



**MORE
COMPETITION**

**Better
Products,
Services, and
Prices**

**GREATER
BENEFITS
FOR ALL**

**WORKING TOGETHER
FOR A COMPETITION
CULTURE**





The Federal Economic Competition Commission (COFECE) invites you to promote Competition Culture in Mexico

Why? Because competition brings you important benefits, whether you are a consumer, seller, entrepreneur or a business professional.

How? By contributing to our efforts from your own field.

MORE COMPETITION FOR A STRONGER MEXICO



CULTURE

The customs, habits, values, knowledge and activities shared by members of a society which constitute the foundations for that society's cohesion and outlook.

COMPETITION

Endeavor by two or more people or businesses to offer a wider array of higher quality products at better prices.

ECONOMIC COMPETITION CULTURE

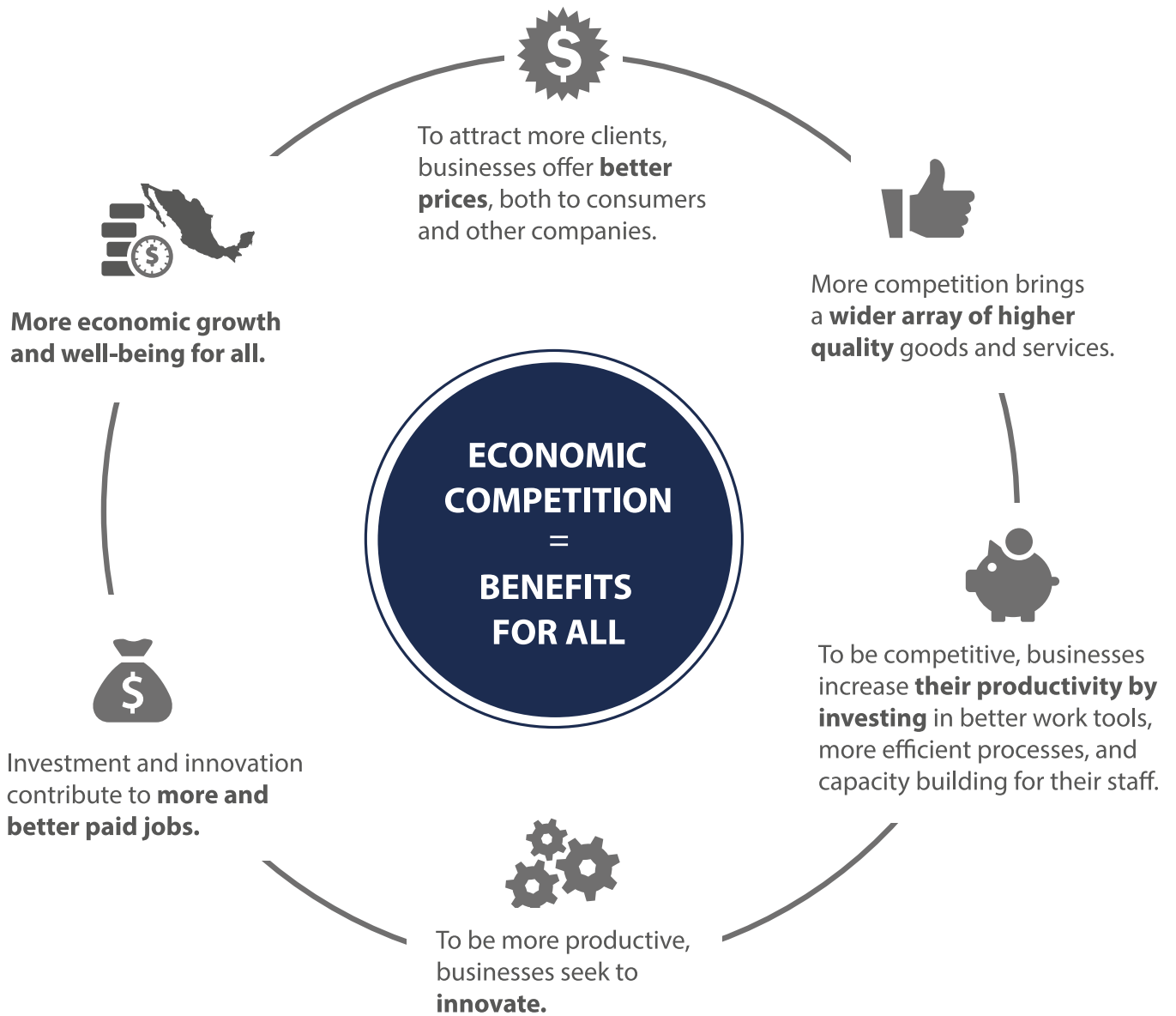
When people and businesses understand and adopt economic competition as a way of life, boost their productive and innovative capacities, and take part in economic activity in a responsible way.

