

**SGI** Sustainable Governance  
Indicators 2009

## Mexico report



## Executive summary

Mexico has experienced fundamental economic and political reform over the past two decades. Following the debt crisis of the early 1980s, Mexican governments slowly began to change the country's formerly inward-looking, increasingly oil-dependent model of corporatist development. The introduction of market-oriented reforms such as privatization, deregulation and trade liberalization was aimed at speeding world market integration in order to overcome the country's developmental barriers more successfully. Paralleling this economic liberalization, the political regime itself also changed fundamentally over the last 25 years, albeit in gradual steps. After ruling the country for seven decades, the Institutional Revolutionary Party (PRI) finally lost the presidential elections in 2000 and gave way to a democratically elected government. Thus, Mexico joined the family of democracies, and in 2000 expectations for the government of newly elected president Vicente Fox of the National Action Party (PAN) were extremely high. Unfortunately, the legacies of centuries of autocratic rule, exclusive economic policy-making and institutional deficits remain strong. As a consequence, Mexico today presents itself not as a homogeneous country but rather as a fragmented society.

The country has achieved substantial economic progress in several areas since the mid-1990s. The emergence of increasingly competitive firms in some sectors of the economy, an increasing export orientation and a substantially stabilized macroeconomic environment are only a few examples of wider economic progress. The political sphere saw its own modernization, including the introduction of free and fair elections after decades of fraudulent government activities, a diverse and vibrant media scene that provides independent information, and the emergence of new civil society organizations. Additionally, the modernization of the Mexican state also progressed, at least from a formal perspective.

Despite the fact that the Mexican government is in some ways rather weak, there has been some limited progress with regard to institutional reform. The past few years have seen the passage of a modern transparency law and regulations to guarantee fiscal soundness, a civil service law, the creation of an ombudsman's office, and increased use of the Internet as an instrument of open

government. Mexico also has an independent central bank. Over time, there has been real progress in macroeconomic management and in the effective control of government spending. Even more important, Mexico took a decisive step in international terms with its entry into the North American Free Trade Agreement (NAFTA) in 1994. These changes were implemented by a professional, well-trained political elite in the cabinet, who were guided by future-oriented, knowledge-based long-term planning, and who were efficiently coordinated through the President's Office.

However, Mexico is an economically divided society characterized by high levels of violence and crime. The weak state is unable to guarantee some of the most fundamental rights to a huge part of its population. Income distribution remains among the most unequal in the world, with no trend towards improvement. Ethnic discrimination is still widespread and mostly affects indigenous groups. Levels of discrimination and violence against women are among the highest in Latin America and the OECD world. Additionally, the country is geographically divided, with an economically advancing north, and states in the south and central regions lagging behind. This has added a territorial cleavage to the challenging situation, making it more difficult to come to national agreements, which must be backed by all state governments.

Most importantly, these socioeconomic imbalances are sources of widespread violence, corruption and insecure property rights in Mexico. Organized crime, especially drug trafficking, is seriously undermining the integrity of the security sector, of parts of the judiciary and of investigative journalism. Killings of journalists and members of the police force are common, as are human rights abuses by members of the security forces, especially in some of the country's northern states. Levels of political nontransparency and corruption are still unacceptable, as is ordinary street crime. In sum, the Mexican state has not been able to establish the rule of law, leaving Mexican democracy today with strong illiberal features.

Reforms aimed at building new institutions, while not unsuccessful, face two inherent problems. One is structural, and based on the fact that tax collection in Mexico is insufficient to pay for more than the most rudimentary public sector activities. Taxation is unpopular in most countries, but very much so in Mexico due to the state's justified reputation for corruption. Reforms that cost significant public money are therefore likely to be rejected as unaffordable. Even the existing level of public spending is dependent on high international oil prices. The other problem is that most ordinary Mexicans are not free-market liberals, and do not necessarily support institutional reforms – though in general they do not support radical experiments either.

Mexican public opinion is generally conservative and cautious. Ideas that seem extreme or novel are viewed with suspicion. It is rare for a president to be able to appeal over Congress to the Mexican people as a whole. Under both the current president and his predecessor, the presidency has been largely a reforming institution while Congress has been broadly obstructive of economic reforms, though somewhat less so in the case of purely institutional reforms.

Unfortunately the Mexican constitution prescribes a weak presidency and a strong legislature, especially when the president lacks majority support in Congress. Congressional obstructions are partly the result of special interests (for example, media barons or the oil workers' union), partly a delayed overreaction to the previous authoritarian system, and partly the result of political competition. Obstructions do not take the form of independent scrutiny of the merits of government policy, but rather reflect the continuing authority of congressional party leaders. Dealing with Congress is therefore primarily a matter of brokering coalitions tied to particular measures.

President Fox (2000 – 2006) did not handle Congress particularly well, and in its last two years his administration did little to improve the aforementioned deficiencies. Nor did he advance second-generation reforms significantly, or successfully address the overall challenges to security and the rule of law. The Chiapas conflict, still unresolved despite many presidential promises, serves as a symbol of Fox's failure.

The lack of progress during 2005 and 2006 can be explained by several factors. First, the Fox government lacked a legislative majority, and was not able to craft a stable congressional coalition. Thus, political rivalries within Congress made legislative progress extremely difficult. Second, the president's position in his own party, the PAN, had become relatively weak. Third, the Mexican constitution does not allow reelection after the president's first six-year term, virtually guaranteeing that the Mexican head of state faces a strong "lame-duck" phenomenon in his or her last two years of office.

The 2006 presidential elections were narrowly and unexpectedly won by moderate conservative candidate Felipe Calderon. Left-wing rival candidate Lopez Obrador lost only narrowly, but Calderon's narrow victory now looks decisive, partly because the left is likely to undergo change before the 2012 presidential elections. In 2006 Obrador responded to his loss by launching a major attack on Mexico's electoral institutions, but this did not succeed, and it now appears that this kind of populist politics belongs to the past. In fact, 2006 was a year of considerable political uncertainty, but things have now returned to some kind of normality.

Despite the new government's small margin of victory and difficult post-electoral conflict, it has the opportunity to work successfully with Congress. Calderon's PAN won a plurality of seats, followed by the Party of the Democratic Revolution (PRD) – which has vowed to oppose any presidential initiative – and then the PRI. The executive should be able to pass bills in Congress as long as it can maintain the coalition between its party and the PRI, since together they are more than sufficient to produce changes in constitutional and ordinary legislation, even over PRD opposition. PAN and PRI have been the modernizing alliance since the very start of the reform impulse. This arrangement could give the PRI disproportionate influence, since its bargaining power has increased, but it is also limited by the PAN's ability to block any initiative of the opposition parties. So far, PAN and PRI have passed the three major reforms promoted from the executive, along with a handful of other important matters:

- A reform to the law regulating the health services and pensions of state employees. This highly contested reform was approved at the beginning of the new administration, and was aimed at reducing the drain of the large bureaucracy and its pension system on public finances.
- Fiscal reform. This reform, initiated by the executive, represents a serious attempt to increase the government's tax revenue, and to begin a move toward a simplified tax system. Although the final bill included increases in the price of gasoline, these were subsequently suspended by a government fearful of inflation.
- Electoral reforms. The controversial 2006 presidential election sparked a drive to reform important pieces of electoral legislation, which had been used by the political parties to limit the access to paid media and to sequester the electoral commission. The reforms ban the use of paid media in electoral campaigns. Parties and candidates will now be allocated free media time, which networks will have to provide. Some analysts favor these limits on the use of paid media, but most have expressed concern for the loss of autonomy on the part of the electoral regulators.
- Media reforms. Another important reform, although not initiated by the executive, was the reform of the media law. This initiative was promoted and approved by the Senate, was opposed most prominently by a group of legislators, and was ultimately partially overturned by the Supreme Court, which returned it to Congress for amendment.

- **Budgetary process.** For the first time in many years, the legislature's lower chamber unanimously approved the budget for 2008, with no delays. This event showed that the new government has a greater ability than its predecessor to win support for its initiatives, spotlighting renewed reform capacity for Mexico.

## Strategic Outlook

The Mexican government's task list remains challenging. The honeymoon period for Calderon and his PAN, with its informal coalition with the PRI, might be short. The looming 2009 parliamentary elections could shorten the window of opportunity for reform. The PRI is keen to rebound from its electoral defeat in 2006, and thus might choose to campaign aggressively against the president's party.

The key reform issue for Mexico is finding an effective form of government within its existing democratic institutions. This can be done only by building a consensus. Mexico has a stable and reasonably secure democracy, in the sense that one cannot today imagine a full-scale democratic breakdown. However, Mexico democratized without major constitutional reform. As a result, it has a constitution that was not designed for democratic governance and does not mark a complete break with past authoritarianism, yet which cannot now easily be changed. The combination of a constitution that is in some respects archaic with Mexico's three-party political system has generated forces leading to political deadlock rather than to consensual reform.

