



## **Country risk report**

**BY**

**Latin American Think Tank (LATT)**

**Mexico – Costa Rica**

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## **Introduction**

This report will provide an analysis of two Latin American countries, Mexico and Costa Rica, in terms of six World Bank governance indicators: Rule of Law, Control of Corruption, Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness and Regulatory Quality. Through these indicators we will show the performance and governance of each country on the various indexes available and define how advanced or behind the countries are in the success of these values.

Finally, we will furnish a list of strengths and weaknesses of these countries.

In order to better understand these two countries, it is important to consider a few data.

Mexico has a population of 127,6 million, a GDP of 2.625,9 billion. Costa Rica has a population of 5.1 million, a GDP of 103,3 billion. Even if the both shared the same level of Country risk "C" (Coface) and a very similar level of political risk, Mexico has 45/ 100 and Costa Rica 44/100, they have a very different level of Corruption Perception Index and the Rule of Law

## **Rule of Law**

*Definition :is exemplified by impartial legal systems that protect the human rights and civil liberties of all citizens, particularly minorities. This is indicated by an independent judicial branch and a police force free from corruption.*

## **Mexico**

For decades, Mexico's single party government and concentration of power in a presidential figure prevented the country from developing strong institutions that support the rule of law.

Since the "Partido Revolucionario Institucional" (PRI) lost the majority in the Chamber of Deputies in 1997, there has been a clearer separation between the executive and the Congress. This last one has had the power to modify the initiatives of the President (e.g. the budget) and it has presented its own legislative initiatives. Nonetheless, in many respects Congress has not functioned as an effective check on the executive. On the other hand, independent institutions were created to check the executive e.g. National Institute for Transparency, Access to Information and Personal Data

Protection (INAI). Since the return of the PRI in 2012, these institutions have lost power. With the exception of the Supreme Court, neither federal nor the state judiciary are independent of the executive in Mexico. From the year of the reform, 1995, the Supreme Court has ruled against the President and the Congress on several occasions.

At the state level, the judiciary is totally bound to the local executives. All the governors that have been accused of corruption have always been able to not be charged. Moreover, there are few cases in which Congress leaders were brought to justice, despite rampant corruption. More in general, almost all Mexican cases, especially those involving governors have been unpunished. Although the level of political democratization and the level of transparency has increased and successively it has contributed to the mass media's autonomy, the fact that most governors are unpunished, increases public frustration demanding more democracy.

Even if **Andrés Manuel López Obrador** (AMLO) has declared the fight against corruption his first priority, maybe this will not be enough. Though civil rights are guaranteed by constitution, there are still violations by police and army too. Furthermore prisons are full of people who have committed small crimes but they cannot afford a lawyer and they might be imprisoned for years before the beginning of their trial. As a consequence of the involvement of official forces in the criminal acts, 97% of the crimes are unsolved so unpunished.

Mexico ranks poorly in global rule of law indices, scoring near the bottom on issues such as corruption, transparency, judicial system effectiveness. Indeed the overall score of the Rule of Law is 0.44, in the global rank Mexico occupies the position number 124 out of 128.

## **Costa Rica**

In this country, the separation of powers is structured around the 1949 constitution and its reforms. The government has three branches (legislative, executive and judiciary), and one more which is the electoral branch: the Supreme Electoral Tribunal. Control of legislative agenda is shared with the Legislative Assembly. In the last years, the amount of legislation from the executive has been decreasing. Furthermore, the increasing fragmentation within political parties have weakened the decisiveness of the legislature. This has caused the growing importance of the judiciary which is charged with settling jurisdictional disputes between the other branches and interpreting the constitutionality of laws.