COFECE, an autonomous entity of the Mexican State, works to foster competitive conditions in markets. However, to achieve this, everyone's efforts and contributions are needed.

When economic competition prevails...

...each business's success is determined by its capacity to win over consumers' preferences by offering more and better products. This means providing a wider array of higher quality goods and services at better prices. Companies strive to continuously satisfy their clients by investing, innovating, and reinventing themselves.

As a consequence, consumers —that is, each and everyone of us— can afford more and better things, thus reaching a higher quality of life. Businesses, particularly smaller ones, are also beneficiaries of competition since they have access to cheaper inputs and can therefore allocate more resources to other productive activities such as capacity building for their workers, or investment in technology.



**However,
when there is
no competition...**

...businesses forget about consumers and maximize their profits through practices that harm society. This happens when firms agree amongst themselves to manipulate prices or output, or when they take advantage of their dominant position to unduly displace or block other firms. In this case, everyone loses: consumers pay more for less, businesses face higher operational costs, there are no new firms, existing firms stop growing, and, ultimately, the country loses development opportunities.

Competition is one of the most powerful drivers for countries' inclusive growth in the long run. This is because it encourages investment in two ways: it paves the road for new firms who want to enter the market, and it makes existing ones more productive.

As for consumers, they have the opportunity to choose from a wider array of higher quality goods and services at a better price. This automatically brings prosperity.

Competition is in all our interests.

Mexico faces the important challenge of harnessing all of competition's benefits

INTERNATIONAL EXPERIENCE...

... has provided evidence of the BENEFITS that stem from an effective ECONOMIC COMPETITION system*:

In the United Kingdom:

PRICES FELL BETWEEN

20-40%

when collusive practices were stopped

In the United Kingdom:

EMPLOYMENT GREW BY

2.5-5%

thanks to the removal of barriers to competition

In Australia:

THERE WAS SUSTAINED GDP GROWTH OF 2.5-5%

after pro-competitive reforms were implemented and barriers to competition removed

Reference: Competition and Markets Authority (CMA), Vision, Values and Strategy of the CMA, United Kingdom, 2013.

**Effective economic competition system = a good competition law + an efficient competition agency + a robust judicial system + pro-competitive economic legislation*

IN MEXICO...

...there is an important CHALLENGE to generate better tools to promote a competition culture, since:

THE INTENSITY OF DOMESTIC MARKET COMPETITION

was given **2.6 OUT OF 7 points** by private sector economists.

(As the value approaches one, competition intensity drops).

Source: Quarterly Report, April-June 2014, Bank of Mexico.

LACK OF COMPETITION is among
THE FIRST 5 OBSTACLES to doing business in Mexico.

Source: Quarterly Report, April-June 2014, Bank of Mexico.

ONLY 1% of Mexicans know
**WHICH AUTHORITY PROMOTES
COMPETITION AMONG FIRMS.**

Source: National Survey hired by the Federal Competition Commission, 2009.

Mexico ranks
31st out of 33 as one of the countries with
GREATER REGULATORY BARRIERS
in product markets.

according to the Product Market Regulation Index of The Organisation for Economic Co-operation and Development

Source: Going for Growth, OECD 2014. Product Market Regulation Index database 2013.