Mexico's constitution was not designed for presidents who lack a legislative majority. Minority presidents in Mexico do not have strong constitutional powers, such as the decree powers possessed by presidents in Brazil and Argentina. Moreover, because immediate congressional re-election is forbidden, minority presidents generally have to deal with inexperienced legislators who have no incentive to act for the long term. As a result, the legislative process is difficult and uncertain, guided by well-financed and internally disciplined political parties, most of which have no reason to be supportive of the president.

But whatever its difficulties, minority presidentialism is a reality. No Mexican president has had a congressional majority since 1997. This is almost certainly not going to change before 2012 and may well not change even then, because the electoral system involves a form of proportional representation which requires a high share of the vote before the winning party can achieve an actual

majority. Thus, Mexico will have to get used to minority presidentialism, and find ways of making it work in practice. It is unrealistic to recommend major constitutional reform, no matter how desirable it may be. Mexican minority presidents do not have the votes to reform the constitution, and the congressional opposition and state governors are unlikely to support major change that would undermine their respective positions. Minor change is all that can be hoped for.

However, there are comparatively minor reforms that would make a real difference to the way Mexico is governed. For example, Congress needs to use its oversight role more, possibly by professionalizing the working of its congressional committees. This is currently an untapped resource. The media is another. The print media is probably best placed to persuade legislators to be more responsible, by highlighting abuses. There is much more investigative journalism in Mexico today than was once the case.

The increasing activism of the Supreme Court of Justice is another positive sign. Mexico's ill-defined system of checks and balances demands considerable interpretation. Moreover, since Congress has to date shown little ability to cope with special interests, it falls to the courts to act as a check on bad laws. Efforts currently underway to professionalize the civil service should also continue. In fact, there have been several plans introduced at the presidential level to improve the general quality of national governance. From the viewpoint of public administration at the central government level, the problem now is that too little role is given to administrators' independent judgment, and too much emphasis given to the formalities of particular regulatory requirements. This may have been the inevitable outcome of an emphasis on controlling corruption, but it is better to appoint qualified and responsible people and to trust them than it is to regulate the minutiae of everything that central government does.

A federal system giving considerable power to state governors works well enough in the north, but is part of the problem in the south. Mexico needs to find a better way of disciplining irresponsible local and state governments without returning to the centralization of the past. Whereas the necessary oversight institutions are for the most part in place, there is little political will to let them operate, because of the powerful role that state governors play in the political process. Ideally (though this will be difficult) the Mexican government needs to find a way of bringing some economic dynamism to the southern areas of Mexico in order to help them close the development gap.

Indeed, Mexico is badly in need of stronger economic growth, in order to create

jobs and promote a better income distribution. None of this can be achieved if Mexico does not increase its productivity and competitiveness. Mexico has large firms competing in the world market, thanks to a good internal market and its notable recent macroeconomic stability. However, many problems limit advances in Mexico's competitiveness, including the prevalence of organized crime and violence, the government's heavy regulatory burden, the legal system's low efficiency, the lack of trust in politicians, favoritism in governmental decisions, uncertain property rights protection, and the judiciary's still-relative independence. Additionally, women's low participation in the labor force and the very low labor mobility forced by the high costs of dismissal limits the labor market's dynamism. National infrastructure needs investment and improvement, mainly in ports, electricity, railroads and highways, and in the production of technology and innovation. Economic activities are extremely concentrated in many important areas, and the entire energy sector remains in the hands of the government. Economic and societal reform efforts ought to concentrate on the following areas:

- **Labor reforms.** The most urgent task is the reduction of costs to labor force mobility. Currently, the heavy burden on contracting and firing deters investors from employing Mexican workers. The creation of support systems for female workers is also critical. However, this is an area where no reform impulse is today evident, probably because of the strong political influence, on legislators and the executive itself, exerted by the large unions representing teachers, oil workers and others in the government sector.
- **Education.** Efforts in this area are renewed every presidential term. However, the influence of the teacher's union has impeded clear improvement. Education reforms must improve teaching quality, and secure better student achievement. Secondary education should be improved, enhancing the quality of the knowledge and abilities that graduates bring to the labor market. The executive has taken some actions that at least point toward a better focus on quality, and which might have some positive impact.
- **Fiscal reforms.** The need for a larger fiscal base and greater independence from oil resources may urge legislators to approve measures such as a generalized consumption tax. The new government has shown more capacity to forge consensus in both legislative chambers, making this a real possibility. An important reform was reached in the new administration's first year, but all political forces remain extremely reluctant to introduce any change to the value added tax.
- **Economic liberalization.** Further liberalization has to be pursued, particularly in the highly concentrated areas of energy, telecommunications and the food

industry. Yet aside from limited administrative reforms already announced, no real reform in the energy sector seems likely to happen. Support for public ownership of oil and energy in general is a profoundly entrenched element of Mexican public opinion, and one that is difficult for any party to confront.

Recent accidents and shortages have renewed interest in increasing investment in the energy sector, but it would be very difficult to loosen the current limitations to private participation. It seems unlikely that the telecommunications industry can be opened to many important actors because of real economic limitations. Hence, what is needed is regulation. So far the new government has not shown any clear intentions in this sector, but the Supreme Court's overturning of the recently passed media law has forced a revision that may result in a more open market.

If one assumes that the Mexican government has some success with its tax policies (without which nothing much can be accomplished), the most important policy issue will be the reduction of extreme poverty. In the past, the Mexican state has not been organized to do this, tending instead to subsidize the middle class through policies such as cheap gasoline.

Another major social problem is the high level of crime and weakness in the criminal justice system. Corruption and other forms of crime are rampant, causing real social disaffection. Mexico's rule of law is weak, and although systems are in place, they are often undermined by corruption. A significant problem here is drug trafficking, which has helped create well-organized criminal empires. These play a corrupting role across the board. Another problem is the inherent assumption, only slowly giving way, that official extortion is a legitimate means for policeman, customs officers, judges and other officials to enhance their (admittedly often inadequate) salaries.

Poor Mexicans suffer more than they should from corruption in the ranks of petty officials. Nothing is going to bring about dramatic improvement. The best partial solution here is improving the financing, training and organization of the police and judicial systems. Calderon is increasingly using the military to try to deal with the drugs issue, and it is easy to see why he is doing this. But that may not be the best long-run solution, because the military is vulnerable to similar abuses, while being even less accountable than civilian law enforcement offices.

Another relevant issue is that Mexico is a major supplier of illegal migrants to the United States, and there are signs that this is creating tension in the United States. Migration, legal and otherwise, has created a powerful safety valve in Mexico. Mexico cannot easily do without the money sent back from the United States and it is already doing what it can to try to protect the interests of its

nationals there. However, Mexico does not have a free hand in determining emigration policy, and there will have to be far-reaching policy dialogue with political forces in the United States (not just the presidency) to try and put the issue of migration on a sounder and more legal footing.

The aforementioned objectives can only be achieved by what has been the reformist alliance since the 1990s: the PRI and the PAN working together. Considering the current distribution of seats, this seems a plausible option, and the government has so far shown a better capacity than its predecessors to forge these legislative alliances. Some optimism regarding the system's reform capacities is warranted. However, legislative alliances are fragile without adequate quid pro quo among allies. Thus, Mexico's reform capacity will advance if the government is able to offer the PRI proper incentives, and if the PRI is able to overcome its urge to obtain immediate gains in the interest of valuable, necessary reforms.

## Status Index

### I. Status of democracy

#### Electoral process

*Fair electoral process*

*Score: 8*

Party registration is a formal, legal process which confers benefits such as access to public financing for campaigns, and the right to participate in the proportional representation system in congressional elections. To be registered, a party must show it has at least 175,000 members enrolled. Aspiring parties must also show they have convened at least 200 meetings with a minimum attendance of 300 people. Moreover, a new party must draw a minimum of 2 percent of the national vote in order to retain its registration. New parties are forbidden to form alliances, although parties that have already proved their voting power may do so. At the local and regional level, citizens' opportunities to run for office are still constrained by strong socioeconomic and ethnic inequalities, as well as by the existence of oligopolistic political clan and family structures.

*Fair electoral campaign*

*Score: 6*

Candidates and parties have largely equal opportunities with regard to media access. The media system at the national level, and especially the spectrum of existing newspapers, can be considered as pluralistic. News coverage of the last presidential campaign was intense and unbiased. The Federal Electoral Institute hired Mexico's leading audience measurement firm, IBOPE, to monitor campaign coverage. This group found that almost 90 percent of the news was neutral, containing no comment for or against any of the candidates. The remaining 10 percent did contain some comment, but did not show any specific bias in favor of or against any candidate. However, de facto restrictions on the media still remain, including a worrying concentration in the national broadcast TV market, and the continuing, illegal intervention by state politicians against critical and investigative journalism. These factors may hamper equal access.

