even in non-congested schedules, increase clarity and effectiveness of rules for removing slots rights, and set more transparent rules for allocating slots. Additional actions to address weak air transport regulations include facilitating open skies agreements that allow for the operation of foreign airlines and reducing foreign ownership restrictions.[25]

2. Streamlining Business Regulations

Improving electricity connectivity

The process to acquire permits for an electricity connection could be streamlined in some areas. For example, the process to acquire an excavation permit for external connection works in Mexico City could be simplified, particularly at the municipal level. Although procedures vary across municipalities, they could be facilitated by having permit seekers go to only one site, rather to than multiple agencies, as is often the case now. Another medium-term possibility is to have the utility obtain the permit on behalf of the customer. To further streamline the connection process in Mexico City, a certified contractor program could screen and accredit contractors, who would then require less scrutiny by the utility and other government agencies.

Facilitating the registration of new businesses

Enhancing electronic tools for business registration and increasing their use would reduce the cost of these transactions to firms. A better communications strategy with firms, chambers of commerce, lawyers and their associations, and notaries could boost use of the tuempresa.gob.mx electronic registration portal. The portal could be further enhanced by a standard set of incorporation documents that can be downloaded by simple firms registering through the platform, a faculty that has worked well in other countries. Enhancing the portal by integrating federal, state, and municipal systems of business registration would allow firms to complete all their paperwork at reduced time and cost, as would removing the obligation to use notaries. Information sharing and integration between national and subnational government systems in other areas, such as property registration, could enhance other aspects of the business environment; for example, linking property registries of municipalities and the office of property titles to streamline property registration.

Improving contract enforcement

Strengthening commercial dispute resolution could encourage new business relationships. Mexico has been facilitating more efficient contract enforcement through reforms to the Commercial Code designed to increase the speed and certainty of commercial arbitration proceedings and the enforcement of interim measures and arbitral awards. Further efficiency gains could be achieved through by adding out-of-court enforcement mechanisms, particularly for enforcement of secured claims as well as mechanisms of alternative dispute resolution in debt collection. The specialization in commercial matters of some courts, in the main commercial centers of the country, should also be considered along with assigning exclusive competence to the federal jurisdiction on commercial matters. Using less complicated procedures tailored to smaller claims and increasing the threshold of the value of claims permitted in small claims court could also increase efficiency of claims, mostly for businesses that deal with retail customers, with the bonus of freeing courts for more serious business cases. The addition of a case manager has also been effective in speeding judicial proceedings in some cities. Finally, electronic notifications of claims could also increase the efficiency of judicial proceedings.

Reducing the cost of formally employing workers

Supporting labor mobility through less rigid labor laws and reducing the transaction costs of business tax compliance could reduce the costs of creating jobs in the formal sector. Mexico's Federal Labor Law (*Ley Federal de Trabajo*) could be amended to permit seasonal labor, short-term trial, and training contracts, which would likely encourage firms to incorporate younger and less skilled workers into formal employment. Mexico could also consider procedures to ease restrictions on dismissals for redundancy, such as third-party notification.[26] A study in India found that the decrease in informal firms was 25 percent larger and the gains in real output were 18 percent larger in states with more flexible employment regulations than in states with less flexible labor regulations.[27]

Further streamlining the main business taxes and reducing the required frequency of filing could lower the costs of formalization for high-potential informal firms. More analysis of tax compliance costs is also needed—perhaps through a rigorous survey—to understand how these costs affect different types of firms. A more inclusive banking system to increase the convenience of cashless and especially electronic transactions and improvements to the quality of government services and overall transparency would also complement improvements in the quality and efficiency of tax administration.

MATRIX OF SHORT- AND MEDIUM-TERM POLICY REFORM OPTIONS*

Reform area	Short-term options	Medium-term options
1. Supporting competition		
Effectively enforcing the Competition Law	• Strengthen the scale and scope of advocacy by COFECO through binding opinions and establish protocols with key sector regulators and relevant government bodies. (AR) • Develop guidelines and internal protocols to increase the effectiveness of cartel enforcement, including bid rigging. (AR)	• Build expertise in competition law and economics within specialized courts on competition matters. (AR) • Increase COFECO's staff skills in cartel investigations and provide specialized training on leniency and settlements. (AR)
Integrating competition principles in national and subnational	• Establish a high-level commission to eliminate anticompetitive market regulations at the subnational level (LR)	• Devise an incentive mechanism to reward states and government bodies that accomplish targets on removing restrictive market regulations and integrate

