BUSINESS at OECD | Business and Industry Advisory Committee to the OECD

Breaking Down Barriers: Tackling Investment Hurdles in Latin America

Business at OECD Latin America and the Caribbean Contact Group Report

Vision Paper

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Introduction

In an international context marked by economic and geopolitical uncertainty, the role of the OECD and its membership can be key to improving the investment climate in Latin America and the Caribbean.

For the *Business at OECD* (BIAC) Latin America and the Caribbean Contact Group, it is essential to understand the private sector's perspectives on the region's investment environment. With the aim of understanding the factors that favor or hinder investment, this report seeks to formulate recommendations for the OECD to help strengthen the investment opportunities in the region.

In this context, the perspectives of the private sector offer a direct view of the main structural challenges facing Latin America and the Caribbean, such as regulatory fragmentation, legal uncertainty, institutional weakness, or infrastructure gaps. At the same time, business realities in the region enable us to highlight the value of OECD membership, identify emerging opportunities associated with the dynamism of the region's markets, its wealth of natural resources, and the growing interest in sectors like renewable energy, the digital economy, or the relocation of supply chains.

This report is based on a survey conducted between April and July 2025, directed at business representatives of the *Business at OECD* (BIAC) network with a presence and investments in the region. Its objective is to gather insights, priorities, and recommendations for the OECD that contribute to improving the investment climate in Latin America and the Caribbean.

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Profile of survey participants

The survey on the investment climate in Latin America and the Caribbean included the participation of senior business representatives with exposure to the region. All responses were collected anonymously to encourage free expression and ensure confidentiality.

The companies surveyed represent significant diversity in terms of size and economic sector. About **70%** of the participating organisations have **fewer than 100 employees** in the region, while **16%** have more than **10,000 employees.** This demonstrates a broad regional presence with representation from both small and medium-sized enterprises, and large corporations.

In terms of economic sectors, the majority of responses come from **business associations**, followed by **telecommunications companies, financial services, tourism, energy, and construction.** This sectoral range captures a pluralistic view of the investment challenges and opportunities in the region.

Moreover, the participating organisations operate in multiple countries across Latin America and the Caribbean, contributing to a more cross-cutting perspective on investment conditions and recommendations toward international bodies like the OECD.

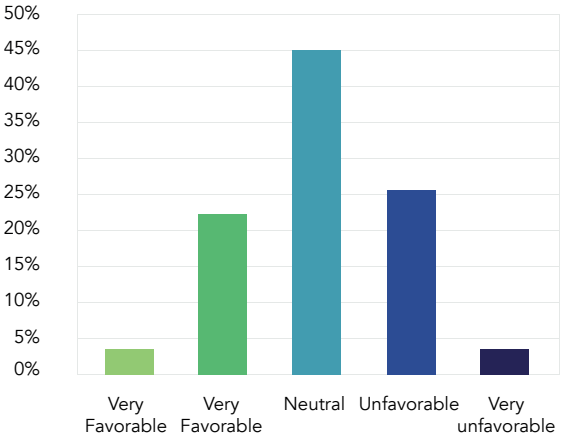
In total, responses came from **38 business representatives** with activities in seven countries of the region, **OECD members or candidates:** Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, and Peru.

Overview of the investment climate in Latin America and the Caribbean

1. Perception of the current climate

When analyzing the conditions for investment in Latin America and the Caribbean, private-sector perceptions reflect a landscape of challenges and opportunities.

How would you rate the investment climate in Latin America and the Caribbean compared to other regions?

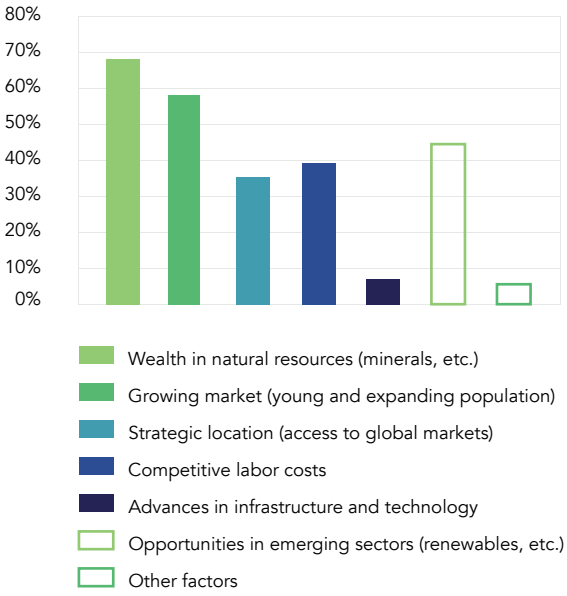


- **24%** of the respondents rate the climate **as favorable or very favorable**, indicating that investment opportunities remain positive.
- According to the survey results, nearly half of respondents (**40%**) describe the investment climate in the region as **neutral** compared to other parts of the world.
    - This relative majority suggests a perception of an environment that is neither particularly attractive nor openly unfavorable.
- However, **32%** consider the environment **unfavorable**, and another **5%** perceive it as **very unfavorable**. This indicates tangible concern about the structural factors that limit the region's competitiveness and stability.

2. Factors that promote investment in the region

Although perceptions of the investment climate are mixed, responses show that Latin America and the Caribbean maintain favorable characteristics that promote its attractiveness to investors.