*Inclusive  
electoral process*  
Score: 8

The electoral law is designed to prohibit open bias in the media, but there are ways in which the intention of the laws can be evaded. The country's electoral court has been critical of tactics used by business supporters of Felipe Calderon in the 2006 elections.

Overall, Mexico's national electoral process can be considered to be democratic and inclusive, even if some deficiencies still exist. In most of the northern and urban parts of the country, the voter registration and balloting processes are effective, impartial and nondiscriminatory. However, in some southern and rural parts of the country, fraudulent electoral irregularities might occur. Voter registration involves production of an identity card. This is as inclusive a procedure as possible, but its effect may be to dissuade some less-educated Mexicans from registering to vote. Turnout among registered voters is reasonable, reaching around 59 percent in the most recent presidential elections and 42 percent in the most recent midterm elections.

This midterm ballot was the first in which Mexicans living abroad were able to vote – a very relevant issue, since more than 4 million Mexican citizens are estimated to live in the United States. However, the system designed after input from all political parties was so difficult that participation was almost negligible. The problem is that the reliability of the electoral system rests on the registration process, which allocates votes and voters to specific poll sites. Hence the registration of voters living abroad became so burdensome that almost nobody registered to vote, let alone voted.

#### Access to information

*Media freedom*  
Score: 7

Mexican media organizations are mostly private, but often depend on the national or state governments for advertising revenue. In some states, the withholding of advertising funds has been used as a means of putting pressure on independent media. The end of the Institutional Revolutionary Party (PRI) regime meant a significant change in government's traditional influence over political media content.

Professionalization among journalists and a public demand for unbiased information have also been forces leading to a less biased provision of political information. Many media outlets criticize the government and attempt to provide a broad range of information. It is probably safe to say that national newspapers and magazines and a larger number of local newspapers act with clear independence from the government. The relationship between government and the national electronic media may be better described as one of "accommodation." Media companies retain their independence, but may grant

*Media pluralism**Score: 5*

specific favors under specific circumstances. However, especially at the subnational level, governments often still restrict media freedom.

The print media in Mexico is diverse and thus is an important source of pluralist political information. About 10 newspapers have national coverage, while more than 200 have a regional or local reach. All of the important newspapers are privately owned, with only a minority directly aligned with political parties. Broadcast media companies are also mostly private, but are significantly more concentrated in the hands of a few families, with an oligopolistic market structure. The two main television companies, Televisa and Azteca, reach more than 95 percent of Mexico's television viewers. However, the most obvious use of oligopoly power is more commercial than political. In 2006, the dominant media companies persuaded the National Congress to vote for a law that reinforced their existing commercial advantages. There was an implicit threat that political parties which did not support the law might have to face more hostile media coverage as a result – a particularly daunting prospect, as 2006 was a closely fought election year. The Supreme Court of Justice in the end rejected part of the new law.

*Access to government information**Score: 8*

The right to access public information made a major leap forward in the last administration but still has a good way to go. One of the first acts of the Vicente Fox government in 2001 was to add this right to the country's constitution. Article 6 now protects the manifestation and expression of ideas from prosecution and grants the right of access to information to citizens. In 2002 the corresponding law was enacted, creating the Federal Institute of Access to Public Information (IFAI), with full operative autonomy. The law mandates that all executive offices have to provide full access to information.

The IFAI oversees the law's enforcement, and can issue a judgment when any office refuses any petition. The law established a "principle of maximum disclosure" that essentially reversed the state's traditional approach to the disclosure of official information. Despite these achievements, de facto access to information is still partly unsatisfactory. Most executive-branch officers in charge of information access still try to protect their institution by withholding information, according to an IFAI survey published in October 2007.

**Civil rights***Civil rights protection**Score: 4*

Despite constitutional provisions and regulations guaranteeing basic civil rights, the reality of civil rights protection is still unsatisfactory in Mexico. State actors can only partially protect citizens from human rights abuses. Organized crime and especially drug trafficking pose a serious threat to safety

in several of the northern states. In many urban areas, police forces cannot effectively protect citizens from robbery or other forms of violent crime. Even worse, corruption and the increasing infiltration of police forces by organized crime have often led to situations where the threat of bodily harm or civil rights abuses originated from state actors. The Supreme Court has a range of instruments it can use to protect the rights of citizens, including the amparo process, an institution peculiar to Mexico. If the Court believes authorities have acted inappropriately, it can issue an amparo to stay the process currently underway (for example, a land expropriation). Amparo suits are common in Mexico, and the Supreme Court is a serious professional body. In addition, Mexico has institutionalized the role of ombudsman, whose role is to look at human rights cases. However, problems arise in lower courts, where poor training and corruption are common, and also with respect to issues that do not reach the courts at all. A major problem is that the military is used quite considerably for what in other countries would be ordinary policing roles, such as trying to check and control the drug trade. When soldiers or even policemen kill in the line of duty, there is rarely a serious system of accountability. There is also extensive corruption within the police and the military.

*Non-  
discrimination  
Score: 5*

The Mexican state attempts to guarantee and protect minorities' civil rights. Despite some advances, success remains limited. State actors are not able and sometimes not willing to protect the civil and human rights of ethnic minorities, children and women satisfactorily. Mexico is racially mixed, with a degree of social stratification by ethnic background. Business and political elites for the most part have European backgrounds, though there are exceptions.

By the same token, few poorer Mexicans are of obvious European descent. Formal discrimination on inappropriate grounds is not allowed, and overt racial or social discrimination is officially unacceptable. It nevertheless sometimes happens, and people of Indian descent face informal discrimination in some parts of Mexico. Poverty is the principal contributor to inequality, and poverty has a strong ethnic component in Mexico. Indigenous people (13 percent of the country's population) are the poorest among the poor. Strong efforts have been made against poverty in general, aiming to reduce the gap between the indigenous population and others, but inequality remains high.

In addition, violence against women is common in Mexico. Human rights organizations have for many years called for stronger punishments for domestic and sexual violence against women and children. In a national survey, 40 percent of women reported that they had experienced some kind of violence, 17 percent of it either physical or sexual. Life for disabled citizens is extraordinarily difficult in Mexico. Homophobia is prevalent. Mexico City's

local legislature recently enacted a law allowing civil unions, but most states have not followed this lead.

### Rule of law

#### *Legal certainty*

*Score: 5*

Mexico displays several features of an illiberal democracy. High levels of political and administrative corruption, an antiquated and ineffective judicial system and only modest reform dynamics during recent years are the major contributors to legal uncertainty. Overcrowded jails and unequal access to justice due to socioeconomic and ethnic cleavages exacerbate these problems. Legal certainty in Mexico is accessible only with the help of expensive lawyers and considerable persistence. Strong calls for system reform have surfaced in recent years, and some states have in fact initiated legal reforms, but at the federal level almost nothing has been done. However, the Supreme Court recently hosted a set of serious public consultations that produced a detailed document outlining major reform possibilities. This will likely be the basis for expected legal reforms.

#### *Judicial review*

*Score: 7*

Judicial review emerged in Mexico only in 1994, as part of a major reform. Since the presidency of Ernesto Zedillo (1995 – 2000), the judicial branch's independence and judicial review powers have increased substantially. The Supreme Court, the country's highest court since 2003, has the authority to overturn laws it deems unconstitutional. Its role is increasing, and it does not hesitate to rule against the government when it thinks this is necessary. This is an area where recent change is evident. The top court has played an important role both in solving controversies among different levels of government, and in reviewing important legislation, primarily local reform legislation that was ultimately ruled unconstitutional.

The Supreme Electoral Tribunal, which has the limited but crucial role of judging local and national elections' fairness, has also played an important part. The electoral tribunal has annulled important state elections in the past, and levied heavy fines on national parties for breaches of the law. However, while formally independent, the judiciary often does not adequately monitor and review actions undertaken by the executive. The performance of local courts in controlling local and state government is highly variable. Administrative courts often rule against important government decisions, but the scope of these rulings is limited. These courts are not allowed to abrogate the law, but can only exempt certain individuals from the laws' application with the issuance of an amparo (a type of habeas corpus resource).

