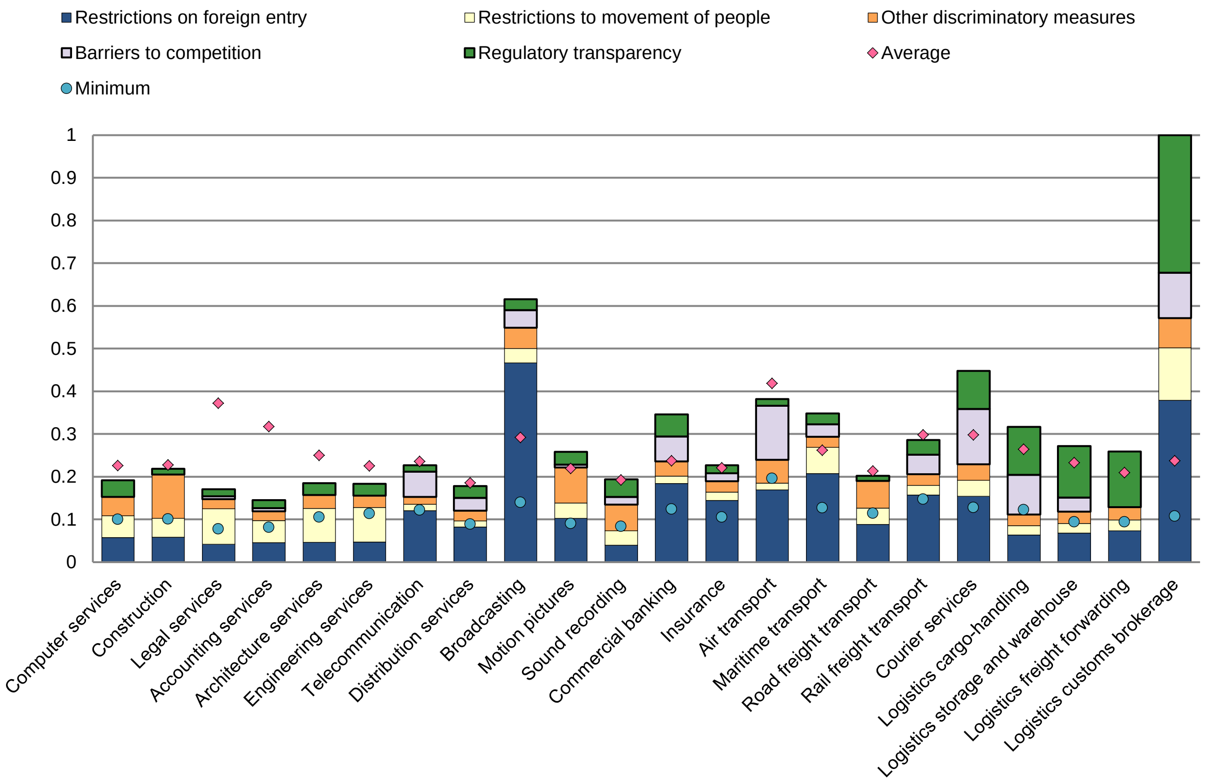
OECD Services Trade Restrictiveness Index (STRI): Mexico

Mexico exported services worth USD 22.6 billion and its services import amounted to USD 32 billion in 2015. The largest exporting sectors were travel and insurance services, while maritime freight transport and travel services were the two largest import categories.

Mexico's score on the STRI index in the 22 sectors is shown below along with the average and the lowest score among the 44 countries included in the STRI database for each sector.

STRI by sector and policy area, 2016



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Mexico has a lower score on the STRI than the average in 11 out of 22 sectors. This reflects in large part general regulations that apply across all sectors of the economy and sector-specific rules. Mexico has a relatively restrictive regime governing foreign entry, particularly in infrastructural sectors, such as logistic and transport services, and in broadcasting. In addition to foreign equity restrictions, foreign investment is subject to screening, and in most sectors investments above given monetary thresholds are reviewed by the government and approved only if bringing net economic benefits to the country. There are labour market tests for natural persons seeking to provide services in the country on a temporary basis. In procurement processes, there is an explicit preference for bids in which national labour and resources are employed, and certain procurement contracts are only open to international tenders based on reciprocity. Finally, the Labour law requires that the employee base of any company shall be comprised of at least 90% Mexican nationals, except for directors, administrators, and other managerial positions.