What factors make investment in Latin America and the Caribbean attractive?



- Among the factors most highlighted by respondents, the **wealth of natural resources** tops the list, selected by **66%** of participants. This reflects the importance of the region as a key provider of strategic raw materials, from critical minerals for the green transition to agricultural and energy resources.
- In second place, the **dynamism of the domestic market**, with a young and expanding population, was mentioned by **60%** of respondents. This indicates that consumer potential and demographic growth continue to be fundamental drivers of investment.

- Likewise, **34%** of respondents underscored **opportunities in emerging sectors** such as renewable energy and digital technologies. This suggests that some investors are already looking beyond the traditional sectors.

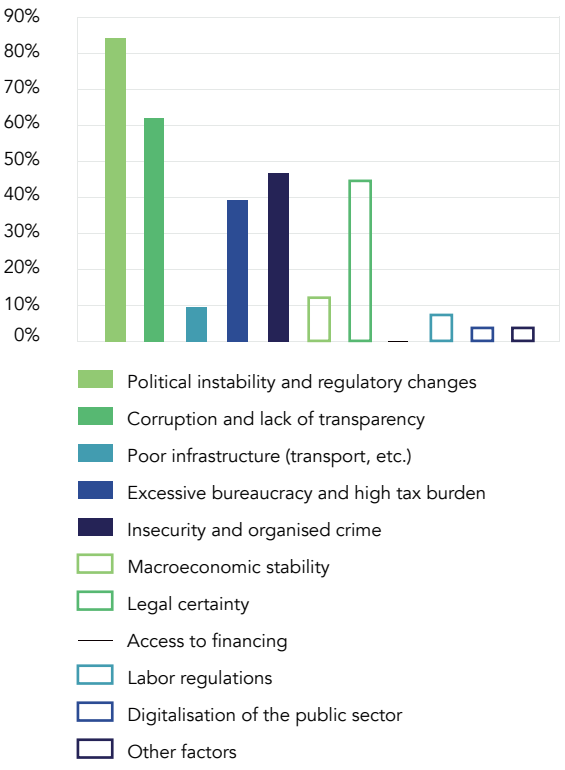
- Other factors highlighted from the survey the **competitive cost of labor (46%)** and **strategic location (40%)**, elements that can facilitate export-oriented logistics and manufacturing operations.

- However, the limited recognition of **advances in infrastructure or technology** (only **9%**) highlights that these areas are major challenges for improving the region's investment climate.

3. Main obstacles to investment in the region

On the other hand, despite its competitive advantages, Latin America and the Caribbean faces persistent structural challenges that limit its ability to attract and retain long-term investment.

What factors hinder investment in Latin America and the Caribbean?



- According to the survey results, the factor that most hinders investment is **political instability and regulatory changes**, with **84%** of respondents mentioning this factor. This finding suggests that institutional volatility and the lack of predictability in the regulatory environment remain a critical barrier for investors.

- In second place, **corruption and lack of transparency** were selected by **68%**, confirming the importance of effective and transparent institutional governance.

- **Security issues and organised crime (61%)** are also among the main concerns, demonstrating how security problems can translate into higher operating costs and risks that directly affect the continuity of investments.

- **Legal certainty (42%)** likewise emerges as a key concern, as it defines the rules for investing companies and provides a framework that offers safety and confidence.

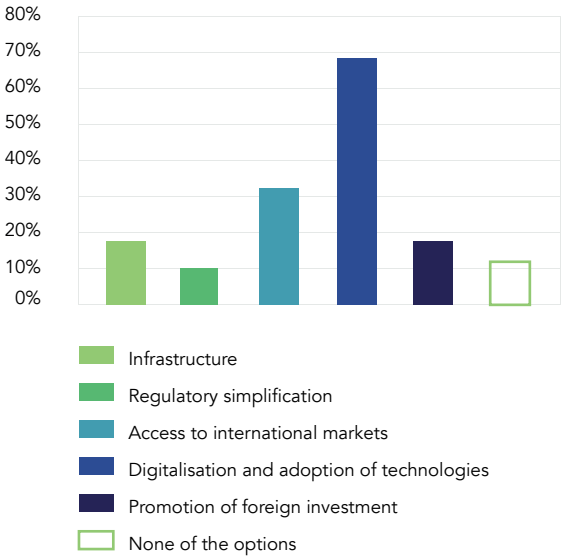
- Similarly, **excessive bureaucracy and a high tax burden** were pointed out by **37%** of respondents as another factor that makes investment difficult.

- Although mentioned less frequently, factors such as **macroeconomic stability** and **deficient infrastructure (both 13%)** were also highlighted.

4. Recent improvements and positive trends

Despite the aforementioned obstacles, the results of the survey also point to notable improvements in the last five years regarding the investment climate.

Compared to five years ago, in which areas do you believe the region has improved?



- In particular, **digitalisation and the adoption of technologies** was the most mentioned aspect, with **68%** of responses. This suggests that, overall, the region has accelerated its technological transition. Such progress is key to increasing operational efficiency, streamlining procedures, and reducing entry barriers for new economic actors.

- Another noteworthy area was access to **international markets** (34%), which reflects greater integration with global markets.