Mexico ranks
114th out of 144 on the Global Competitiveness Report Index when the
**EFFECTIVENESS OF
ANTI-MONOPOLY POLICY** is analyzed.

Global Competitiveness Report 2014-2015, World Economic Forum.

How can we achieve competitive markets in Mexico?

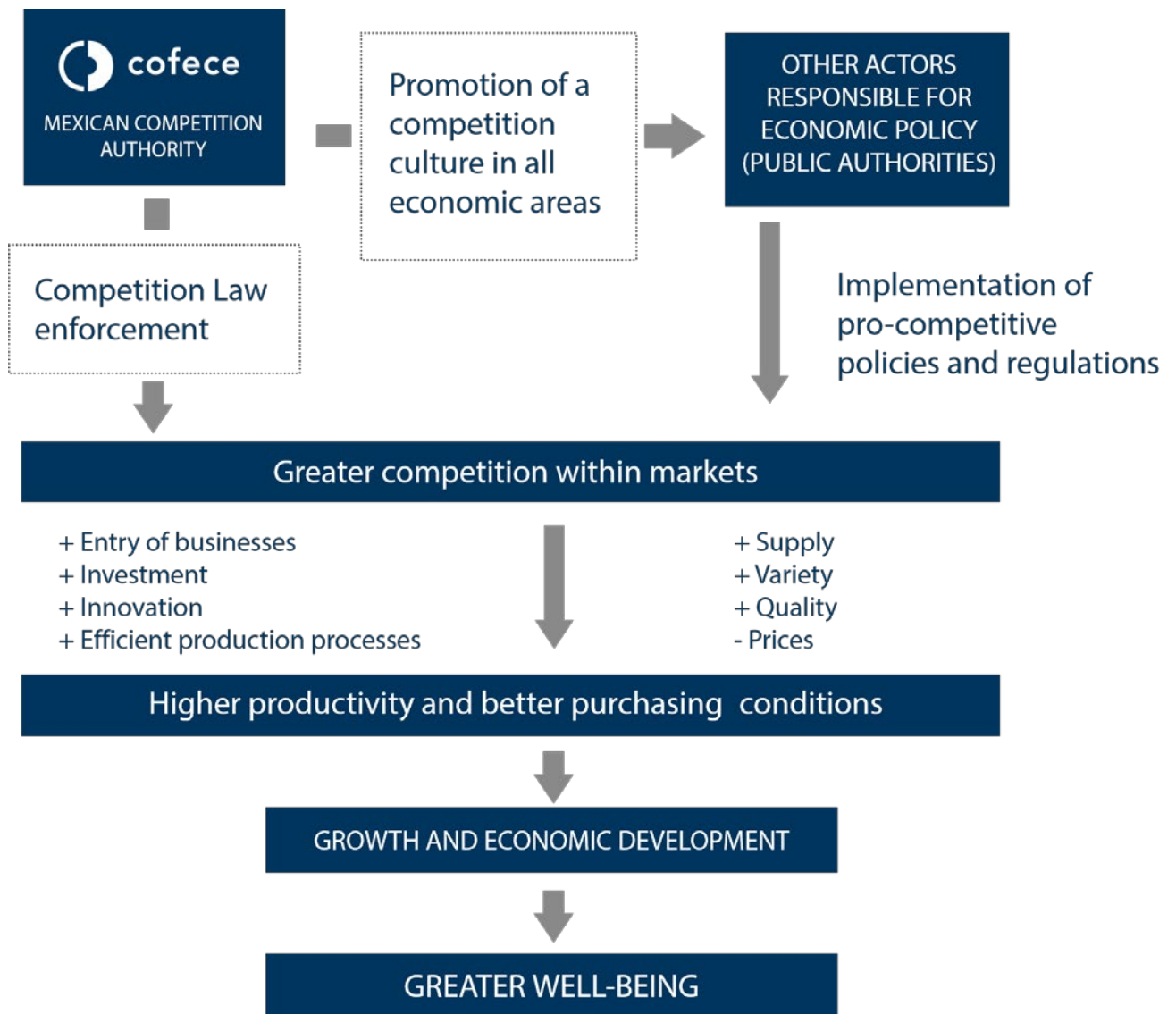
This is precisely COFECE's main purpose.