#### *Corruption*

Formally, Mexico has made strong improvements with regard to corruption

*prevention*

*Score: 4*

control. The Office of the Auditor General (established in 2003), the ombudsman, the IFAI and the ratification of international anti-bribery conventions are supposed to be formal safeguards against bribery. The government and courts do what they can to combat corruption, but it must be said that corruption is mostly winning. The reasons for this are complex. One is that Mexico is a major transit point for the export of illegal drugs to the United States. This smuggling likely generates at least \$10 billion in annual income, and much of this is returned to Mexico in the form of bribes of military, police and political figures. Corruption in the form of outright theft from the public treasury is probably in decline. Until a generation ago it was not merely uncontrolled but positively accepted, however. Today the government is publicly committed to fighting corruption. There is also an anticorruption agency with some teeth. Nevertheless, islands of corruption remain where corrupt practices are condoned and protected by broader interests. Corruption in the state oil company Pemex, for example, is strongly protected by the Pemex union. Finally, small scale corruption by traffic police, customs officers, local judges and the like is endemic. This is particularly oppressive to poorer Mexicans, who may not be as worried about broader issues such as the illegal drugs trade. Corruption at all levels of government not only negatively affects the consolidation of democracy but is one of the most important barriers to dynamic and inclusive economic development.

## II. Economic and policy-specific performance

<i>Basic socioeconomic parameters</i>	<i>score</i>	<i>value</i>	<i>year</i>
GDP p.c.	1.42	10627 \$	2005
Potential growth	4.29	3 %	2008
Unemployment rate	9.75	3.3 %	2006
Labor force growth	6.97	4.9 %	2007-2008
Gini coefficient	1	0.471	2002
Foreign trade	3.02	-1.56	2005
Inflation rate	6.74	3.8 %	2007
Real interest rates	5.62	3.6 %	2007

## A Economy and employment

### Labor market policy

*Score: 5*

Mexico is characterized by a high level of poverty, and a huge percentage of its comparatively young labor force is poorly educated compared to their counterparts in most other OECD countries. Mexico's unemployment figures are based on very restrictive criteria, and are misleading as a guide to the general labor market. Mexico's unemployment problems are made more tolerable by the export of significant numbers of workers to the United States, whether legally or otherwise.

Labor market participation is also relatively low in Mexico, due to the relatively low participation of women in the workforce. This is more the result of broad social circumstances than of government policy. In addressing unemployment, governments have attempted to foster economic growth through fiscally responsible public finances and an open economy. Nonetheless, economic growth has been mediocre. Specific public programs provide some money to laid-off workers seeking new skills, but these are limited in scope and reach.

### Enterprise policy

*Score: 5*

Public policies have only partially achieved the objectives of fostering innovation, economic competitiveness and private investment. Mexico's economic competitiveness is low compared to most other OECD countries in studies such as the World Competitiveness Report. Yet, since the end of the 1980s, Mexican governments have attempted to introduce market-friendly policies aiming at increased efficiency and world market integration. The establishment of the North American Free Trade Agreement (NAFTA) led to a dynamic export sector and substantial inflows of foreign direct investment.

The overall market-oriented strategy continued under the government of Vicente Fox. As a result, some sectors of the Mexican economy have developed a high degree of international competitiveness. Mexico's top firms are internationally efficient, and have proved this by successfully investing outside Mexico. There are signs of genuine improvement in productivity at the economy's top level. Investment is on a slowly rising trend as a share of national income.

The main problem is regulatory inadequacies, which have led to the emergence

of oligopolistic economic sectors including telecommunications, the broadcast media and some tourism-based activities. This has resulted in part in a loss of efficiency, but also in slow employment growth and very high levels of internal social inequality. Low incentives to invest in research and development, a relatively poorly performing education system, uncontrolled crime, and institutional weaknesses all have had negative impacts on the business environment. Although the Federal Competition Commission is regarded as an effective institution, taking international best practices into account, cartel-building and monopolistic structures are nevertheless threatening sustainable economic competition in several sectors.

### **Tax policy**

*Score: 5*

Taxation policies largely have failed either to abide by principles of equity or to generate sufficient public revenues. Mexico's level of tax revenue as a percentage of GDP ranks among the lowest of any OECD country. It is also low in comparison to countries with a similar level of development. In contrast, rates of tax evasion are among the highest in the OECD world, again highlighting deficiencies with regard to the rule of law. Thus, the advantage of a comparatively modest tax burden is undermined by the problems with obtaining sufficient resources to finance basic public goods, such as security or a well-functioning education system.

In addition, public finances' excessive dependence on taxes levied on oil production and exports (rates here are close to 40 percent) have been for many years another major weaknesses of the Mexican tax regime. The exemption of food and medicines from the value-added tax, along with its relatively low rate (15 percent, though effectively lower due to exemptions) is another important weakness of the system.

### **Budgetary policy**

*Score: 7*

Oil revenues and a succession of fiscally responsible governments have resulted in an adequately balanced budget and a healthy debt policy. However, this seems unsustainable in the long run, as the budget depends dangerously on oil reserves that will ultimately disappear. In 2005 and 2006, sound monetary and fiscal policies contributed to macroeconomic stability. The 2006 Budget and Fiscal Responsibility Act further contributed to strengthening the fiscal framework, with public spending now under control.

The painful effects of previous economic crises have helped sustain a broad

public understanding of the need for fiscal stability. But points of vulnerability remain. A sharp fall in oil prices, or a gradual but sustained decline in oil production (the latter being quite likely), would hurt the revenue side of the economy. Higher taxes elsewhere would be necessary.

Some public-sector companies, notably Pemex, have incurred their own debt, and these liabilities may be unsustainable. The federal government will quite possibly have to bail out Pemex at some point, and that will be costly. Mexico has a relatively young population that is slowly aging. Pension liabilities are likely to rise in the future, and Mexican savings are for the most part insufficient to finance an effective pension system.

## **B Social affairs**

### **Health policy**

*Score: 5*

Health care in Mexico is characterized by the fragmentation typical in the country's other policy areas. The more developed the region, the better its health services. A minority of the population has access to modern treatment and prevention, but the majority of Mexicans have inadequate care. On the positive side, indicators of life expectancy and infant mortality have improved significantly in Mexico over the last generation, although they are still low by OECD standards.

The Mexican public health system provides services only to those workers who participate in the formal sectors of the economy. Moreover, these services' quality has substantially deteriorated, largely due to an irresponsible employee pension system that consumes large amounts of available resources. The health insurance system is inefficient, with its separation of the Mexican Institute of Social Security and the Popular Health Insurance program, and the OECD has recommended their unification into a single system. Thus, the overall health care system has not been able to provide high-quality health service for the majority of the population.

### **Social cohesion**

*Score: 4*

Mexico is a highly fragmented society, with social structures that sharply contrast with the normative principles of an equitable society. With regard to income distribution, Mexico ranks among the world's most unequal societies. Other cleavages also provide serious threats to social cohesion, including ethnic discrimination, strong regional heterogeneity with regard to socioeconomic

development and persistent discrimination against women.

Recent administrations' economic and social policies have rested on the principle that socioeconomic disparities can only diminish through economic growth based on fiscal sustainability. The 2006 presidential election showed that a good portion of the electorate has begun to lose patience with this guiding principle, demanding instead a clear agenda to increase productivity and growth and diminish the country's abysmal income disparities. Nonetheless, beyond its clear and important commitment to fiscal sustainability, the new government has not yet offered a clear agenda to promote economic growth.

### Family policy

*Score: 4*

Policies directed at augmenting opportunities for women to combine parenting and employment have until now only shown modest results. According to OECD figures, Mexico has the second-lowest level of female participation in the work force among OECD states. Only 35 percent of women are economically active, and their salaries are on average one-fourth lower than men's. This figure is evidence both of the prevalence of traditional family values and of the lack of family support systems beyond the limits of relatives and neighbors.

On the other hand, female workforce participation among middle- or upper-class Mexicans is quite high. Social attitudes have changed almost completely among wealthier, educated Mexicans, and it is quite normal for women to seek highly paid employment. For example, a significant proportion of Mexican university professors are women. Women of this socioeconomic status are able to access private sources of nursery education or to hire the services of maids. The federal government is undertaking important improvements in this realm, such as creating more child-care centers and improving support for single mothers.

However, traditional social attitudes are common in poorer Mexican families, in which birth rates remain high and female education receives less emphasis. Estimates of female employment in the informal sector are considerably higher than rates of employment in the formal sector. Still, increasing foreign direct investment and world market integration has also increased women's labor market integration – most explicitly in blue collar segments, such as the “maquiladora” industry.

## Pension policy

*Score: 4*

Until 1993, all pension systems were based on collective, non-individual accounts, and repeated fiscal crises eroded them to the point of bankruptcy. The 1993 pension reform allowed all private sector workers to open an individual account, to which they could freely contribute above the legal obligation. However, many public sector workers and employees remained under the old system until 2007, when a reform creating individual accounts for newly hired public employees and those who wanted to change their pension system was introduced. These reforms have initiated the creation of a sound and viable pension system, but its expansion has been limited by the breadth of the large informal economic sector, as well as by public employees who have not yet opted for individual accounts. Furthermore, the fragmented pension subsystems cannot be considered financially sustainable. This challenge will grow as the age structure of Mexican society continues to change.