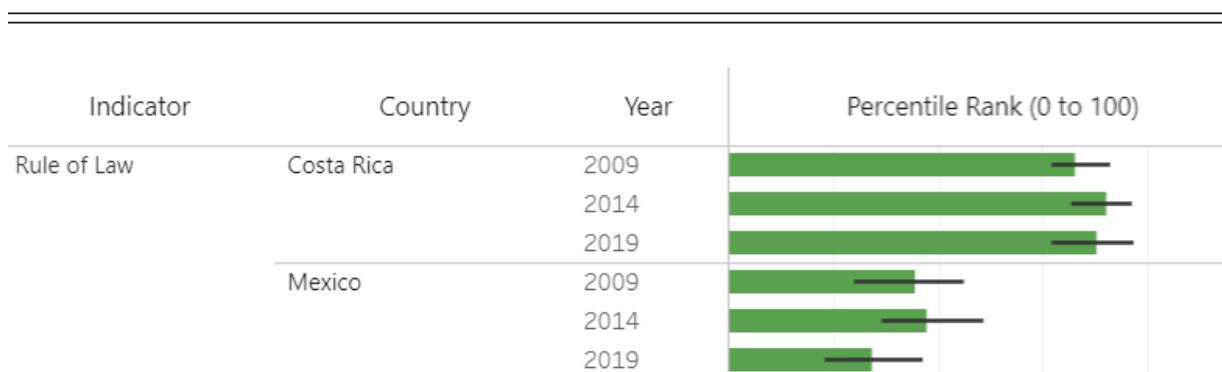
Another component of the separation of powers is the existence of horizontal accountability mechanisms to oversee and regulate the activities of the executive and its administrative entities.

These entities are decentralized, autonomous and provide services in the health, financial, energy industries. Such level of decentralization require horizontal control mechanisms.

The judiciary is independent and free from intervention by other institutions. It is on subjected to the Constitution, the law and its own decisions regarding matters within its competence. The courts are trusted and not perceived as corrupted in general terms, but cases of corruption do emerge but are prosecuted. Even if was passed a constitutional amendment in 2015 that defined this state as multiethnic and multicultural republic, inequalities persists in the degree of access these rights. For example, there have been delays in the approval of legislation that would improve LGBTQ rights. In addition, there are no indigenous representatives in the legislature. But considering the Rule of Law overall score, which is 0.68, this country occupy the position number 25/128.

A clear comparison of these two countries can be well explained by this graphic representation.

### Worldwide Governance Indicators



### Control of Corruption

*Definition: the misuse of public office for private gains. Said that, many studies indicate that countries with high levels of corruption seem to share certain characteristics including low income levels, closed economies, low levels of education, inequality and lack of democracy.*

Why should democracy decrease the level-perception of corruption?

First of all because democracy promotes competition among government officials, which should reduce corruption.

But also through other different mechanisms: democratic elections allow citizens to hold government officials accountable, which generates fewer corrupt acts, democracy increase the competitiveness of the political system, and it may reduce corruption.

The relationship between democracy and corruption is complex, and it is a challenge to calculate it due to the lack of data.

Since 1995, Corruption perception index has become the leading global indicator of public sector corruption. It offers an annual snapshot of the relative degree of corruption by ranking countries.

## **Mexico**

Transparency International's Global Corruption Barometer (GCB) produce every two years measures of different aspects of corruption based on public opinion polls. Compared to the results of 4 years ago, Mexico performed rather well. This is in contrast with the Corruption perception index (CPI) which reflects experts opinions and produces a sole indicator of corruption. Today, despite progress in building institutions—such as a stronger congress, an independent Supreme Court, a strong Central Bank, a freer press—there has been little progress in fighting corruption, and Mexico's democracy remains fragile.

Capacity to Combat Corruption Index (CCC) ranked Mexico as one of the worst countries in Latin America with the least capacity to combat corruption, only above Venezuela and Guatemala. That corruption varies throughout the country and the most corrupt states are Quintana Roo, Mexico State, Guerrero, and Mexico City. Indeed, Mexico had one of the lowest levels of rights protections in Latin America.

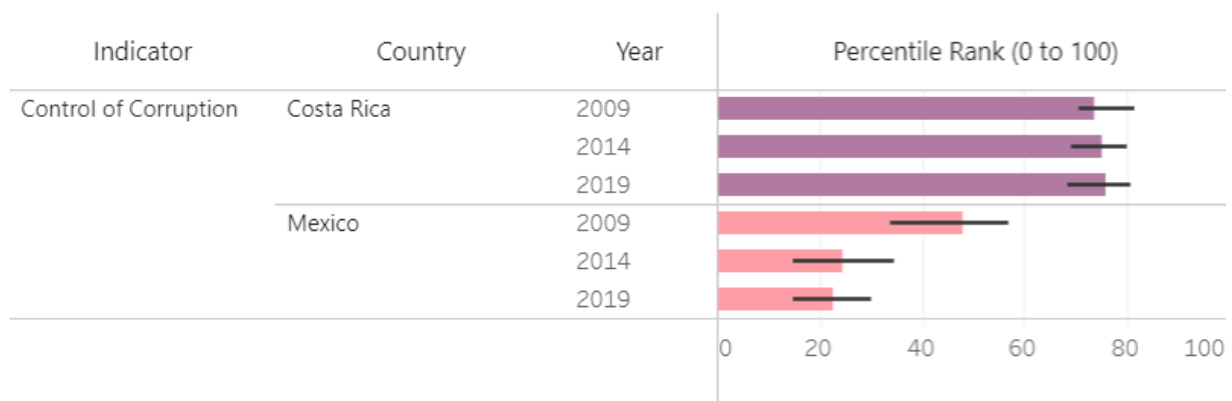
The corruption perception index of Mexico is 31/100 and it occupies the position number 42 out of 180.