- More moderately, **advances in infrastructure** (18%) and in the promotion of **foreign direct investment** (21%) were acknowledged, although these figures also show that such progress is still perceived as insufficient or uneven.

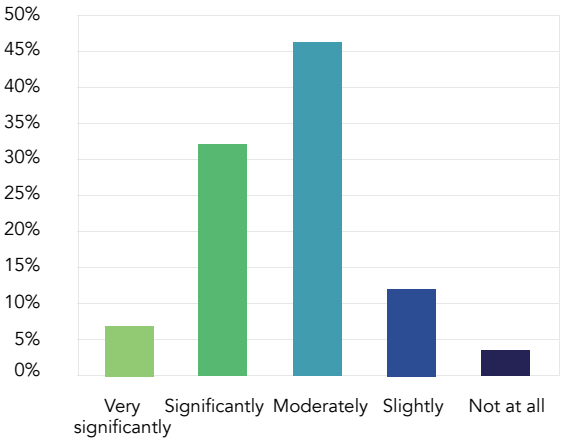
The role of the OECD in the investment climate

1. Impact of current OECD membership of Latin American countries

The growing engagement of Latin America and the Caribbean with the OECD has opened new opportunities to strengthen regulatory frameworks, improve institutional governance, and create more predictable conditions for investment. In this context, members of the *Business at OECD* (BIAC) network were asked to what extent they believe the OECD membership of Chile, Colombia, Mexico, and Costa Rica has contributed to improving the investment climate.

The results show a predominantly positive assessment:

To what extent do you believe the OECD membership of LAC countries has contributed to improving the investment climate in the region?



More than **79%** of respondents recognise some degree of **positive impact**:

- **44%** of respondents say the contribution has been **"moderate"**.
- **29%** state that it has been **"significant"**.
- **6%** report that it has been **"very significant"**.

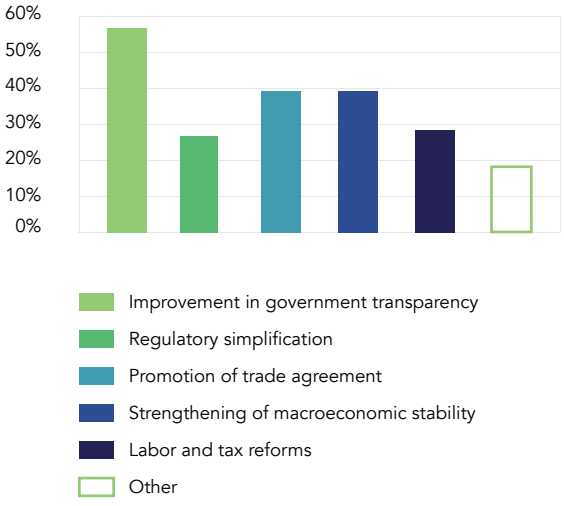
Only **18%** indicated that the contribution has been low, and **3%** noted that there has been no contribution at all.

These data reinforce the perception that OECD accession generates concrete benefits for the private sector. The adoption of international standards, recommendations to strengthen policymaking, and access to international policy discussions are seen as elements that foster a more competitive and attractive investment environment.

2. Achievements driven by OECD membership

Respondents identified the following improvements as consequences of OECD membership:

What specific aspects do you attribute as improvements generated by OECD membership?



- **Improved government transparency (53%):** This was the most prominent outcome, mentioned by 53% of participants. This result confirms the importance the business sector places on the adoption of international standards for public integrity, accountability, and access to information.

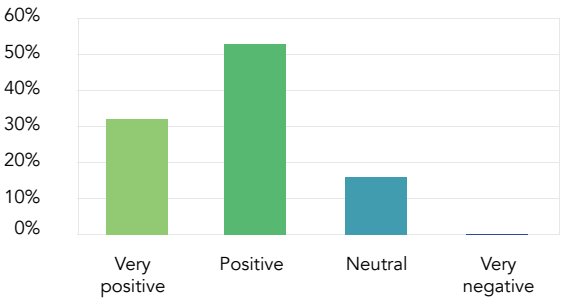
- **Both promotion of trade agreements (41%)** and **macroeconomic stability (38%):** These were valued as the second and third most notable improvements. This suggests that OECD membership contributes to reinforcing countries' international positioning, promotes measures in favor of macroeconomic stability, and encourages international trade.

- Other aspects mentioned were the **simplification of regulations (27%)** and **labor and fiscal reforms (25%)**, which are also essential pillars for improving the business environment.

Impact of ongoing OECD accession processes

The potential accession of Argentina, Brazil, and Peru to the OECD is generating widely positive expectations among respondents, who recognise the potential of these processes to improve the investment climate at the regional level. These countries began their respective accession discussions following the OECD's invitation in January 2022, under the framework of the OECD Accession Roadmap, which sets out the guidelines and assessments required for accession.

How do you perceive the potential impact of Argentina, Brazil, and Peru joining the OECD on the regional investment climate?



Summing up to more than **78% favorable** opinions:

- **52%** of the respondents consider that the potential impact would be **positive**.
- Another **26%** regard it as **very positive.**

Only **23%** consider the impact to be **neutral**, and **no respondents** perceive it as **negative**.

