MEXICO

Over the past decade Mexico's efforts have focused on achieving macroeconomic stability and stronger growth. However, its reforms have not led to the productivity growth necessary to catch up to other OECD countries. Continued structural reforms will be needed to put the country on a firm basis to boost innovation, productivity and growth.

Mexico's level of development affects its innovation system. Its assets include a young population and geographical proximity to the largest market in the OECD area. However, various structural weaknesses inhibit innovation, including gaps in physical infrastructure, restrictive regulations, and, most importantly, a low level of human capital.

Mexico's R&D intensity is one of the lowest in the OECD area; gross domestic expenditure on R&D (GERD) is 0.5% of GDP. However, this ratio is not out of line with Mexico's income level, and growth in (real) GERD has been robust, averaging almost 10% a year from 1996 to 2005. Public institutions and universities continue to play an important role in R&D; the business sector finances 47% of R&D and performs just under 50%, below the OECD average.

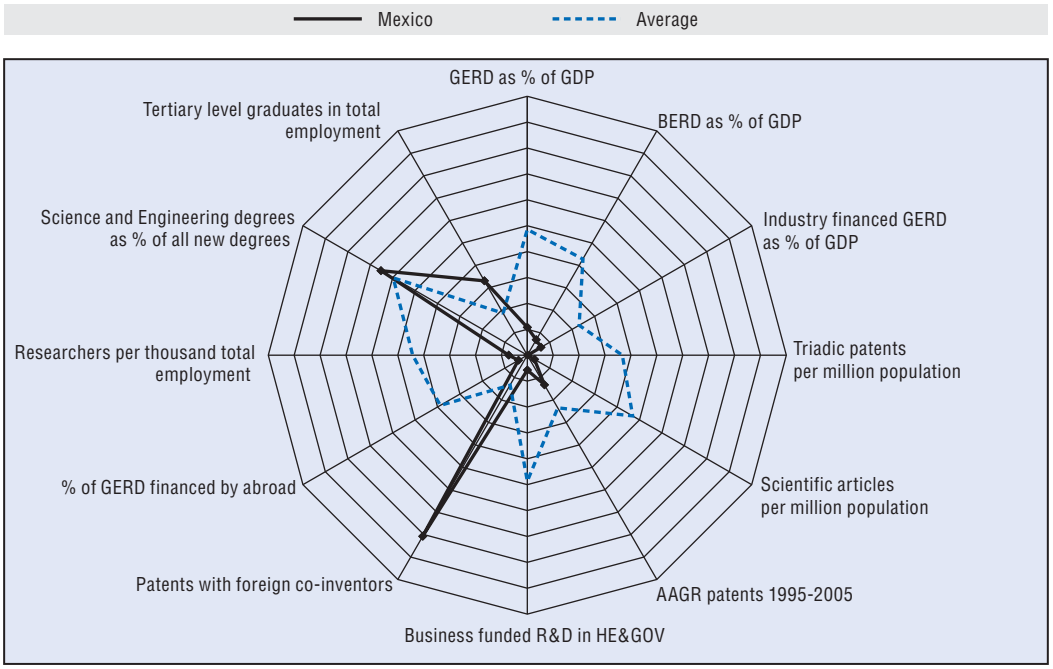
The number of science and engineering graduates as a proportion of all new degrees is above the OECD average, with a quarter of new university degrees in 2005. However, university graduates are a small group, and the majority of the working-age population leaves school before attaining an upper secondary qualification. Moreover, emigration reduces the number of graduates that enter the domestic labour market.

Mexico's technological and scientific performance, as measured by patents and publications, is low, and knowledge-intensive market services, such as post and telecommunications, represent a very small share of gross value added (less than 13% in 2004 compared to an OECD average of 20%). More positively, international linkages appear well developed, especially with the United States. There is a high rate of foreign ownership of domestic inventions (61% in 2001-03) and of international co-inventions (45% in 2002-04), as evidenced by applications to the European Patent Office. Technology exports also grew strongly from 1996 to 2005, by over 10% a year on average. Uptake of technology is also improving; the Internet domain .mx had the highest average annual growth (67%) in Internet hosts in the OECD area between 1998 and 2006.

The government's innovation policy provides one of the most favourable tax treatments for R&D in the OECD area, with one unit of R&D expenditure resulting in 0.37 units of tax relief. Government funding for business R&D has also increased; the share of business R&D financed by government more than doubled from 2.8% in 1995 to 5.7% in 2005.

The key challenge at this stage is to establish supportive underlying conditions for innovation, particularly with respect to education levels and the competitive and regulatory environment. Enhancing Mexican firms' ability to access technological spillovers will also be important.

Science and innovation profile of Mexico



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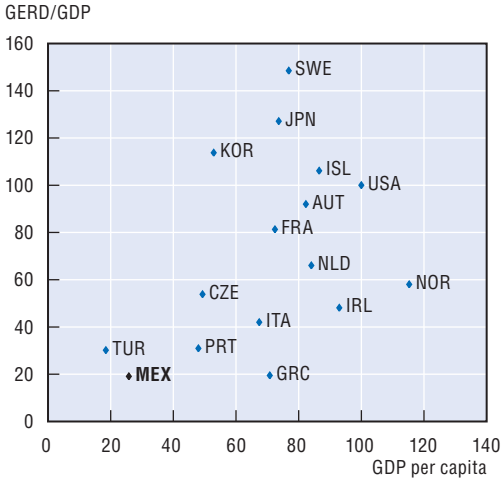
R&D intensity and GDP per capita, 2005

Selected OECD countries, USA = 100



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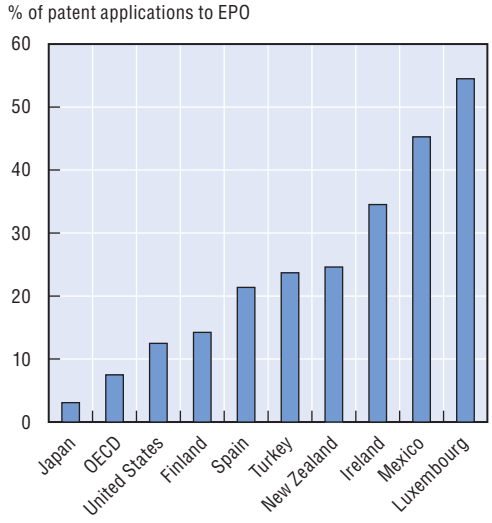
Patents with foreign co-inventors

2002-04



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