## **Costa Rica**

By looking at the data provided by theglobeconomy.com we can see that the average value from 1996 to 2019, is 0.65 with a minimum of 0.42 in 2004 and maximum of 0.9 in 1998. The rank of this country in the Corruption perception index is 57/100 and it occupies the position number 42 out of 180.

According to the GCB, 49% percentage of people thought corruption increased in the previous 12 months and 7% of public service users paid a bribe in the previous 12 months, but 36% of people said that corruption stayed the same. Compared to the previous year the level of corruption decreased a bit in 2020.

## Worldwide Governance Indicators

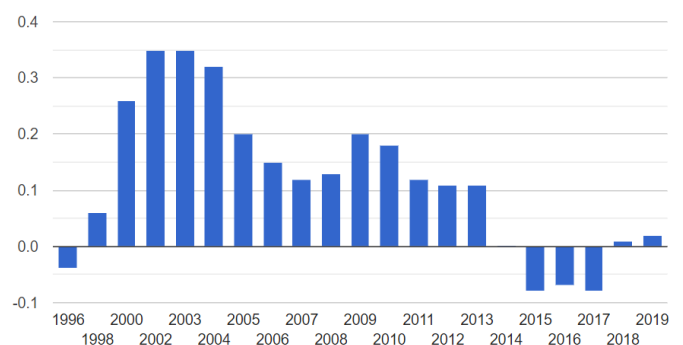


## Voice and Accountability

### Mexico

We can define the concept of accountability politics as the arena of conflict over whether or not those in power are held publicly responsible for their decisions. In order to explain accountability, one needs to disentangle states, form regimes.

The question in the case of Mexico is, how can accountability grow in such an authoritarian regime? Planting accountability into the state is surely a partial process. Voice and accountability capture perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.



Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.

The average value for Mexico during that period of 1996-2029 was 0.12 points with a minimum of -0.08 points in 2015 and a maximum of 0.35 points in 2002. The latest value from its points.

	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.2	-0.1	-9.0	2.5
Inflation (yearly average, %)	4.9	3.6	3.4	3.3
Budget balance (% GDP)	-2.1	-1.6	-3.6	-3.5
Current account balance (% GDP)	-2.1	-0.3	0.2	0.1
Public debt (% GDP)	53.6	53.7	65.5	65.6

(e): Estimate (f): Forecast

It is indeed challenging to obtain financial information on local domestic companies. The challenge lays in lack of transparency. On the other hand, there is no obligation on smaller businesses to publish their financial statements and end by disappearing without being noticed. Euler Hermes had the chance of accusing the financial information of public companies, relying on various specialized reporters. Their verified and analyzed the data in order to allocate each company with a specific grade depending on its financial health. These grades represent the core of our research and analysis, and surely help investors and clients to better understand the market in the country.

Main import sources (2018, % of total)	
USA:	46.6 %
China:	18.0 %
Japan:	3.9 %
Germany:	3.8 %
South Korea:	3.6 %

Main export markets (2018, % of total)	
USA:	76.5 %
Canada:	3.1 %
Germany:	1.6 %
China:	1.6 %
Brazil:	1.0 %

