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President Felipe Calderon has submitted an initiative to jump-start the Mexican economy by curbing the power of monopolies in order to boost competition. The president's legislative proposal, which was sent to Congress at the beginning of April, presented a 10-point plan to boost the regulatory power of the anti-monopoly agency (Comision Federal de Comptencia, CFC) and punish antitrust violations with fines and even prison. Opposition legislators and other critics, while generally supporting the intent of the plan, said the proposal was insufficient. Furthermore, they wondered whether the plan could make much difference in a business environment where corporate giants have become entrenched after almost a decade of weak regulations. Business organizations questioned the administration's intention to turn the CFC into an agency with "arbitrary" and "interventionist" powers.

President says plan would lower prices, help poor In a press conference to announce the initiative in early April, Calderon said the plan was intended in part to create more competition, which in the end would lower prices. The president said roughly 30% of consumer spending occurs in markets that lack competition, causing Mexicans to spend about 40% more than they would if antitrust laws were better enforced. "We will give the Federal Competition Commission the power it needs to meet its objectives," Calderon said. "One of the principal criticisms regarding competition is that the commission has no teeth." The proposal would strengthen legislation approved by the Mexican Congress in 2006, which gave the CFC new tools to control large conglomerates (SourceMex, May 10, 2006). That legislation proved insufficient, as the major corporations such as TELMEX, Televisa, TV Azteca, and others continued to control their respective markets.

Under the plan, Calderon has proposed fines as high as 10% of revenues and the possibility of prison for companies that collude to fix prices. He also proposed fines as high as 8% of revenues for "relative monopoly practices," or restrictions such as exclusivity agreements that keep new competitors from entering an industry. "Higher sanctions mean...companies will think twice before carrying on [with monopolistic practices]," said CFC president Eduardo Perez Motta. In the past, the CFC has investigated companies like TELMEX, Grupo FEMSA, and cement manufacturer CEMEX. But even in cases where monopolistic practices were found, the fines were limited by Mexican law. Calderon's plan received mixed reactions in Congress. As expected, legislators from the president's conservative Partido Accion Nacional (PAN) came out strongly in support of the proposal. "This plan will translate to increased investments, greater competition, the creation of new jobs, improved services, and lower prices," said PAN Sen. Gustavo Madero. "I believe that President Calderon's plan gives new impetus to our economy." The reaction from legislators from opposition parties was less enthusiastic.

Deputy David Penchyna of the opposition Partido Revolucionario Institucional (PRI) welcomed the initiative but also said it came four years too late. Penchyna pointed out that Mexico has fallen

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25 places in economic competitiveness during the PAN administrations of ex-President Vicente Fox and Calderon, who have governed Mexico for the past 10 years. Penchyna said Calderon's proposal is insufficient because it does not take into account factors outside Mexico's borders that are affecting the Mexican economy. Still, Penchyna said he welcomed the Calderon initiative because it opened the door in the Congress to debate the issue of competition.

Deputy Vidal Llerenas of the center-left Partido de la Revolucion Democratica (PRD) criticized Calderon's plan because it directed antitrust fines at companies instead of individuals. "We believe that antitrust reforms should contain direct sanctions," said Llerenas. Calderon's plan is now in the hands of the economy committee (Comision de Economia) in the lower house. But committee chair Deputy Ildefonso Guajardo of the PRI raised concerns that the proposal might not make it to the floor of the Chamber of Deputies before the end of the current legislative session in just a few weeks. He criticized the president for sending the initiative so close to the end of the session. Guajardo also expressed concern about the lack of oversight of the CFC, which would have discretionary powers on which companies to sanction. "What needs to be considered is the obligation of the commission to give certainty to its procedures, to avoid discretionality," said the PRI legislator.

Business organizations raise concerns There was no immediate comment from companies like TELMEX, which would be affected by the legislation. But other private-sector members did not hide their concerns about the initiative. Claudio X. Gonzalez, president of the Consejo Mexicano de Hombres de Negocios (CMHN), said the president's proposal risks turning the CFC into an "interventionist" and "arbitrary" agency. "We want transparency, just as they do in other parts of the world. And we don't want the commission to continue to be both judge and jury, which is what it is at the moment," said Gonzalez. Armando Paredes, president of the Consejo Coordinador Empresarial (CCE), raised the same concerns, suggesting that a system be created where the judicial system would supervise the CFC and thus prevent the concentration of power in a single entity. There was plenty of commentary in the press.

Carlos Fernandez-Vega, a columnist for the Mexico City daily newspaper La Jornada, said monopolies are the result of three decades of "free-market competition" promoted not only by the current PAN administrations but also by the preceding PRI administrations of Miguel de la Madrid, Carlos Salinas de Gortari, and Ernesto Zedillo. Fernandez-Vega mentioned the irony of Calderon's efforts, since many PRI and PAN politicians benefited from campaign donations from the very companies that are now targets of the antitrust legislation. "Did they finally come to realize that we have an obscene concentration of earnings and wealth, that the pie is being divided among just a few, where 50% of our GDP goes to just 100 business groups?," said Fernandez-Vega, in reference to supporters of the law.

Jesus Rangel, a columnist for Milenio.com, said the plan, if successful, would have a positive effect on Mexico's fiscal structure. "I believe there is another purpose to the plan that is not mentioned directly, which is to develop a source of reliable and solid earnings for the Mexican Treasury," said Rangel. "These are needed urgently in the face of the decline in oil-export revenues." Rangel pointed out, for example, that a fine of 10% of revenues to companies like TELMEX or Coca-Cola would bring much more money to the Treasury than the limit under current law, which is 85 million

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pesos (US$6.9 million). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 7, 2010, reported at 12.23 pesos per US$1.00]

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