regulations (HI, LF)		competition policy considerations into policies and decisions. (LR)
Integrating competition principles in the telecommuni-cations sector (HI, HF)	• Increase the independence of the sector regulator with respect to its line ministry. (LR) • Remove restriction on foreign ownership. (LR) • Complete and enforce an integral interconnection policy (including cost model, quality of service indicators, nondiscrimination). (AR) • Develop and implement pro-competition regulations (infrastructure sharing, roaming, unbundling, and resale). (LR) • Implement accounting separation regulation for operators with significant market power. (AR)	• Free up spectrum for broadband and mobile services; allocate spectrum to facilitate entry, competition, and expansion of network coverage; and manage number allocation in an efficient and nondiscriminatory manner. (LR) • Define regulatory reforms regarding interconnections and licensing to adapt to technology convergence. (AR)
Integrating competition principles in the transport sector (LI, HF)	• Identify the best option to allocate airport slots. (AR)	• Facilitate open skies agreements and reduce foreign ownership restrictions. (LR)
Integrating competition principles in other network industries (HI, LF)	• Remove entry and ownership restrictions that limit private participation (such as electricity) and introduce vertical separation between the operation of the infrastructure and the provision of services (such as freight and passenger railways). (LR)	
2. Streamlining key regulations for business		
Facilitating connectivity to electricity	• Streamline the process to obtain excavation permit for external electricity connection works at the Mexico City municipal level by having the contractor visit a single site to obtain the permit.(AR)	• Develop a certified contractor program by an independent body (with a list of certified contractors publicly available) that would require less scrutiny by the utility and other agencies to obtain a new electricity connection. (LR) • Allow the utility obtain the excavation permit on behalf of its customer. (AR)
Facilitating business registration	• Improve and implement communications strategy for the	• Streamline state and municipal requirements for obtaining

	tuempresa.gob.mx portal and enhance its capabilities.(AR)	operating licenses and public notices of initiation of business operations. (AR)
Improving contract enforcement	• Increase the limit of the value of cases allowed in small claims courts and allocate sufficient resources to meet resultant demand. (AR) • Implement electronic notifications of claims. (AR)	• Out-of-court enforcement proceedings should be introduced for all security interests, as well as mechanisms of alternative dispute resolution in debt collection (LR) • Simplify the judicial process for the enforcement of claims. (LR) • Promote specialized courts and consider assigning exclusive competence to the federal jurisdiction on commercial matters (LR)
Reducing the cost of formally employing workers	• Conduct a rigorous survey of tax compliance costs.(AR)	• Modify the Federal Labor Law (*Ley Federal de Trabajo*) to increase flexibility of hiring through short-term trial and training contracts.(LR) • Ease restrictions on dismissals for redundancy. (LR)

*LR=Legal Reform; AR=Administrative Reform. Preliminary Classification

Note: For the purpose of this table, "legal reform" refers to new laws or amendments to existing laws, while "administrative reform" refers to secondary legislation and administrative actions.

NOTES

[1] Arias and others 2010; Chiquiar and Ramos-Francia 2009.

[2] See Syversen (2011) for a review of within country, cross country and panel data studies.

[3] See Hanson G.H. "Why isn't Mexico rich?", Journal of Economic Literature 2010, 48/4, 987-1004; or Guerrero I., Lopez-Calva L.F., and Walton M. (2009) "The Inequality Trap and its Links to Low Growth in Mexico" in *No Growth without Equity? Inequality, Interests and Competition in Mexico,* World Bank (Washington DC)

[4] Urzua 2009.

[5] World Bank 2010. The report covers 34 subsectors. OECD and LAC averages exclude Mexico. The total sample includes 15 OECD and 13 LAC countries.

[6] COFECO enforces the Competition Law and promotes competition principles in the whole country, at the national and subnational levels. According to the competition framework, all entities and dependencies of federal, state, and municipal administration are subject to the Competition Law (Article 4). The competition framework includes typical antitrust provisions to deter anticompetitive business behavior (such as cartel agreements and abuse of dominant positions) and to apply a merger control policy that prevents economic concentrations with anticompetitive effects. In addition, COFECO can issue binding opinions under its own initiative or on request with regards to draft laws, regulations, agreements, and other administrative acts of general scope that might affect market competition (Article 24).

[7] COFEMER promotes transparency in preparing and enforcing regulations, ensuring that they generate benefits that surpass their costs and maximize social welfare.

[8] PROFECO promotes and protects consumer rights, boosts intelligent consumption, and seeks equity and legal certainty in the relationship between suppliers and consumers.

[9] The latest OECD indicators of sector regulation are available at
http://www.oecd.org/document/1/0,3746,en_2649_37443_2367297_1_1_1_37443,00.html

[10] COFECO 2009. These costs are as of September 2011 for speeds of 2.5–15 Mbps, including line charge.

[11] OECD 2012b.

[12] Mircea 2012.

[13] Ros 2010.

[14] Serebrisky 2012.

[15] Geginat and Ramalho 2010.

[16] Investment Climate Advisory Reform 2012.

[17] World Bank 2012.

[18] World Bank 2012.

[19] World Bank 2012.

[20] World Bank 2011.

[21] Challenges related to enforcement of claims and insolvency proceedings are discussed in greater detail in Mexico Policy Note 2 on fostering sound financial sector development.

[22] OECD 2011. This assessment is based on specific requirements for collective dismissal, regulation on temporary forms of employment, and protection of permanent workers against individual dismissal.

[23] This issue is addressed in greater detail in Mexico Policy Note 4 on labor markets.

[24] For more information on telecommunications regulation and best recommended practices, Infodev (2010) or the ICT Regulation Toolkit (www.ictregulationtoolkit.org/en/index.html).

[25] For additional information that compares Mexico and other LAC countries, see Serebrisky (2012).

[26] OECD 2011.

[27] Sharma 2009.

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