## Costa Rica

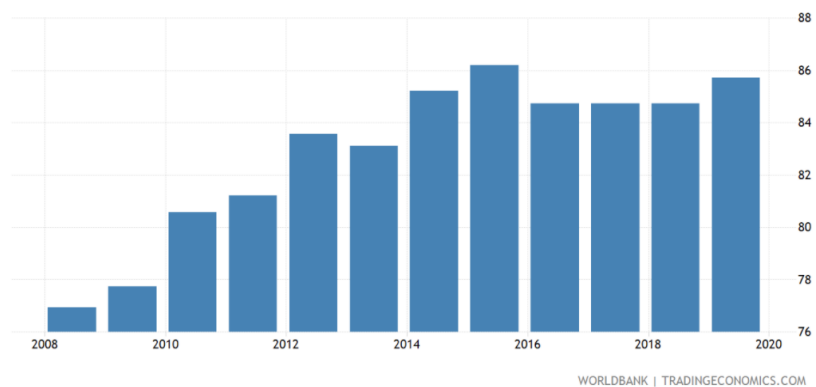
In the case of Costa Rica, Voice and Accountability by Percentile was reported at 85.71% in 2019. Referring to the World Bank collection of development indicators, taken from official recourses. Two years before, the data was 1.120 NA in 2017, which was even a jump from previous numbers of 1.117 NA in 2016. The data is estimated yearly from December 1996 to 2017, with 19 observations. The highest data reached was of 1.151 NA in 2015, and lowest of 0.817 in 2005.



The quality of the government of Costa Rica is quite high. With a score of 0.50 out of 1 across the Quality of Government index, which includes measures of corruption, law and order, and bureaucracy quality, Costa Rica's performance is above the regional average of 0.44.

Yet perception of corruption in Costa Rica has remained relatively constant at 76% throughout the last decade. This number is close to the average of 79% for Latin America and the Caribbean, but remains above the 65% average observed among OECD member countries. Notably, confidence in the government fell from 38% to 28% between 2006 and 2016, settling below both the LAC average (29%) and the OECD average (37%). The share of people that expressed confidence in the country's judicial system and courts decreased from 47% to 41% during the same period; nonetheless, this share remains 7 percentage points above the average for the region (34%).

Individual well-being encompasses several subjective factors that affect citizens' quality of life (OECD, 2015). Satisfaction with public education and public hospitals decreased by approximately 2 and 10 percentage points between 2005 and 2015, respectively.



However, satisfaction with these services remained relatively high by 2015. With respect to public education, 71% of the population was satisfied or very satisfied compared to the regional average of 54%. Similarly, 45% was satisfied or very satisfied with public hospitals compared to the regional average of 41%. Moreover, an increasing share of citizens perceive security as being good or very good, with the share rising from 15% to 21% between 2010 and 2015. Across all of these indicators, Costa Rica ranks well above the regional averages; this places Costa Rica as one of the countries with the highest citizen satisfaction in terms of public services provision.

Costa Rica's middle class (daily per capita income of USD 10-50 PPP) remained relatively stagnant with a slight increase of 3 percentage points, up to 48%. This, together with a decreasing trend in

the satisfaction with public services, reflects a need to improve state capacity to transform economic progress into better services and social well-being.

## Political Stability and Absence of Violence

### Mexico

The average value for Mexico during that period was -0.59 points with a minimum of -0.92 points in 1996 and a maximum of -0.06 points in 2002. The latest value from is points.

Politicians and decision makers in Mexico have taken some popular measures, including raising minimum wage, reducing government salaries and creating a national guard in order to compact drug trafficking.

However, it's obvious that president Lopez was about to struggle to meet the high expected results for a fundamental change among votes and politicians, put in consideration the difficult situation of Mexico with regards to poverty, violence and corruption.

DATE	VALUE	CHANGE, %
2019	0.02	163.12 %
2018	0.01	-109.11 %
2017	-0.08	13.21 %
2016	-0.07	-10.39 %
2015	-0.08	-23,938.80 %
2014	0.00	-99.71 %
2013	0.11	-3.86 %
2012	0.11	-7.35 %
2011	0.12	-31.83 %
2010	0.18	-10.77 %
2009	0.20	48.26 %
2008	0.13	

### Costa Rica

The government of Costa Rica established a Law against Corruption and Illicit Enrichment in the Public Function (Law 8422) in 2004 to promote regulatory reforms to prevent, detect and punish corruption. Furthermore, the 2014-18 National Development Plan emphasises strengthening transparency, as well as access to information and active participation of citizens. Costa Rica is



## Government Effectiveness

The government effectiveness index is an index elaborated by the World Bank Group which measures the quality of public services, civil service, policy formulation, policy implementation and credibility of the government's commitment to raise these qualities or keeping them high. This measure is constructed by averaging data from different sources that correspond to the concept of governance to be measured. Data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms.