COFECE'S MISSION

"Ensure free competition and market access, as well as prevent, investigate and combat monopolies, monopolistic practices and mergers, as well as other restrictions to the efficient working of the markets, in the terms established by the Constitution and laws."

Article 28 of the Political Constitution of the United Mexican States.

How does COFECE boost the competition process and free market access?



Prepared by COFECE with data from "Factsheet on the Links Between Competition and Productivity," OECD, 2013.

To accomplish its mission...

...COFECE has several tools at its disposal:

The most important one is to implement and enforce the Federal Economic Competition Law in order to:

- **Punish illegal practices that harm the competition process.** This refers to abusive conducts that are improper under a market economy, which do not respond to normal business practices, and end up damaging both businesses and consumers. The law classifies them as “absolute monopolistic practices,”¹ “relative monopolistic practices,”² and “illicit mergers.”³ In these cases, COFECE investigates, hears different stakeholders and, if necessary, imposes sanctions and determines measures to re-establish competition conditions.
- **Review transactions between businesses which might generate anti-competitive mergers.** This prevents the creation of businesses whose market presence could stifle competition or affect supply.

Additionally, COFECE issues opinions regarding the design and implementation of a great variety of legal instruments on all kinds of subjects, with the aim that all of them obey competition principles. Through these activities, COFECE strives for a business-friendly atmosphere, which allows enterprises to enter, stay, and grow in the markets.

Understanding the law and reporting wrongdoing to COFECE are very important ways of avoiding damages which can be difficult to reverse once committed. Your participation can only enhance our work.

1 Agreements between competitors with the goal of fixing prices, restricting the available supply, dividing markets or bid rigging.

2 Agreements taking place at different stages of the supply chain (for example, between a producer and a supplier) or abuses of dominant power which might displace or deny the access to firms. This might happen, for example, with the establishment of exclusive marketing, the refusal to sell, tied sales, cross-subsidies, price discrimination, or predatory price-cutting and boycott acts.

3 Mergers that should be notified and authorized by the COFECE prior to their execution, and yet were not notified or authorized.

COFECE has sufficient powers and full constitutional autonomy to act in an objective and professional manner. The institution is headed by a Board of Commissioners, comprising seven Commissioners, including the Chairman, all of them elected for their highly technical profile. As such, the most important decisions are made through collegiate, deliberative, and reflective processes.

The Board of Commissioners appoints the Investigative Authority, responsible for performing investigations, as well as the Technical Secretariat which conducts market studies, reviews mergers, and hears and receives evidence from people or businesses suspected of engaging in an illegal conduct.

Furthermore, the Board appoints the General Director for Litigation Issues, responsible for defending COFECE's resolutions before the Federal Judiciary.

We invite you to get to know us



If you are interested in learning more about COFECE, visit:
www.cofece.mx/ingles/

GOAL

Despite the fact that competition policy has been present in our country for over two decades, it is only in the past two years that it received an unprecedented momentum thanks to:

- A renewed legal framework, including constitutional foundations and a new competition law.
- A new competition authority: COFECE.
- A series of reforms (e.g. financial, telecommunications, radio, broadcasting, and energy) that will enhance competition in key economic sectors.

Nevertheless, this is just one piece of the puzzle. Competition in different markets will only be achieved through the pooled effort of:

- **The State**, including the different branches and levels of government, through the timely implementation of the law, as well as the design and application of pro-competitive rules;
- **Businesses and entrepreneurs**, through the adoption of competition values in their daily activities;
- **Citizens**, participating and influencing public decision-making; and
- **Consumers**, exercising their rights and demanding its full implementation.

In order for the benefits of competition to reach more people, COFECE has set out an ambitious target:

To create a competition culture in Mexico

WHAT CAN WE DO TOGETHER?