Beyond the impact on the investment climate, the prospective inclusion of Argentina, Brazil, and Peru in the OECD is also seen as a lever to promote greater regional integration in Latin America and the Caribbean, albeit with still limited effects.

- **65%** of respondents believe that membership will **drive regional integration**, but in a **limited way**, while **19%** assert that the **impact** will be **significant**.

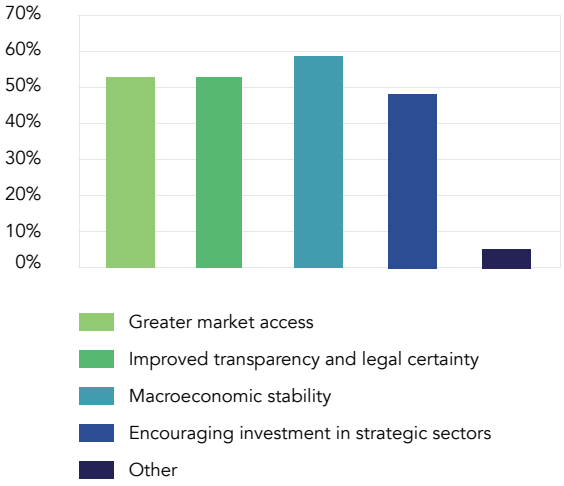
In the subsequent section, this report examines the survey responses related to the accession processes of Argentina, Brazil, and Peru individually.

1. Argentina

a. Perceived opportunities regarding Argentina's accession to the OECD

The results reflect a positive perception of the benefits that Argentina's accession to the OECD could bring, especially in terms of stability, institutional strength, and economic openness.

Argentina: What opportunities does Argentina's potential OECD membership represent for your organisation?



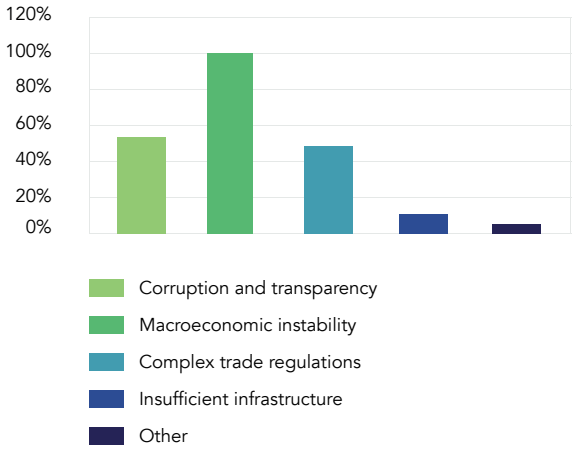
- The opportunity most frequently mentioned by respondents was the **strengthening of macroeconomic stability** (52%), suggesting that the accession process is seen as a positive tool for moving toward a more predictable and stable economic environment.
- Likewise, **56%** identified key advantages such as **access to new markets** and **44%** improvements **in transparency and legal certainty.**

- Meanwhile, **48%** pointed to the **encouragement of investment in strategic sectors** as a significant benefit.

b. Aspects to strengthen for greater alignment with OECD standards

The accession process also highlights key areas in which Argentina needs to advance in order to achieve greater alignment with OECD standards.

Argentina: What challenges does Argentina face in aligning its standards with those of the OECD?

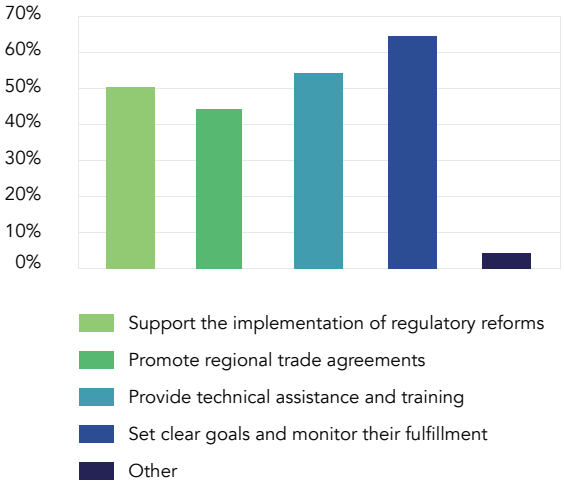


- **88%** of respondents underscored macroeconomic stability as a key element.
- **62%** emphasised the need to deepen **practices of transparency and integrity.**
- **46%** mentioned the need to move toward a **more agile and efficient regulatory environment.**
- Other elements such as **strengthening infrastructure (19%)** or **addressing specific needs (4%)** were mentioned as areas requiring greater alignment with OECD standards.

c. An active role for the OECD: support and cooperation

The stakeholders consulted would welcome a collaborative, active role by the OECD in Argentina's accession process, understanding that technical support can make a positive difference.

Argentina: What role should the OECD play to facilitate Argentina's accession?



- **69%** of respondents especially valued the **establishment of clear targets and follow-up mechanisms**, seen as a useful roadmap to sustain the process over time regardless of the political context.
- **54%** highlighted the importance of **technical assistance and training**, showing a favorable disposition toward integrating OECD tools in building local capacity.
- Another **54%** expressed interest in receiving support to **implement regulatory reforms.**
- **46%** valued the possibility of making progress in **regional trade agreements,** thereby contributing to greater integration into global value chains.