Mexico still has a fairly young population by OECD standards. Consequently, pension liabilities are still relatively low in absolute terms. Yet, this will naturally change as the population's average age increases. In fact, the share of retired people is relatively small but rapidly growing, with many retirees already living in poverty. Many think that Mexico needs to increase its mandatory retirement age beyond 65, or the 25 years of service mandated today. However, a successful congressional proposal of this kind seems unlikely due to trade union pressure, with no political party seeming willing to pay the electoral costs of such reform.

## C Security and integration policy

### Security policy

*External security*

*Score: 7*

Mexico does not currently face traditional external security threats. The country's Latin American and Caribbean neighbors are too small to pose risks to national security. Nor does its northern neighbor, the United States, pose a traditional security threat to Mexico, despite a sometimes difficult relationship. However, external security threats from transnational actors are considerable, mainly in the form of organized crime and drug cartels. The Mexican military is therefore used for internal purposes, dealing with the occasional subversive group and with the drugs trade. The military is on the whole positively regarded within Mexico. It has sufficient – some would say excessive – internal

legitimacy to permit its operations. After 9/11, terrorism became a new concern due to Mexico's border with the United States, but no specific plans or programs on this matter have been announced, and no major terrorist event has occurred.

*Internal security*

*Score: 4*

Mexico is a dangerous place to live, with citizens facing threats of two main types. A small guerrilla insurgency operation is based in the poorest western and southern states, which has occasionally bombed oil and gas installations and other commercial operations. As far as can be observed, this group is too small and limited to be very effective, but it may benefit from weaknesses on the part of the Mexican state. The permanent danger is that social inequality and corruption associated with government services may trigger serious discontent, spilling over into violence.

A more immediate concern is crime, particularly related to drug trafficking. Mexico has become a major transit route for drugs coming from South America, mostly destined for the United States. This brings in literally billions of dollars that can be used for other criminal purposes, such as the recruitment and organization of paramilitary bodies to create areas of ungovernability, or to intimidate the security services to the point that these are no longer effective.

Poor police and military pay has notoriously driven many soldiers and police to defect to the main drug traders' gangs, where they can find better pay and often sophisticated weaponry imported from the United States. Detection is rare and punishment is rarer. The drug barons can use their financial power to ensure the release of members who are arrested by the state. Some say today that Mexico's old authoritarian state was in some ways better able to deal with drug crime, through the exercise of arbitrary powers, than is today's liberal democratic state. No senior politician has been arrested for involvement in the drug trade since 2000.

*New security  
policy*

*Score: 5*

Mexico's most important new security problems have to do with problems in other parts of the world. For example, purely Mexican consumption of illegal drugs would not create the kind of criminal fortunes that are made by exporting them to the United States. Moreover, the United States government has expressed concern (so far without supporting evidence) that potential terrorists might try to cross Mexico's northern border, taking advantage of the routes followed by illegal economic migrants. To date, no such case has been identified.

Mexico and the United States cooperate closely in anti-drug operations. This includes a Mexican willingness to extradite Mexican citizens wanted by American authorities on drug-related charges. National sovereignty considerations do impose some limits on this cooperation, but the general

impression is that these concerns are weakening and that cooperation with the United States is strengthening. Felipe Calderon's administration has taken a strong stand against crime, and has for the first time pursued significant collaboration with the United States. New police forces have been created, and more preparation and technology have been deployed in combating organized crime.

Nonetheless, there is still a long way to go. Police forces are highly decentralized, thus making many local police forces easy targets for corruption. The new forces are still under construction, and the new technology is not as yet in use. Above all, the justice system is in such disarray that it probably represents the weakest part of these efforts.

#### Integration policy

*Score: 5*

Mexico is unusual among OECD countries in producing for more emigrants than immigrants. Policy is therefore directed at protecting, as far as circumstances allow, the interests of emigrants. Treatment of immigrants is a secondary issue, and often characterized by neglect or worse. Broadly speaking there are two classes of immigrants. First are people who have their own sources of income and are unlikely to become a charge on the Mexican state. Such people, often wealthy pensioners, but also some non-Mexicans with Mexican spouses, are quite well treated and have no problem integrating into Mexican society. Second are people who enter Mexico illegally, mostly using Mexico as a transit point on their way to the United States. Most of these people come from Central America, and are treated much worse than wealthier immigrants. Migrants from the south experience humiliation and exploitation in their transit through Mexico, and many die in the attempt to reach the northern border. Mexico was generous in its asylum policies after the Spanish Civil War and during the military regimes in Latin America of the 1970s, but its migration laws are restrictive and xenophobic.

### D Sustainability

#### Environmental policy

*Score: 5*

Mexico gives environmental policy a reasonably high priority. Sustainable development is explicitly addressed in the country's 2007 – 2012 development plan. It is a signatory to the Kyoto Protocol. Mexico's environmental agency works closely with international organizations and has a quite sophisticated

understanding of the major issues. However, the country does face real environmental problems. It is overurbanized, and its system of land tenure, with too many legally protected smallholdings, is conducive to erosion. It is also overpopulated, with a rural population under severe economic pressure due to the opening of Mexican agricultural markets to imports from the United States.

Energy consumption is based on oil and gas, and capital stock is often antiquated because the state oil monopoly has insufficient resources for modernization. Despite these issues, major disaster has been avoided. Given the nature of Mexico's problems, that quite possibly qualifies as a satisfactory record.

#### Research and innovation policy

*Score: 3*

Mexico's research and innovation efforts have traditionally been poor. This is now improving, but from a low base. National spending on research and development in 2005 amounted to less than 0.5 percent of GDP, including both the private and public sector. This is quite low even by Latin American standards, let alone in the OECD. There have been improvements in many aspects, but resources have been insufficient. The main limitation has been the poor quality of secondary and higher education. This has constrained the number of people involved in these activities, and therefore undermined Mexico's ability to create new technologies and take advantage of a growing global demand for services.

The state agency responsible for research and development has pandered to the needs of large firms and not involved enough in helping small business. The problem is particularly acute since Mexican industry is deeply polarized by international standards, with a very large number of "micro" firms and a relatively small number of very large companies. The largest firms carry out some of their own R&D, while also enjoying preferential access to state resources.

#### Education policy

*Score: 4*

Mexico's education system is generally of poor quality, and is not linked to the needs of the labor market. The net enrollment rate at primary school level is almost 100 percent, much better than 50 years ago, when infant and child mortality rates started to fall decisively, resulting in an unexpectedly high demand for educational services. Nonetheless, graduation from secondary or

higher levels of education is very low. Enrollment in secondary education now amounts to around 60 percent of a given age group. The trend is upward, but few other OECD countries have figures this low. Members of a privileged elite attend good and prestigious private schools, while the vast majority of children are poorly educated in badly equipped, inadequately staffed public institutions.

Progress in improving the quality of education is held back by a powerful teachers union that has consistently opposed measures to improve qualification requirements and teachers assessments. Teachers' pay absorbs an unusually high proportion of the education budget – though it must be noted that teachers are not particularly well paid by OECD standards. The general quality of Mexican universities is much better than a generation ago, and far more Mexicans attend university. Good Mexican graduates can study abroad and fit easily into postgraduate training programs at universities in the United States or elsewhere. Private schooling in Mexico reaches a high standard. However, the stratification of the system has probably intensified in recent years since public institutions have not for the most part kept up with developments in the private sector.

## Management Index

### I. Executive Capacity

<i>Cabinet composition</i>	<i>President</i>	<i>Parties</i>	<i>Mandates (%)</i>	<i>Presidential election</i>	<i>Duration</i>
	Vicente Fox Quezada	National Action Party (PAN)	40%	07/00	12/00- 11/06
	Felipe Calderón Hinojosa	National Action Party (PAN)	42%	07/06	12/06-

#### A Steering capability: preparing and formulating policies

##### Strategic capacity

*Strategic  
planning  
Score: 7*

In certain policy areas, especially at the national level, planning capacities are well-established and have a considerable influence on policy-making. This is true not only for macroeconomic policies, but also for areas such as education and social spending. The President's Office works as a coordinating unit assisted by a strategic planning staff. This organizing principle is followed by most of the government agencies. Presidential preferences vary, but Vicente Fox was a strong believer in the planning process, and Calderon seems to be as well.

The constitution requires new governments to present a national development plan four months after taking office, while a separate law requires that every government agency be organized on the basis of careful planning. National plans are usually documents of general policy orientation and basic quantitative goals. The budgetary process forces a more detailed level of planning, which is generally carefully fulfilled.

