



COMISIÓN FEDERAL DE COMPETENCIA
MÉXICO

The OECD's Competition Assessment Toolkit in Mexico

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The OECD's Competition Assessment Toolkit provides a general methodology for identifying regulatory barriers that restrict the free functioning of markets

Agreement

In September 2007, Mexico and the OECD signed an agreement to implement the OECD's Competition Assessment Toolkit.

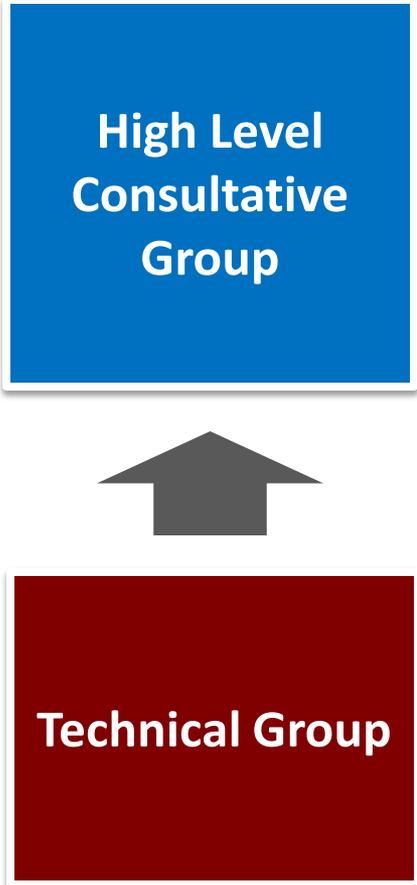


Resources

The Mexican government allocated a specific budget for the implementation of this project.

In order to separate political considerations from the technical analysis, the project includes a High Level Consultative Group (HLCG) and a Technical Group

Responsibility in competition analysis



High Level
Consultative
Group

Technical Group

- Discuss different policy options presented by the Technical Group.
- Recommend specific modifications to Laws and regulations.
- Draft the implementation plan of recommendations.
- Analyze regulation to detect restrictions to competition process.
- Present policy options to resolve problems.

The technical Group will present proposals in three phases.



Discussion and definition of policy recommendations by the High Level Consultative Group

In phase one, the Consultative Group will discuss the proposals contained in CFC opinions.



Key opinions by CFC to promote competition principles in the regulatory framework

<i>Sector</i>	<i>Topic</i>	<i>Date issued</i>
Telecommunications	Technological convergence	31/10/2005
Financial services	Pension funds	22/11/2006
Telecommunications	Audiovisual contents	28/11/2006
Financial services	Credit cards	24/04/ 2007
Energy	LP Gas bylaw	27/07/2007
Transportation	Airports	01/10/2007
International trade	Tariff structure and customs simplification	19/05/2008

(A brief parenthesis)

With respect to the Opinion in Trade Reforms...

- In May 2008, the CFC recommended international trade reforms to increase competition and competitiveness.
- On Dec. 18, 2008, the Mexican Government announced three trade reforms incorporating many of CFC's recommendations:

CFC Recommendation	Government Action
1. Reduce the level and dispersion of the tariff structure	1. Gradual reduction in tariffs for industrial products in a way that will generalize the benefits of sectoral programs
2. Simplify customs clearance	2. Simplification of administrative procedures for foreign trade and customs operations
3. Eliminate barriers to entry into providing customs clearance services	3. Promotion of competition and efficiency in services connected with customs clearance

- The trade reform proposal was the first one to be taken up, from among the proposals made by CFC as part of the competition assessment project.

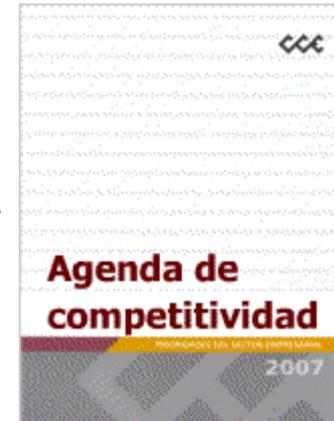
The CFC recommendations have been of significance for Trade and International Competition,

- Because it affects a broad range of non-agricultural imports.
 - ✓ **Products subject to the reductions constituted 50% of Mexican imports in 2007, with a value of USD 141,608 million**
- Previously, the highest tariff rate applicable to industrial goods was 50%.
 - ✓ **With the reforms, it will be 20%**
- The average tariff rate on industrial products will go from 10.4% to 4.3%.
 - ✓ **Over 4300 tariffs will be reduced to zero**
- When the reforms are fully in effect, Mexico will have moved from being among the countries (along with Brazil) with the highest MFN tariff levels in Latin America to being one of the most liberalized economies in the region.
 - ✓ **This reform has been characterized as “the most ambitious unilateral tariff reduction of the last 20 years”**