In these graph we see the index trend for Mexico and Costa Rica:

Indicator	Country	Year	Number of Sources	Governance (-2.5 to +2.5)	Percentile Rank	Standard Error
Government Effectiveness	Costa Rica	1996	5	0,47	66,67	0,17
		1998	4	0,34	65,80	0,21
		2000	5	0,28	64,62	0,20
		2002	7	0,35	65,31	0,18
		2003	7	0,25	65,31	0,18
		2004	8	0,21	65,02	0,18
		2005	8	0,16	59,31	0,17
		2006	9	0,05	56,10	0,18
		2007	9	0,20	60,68	0,21
		2008	9	0,28	64,08	0,21
		2009	9	0,33	64,59	0,20
		2010	9	0,31	64,59	0,21
		2011	8	0,34	64,45	0,21
		2012	9	0,50	68,72	0,21
		2013	9	0,48	68,25	0,20
		2014	9	0,40	68,75	0,22
		2015	9	0,38	66,83	0,22
		2016	9	0,36	67,31	0,21
		2017	8	0,25	62,02	0,22
	2018	8	0,38	67,79	0,21	
	2019	9	0,42	67,79	0,21	
	Mexico	1996	6	0,23	62,30	0,17
		1998	6	0,36	66,84	0,20
		2000	6	0,24	63,59	0,19
		2002	8	0,27	64,29	0,17
		2003	8	0,21	63,78	0,18
		2004	9	0,12	62,07	0,18
		2005	9	0,07	57,35	0,17
		2006	11	0,09	58,05	0,17
		2007	11	0,17	58,74	0,19
		2008	11	0,19	60,68	0,20
		2009	11	0,18	60,29	0,19
		2010	11	0,16	60,29	0,19
		2011	11	0,31	63,51	0,19
		2012	11	0,34	63,51	0,19
		2013	11	0,35	63,03	0,19
2014		11	0,20	61,54	0,19	
2015		11	0,21	61,54	0,20	
2016	11	0,13	58,65	0,19		
2017	10	-0,03	52,40	0,20		
2018	11	-0,15	47,60	0,18		
2019	11	-0,16	45,67	0,19		

These tables provide data for Costa Rica and Mexico from 1996 to 2019. The Number of Sources shows the number of individual data sources on which the aggregate indicator is based. Governance Score (-2.5 to +2.5) corresponds to the estimate of governance measured on a scale of approximately - 2.5 to 2.5, where higher values correspond to better governance. The Percentile Rank (0-100) indicates the country's rank among all countries in the world. In this case 0

corresponds to the lowest rank and 100 corresponds to the highest rank. The standard error captures the accuracy of the governance estimate for each country. In this case, lower values indicate higher precision. Standard errors are related to confidence intervals reported elsewhere as follows: a 90% confidence interval is the governance estimate +/- the standard error multiplied by 1.645.

According to the tables, Costa Rica has gone up and then stayed about the same in recent years, while Mexico had an unstable trend with a large drop in governance effectiveness in 2019. The average value for Costa Rica in past years was 0.32 points with a low of 0.05 points in 2006 and a high of 0.50 points in 2012. The average value for Mexico in past years was 0.16 points with a low of 0.07 points in 2005 and a high of 0.35 points in 2013. According to the latest data, Costa Rica's score is 0.42, while Mexico's score is -0.16. In this case, the standard error has remained about the same over the years

Costa Rica has a long history of democratic stability, with a multiparty political system and regular rotations of power through credible elections. Freedoms of expression and association are robust. The rule of law is generally strong, though presidents have often been implicated in corruption scandals, and prisons remain overcrowded. The Supreme Electoral Tribunal (TSE), which is responsible for administering elections, carries out its functions impartially and the electoral framework is fair. People have the right to organize in different political parties without undue obstacles. The historical dominance of the National Liberation Party (PLN) and the Social Christian Unity Party (PUSC) has waned in recent years, as newly formed parties have gained traction, leading to the collapse of the traditional two-party system. Power regularly alternates in Costa Rica and opposition parties compete fiercely in presidential and legislative elections. Citizens generally have access to government information. However, there are some deficiencies in the reporting of budgets to the public, including a lack of transparency in communicating the objectives of the annual budget.