Subnational governments are of increasing importance in Mexico's federal system. In these administrations, executive strategic capacity varies widely, partly due to the high heterogeneity of economic and political development among Mexican regions.

*Scientific advice*

*Score: 6*

There has traditionally been a relatively high degree of permeability between Mexico's ministerial bureaucracy and the academic sector. As a consequence, academics have high prestige, and their advice is often sought by government. Academics are sometimes promoted to senior government positions, either into the full cabinet or more often into deputy ministerial positions. The presidential system also enables academics to give advice to presidential policy advisers. With regard to formal channels of influence, there are an increasing number of commissions and committees aimed at giving politicians more access to academic expertise and vice versa. The constitution and several laws mandate regular consultation procedures, but these are in reality rarely observed.

Several government agencies, such as the Federal Regulatory Improvement Commission (Cofemer), include expert representatives. Nonetheless, important advisory bodies do not exist for many important policy areas, such as economics or health care. There are many informal channels linking politicians, bureaucrats and academic experts, partly as a result of the abovementioned permeability. However, there is not much of a "think tank" culture, in the sense of institutionalized communication with universities on matters that do not concern the universities directly.

#### **Inter-ministerial coordination**

*GO expertise*

*Score: 8*

The President's Office and the Ministry of Finance are strong gatekeepers in the process of institutional change, and both have the institutional organization and professional capabilities to do their job. The presidential office is staffed by qualified professionals who are widely regarded as "big players" in the political system. Currently there are five presidentially appointed coordinators responsible for different aspects of government, and the presidential personal secretary is also an important figure. They can draw upon their personal staff as well as on members of the civil service. Early impressions indicate that President Felipe Calderon keeps his government on much tighter reins than did predecessor Vicente Fox.

*GO gatekeeping*

*Score: 9*

Mexico's core executive has strong authority and control over the entire executive branch. The Ministry of Finance exerts strong control over all other agencies, given its budgetary authority. It is a professional and well-

trained organization. Its staff assesses the budgetary impact of every draft bill, and accepts or rejects proposals on those grounds. The President's Office serves a strong coordinating role. Top presidential aides are more powerful than most members of the cabinet. For example, the President's Office sustains a bilateral relationship with each cabinet member but it also coordinates cabinet meetings organized by major topics such as the economy, social policies or security.

The Office of the Chief of Staff prepares documents to be analyzed by the cabinet meeting, with considerable authority to accept or reject these, assisted by a specialized body. No draft bill presented to Congress by the executive or any important executive decree is adopted without going through this process. Given the power of the president with regard to his secretaries, the President's Office is de facto able to return materials on a policy basis. However, it did not use this power frequently during the period of this analysis.

*Line ministries*

*Score: 10*

The logic of a presidential system like Mexico's renders the cabinet less powerful than in some alternative systems. Cabinet secretaries who do not involve the presidential office in their policy proposals risk losing their jobs. Under the Fox administration, there was little supervision of work undertaken in some ministries, but that was mainly because of presidential non-involvement. Calderon takes a far more hands-on approach. Within the cabinet, the Ministry of Finance is by far the most important body, and will expect to be consulted on any item involving public finance.

*Cabinet committees*

*Score: 9*

Mexico does not have a cabinet with a full-fledged cabinet committee system. It has a set of separate groupings of cabinet ministers (economic, political, social, and security) who tend to meet with one another much more often than does the whole cabinet. If we regard these separate groupings as cabinet committees, then they are much more important than the whole cabinet sitting as a group. In addition, the specialized cabinet meetings in the President's Office review every initiative and prepare documents for the president's discussion in the cabinet meeting.

*Senior ministry officials*

*Score: 8*

In Mexico's presidential system, no particular minister filters issues or initiatives. This is not really relevant to Mexico, because the whole cabinet rarely meets. There are separate subcabinets dealing with economics, social, political and security issues. The president's agenda acts as a filtering tool, implemented by the President's Office. For instance, when economic issues were high on the list of presidential priorities, the economic cabinet met more often than any other. More recently, security has become a major priority for the administration, and the national security cabinet therefore meets more

often than any other, coordinating a set of specific programs related to the issue.

*Line ministry  
civil servants  
Score: 6*

Above comparatively junior levels, civil servants are presidential appointees rather than career bureaucrats. There is no real division between political office holders and the most senior civil servants, because they are all subject to presidential nomination. The degree of interministerial coordination varies. Broader interdepartmental cooperation is also inconsistent though increasing, if from a relatively low starting point. De facto coordination is often still deficient in Mexico, given the rivalry between many ministries and the segregated systems of personal loyalties in separate executive entities.

#### Regulatory impact assessments

*RIA application  
Score: 8*

Regulatory impact assessments (RIAs) are formally well-embedded at the national level, and are applied to many existing regulations. In Mexico, RIAs were introduced as part of the process of regulatory simplification. The President's Office's legal council will not consider any proposals submitted without such an assessment. The budgetary implications of all draft bills are carefully reviewed. Regulatory and socioeconomic effects are also considered, but are not as carefully reviewed as budgetary issues.

The OECD has on several occasions positively mentioned Mexico's attempts to embed RIA into the national administrative system. Nevertheless, some serious problems remain. Assessments in many policy fields are not of high quality. Additionally, RIAs require several prerequisites to be effective, ranging from technical issues such as data availability and analytic techniques to sociopolitical factors such as transparency and accountability. Given Mexico's deficiencies with regard to these latter factors, the mere number of RIAs performed does not adequately describe their de facto impact on policy-making.

*Needs analysis  
Score: 7*

Formally, Mexican RIAs must include a very detailed description and justification of any formal legal changes created by the proposed regulation. All bills initiated in Congress have to be preceded by an exposition of the motives behind the measure, which in turn must clearly describe the changes needed to existing regulation. However, clarity of specification has varied depending on the policy issue. Most economic bills have references to larger macroeconomic questions. Specific assessments of bills' socioeconomic implications are rarer. Noneconomic bills are more general in their assessments, making reference to general policy issues and only rarely to specifics. This variation can sometimes be traced back to technical

deficiencies (especially in some states) and sometimes to reasons of politics.

The regulatory assessment office, Cofemer, is staffed by some 60 expert officials who are responsible to an interdepartmental committee, which ultimately reports to the Economics Ministry. Cofemer does not have veto powers on substantive grounds, but must nevertheless be consulted. It can refuse to allow a new regulation to be published (therefore stopping it coming into force) until the appropriate consultations have taken place. Cofemer is generally well regarded from a technocratic point of view, but it has not to date responded assertively when facing political pressure.

*Alternative options*

*Score: 6*

In general, RIAs in Mexico are supposed to highlight alternatives and to analyze the costs and benefits of different alternatives. Nevertheless, the quality of such scenario analysis varies greatly due to data availability, technical capacity and political will. For instance, Cofemer could in principle work well and evaluate alternative options. Its problem is not expertise but politics. In the recent past, Cofemer has tended to take a soft line on politically sensitive issues. It has held off approving regulations that would tighten control of the politically sensitive telecommunications sector. Institutional change would probably not help much in the absence of a shift in the political culture toward greater respect for regulation. This is happening, but the process is slow.

### Societal consultation

*Mobilizing public support*

*Score: 5*

For many years, Mexico's civil society was based on strong corporative organizations such as private sector chambers and large unions. Nowadays, in some of the major socially oriented organizations such as the Mexican Social Security Institute, all three sectors – government, business and labor – are formally represented. This has led to a tradition of communication between government and these organizations, but the links are generally exploited to win support for government measures, rather than for genuine consultation. The government does genuinely listen to some economic and social actors, however. Business groups, particularly those representing big business, have considerable influence. Small businesses, despite having their own organization, are largely bypassed on major issues.

The issue of trade union representation is more complicated. Most Mexican workers are not enrolled in effective unions, but there are indeed some very powerful trade unions, such as the teachers' union and the oil workers' union. These unions have direct access to party politics. The oil workers' union is close to the Institutional Revolutionary Party (PRI), while the

teachers' union, once close to the PRI, now attempts to broker deals between PRI and the National Action Party (PAN). These unions do influence government, but the influence is mainly political rather than syndical.

### Policy communication

*Coherent communication*  
*Score: 7*

Given the balance of power within Mexico's presidential system, communication and coordination is essentially a matter for the President's Office. One of the principal functions of the President's Office is the coordination of all governmental communications, with reference to presidential objectives. Cabinet secretaries can communicate with the public within their areas of competence, but the president is responsible for communicating the overall government strategy. The most important public communication event is the president's annual government declaration in front of the National Congress.

In 2005 and 2006, the government's communication strategy was inconsistent, due to intraparty conflict between the president and other high ranking PAN members, and to the president's declining authority as a result of upcoming presidential elections. The Calderon administration has regained control over the coordination of communication.

