

MEXICO

Economic growth has been too slow to reduce the large gap in living standards with other OECD countries. Employment rates are high and rising, but productivity has stagnated in the past decade.

Priorities supported by indicators

Improve access to upper-secondary education

Mexico ranks last in the OECD in terms of educational attainment of the population (even for young adults) and for student performance. Reducing the gap would help boost growth by enhancing human capital, and by facilitating the adoption of new technologies.

Actions taken: Measures have been taken to increase participation in upper-secondary education of students from low-income families and to increase the quality of teaching.

Recommendations: Efforts should concentrate on making the existing school system, including at the secondary level, and the teaching body more effective by further modernising curricula and by enhancing accountability of schools and teachers. Effective on-the-job training should be further developed as a complement.

Reduce barriers to entry in industries

The Constitution is a barrier to private ownership in the entire electricity sector: private capital is allowed only in generation for self-supply and small-scale cogeneration. Effective competition is lacking in telecommunications, where the incumbent TELMEX retains a dominant position. State-owned PEMEX has a monopoly in oil and gas extraction.

Actions taken: A reform of the Telecommunications Law, reducing TELMEX control over communication networks, was proposed in 2002, but no legislation has resulted as yet. PEMEX secondary petrochemicals have been opened to private investment with some restrictions.

Recommendations: Approve the proposed Telecommunications Law and implement it effectively, thereby eliminating barriers to entry (domestic and foreign) by simplifying procedures. Reduce the share of public enterprises in energy supply.

Reduce barriers to foreign ownership

Restrictions on foreign direct investment are still in place. In this respect Mexico ranks poorly in comparison with other OECD countries.

Actions taken: No action in recent years.

Recommendations: Ease restrictions on foreign direct investment, especially in the electricity sector and fixed-line telephony, but also in some professions, construction and transport.

Other key priorities

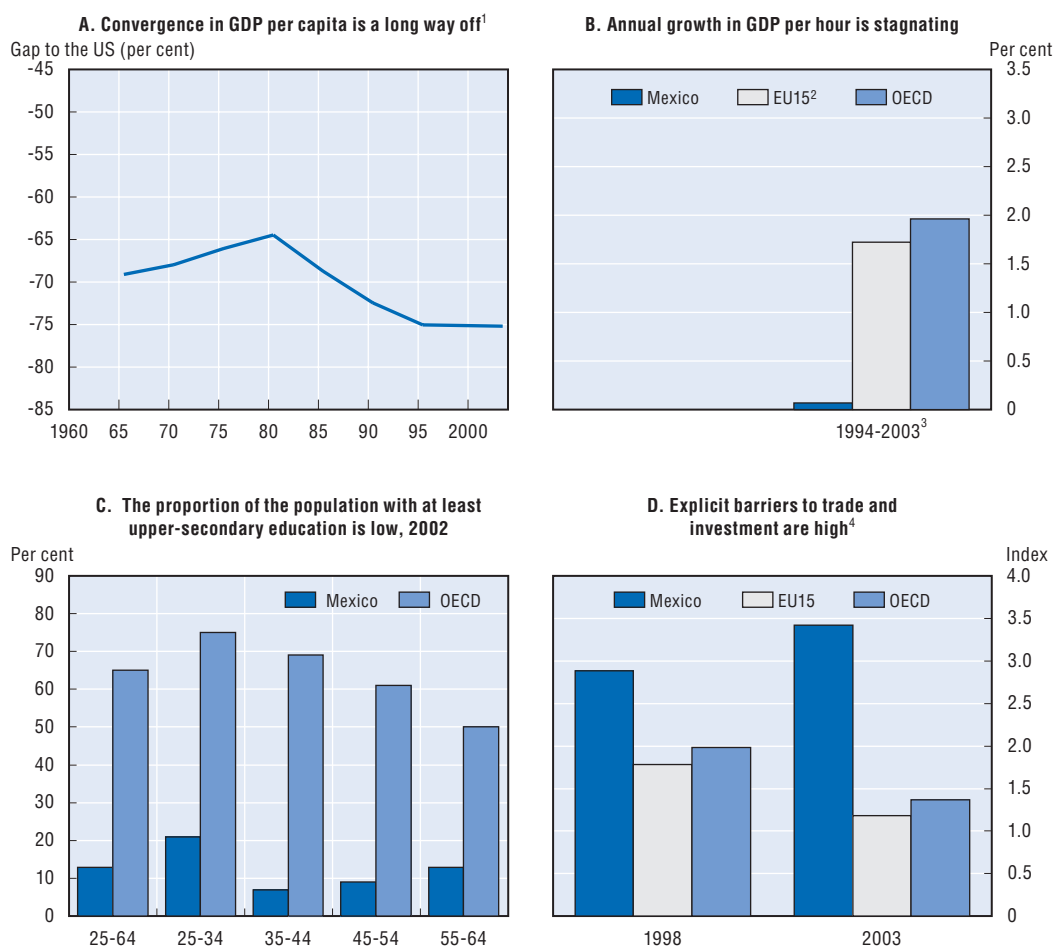
- Reform the tax system, broadening the VAT base and simplifying the system.
- Improve the “rule of law” (i.e. the effectiveness of the judiciary and enforceability of contracts).

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	1.7	1.6
Trend employment rate	57.7	57.8
Trend participation rate	59.7	59.7
Structural unemployment rate (NAIRU)

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

3. Earlier period not shown because of lack of consistent data for Mexico.

4. Index scale of 0-6 from least to most restrictive.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Education at a Glance, 2004; Chart D: OECD Regulation database.