OECD Services Trade Restrictiveness Index (STRI): Mexico 2019

Mexico exported services worth USD 29 billion (0.5% of world services exports) and its services import amounted to USD 38 billion (0.7% of world services imports) in 2018. The largest services exporting sector is travel and the largest services importing sectors are transport services. Mexico’s score on the STRI index in the 22 sectors is shown below along with the average and the lowest score among the 46 countries included in the STRI database for each sector. Mexico has a lower score on the STRI than the average in four out of 22 sectors.

**STRI by sector and policy area (2019)**

(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 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia, South Africa and Thailand. 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). The indices are based on laws and regulations in force on 31 October 2019.)

**Horizontal policy measures**

The results reflect in large part general regulation 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. 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. Mexico maintains labour market tests for natural persons seeking to provide services in the country on a temporary basis and limits to six months the duration of stay of contractual and independent services suppliers. In public procurement, there is an explicit preference for bids with a domestic content, and certain procurement contracts are open to international tender only on a reciprocal basis. In addition, the Mexican Labour Law requires the employee base of any company to be comprised of at least 90% Mexican nationals, except for directors, administrators, and other managerial positions. Finally, there is a lack of a general obligation to publish laws and regulations before they enter into force or to open draft regulations for public comment.

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The sectors with the relatively lowest STRI scores
Legal services, accounting (covering also auditing) and telecommunication services are the three sectors with the lowest score relative to the average STRI across all countries. Mexico’s scores in the first two sectors reflect in part a more liberal regulation of professional services. The few sector-specific restrictions are domicile requirements in order to obtain a license to practice, lack of temporary licensing systems, and some limitations on advertising. In telecommunication services, commercial presence is required in order to provide cross-border services, and, wholesale international roaming rates are not regulated – complicating access conditions for foreign suppliers.

The sectors with the relatively highest STRI scores
Logistics customs brokerage, broadcasting and road freight transport services are the three sectors with the highest scores relative to the average STRI across all countries. Foreign equity participation in customs brokerage is prohibited in Mexico and there is a nationality requirement to get a licence to operate as customs broker; these two restrictions alone close the market to foreign services providers. In broadcasting services, the Federal Telecommunications and Broadcasting Law increased foreign participation in broadcasting companies up to 49% of equity shares, but such foreign investment easing is 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. The STRI score in road freight transport is largely driven by the fact that Mexico reserves the provision of domestic road freight transport services to Mexicans nationals or Mexican companies.

Recent policy changes
In recent years, Mexico passed a package of reforms, including, *inter alia*, a new telecommunications and broadcasting law, and a new financial law. The new telecommunications reform eased foreign participation in the mobile and fixed-line services segments of the sector, while also introducing a new independent regulator with exclusive authority and new sanctioning powers. 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 regulatory certainty in the sector. In 2017, Mexico rolled back the foreign equity restrictions on domestic air transport services, whereby foreign ownership of air companies is now permitted up to 49%. As of June 2019, Mexico reduced the *de minimis* threshold for which no duties are imposed on imports up to 50 USD (and down from 300 USD). This recent policy change will be affect business operations in the distribution, logistics and courier services sectors.

Efficient services sectors matter

![Services share of:](chart)

Services are responsible for about 64% of GDP and employment in Mexico. Services account for less than 20% of gross exports, and 46% 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
» Read more about services trade policies and their impacts in this publication: Services Trade Policies and the Global Economy
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org