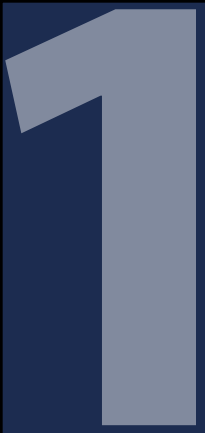
Competition Culture implies generating, spreading, and strengthening shared values between those who produce, work, and consume in Mexico.

To this end, COFECE's proposal is to join efforts in five main areas of collaboration that will allow us to:

1. Set competition and its benefits as a priority in public, professional, and academic discussion.
2. Raise awareness among consumers regarding the benefits of competition and how COFECE works in their favor.
3. Facilitate and encourage compliance with the legal competition framework.
4. Encourage the design of public policies and regulations that promote competition and free market access.
5. Cooperate with international organizations for the adoption and exchange of best practices.

In the following pages, COFECE sets out specific actions to achieve each one of these goals.

Do any of these actions present an opportunity for us to work together?



Set competition and its benefits as a priority in public, professional, and academic discussion

ESSENTIAL STAKEHOLDERS

- Academia
 - Students
 - Researchers
 - Journalists and communicators
-

To create a competition culture, it is necessary to generate more knowledge on the topic and to spread it through high impact means with widest reach. In this sense, we must consider that academic institutions and research centers concentrate a significant portion of technical knowledge. Furthermore, most information received by consumers and businesses is processed and distributed by journalists and communicators.

Academic institutions and research centers contribute to increasing knowledge about competition, including the economic and social benefits that it generates, by:

- Educating young people who will become professionals and strengthen leadership in both the public and private sectors;
- Developing theory, as well as empirical and methodological knowledge through specialized studies and the use of better analytical tools; and
- Encouraging public debate by organizing forums and seminars, as well as through the dissemination of indicators, data, findings, or results.

The above makes academic institutions and research centers COFECE'S strategic allies.

So are journalists and communicators since the quality and breadth of the coverage that they give to the issue contribute to placing competition in the public discussion, with the consequent spread of its social utility among different audiences.

Journalist and communicators can rely on COFECE's permanent collaboration to facilitate their work, so that the resulting material strengthens competition culture in Mexico.

Actions to set competition and its benefits as a priority in public, professional, and academic discussion

Action 1.1 Organize and carry out forums

COFECE will carry out forums with key figures from the public and private sectors, experts, academics, and practitioners from the national and international arenas, in order to exchange points of view regarding the benefits and reach of competition. COFECE will generate documentary memory, which will be distributed and promoted.

Action 1.2 Create the COFECE Award for Economic Competition Research

COFECE will make a periodic call for papers to compete for the COFECE Award for Economic Competition Research in accordance with the categories established for that purpose. This will favor new contributions to the field of competition from different approaches.

Action 1.3 Facilitate the work of journalists and communicators

COFECE will design and run schemes that will allow journalists and communicators to understand competition and related topics with greater depth and technical precision, as well as its practical aspects. With these actions, the aim is for media coverage to provide citizens with more and better information on this subject, including COFECE's work.

Action 1.4 Promote academic training options

As a part of its collaboration with academic institutions and research centers, COFECE will promote the creation of more and better options for academic training regarding competition. These actions will be directed at creating intellectual capital and capacity among COFECE's staff, spreading this knowledge among undergraduate and graduate students (creating future experts on this topic), and, in general, widening the number of people with access to this type of information. Also, COFECE will foster the creation of online training tools that will offer an economic alternative with greater schedule flexibility.

Action 1.5 Encourage research

Synergies will be sought with academic institutions and research centers to develop research and studies in a coordinated manner. The purpose of these activities will be to gain strength and pool human and intellectual resources to increase and deepen theoretical and empirical knowledge regarding economic competition. This will allow COFECE to have more tools at its disposal when doing its work.