2. Brazil

a. Opportunities associated with Brazil's possible OECD membership

The results reflect a positive perception of the benefits that an OECD accession by Brazil could bring, especially in terms of transparency, investment in strategic sectors, and macroeconomic stability

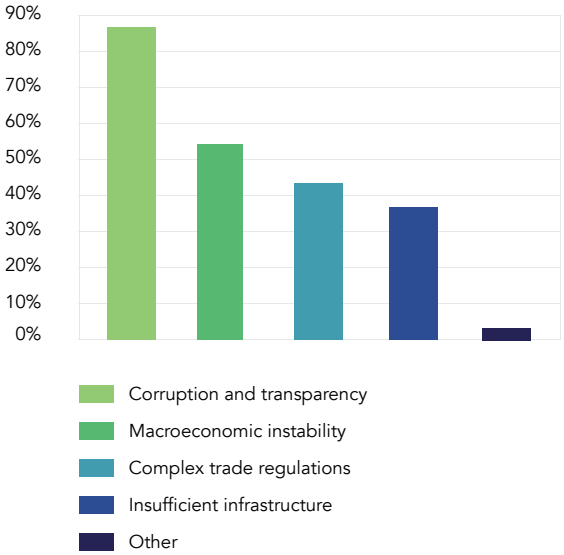
Brazil: What opportunities does Brazil's potential OECD membership represent for your organisation?

- 62% highlighted **better access to markets** as a major opportunity.
- 46% of respondents pointed **to improvements in transparency and legal certainty** as a key opportunity. Another 46% also noted the opportunity to **boost investment in strategic sectors.**
- Although to a lesser extent, **31%** emphasised the need to **strengthen macroeconomic stability** through the OECD accession process.

b. Aspects to strengthen for greater convergence with the OECD

The accession process also reveals fundamental areas where Brazil needs to make progress to achieve greater convergence with OECD standards.

Brazil: What challenges does Brazil face in aligning its standards with those of the OECD?

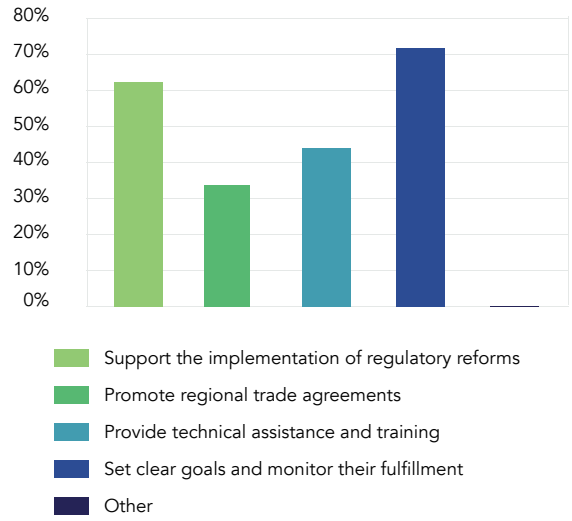


- The top priority identified was **strengthening institutional integrity,** highlighted by **85%** of respondents as crucial.
- Opportunities for **improvement in the macroeconomic** sphere were identified by **52%** of respondents.
- **48%** saw a need to **simplify the regulatory environment.**
- Finally, **37%** pointed to the need to **reinforce infrastructure.**

c. The OECD's role as a strategic partner in the accession process

In Brazil's case, respondents view the OECD not only as a benchmark, but as a strategic partner capable of effectively supporting the reform and modernisation process.

Brazil: What role should the OECD play to facilitate Brazil's accession?



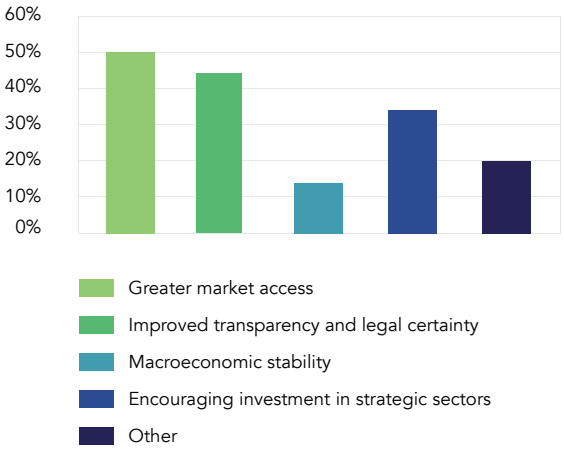
- **70%** consider it essential to have **clear goals and monitoring mechanisms.**
- **63%** placed special value on **support for the implementation of regulatory reforms.**
- **44%** highlighted the value of **technical assistance and capacity-building.**
- **41%** identified the promotion of **regional trade agreements** as an area where the OECD could play a complementary role, supporting efforts toward economic integration in Latin America.

3. Peru

a. Opportunities associated with Peru's possible OECD membership

The results reflect a positive perception of the benefits that Peru's accession to the OECD could bring, especially in terms of greater access to international markets, increased transparency, and the promotion of investment in strategic sectors.

Peru: What opportunities does Peru's potential OECD membership represent for your organisation?