## B Resource efficiency: implementing policies

*Legislative efficiency*

*Veto players*

	<i>Total</i>	<i>Share</i>
Bills envisaged in the government's work program	155	
Government-sponsored bills adopted	111	71.61 %
Second chamber vetos	44	42.72 %
Head of state vetos	-	- %
Court vetos	3	1.26 %

### Effective implementation

*Government efficiency*  
*Score: 6*

The Fox government, especially during its two last years, failed to implement its objectives fully due to a very challenging constellation of political forces. First, the Fox government lacked a majority in either legislative chamber. Second, the distance between the president and his party, the PAN, grew during this time. Third, the PAN was seeking to establish a new presidential

candidate who was not close to the current president, hoping to regain its weight vis-a-vis the chief executive.

The Calderon government, at least in its early phases, has done more to achieve its objectives than did Fox, owing to a more targeted negotiating strategy with the leaders of the congressional opposition parties. Therefore, experts tend to view Calderon as a more efficient president. As far as implementation is concerned, the most important single problem facing any Mexican government is a chronic lack of public revenue due to the unpopularity of tax collection, and the resistance by the opposition parties in Congress to tax reform.

*Ministerial compliance*

*Score: 9*

The logic of the presidential system of government strongly encourages ministers to follow the presidential lead. With a few exceptions, cabinet secretaries do not have independent political bases. Unlike in parliamentary systems, cabinet members are not members of the legislature. Even those who do have independent political followings or personal name recognition can find it difficult to survive a period of presidential displeasure. Presidents can dismiss most cabinet members at will, although the finance minister's tenure can be more secure than others. For example, Mexico's current president, Felipe Calderon, served in predecessor Vicente Fox's cabinet as energy minister, but was dismissed. Thus, ministers' scope to pursue independent policy goals is in general very limited indeed. However, in 2005 and 2006 there was neither a coherent policy program nor strong incentives for ministers to implement the government's program. Given the impossibility of re-election, the Mexican president, at least in his last year of office, is confronted with a strong "lame duck" phenomenon.

*Monitoring line ministries*

*Score: 9*

The Mexican government has the necessary powers to monitor the behavior of individual ministries. Line ministries face a rigid series of legal obligations, to the point that civil servants often complain that compliance issues prevent them from doing anything useful. Much therefore depends on the performance of the incumbent president, which is largely politically determined. There is an effective delegation of duties from the executive to the different departments and ministries. Compliance is ensured by frequent meetings at the President's Office, which exists largely to assure this objective. However, cabinet size, the importance of informal politics and low levels of political transparency can de facto become constraining factors in the president's ability to monitor his cabinet effectively.

*Monitoring agencies*

*Score: 8*

The most powerful executive agencies in Mexico are answerable only to the president, and not to secretaries or lesser political figures. The constitution requires the president to nominate executive agency heads who have cabinet

rank but who are not formally members of the cabinet. Even when executive agencies are in theory responsible to a cabinet secretary, most serious matters are referred to the presidency and resolved at that level. The president's staff monitors each ministry closely. However, monitoring the activities of all executive agencies can prove difficult, considering the entangled bureaucracy of the Mexican system. Each minister is responsible for his or her executive agencies and has the duty and the incentives to do so correctly, since political reputations depend on it. However, the relatively high level of political non-transparency and corruption within the state seriously constrains effective control and oversight.

*Task funding*

*Score: 7*

Mexico's federal system was extremely centralized for many years. This situation has changed dramatically as the result of a strong decentralization push, but resources remain scarce, and economic disparities between states have kept the federal system complex. Subnational governments have considerable political power, because of the strict rule forbidding the immediate reelection of members of congress. Federal legislators thus look to their local state governor for political opportunities after the end of their term of office, creating a situation in which members of congress depend on governors, and the president depends on Congress. Since every president since 1997 has belonged to a congressional minority, presidents need to keep governors happy in order to achieve their legislative targets – or even to avoid complete legislative humiliation. State governors have their own collective organization, the National Conference of Governors (CONAGO), which is one of the most important groups in Mexican politics. These political realities, along with Mexico's unexpectedly high revenues from high-priced oil (though these remain inadequate for most purposes), have enabled additional funding to be made available to subnational governments. In fact, the recent trend has been for public spending to grow faster at the state and local levels than at the national level. This said, the formal autonomy of state governors is limited, since they rely overwhelmingly on the national government for their revenue. Local and regional tax revenues are too low to provide meaningful collateral for significant levels of borrowing.

*Constitutional discretion*

*Score: 6*

In general, each Mexican state has its own constitution. States' legal jurisdiction includes all matters not explicitly stated in the federal constitution. However, during much of the 20th century, the country's authoritarian regimes trespassed on state jurisdiction. A revival of state autonomy has been pursued since the late 1980s, in the form of several laws assigning functions from the federal government back to the states. However,

throughout much of Mexico the central government operates more professionally than do state or municipal governments. The federal government's attitude toward local government is partly determined by a desire for control, partly by an attempt to limit the potential for misappropriation of funds, and partly by the need to prevent fiscal profligacy at the state and local level, which could undermine macroeconomic stability. State governors complain of excessive centralization in Mexico City, and proposals are under discussion that would enable individual states to collect a higher share of taxes locally than is currently the case. However, some local and state governments do operate at seriously substandard levels, particularly in the south of the country, and it may be that the federal administration has little alternative but to try to retain control.

*National standards*  
*Score: 4*

The very different levels of development in different parts of Mexico make it difficult to set meaningful national standards. Given the country's regional heterogeneity, the degree to which the central government is able to ensure the application of national standards varies substantially among regions and policy issues. In the province of Chiapas, a political conflict more than a decade old remains unresolved, and the central state is not accepted. Moreover, the central state can often do little to combat the locally rooted political clientelism and corruption, which is often associated with the political exclusion of economically marginalized groups. In some cases, especially in the northern border region, the central government has done little to counter intense links between subnational politics and organized crime. However, relations between the states and the central government have been becoming more professionalized, a trend which has included better oversight by the center.

## **C International cooperation: incorporating reform impulses**

### **Domestic adaptability**

*Domestic adaptability*  
*Score: 7*

Policy recommendations by international organizations such as the IMF, the World Bank, the Inter-American Development Bank (IADB) and the OECD have had a strong impact on Mexico's reforms during the last two decades. Given Mexico's experience of macroeconomic crisis, policy recommendations by Washington, D.C.-based financial institutions have been influential in fields ranging from budget policy and intergovernmental relations to health and education. The finance department often uses its international experience to try to influence policy-making within Mexico

itself. Other ministries often work with international agencies of one kind or another. There have been some efforts at adaptation – many triggered by the North American Free Trade Agreement – but sometimes these do not fit easily into the Mexican environment. In military and security matters, the long tradition of isolationism prevalent during the authoritarian period has not been easy to overturn. For example, the country has taken little part in organizations such as NATO, or in international military alliances. Indeed, the gap between formal state modernization and the reality of partial state failure implies that the country's implementation of external advice and adaption to supranational developments have been only partially effective.

### External adaptability

#### *International coordination activities*

*Score: 6*

Mexican foreign policy is very open to multilateral initiatives. The central government has often participated in the international coordination of joint reform initiatives, and itself has a long experience with policy dialogues, policy recommendations, and structural adjustment negotiations with international organizations. Mexico takes particular pride in its OECD membership, because the current OECD director is a Mexican. The country also takes its World Bank membership and its role in various organizations dealing with inter-American affairs (such as the Organization of American States) quite seriously. Mexican policymakers are quite open to international advice and can be relied on to try to implement up-to-date agendas on “open government” and other such issues. If there is a problem, it is often an excessive enthusiasm for reform without sufficient awareness of the complexity of internal conditions. In recent presidential administrations, most activity has occurred in the economic realm, although the country has participated in bilateral reform efforts dealing with international security. The United States and Mexico have signed an important cooperation agreement in this sphere. However, this effort is exclusively oriented towards the United States, with no involvement from other countries. Other initiatives have proven scarce and difficult to implement.

#### *Exporting reforms*

*Score: 7*

In its close relations with the World Bank, the Inter-American Development Bank and even the OECD, Mexico often behaves as a standard-taker. In only a few cases, together with other developing countries, has Mexico been able to imprint its own priorities on the international agenda. This has been most effective in multilateral forums working on topics connected to developing countries' problems. For example, Vicente Fox's administration was very interested in spreading its free-trade agenda to the rest of Latin America, even to the point of triggering a major confrontation with Venezuelan

president Hugo Chavez in which diplomatic relations were nearly cut.

