

Mexico Moves Up Competitiveness

--Sharp advances in financial market development, goods market

--Mexico lags in crime and security, labor flexibility

--Index helps to show progress, deficiencies in public policies

MEXICO CITY (Dow Jones)--Mexico moved up eight places in the World Economic Forum's Global Competitiveness Report with big gains in the evaluation of financial and goods markets, although the country continued among the stragglers in labor and crime issues.

Mexico ranked 58th out of 142 countries included in the 2011-2012 WEF report published Wednesday, compared with 66th a year ago, and its overall score rose to 4.3 from 4.2.

Jose Antonio Torre, deputy minister for competitiveness and norms at the Economy Ministry, said in an interview that beyond the actual ranking, the index provides an objective external view of where progress is and isn't being made, and how the results of public policies are being reflected in the view of businesses.

The number of businesses in Mexico that completed the survey increased to 382 this year from 94 the previous year, covering a wider geographical area and bigger range of different-sized firms.

"The value of the index has a lot to do with the messages behind it," Torre said. Mexico's rating for development of financial markets--up 13 places to position 83--reflects to a large extent government efforts to increase lending to small and medium-sized businesses through its loan guarantee programs.

Small and medium-sized companies may not even know that they received the credit because of a government guarantee, but the fact they have noted greater availability of credit is a reflection of a government policy, Torre said.

"The ranking is important...but more important is what's behind it, the analysis of the tendencies, opinions of businesses," he added.

Mexico advanced in 10 of the 12 categories measured by the World Economic Forum, only falling in macroeconomic environment, which had a lot to do with a change in methodology, Mexican officials said. The biggest jump was in innovation, to 63rd from 78th.

Where Mexico continues to lag, despite moving up a few positions, is in institutions, which include regulatory burdens, organized crime and security, dispute settlement, and others, and in labor market efficiency.

Numerous proposals for labor reform have been submitted in Congress, among them seeking ways to make hiring and firing easier, although so far there has been no political agreement for passing reform. "Giving greater flexibility in hiring and terminating contracts generates employment," Torre said.

More progress also needs to be made in simplifying the entry of informal businesses into the formal economy by removing barriers, and helping those businesses to see that there are more benefits being in the formal economy, Torre said. "There has been progress, but not at the speed we would like."

-By Anthony Harrup, Dow Jones Newswires; (5255) 5980-5176, anthony.harrup@dowjones.com
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