2

Raise awareness among consumers regarding the benefits of competition and how COFECE works in their favor

ESSENTIAL STAKEHOLDERS

- Consumers and their groups
 - Businesspeople, business directors, and their associations
 - Education authorities, as well as those related to consumer rights protection
-

Even though generating and raising awareness and information regarding competition contributes to creating a competition culture, competition's main beneficiaries, consumers and businesses, must be directly involved.

No competition policy is worthwhile if it does not have an impact on consumers' pockets and wellbeing. Because of their shared goals, consumers and consumer groups should see a valuable ally in COFECE. COFECE issues materials and information about the benefits that are to be obtained in a competitive environment. These usually involve a wider supply of cheaper and better quality goods and services. COFECE will work alongside any actors to whom spreading this message is important, including several public authorities.

This takes on great importance because an informed consumer is a stronger consumer, capable of making good decisions. When competition culture exists, it is less likely that consumer rights will be harmed. In this context, COFECE's collaboration with other actors becomes all the more relevant.

One must not forget that, in addition to people and families, enterprises —particularly micro, small and medium ones— are also consumers since they require production inputs. It is of the utmost importance that businesses and business associations are aware of the benefits they receive from competition policy and fully adhere to it, responding to economic and ethical motivations.

Furthermore, we must educate future consumers. Pre-university teaching is an ideal setting for youngsters to understand the advantages of interaction in a dynamic economy. There is, therefore, a sizeable opportunity for collaborating with education authorities at all levels.

Finally, COFECE develops mass media campaigns with key messages so the general population learns how the institution's actions generate a positive impact on their economic opportunities.

Actions to spread knowledge among consumers regarding the benefits of competition and how COFECE works in their favor

Action 2.1 Developing mass media campaigns

In order to transmit the importance of competition policy, COFECE will broadcast campaigns through mass media outlets.

Action 2.2 Spread information through COFECE's digital platforms

COFECE will take advantage of digital platforms and social networks (website, Twitter, Facebook, among others) to relay messages regarding competition policy and its work in consumers' and businesses benefit.

Action 2.3 Develop and transmit relevant information content for journalists

COFECE will develop and publicize useful content that may serve as an input for journalists and communicators who report on subjects relating to competition.

Action 2.4 Collaborate with consumer groups

COFECE will seek to work alongside main consumer groups to convey the benefits of competition to the highest possible number of consumers.

Action 2.5 Promote the creation and distribution of educational material for primary and secondary levels

To generate a competition culture within reach of the general population, it is necessary to create educational material for all education levels. This will allow for learning on the matter prior to college level. COFECE will foster the development and promotion of such material so it may be used by education authorities and academic institutions.

Action 2.6 Gauging consumer and business awareness

COFECE will repeatedly measure general awareness and perceptions regarding competition, businesses view on competition policy's impact and advantages, normative aspects, and COFECE's activities. The resulting information will be a vital input for the implementation of other actions.

3

Facilitate and encourage compliance with the legal competition framework

ESSENTIAL STAKEHOLDERS

- Businesspeople and professionals, in an organized or individual manner
 - Corporate directors
 - Practitioners
 - Judges
-

Although Mexican competition legislation dates back more than two decades, the institutional framework has been renewed by the 2013 constitutional reform and the new Federal Economic Competition Law of 2014. It is therefore essential that all actors clearly understand the nature and scope of the legal framework. This will consequently strengthen the rule of law and allow enhancement of competition policy to all our benefits.

It is essential that businesses, entrepreneurs, professionals, and other economic agents from the private and public sectors get to know and understand the competition legal framework. This includes the list of illegal practices COFECE can investigate or punish, with the aim that all stakeholders adjust their activities to the law and avoid sanctions.

In addition, affected agents, or any person, have the right to place a complaint before COFECE, if the law was violated by monopolistic practices or illicit mergers. It is important that businesses, enterprises, firms, and entrepreneurs know their rights and the mechanisms available to them in order to claim the re-establishment of competition conditions, under specific circumstances. Small businesses' and independent entrepreneurs' right to compete and have free access to markets is particularly important.