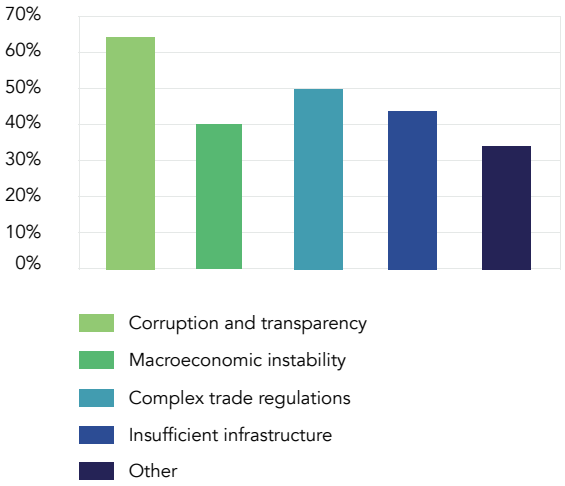


- The most frequently cited opportunity was **greater access to international markets**, mentioned by **54%** of respondents.
- **50%** of respondents identified **improvements in transparency and legal certainty** as a key benefit.
- Similarly, **39%** mentioned the **promotion of investment in strategic sectors** as an advantage.
- **23%** cited **macroeconomic stability** as a benefit of OECD accession.
- Finally, **15%** noted other benefits, revealing complementary expectations in areas such as **access to comparable data, evidence-based policymaking,** and **strengthened international cooperation.**

b. Areas with potential for improvement within the accession process

The accession process also makes clear the priority areas in which Peru must advance to more closely align with OECD standards.

Peru: What challenges does Peru face in aligning its standards with those of the OECD?

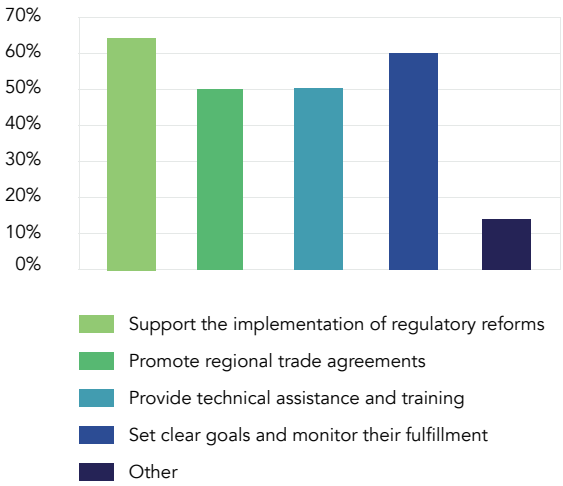


- The most cited challenge was **strengthening transparency and public integrity,** mentioned by **69%** of respondents.
- Challenges related to **complex commercial regulations, macroeconomic instability** and to **insufficient infrastructure** were highlighted by **50%** of respondents.
- **27%** mentioned other specific factors, suggesting a range of particular concerns such as **environmental, labor,** or **institutional issues.**

c. Expected role of the OECD in Peru's accession process

The general expectation is that the OECD will act as an active partner in Peru's accession roadmap, providing technical tools, clear criteria, and comparative experiences.

Peru: What role should the OECD play to facilitate Peru's accession?

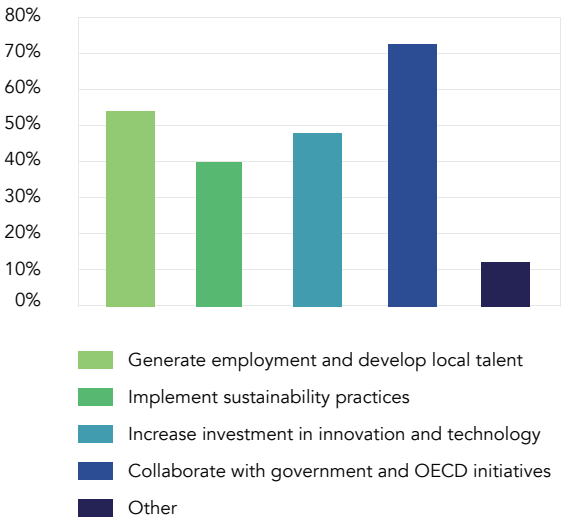


- The most valued role **was supporting the implementation of regulatory reforms,** cited by **65%** of respondents.
- **62%** stressed the importance of having **clear goals and monitoring mechanisms.**
- **54%** highlighted both the need for **technical assistance and training,** and the **promotion of regional trade agreements**.
- Finally, **12%** indicated other expected roles, including **facilitating public-private dialogue, promoting regional best practices**, and **providing access to multilateral networks for technical cooperation.**

Business initiatives linked to the investment climate

The responses indicate a strong willingness on the part of the private sector to collaborate actively with public and multilateral actors.

How could your organisation contribute to improving the investment climate in the region?



- 70% of respondents cited **collaboration with government and OECD initiatives** as their main avenue of contribution. This trend underscores a widespread perception that progress in the investment climate requires coordinated, synergistic efforts between the public and private sectors.

- In second place, **creating jobs and developing local talent** was selected by 60% of participants.

- **Increasing investment in innovation and technology** received 53%, which demonstrates an interest in pursuing the modernisation of production processes and digitalisation as tools to raise the region's competitiveness.