Mexico has been an electoral democracy since 2000, and alternation in power between parties is routine. However, the country suffers from severe rule of law deficits that limit full citizen enjoyment of political rights and civil liberties. Accusations of illicit campaign activities are frequent at the state and federal level. Mexico's National Electoral Institute (INE) supervises elections and enforces political party laws. During the 2018 elections the INE and the Federal Electoral Tribunal (TEPJF) struggled to comprehensively address problems including misuse of public funds, vote buying, ballot stealing, and ensuring transparent campaign financing. Mexico's multiparty system features few official restrictions on political organization and activity. It is very difficult for the opposition to make its voice heard. Organized crime and related violence have limited the effective governing authority of elected officials in some areas of the country, as well as

of the federal government. In the most violent regions, the provision of public services has become more difficult, as public-sector employees face extortion and pressure to divert public funds. About governance transparency, President López Obrador has been openly critical of the system that enables the public to access information about his administration. Throughout the COVID-19 pandemic, government officials were accused of inadequate and incompetent management, including opacity about the virus's true toll, which was estimated to be far higher than the official figures.

In recent times, Costa Rica and Mexico were hard hit by the Covid-19 pandemic and governance reacted differently. Costa Rica officially requested IMF assistance in August 2020, requesting a three-year \$1.75 billion Extended Fund Facility (EFF) to finance its fiscal deficit. However, the authorities failed to reach an agreement, and announcements of spending cuts sparked protests and social tensions. The government has reaffirmed its will to return to the negotiating table in January, but this could bring social tensions and delay the final implementation of the deal until later in 2021. In fact, the new proposal put forward by the government entails even more severe spending cuts to narrow the deficit to 3% of GDP between 2021 and 2022. The government has announced the creation of a global income tax system and a new tax on lottery prizes to decrease the deficit by 0.2% of GDP, with 0.6% of GDP of additional taxes, which will be negotiated with the IMF. The sale of state-owned companies will represent 0.2% of GDP. In Mexico, the state has failed to provide for the emergency liquidity needs of companies and households. GDP contracted -0.3% in 2019, mostly due to a severe hit to investment (-5%); this can be attributable to high domestic policy uncertainty and several policy decisions that overturned previous pro-business reforms, such as closing the energy sector to foreign players. The latest policy moves of the administration threaten the soundness of the business environment.

## **Regulatory Quality**

This indicator measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. A good system of regulatory management systematically helps to identify the best choice of policy options. It reduces unnecessary burdens on citizens and businesses and promotes transparency in the design of and access to regulations while protecting health, safety, and the environment.

In these graphs we see the index trend for Mexico and Costa Rica:

Indicator	Country	Year	Number of Sources	Governance (-2.5 to +2.5)	Percentile Rank	Standard Error
Regulatory Quality	Costa Rica	1996	5	0,55	69,02	0,29
		1998	5	0,75	74,61	0,30
		2000	6	0,57	70,77	0,25
		2002	7	0,39	65,82	0,21
		2003	7	0,60	68,37	0,18
		2004	8	0,52	67,00	0,18
		2005	8	0,58	66,67	0,16
		2006	8	0,38	63,24	0,19
		2007	8	0,42	64,56	0,20
		2008	8	0,46	64,08	0,19
		2009	8	0,42	65,07	0,18
		2010	8	0,47	66,51	0,18
		2011	7	0,45	66,35	0,19
		2012	8	0,57	70,62	0,20
		2013	8	0,58	69,67	0,20
		2014	9	0,51	68,27	0,19
		2015	9	0,53	69,71	0,19
		2016	9	0,41	67,79	0,19
		2017	8	0,45	69,23	0,21
	2018	8	0,49	68,75	0,21	
	2019	9	0,50	68,75	0,18	
	Mexico	1996	6	0,13	59,78	0,28
		1998	7	0,21	60,62	0,26
		2000	7	0,25	62,56	0,22
		2002	8	0,45	66,84	0,20
		2003	8	0,36	65,82	0,17
		2004	9	0,43	65,52	0,18
		2005	9	0,19	58,33	0,16
		2006	10	0,38	62,75	0,18
		2007	10	0,39	63,59	0,18
		2008	10	0,34	62,62	0,18
		2009	10	0,22	57,89	0,17
		2010	10	0,25	58,37	0,17
		2011	11	0,28	58,29	0,16
2012		11	0,48	67,77	0,18	
2013		11	0,47	67,30	0,17	
2014	11	0,43	66,83	0,18		
2015	11	0,36	64,90	0,17		
2016	11	0,29	64,42	0,18		
2017	10	0,20	61,54	0,19		
2018	11	0,16	61,06	0,17		
2019	11	0,10	59,62	0,17		