Business chambers and associations, as well as professional associations, play an essential role in creating a competition culture. This is due to their privileged position for spreading the importance of competition and compliance among their colleagues. This helps avoid risky behavior that may harm society.

COFECE updates and produces printed and electronic materials which allow for a greater knowledge and better understanding of the competition regulatory framework. COFECE also invites business chambers and associations, professional associations, academic institutions, research centers, and public authorities to work towards the same aims, for example, developing training workshops or seminars.

In this collaboration area, it is critical to involve practitioners who advise or represent other stakeholders, due to their highly technical knowledge in these matters.

Finally, it is important to remember that the new context requires a healthy and respectful interaction between COFECE and specialized judicial tribunals. In this way, enforcement of the law can be timely, effective, and undertaken with legal certainty.

Actions to facilitate and encourage compliance with the legal competition framework

Action 3.1 Foster consideration and exchange of experiences with magistrates and specialized judges

COFECE will promote the interaction between its staff and magistrates, judges, and other specialized tribunal officials in appropriate settings for consideration and the exchange of experiences. This will allow, for example, to analyze best international practices regarding the management of jurisdictional proceedings in competition issues. These actions are aimed towards developing a better understanding and greater consistency in the interpretation of technical and legal concepts that concern both authorities. In this manner, the system's balance may be maintained and legal certainty strengthened.

Action 3.2 Work in coordination with representative bodies of the private sector and practitioners

COFECE will work with business chambers, business associations, professional associations, and practitioners in order to raise awareness regarding two essential normative aspects. The first are the conducts that affect the competition process and can be punished according to the law. The second is the right ensured in the law to place complaints against anticompetitive conducts and request that competitive market conditions be re-established.

Action 3.3 Publish guidance material for competition law compliance

COFECE will publish useful material so stakeholders can learn and understand the scope of substantive and procedural concepts, ways to prevent illegal conducts, how to lodge complaints, and the way the Immunity Program operates, among other topics.

4

Encourage the design of public policies and regulations that promote competition and free market access

ESSENTIAL STAKEHOLDERS

- Federal and state government officials
 - Federal and state legislators
-

It is pointless for competition authorities to investigate and punish illicit conducts if public policies and regulations create obstacles that unduly restrict the economic activity and the efficient working of the markets.

State imposed barriers are probably the most hurtful to competition and free market access since they involve universally applicable norms and criteria. Even if their aims are praiseworthy, more often than not, they ultimately favor private interests instead of the public good. That being said, there are many opportunities for collaboration between public sector spheres and COFECE for the analysis of existing and proposed regulations to generate pro-competitive legal frameworks that foster growth and social wellbeing.

Timely intervention in regulation design is essential. It is through this that undesired market effects —that can be difficult to reverse— can be avoided and replaced with measures that protect or promote competition from the start. In any case, it is also crucial to carefully analyze current regulation to detect anticompetitive restrictions and encourage their removal.

In this sense, COFECE can issue opinions regarding:

- Adjustments to programs and policies implemented by public authorities;
- Draft regulatory provisions, rules, agreements, circulars, and other general administrative acts issued by public authorities;
- Legislative bills and draft regulations and decrees;
- Laws, regulations, agreements, circulars, and general administrative acts;
- International treaties; and
- Public entity and goods dismantling processes, public tenders, and concession, permit, or license grants.

COFECE will make use of its power to issue opinions and seek to permanently cooperate with Federal Public Administration agencies and public entities, regulators, Congress, autonomous bodies, state executives and congresses, and municipal governments. All of this will work towards achieving pro-competitive legal frameworks, capable of encouraging economic activity and wellbeing for all Mexicans.

COFECE is committed to bringing its experience to the table and pooling its efforts with others', so as to generate proposals for any authority. Competition may then be seen as a cornerstone for the design and implementation of policies and regulations.

Actions to encourage the design of public policies and regulations that promote competition and free market access

Action 4.1 Cooperate with the Mexican Congress so federal legislation does not unduly restrict the competition process

COFECE will seek to strengthen and maintain institutional ties with the Mexican Congress in order to foster legislative work that abides by competition and free market access values. To this end, COFECE will make available analytical tools that help assess legislation's impact on competition, in line with international best practices.