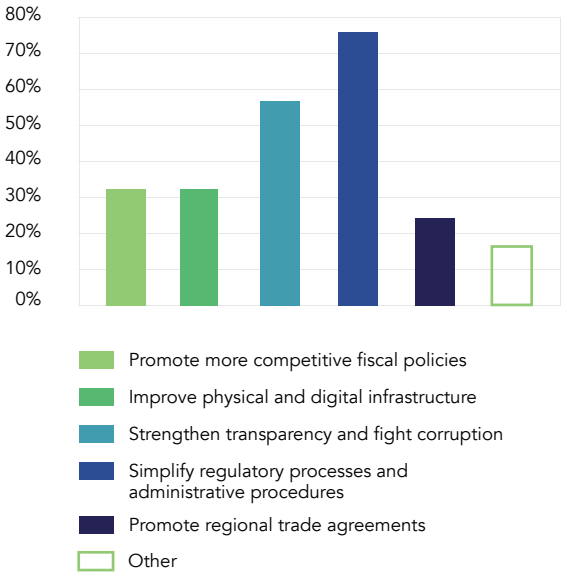
- Similarly, **implementing sustainability practices** was indicated by 40% of respondents. This confirms that sustainability is no longer seen as an added value, but rather as an essential requirement for operating in a responsible investment environment aligned with international standards.

- Finally, 10% indicated other forms of contribution, such as **sector-specific initiatives or more narrowly focused public-private partnerships.**

Recommendations to the OECD to strengthen the investment climate in Latin America and the Caribbean

The survey results identify five priority lines of action that the private sector considers fundamental for the OECD to foster a more dynamic and sustainable investment environment in the region.

What key recommendations would you give to the OECD to strengthen the investment climate in the region?



1. Simplify regulatory and administrative processes (73%)

   - The OECD can contribute through models of regulatory simplification, digitalisation of procedures, and regulatory impact assessment.
   - It is essential to achieve regulatory efficiency to promote investment.

2. Strengthen transparency and the fight against corruption (63%)

   - The OECD can promote standards and tools to strengthen public integrity and combat corruption.
   - It is essential to build confidence in the legal and regulatory system.

3. Support the development of physical and digital infrastructure (40%)

   - The OECD can facilitate the use of tools and best practices to strengthen physical and digital infrastructure.
   - It is essential to ensure access to connectivity and modern infrastructure to drive integration and regional productivity.

4. Promote more competitive fiscal policies (33%)

   - The OECD can collaborate in designing fiscal frameworks that are more competitive and attractive for investment.
   - It is essential to move toward tax systems that are simpler, more predictable, and oriented toward productive investment.

5. Foster regional economic integration (27%)

   - The OECD can promote initiatives that reinforce economic integration and regional cohesion.
   - It is essential to encourage public-private collaboration to invigorate the investment climate in Latin America and the Caribbean.

Conclusion

This report, based on a survey conducted between April and July 2025 among private-sector representatives of the *Business at OECD* (BIAC) network with a presence and investments in Latin America and the Caribbean, aims to reflect the private sector's perspectives and recommendations to the OECD on how the organisation can contribute to the improvement of the investment climate in the region.

The results show that Latin America and the Caribbean has significant strengths for attracting investment, such as abundant natural resources, the dynamism of its domestic market, and opportunities in emerging sectors. However, they also identify relevant structural challenges, such as political instability, corruption, insecurity, and insufficient infrastructure, that constrain the region's development potential.

As indicated by the survey results, OECD membership and support have proven to be valuable tools for strengthening institutions, promoting transparency, simplifying regulations, and creating more favourable conditions for investment.

Similarly, the potential accession of Argentina, Brazil, and Peru to the OECD is seen as an opportunity to make progress in these areas and foster greater regional integration. This report also details the opportunities and priority areas identified in each of the three candidate countries.

Finally, responses to the survey lead to five key recommendations for the OECD to promote an improved investment climate in the region: simplify regulatory processes, strengthen transparency and integrity, promote competitive fiscal policies, support the development of physical and digital infrastructure, and foster regional economic integration.

These recommendations from the *Business at OECD* (BIAC) Latin America and the Caribbean Group seek to promote active collaboration with the OECD to foster sustainable and competitive growth in the region.

Case study: Telefónica

1. About the company

Telefónica, S.A. is a Spanish multinational telecommunications company founded in 1924 and headquartered in Madrid. It is one of the largest companies in the sector globally, with presence in Europe and Latin America. It ranks as the fourth most important telecom company in Europe by market capitalization and number of clients. As of the end of Q1 2025[1], the company had a total of 354 million accesses worldwide and over 100,000 direct employees. Telefónica offers its products and services mainly under the brands Movistar (Spain and Spanish-speaking Latin America), O2 (UK and Germany), and Vivo (Brazil), in pursuit of its mission: Making our world more human by connecting people's lives.

2. Incentives for investment

Telefónica decided to expand into Latin America driven by a combination of strategic incentives. In the late 1980s and early 1990s, many countries in the region offered a favorable environment marked by pro-market economic reforms, liberalization and privatization processes of state-owned telecom companies, and sociodemographic conditions that encouraged investment. This, combined with early signs of market maturity in Spain, led the company to seek new growth opportunities in emerging markets.