These tables provide data for Costa Rica and Mexico from 1996 to 2019. Again, the Number of Sources shows the number of individual data sources on which the aggregate indicator is based. Governance Score (-2.5 to +2.5) corresponds to the estimate of governance measured on a scale of approximately - 2.5 to 2.5, where higher values correspond to better governance. The Percentile Rank (0-100) indicates the country's rank among all countries in the world. In this case 0 corresponds to the lowest rank and 100 corresponds to the highest rank. The standard error captures the accuracy of the governance estimate for each country. In this case, lower values indicate higher precision. Standard errors are related to confidence intervals reported elsewhere as follows: a 90% confidence interval is the governance estimate +/- the standard error multiplied by 1.645.

Looking at the tables, Costa Rica has had a fairly consistent trend over the years, while Mexico has had ups and downs, with a big drop in the last period. According to data, the average value for Costa Rica during that period was 0.50 points with a minimum of 0.38 points in 2006 and a maximum of 0.75 points in 1998. The mean value for Mexico was 0.30 points with a minimum of 0.10 points in 2019 and a maximum of 0.48 points in 2012. The latest value for Costa Rica is 0.50

and the latest value 0.10. In this case, the standard error has improved over the years and this leads us to think that today's analysis better represents the reality of the two countries.

Today, property rights are generally protected in Costa Rica. However, laws protecting intellectual property are not always adequately enforced in practice. Individuals are free to establish businesses, and the business and investment climate is relatively open, although the complicated bureaucracy can deter entrepreneurs seeking to establish a business.

In Mexico, property rights are protected by a modern legal framework, but the weakness of the judicial system, frequent solicitation of bribes by bureaucrats and officials, and the high incidence of criminal extortion harm security of property for many individuals and businesses. Large-scale development projects, including high-priority López Obrador initiatives, have been accompanied by corruption and rights-related controversy in recent years, exemplified in 2020 by the dispute over a train line, primarily serving tourists, in the Yucatan Peninsula. Economic opportunities for the private sector are limited in Mexico and there are a number of financial risks associated with dependence on steadily declining oil production.

## **Conclusion**

We are considering two Latin American economies that are similar, but also very different. If we look at the data, Costa Rica is more reliable than Mexico.

Mexico appears to be less reliable due to high domestic political uncertainty and several political decisions that overturned previous pro-business reforms, especially in the last period with the COVID pandemic. Costa Rica appears to be the more reliable of the two nations due to the fact that it has a long history of democratic stability and individuals are free to establish businesses. Although complicated bureaucracy can discourage entrepreneurs seeking to establish a business, the business and investment climate is relatively open unlike Mexico where economic opportunities for the private sector is limited and there are financial risks associated with dependence on steadily declining oil production. Finally, we have identified pros and cons in order to better understand the risks of these countries:

Mexico: Pros

- Sound macro-policy framework: fiscal spending is capped and pro-active inflation-targeting central bank
- Strong legacy from pro-business reforms in the last decade
- Structural business environment exceeds Latin American average
- Durable political framework with stable handovers of power



- Member of OECD
- Easy access to capital markets
- Support from IFIs likely if needed

#### Mexico: Cons

- Financial integration means market volatility is driven by both domestic (more or less pro-business stance) and external (US) policy risk. Fiscal position highly sensitive to oil price (oil = 30% of public revenues)
- Sensitive to US business cycle (around 80% of exports)
- Skewed income distribution (geographically as well as among socio-economic groups), still high poverty levels
- Security issues related to drug-trafficking
- Rule of Law and control of corruption below Latin America's average

#### Costa Rica: Pros

- Stable, enduring democratic framework
- Favorable business and legal conditions compared to the rest of Central and Latin America
- Comfortable foreign reserves, covering between 4 and 5 months of imports and moderate external debt
- Dynamic tourism sector
- Relatively advanced transition to a greener and sustainable economy

#### Costa Rica: Cons

- High dependency on US (trade, foreign investment in a few large companies, and tourism)
- fiscal deficit with the public debt-to-GDP ratio rising rapidly as a result. Despite December 2018 fiscal reform, concerns remain on implementation and impact.