The topics to be analyzed in phase two were chosen based on their impact on the economy



Sources	Criteria	Topics
<p>IMCO OECD World Bank</p>	<p>Sectors with horizontal impact on competitiveness</p>	<ul style="list-style-type: none"> • Telecommunications • Financial services • Energy • Freight transportation
<p>INEGI COLMEX</p>	<p>Sectors with significant participation in consumer expenditure</p>	<ul style="list-style-type: none"> • Corn and tortilla • Carbonated beverages • Beer • Passenger transportation • Dairy • Egg and poultry • Paper industry • Personal and home care • Insurance • Retail banking • Medicines and hospital services • Pensions
<p>CFC experience</p>	<p>Horizontal regulation with a high impact on competitiveness</p>	<ul style="list-style-type: none"> • Fiscal policy • International trade • Subsidies • Technical regulations



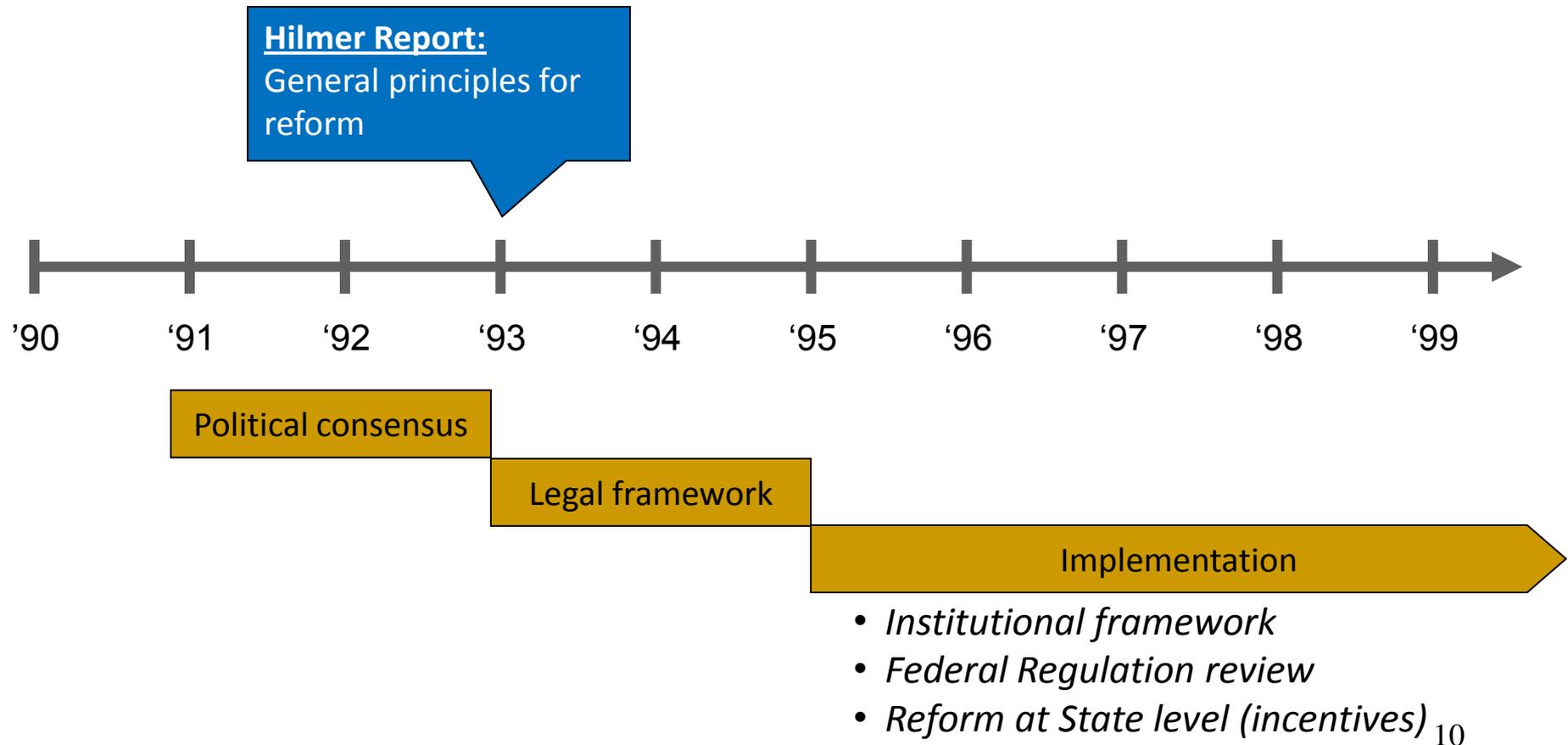
Eight initial studies have been selected, to be developed simultaneously.