Action 4.2 Issue opinions regarding public policies and regulations with potential impact on competition and free market access

COFECE will exercise its powers to issue opinions regarding public policies and regulations—either drafts or enforceable framework—that could hinder competition and free market access, for all sectors and levels of government. This will provide authorities with elements to avoid, diminish and/or remove anticompetitive obstacles and restrictions.

Action 4.3 Take part in interagency groups and encourage the adoption of measures to strengthen competition

COFECE will take part in several interagency groups, such as Inter-secretarial Commissions, Technical or Advisory Committees, and other working groups. These include different public actors and, in some cases, decide on matters that impact on competition in several markets. COFECE will take advantage of these forums to detect and signal out anticompetitive risks and restrictions.

Action 4.4 Take part in national fora dedicated to the discussion of laws, reforms, or draft legislation

Public and private actors organize many fora for the discussion, analysis, and reflection on policies and regulations. Often, they are directed toward generating reform proposals. COFECE will seek to participate in these in order to promote the adoption of competition values in future decision-making processes.

Action 4.5 Encourage the adoption of competition values in public tenders

As a major part of the economy and public spending, public procurement can demonstrate government efficiency. COFECE will actively work towards making federal and local public works and acquisition procedures transparent, fair, and competitive, in order to continuously obtain best value for money for the country.

5

Cooperate with international organizations for the adoption and exchange of best practices

ESSENTIAL STAKEHOLDERS

- Competition authorities from other countries
- Representatives of international organizations
- Members of international lawyer bar associations
- Academics and foreign researchers
- Coordinators of international publications specialized in competition matters

Mexican economic competition policy has been greatly enriched with elements taken from best international practices. These have been built through the many experiences of competition authorities from around the world, as well as from the consensus achieved by international organizations and specialized forums. In this way, the permanent interaction between COFECE and those stakeholders represents a valuable opportunity for the continuous improvement of our competition policy.

COFECE's participation in high-profile multilateral forums, such as the International Competition Network (ICN) or The Organisation for Economic Co-operation and Development (OECD), is very useful for the exchange of best practices, tools and experiences. Likewise, direct collaboration with competition authorities from around the world allows to deepen individual experiences and identify areas of opportunity which might be useful in the national arena.

Given this international context, Mexico seeks to position itself as a benchmark on competition policy issues, particularly in light of the amendments enacted in 2013.

Actions to cooperate with international organizations for the adoption and exchange of best practices

Action 5.1 Participate in events organized by international organizations and institutions

COFECE will actively participate in events organized by international organizations and institutions, both private and governmental, in order to exchange experiences and strengthen ties with key stakeholders, enrich their capacities, and promote the analysis, publication, and implementation of competition and free market access values.

Action 5.2 Strengthen COFECE officials' capacities through international cooperation

Targeted training programs for COFECE officials will be coordinated. These programs will be conducted by foreign competition authorities, international organizations, and academic institutions, with the aim of strengthening our most valuable resource: human capital.

Action 5.3 Strengthen COFECE's institutional profile around the world

COFECE will seek to position itself as a relevant actor on the global stage through various means. For example, by participating in specialized publications, reports, and studies on competition, collaborating with peer agencies, and influencing relevant international events and forums.

It is a great challenge To achieve it...

...everyone's active and decisive participation will be needed. Each one of us can, from our own scope of action, contribute to this goal. COFECE will permanently seek to strengthen ties and develop joint efforts to reach our goal sooner.

In this document, COFECE sets out areas for collaboration and concrete actions so we can all work together and spread the benefits of competition to more Mexicans.

We invite you, as a consumer, businessperson, director, professional, practitioner, academic, student, or public official to review the action lines we propose so you can join this great effort and become a strategic ally for promoting competition.

Why?

Because more competition means a stronger Mexico, with more opportunities and well-being for you and your family.

And because a better Mexico is everyone's responsibility.