The sectors with the relatively lowest STRI scores

Legal services, auditing/accounting and architecture are the three relatively best performing sectors in Mexico. Mexico's scores in these sectors are among the lowest observed in all 44 economies surveyed in the STRI and in part reflect a more liberal regulation of professional services. The few sector-specific restrictions are domicile requirements in order to obtain a license to practice in all these professions, lack of temporary licensing systems, and some limitations on advertising for legal and accounting service providers.

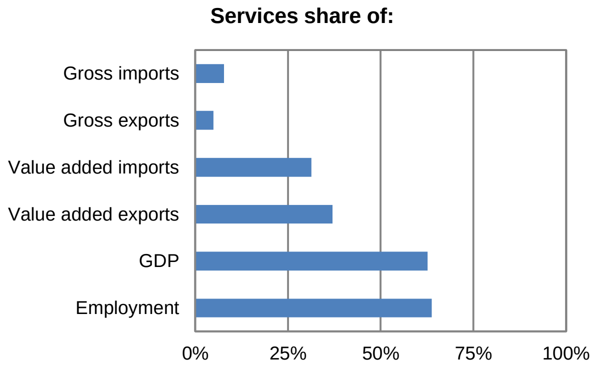
The sectors with the relatively highest STRI scores

Mexico performs relatively poorly in custom brokerage services, broadcasting and courier and postal services. Foreign equity participation in custom brokerage is prohibited in Mexico and there is a nationality requirement to get a licence to operate as a custom broker, restrictions that effectively close the market to foreign services providers. Despite the recent Federal Telecommunications and Broadcasting Law, increased foreign participation in broadcasting companies up to 49% of equity shares, foreign investment is still not open to every country but rather subject to reciprocity. Furthermore, the reform raised the share of time allocated to productions with a domestic content, and introduced special financing programmes to promote the national industry. Dubbing requirements for programs in foreign languages also add to the score. In courier and postal services, Mexico maintains a monopoly on postal services (i.e. letters and postcards up to a maximum of 1 kg in weight), whereby the incumbent operator, *Servicio Postal Mexicano*, wholly-owned by the government, is entrusted with the exclusive powers to provide such services. The absence of pro-competitive regulations, such as mandating access to the network on a non-discriminatory basis and requiring separate accounts for the postal monopoly, also contribute to the score.

Recent policy changes

Mexico has recently passed a package of reforms, including, *inter alia*, a new telecommunications and broadcasting law and a new financial law. The new telecommunications reform allowed for greater foreign participation in the mobile and fixed-line services segments of the sector. The reform also introduced a new independent regulator, with exclusive authority over the sector and new sanctioning powers, and a series of pro-competitive measures to challenge the dominant position of incumbent firms. The financial reform aimed at strengthening prudential regulation, increasing credit penetration and promoting competition. As a result, foreign financial institutions can now open up branches in Mexico to provide insurance services. Although this possibility is still subject to the authorisation by the government, and granted on the basis of reciprocity, it nevertheless increases certainty and clarity on the regulatory environment in the sector. Furthermore, in 2015, Mexico established an independent rail regulatory agency.

Efficient services sectors matter



Services are responsible for about 64% of GDP and employment in Mexico. Services account for less than 5% of gross exports, and nearly 40% in value added terms. Nevertheless, services contribution to export, in gross and value added terms, is well below the average. Mexico has already achieved very good results with the recently introduced telecommunications and finance reforms, although it could further improve the efficiency of its economy by introducing more pro-competitive regulation in sectors such as logistic services and postal services.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org