Topic	Expected outcome	Period
1. Interconnection in telecom	Policy and regulatory changes that ensure efficient interconnection conditions	<i>4 months</i>
2. Financing to SME's	Measures to provide competitive financing for SME's	<i>4 months</i>
3. Electricity	Policy proposals to optimize State intervention and improve efficiency	<i>4 months</i>
4. Pharmaceutical products	Actions aimed at eliminating unnecessary regulatory restraints to competition	<i>4 months</i>
5. Agriculture	Supporting the efficient functioning of markets	<i>4 months</i>
6. Credit cards	Proposals to increase competition in the payments systems and credit cards market	<i>4 months</i>
7. Fiscal policy	Regulation measures and a pro-efficiency tax policy	<i>4 months</i>
8. Potential benefits of Competition Assessment Framework	Calculation of welfare impact of competition measures in key sectors of the economy	<i>4 months</i>

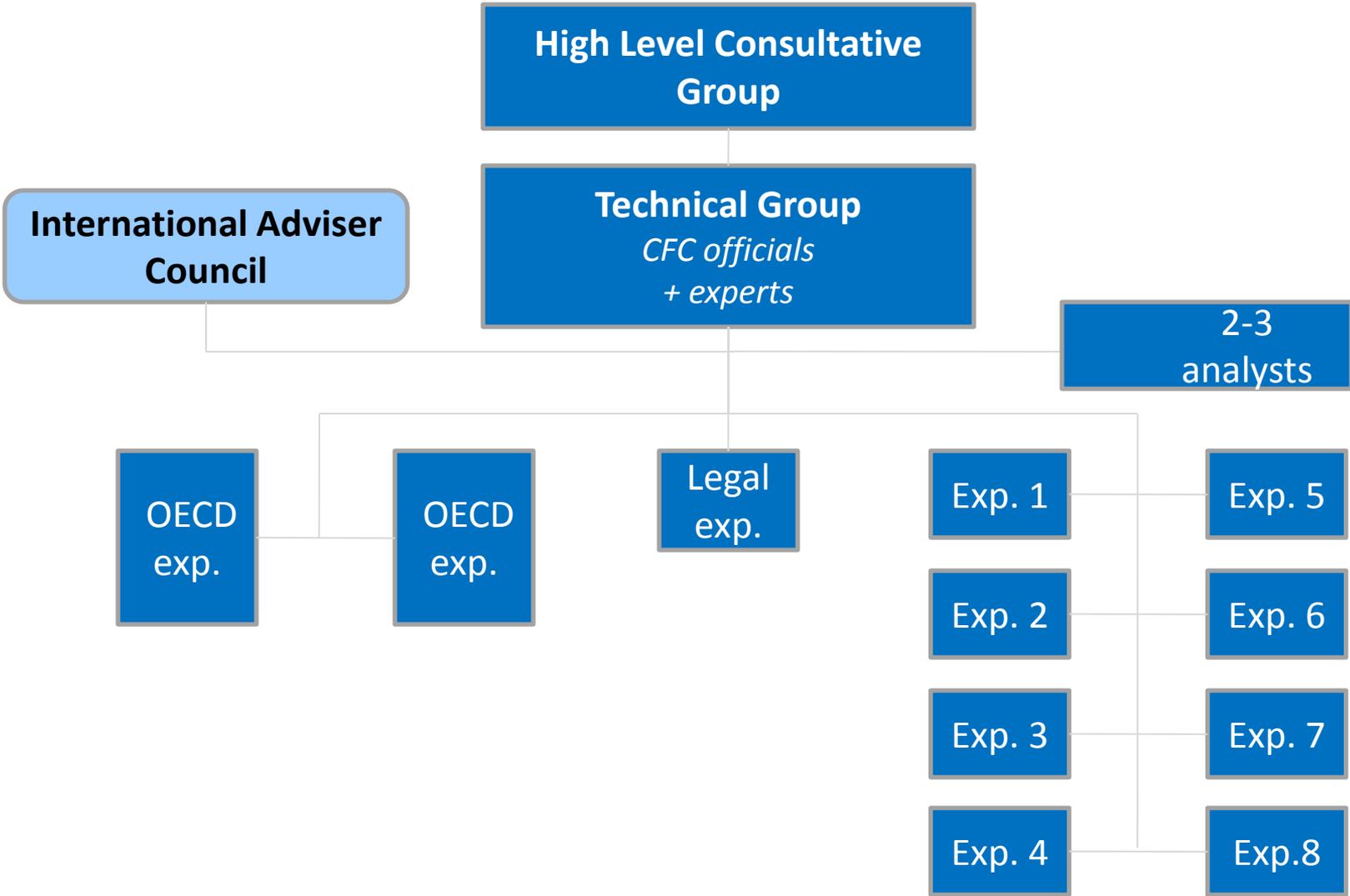
In phase three, follow-up mechanisms will need to be designed in order to extend the life of the project.