## D Institutional learning: structures of self-monitoring and -reform

### Organizational reform capacity

#### *Self-monitoring*

*Score: 7*

Mexico's government has been open to international best-practice ideas, and participates in international forums where issues of governance and organization are discussed. Incoming governments tend to partially rearrange the prevailing institutional arrangements. However, these changes typically respond to personal views or preferences rather than an informed or academic opinion. In early 2007 there was some serious discussion of a possible "reform of the state," though it remained unclear how much effect this would have. The problem is not a lack of monitoring or awareness, but rather the political difficulties associated with implementing necessary change. Additionally, there is frequent systemic feedback on government structures, sometimes informal, from organizations such as the World Bank and the OECD.

#### *Institutional reform*

*Score: 7*

Although the Mexican government has indeed improved its strategic capacity as a result of institutional reforms, these have by no means been sufficient. Improvements have been unevenly distributed. Some departments have experienced major rearrangements, while others remain highly bureaucratic and inefficient. For example, the Ministry of Finance has greatly improved its strategic capacity, and is now one of the most efficient departments in the country's government. Other departments lag behind. The Fox administration completely reorganized the President's Office and redefined the role of the cabinet, seeking to make it more managerial and less political. A skeptic might say there was more change than genuine improvement, but it is certainly possible to find areas – for example, in electronic governance – where international practices were adopted to good effect. To date, Calderon has been less of an institutional reformer, though he has called for national consultations on the issue of constitutional reform.

## II. Executive accountability

### E Citizens: evaluative and participatory competencies

#### Knowledge of government policy and political attitudes

*Policy  
knowledge  
Score: 5*

There is probably more awareness of politics than of policy among Mexico's general populace. Nevertheless, there is evidence of public awareness of big issues such as the reform of the tax system or the maintenance of the state oil monopoly Pemex. Opinion polls show that most people have reasonably formed views on most subjects. Public opinion tends to be led by opinion formers such as church leaders, the media and public intellectuals rather than government. Public opinion played a significant part in undermining Lopez Obrador's protests against what he believed was an unfair election result in 2006. Once he was seen as going beyond the boundaries of legality, support for his efforts fell sharply.

However, the percentage of citizens who are well informed on a broad range of government policies and on the specific functions and responsibilities of different state entities is still rather small, although it has grown over the past decade. This can be attributed to the relatively low average level of education, to the priority given to daily economic issues, which prevents poor citizens from investing time in gaining more political knowledge, and to the country's low level of political transparency.

### F Parliament: information and control resources

#### Structures and resources of parliament, committees, parliamentary parties and deputies

Number of deputies	500
Number of parliamentary committees	43
Average number of committee members	30
Average number of subcommittee members	-

Pro-government committee chairs appointed	17
Deputy expert staff size	3
Total parliamentary group expert support staff	100
Total parliamentary expert support staff	200

*Obtaining documents*

Score: 8

Members of congress, like other Mexican citizens, are entitled to seek information from the executive under the Freedom of Information Act. This transparency law was further strengthened by the creation of Federal Institute for Access to Public Information (IFAI). Overall, the transparency law is well-articulated and up to date by international standards. It defines all government information as public and favors the principle of publicity of information over secrecy. However, the law also defines several exemptions, with rather vague definitions offering room for broad interpretation. In 2005, the public at large made more than 50,000 requests under the law's provisions, and the media has been quick to publicize anything potentially embarrassing to the authorities.

*Summoning ministers*

Score: 8

Article 93 of the constitution confers upon the National Congress the right to summon cabinet members for questioning. In principle, this could amount to quite a strong means of political oversight, but in practice it is limited by two factors. One is that Congress is only allowed to elicit information, with no power to impose sanctions. The other is that party discipline is quite strong, and committees are not independent of party leaders.

*Summoning experts*

Score: 9

Although parliamentary committees have the right to summon experts, the circumstances, cases and conditions under which this occurs are limited. However, expert witnesses do at times play a significant part in Mexico's policy-making process.

*Task area coincidence*

Score: 5

Core ministries do face scrutiny by committees with similar task areas, but there are many more committees than secretaries, which has provoked a problem of coherence. Furthermore, committee technical capacities are often too low to provide effective oversight of the ministerial bureaucracy's work.

*Audit office*

Score: 9

In Mexico, the Office of the Superior Auditor of the Federation reports directly to Congress. The constitution authorizes the Chamber of Deputies to review the government's annual public account, to assess the Ministry of Finance's report of revenues and expenditures, and to determine whether the federal government goals outlined in the budget have been achieved as planned. In this context, the auditor's office reviews the public account. The

Chamber of Deputies appoints the superior auditor (currently Arturo González de Aragón) to an eight-year term, during which he or she can be removed from office only in the case of grave fault, as stipulated by law. The current auditor is serving a period lasting from 2002 to 2009.

*Ombuds office*

*Score: 6*

Mexico's ombuds system is well established, composed of 32 human rights commissions at the state level, and the National Commission of Human Rights (CNDH), which has had constitutional rank since 1992. The CNDH is autonomous and truly independent from the federal government, while some state level commissions' independence has been questionable in the past. Like similar institutions in several other Latin American countries, the CNDH has an important advocacy role, as it is responsible for taking citizens' complaints on human rights issues. However the office's powers can be limited. Recently the ombudsman publicly advised President Calderon against using the army in counter-narcotics activities. Calderon listened, but sent the soldiers in anyway.

## **G Intermediary organizations: professional and advisory capacities**

### **Media, parties and interest associations**

*Media reporting*

*Score: 6*

Television coverage of current events is considerable in the morning but less at night. The morning pattern of news broadcasting is similar to that in the United States, with the juxtaposition of serious items with traffic news, weather forecasts and other items. Mexico's print media does pursue some investigative journalism topics, but this is less true for television. Some topical political satire is allowed on TV, but its effect is to reinforce the "them and us" attitude typical of many Mexicans rather than illuminating policy issues. Radio typically offers lighter fare than does television, although the proliferation of radio stations throughout the country (there are some 14,000) suggests that there may be exceptions. There are radio talk shows featuring interviews with political figures.

*Fragmentation*

## Parliamentary election results as of 7/2/2006

<i>Name of party</i>	<i>Acronym</i>	<i>% of votes</i>	<i>% of mandates</i>
National Action Party	PAN	33.41	41.60
Institutional Revolutionary Party (in alliance with the Green Ecological Party)	PRI	28.18 (including PVEM vote)	20.80
Mexican Green Ecological Party (running in alliance with the Institutional Revolutionary Party)	PVEM	as above	3.40
Party of the Democratic Revolution (running in alliance with the Labour Party and the Convergence Party)	PRD	28.99 (including the vote of allies)	25.00
Workers Party (running in alliance with the Party of the Democratic Revolution and the Convergence Party)	PT	as above	3.20
Convergence for Democracy (running in alliance with the Party of the Democratic Revolution and the Labour Party)	CD	as above	3.40
New Alliance Party	PNA	4.55	1.80
Social Democratic and Peasant Alternative Party	Alternativa	2.05	0.80
Others		2.82	0

*Party competence**Score: 7*

In general, political parties' proposals are coherent and plausible. Although populist rhetoric is widespread among Mexican politicians, the major political parties themselves can be broadly associated with different programmatic policy agendas, particularly in comparison with parties in the region's other emerging democracies. It is thus possible to identify Mexico's main parties as occupying a clearly defined political space, with reasonably clear political philosophies, even if specific proposals may sometimes be in contradiction with a party's alleged ideological label. The PAN is a conservative and largely Catholic party, the PRI is secular and moderately reformist – though ultimately a party of the status quo – and the PRD is a

*Association  
competence**Score: 6*

leftist populist party with some Marxist support. Most Mexicans have little difficulty in placing these parties on a clear ideological spectrum.

Business groups and (for the most part) environmental groups propose mostly sensible policies, although from a clearly defined standpoint. The same can also be said of human rights groups. Most interest associations do not provide technical policy input, focusing instead on lobbying. However, there are think tanks, university departments and consultant firms which are connected to certain political interest groups, and which publish analytical work on policy options and implications. In general, Mexico's civil society is in the process of strengthening, but from a fairly low base.

*Association  
relevance**Score: 6*

The number of relevant interest groups and nongovernmental associations has increased in recent years. Their influence depends mainly on their organizational and political power, and particularly on their links to important executive politicians. More broadly, interest associations' technical policy proposals may be considered by the government if the association is capable of communicating its main message to the wider public, thus gaining at least temporary political attention. Recently, interest groups have initiated several important changes in policy, including electoral reform and aspects of judicial reform. The government certainly listens to big business and to the media. It often listens to intellectuals, particularly those who have access to the media. The church is influential with the government, but much less so with the parties of the left which run Mexico City. Proposals by trade unions and peasant associations receive much less attention. Human rights and environmental groups tend to get more of a hearing when they have links with the international community.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at [www.sgi-network.org](http://www.sgi-network.org)

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