Australian experience in the design and implementation of the *National Competition Policy*



The Technical Group consists of hired experts and CFC officials...



... who will have complementary roles

Participant	Involvement	Tasks
CFC officials	<i>Oversight</i>	<ul style="list-style-type: none">• Work coordination• Validation of the analyses and proposals
Local experts	<i>Part time</i>	<ul style="list-style-type: none">• Drafting of specific studies• Discussion of studies in the Technical Group
OECD experts	<i>Full time</i>	<ul style="list-style-type: none">• Advice on international practices• Horizontal collaboration in studies
Legal Expert	<i>Part time</i>	<ul style="list-style-type: none">• Legal advice to specific studies
Analysts	<i>Full time</i>	<ul style="list-style-type: none">• Support to experts (research, analysis)
International adviser council	<i>Review</i>	<ul style="list-style-type: none">• Review and comment on specific studies

Participation of a Council of Academic Advisors and two waves of reviews.

- The CFC is performing a two-phase review process of the studies carried out under the Toolkit:
 - First level review:
 - OECD experts in Paris: Competition Division, Trade, Telecoms used so far
 - OECD experts in Mexico: senior competition lawyer and senior competition economist
 - Second level review:
 - New Council of Academic Advisors: six former Chief Economists from US competition agency
 - Senior consultants from US, Europe and Latin America

To ensure the success of this exercise, it is necessary to follow some basic principles for the design and evaluation of proposals



NATIONAL COMPETITION POLICY REVIEW

Chairman: Prof Frederick G Hilmer
Members: Mr Mark Rayner
Mr Geoffrey Tapereil

Secretary: Mr Warrick Smith

25 August 1993

The Committee thus approaches its task with a strong presumption favouring universal and uniform coverage of the market conduct rules proposed in this Part. Moreover, consistent with the principles agreed to by the Heads of Governments,³ it will be seeking to ensure:

- that any exceptions from such universal coverage are only permitted on public interest grounds;
- that claims of public interest are assessed by an appropriate transparent assessment process, with provision for review; and
- that reforms in this area are consistent with the development of an open, integrated domestic market for goods and services and, in recognition of the increasingly national operation of markets, reduce complexity and eliminate administrative duplication.

Presumption of universal application of competition principles

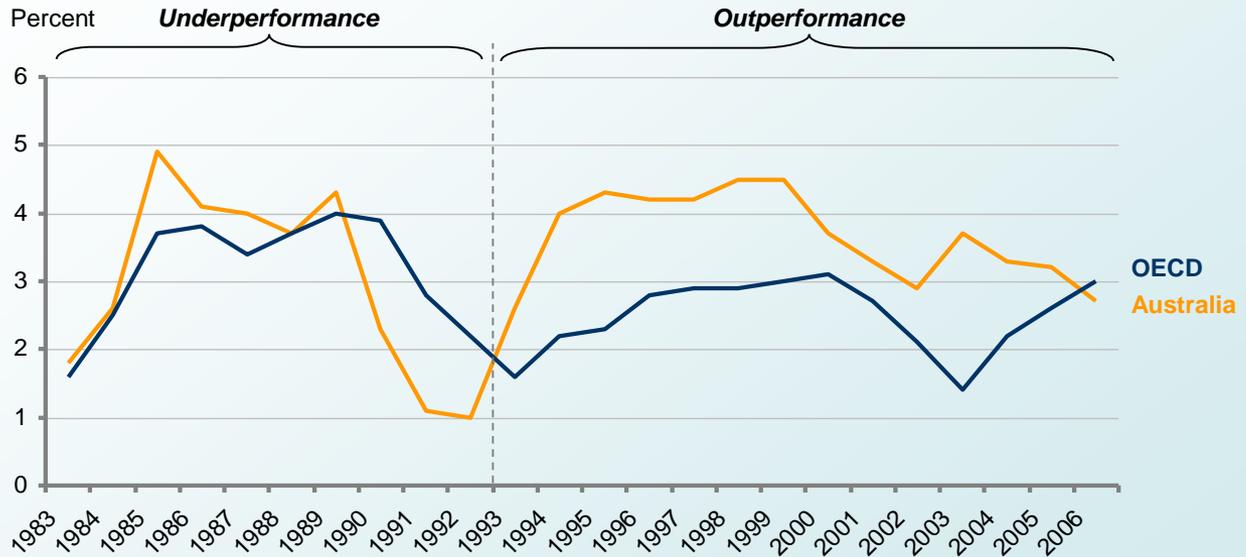
Exemptions must be justified by public interest reasons

Minimum regulatory burden

The Australian experience has shown that a reform conducted under these principles can decisively foster economic growth



Australia versus OECD—real GDP growth*



* 3-year moving average
 Source: OECD Stat Gross Domestic Product (output approach), Volume Index