- Latin America, with its emerging economies, young population, and telecom sectors still relatively closed to competition, provided fertile ground for service and network deployment.
- Additionally, the region experienced higher economic growth rates than Europe during that period, further enhancing its appeal for an expanding company.
- A strong cultural and linguistic affinity facilitated operational and legal integration, given the shared legal roots between Latin American and Spanish judicial systems.
- This familiarity generated investor confidence and reduced adaptation costs.
- Furthermore, many Latin American governments created specific mechanisms to attract foreign investment, such as "Contract-Law" agreements ratified by national congresses and bilateral investment treaties with the Kingdom of Spain, which offered greater regulatory and fiscal stability.

3. Barriers to investment

- **Legal uncertainty and regulatory unpredictability** especially affect long-term and capital-intensive investments such as telecommunications. Weak institutional frameworks, particularly in key institutions like the judiciary, have a severely negative impact on investment attraction.
- **High tax pressure on formal businesses** across much of Latin America, often aimed at compensating for low revenue collection and high levels of informality, has created an imbalanced environment. Essential services like telecommunications face disproportionate tax and regulatory burdens, ultimately raising costs for end-users.
- **Lack of fiscal incentives and public subsidy schemes** for expanding services to high-cost rural areas or subsidising demand for vulnerable population groups, creating additional burdens for private operators.
- **Outdated telecom regulations** that do not reflect industry realities, resulting in excessive regulation, increased operating costs, and inhibited innovation.

[1] It includes mobile lines, fixed broadband access, pay television, and other services, and represents the company's total customer base.

- **Lack of supporting infrastructure,** especially in rural areas, such as reliable electricity supply, adequate road access, or security measures to protect networks from vandalism, also hampers connectivity expansion.

4. Relevance of the OECD

Telefónica recognises the fundamental role of the OECD as an international reference in promoting good governance and public policy practices. In the Latin American context, aligning with OECD standards is not only a useful technical guide but also an aspirational goal for many countries. Through its recommendations, the OECD has helped catalyse structural reforms that improve institutional quality, enhance legal certainty, and foster favorable regulatory and competitive environments in key sectors like telecommunications. Cases such as improvements in regulatory frameworks observed in Colombia and Costa Rica during their respective accession processes—or specific advances like Mexico's 2014 telecom reform, influenced by OECD recommendations—demonstrate the positive impact of this reference framework. For investors, a country's membership or accession process sends a clear signal of commitment to transparency, regulatory stability, and robust institutions and state policies. These elements are essential to promote sustainable investment, economic growth, and social development.

5. Recommendations to the OECD

A. **Systematically incorporate the private sector perspective:** Companies operating in OECD member countries or accession candidates have direct insight into the regulatory, institutional, and operational challenges in the investment environment. It is crucial to promote dialogue spaces with companies and investors throughout these processes.

B. **Ensure alignment with OECD principles during accession processes:** These processes represent a unique opportunity to push for structural reforms but will only have lasting impact if they remain aligned with the founding values of the OECD.

C. **Promote long-term vision in public policies:** More generally, it is proposed that the OECD support countries in developing long-term visions in their public policies. In many Latin American economies, political instability and pressure to address short-term issues hinder the formulation of sustained strategies. In this context, the OECD could play a key technical and institutional guiding role, helping countries think in terms of state policies that transcend electoral cycles. The case of Chile is a prime example of how policy continuity and stability over time have been crucial to its growth path.

D. **Strengthen legal certainty and respect for dispute resolution mechanisms:** It is essential to reinforce legal certainty for investment, especially regarding adherence to international dispute resolution mechanisms such as ICSID. Failure to comply with arbitral decisions generates distrust and undermines the attractiveness of countries as investment destinations.

Case study: Enagás

1. About the company

Enagás is a Spanish company with over 50 years of experience, recognised for its leadership in the development, operation, and maintenance of gas infrastructure. It manages more than 12,000 km of gas pipelines, six LNG terminals, and three underground storage facilities, ensuring the security of natural gas supply in Spain. It also has six interconnection points (two with France, two with Portugal, one with Morocco, and one with Algeria).

It is certified by the European Union as an independent Transmission System Operator (TSO) and acts as the technical manager of the gas system in Spain. Furthermore, it is present in seven countries and plays a key role in the energy transition, aiming to achieve net zero emissions by 2040. To this end, it is committed to more sustainable energy sources, such as green hydrogen and other renewable gases. In this context, it has been designated as the provisional operator of the hydrogen backbone network in Spain, assuming responsibility for developing both the national infrastructure and the H2Med project, a green hydrogen corridor that will connect the Iberian Peninsula with France and Germany.

Enagás is listed on the Spanish Stock Exchange and is part of the IBEX 35 index. 90% of its capital is free float. The company has two main shareholders: the Spanish State Industrial Holding Company (SEPI) and Pontegadea, Amancio Ortega's investment vehicle, each with a 5% stake. Other shareholders include investment and pension funds, some of them sovereign, operating under high Corporate Social Responsibility (CSR) standards, reflecting confidence in Enagás's management and sustainability.

2. Incentives for investment

Enagás' international expansion was driven by the maturity of the Spanish gas network and the opportunity to export its expertise to other markets, including some emerging ones in Ibero-America. It found favorable conditions in European and Ibero-American countries such as Peru, which around 2014 offered political stability, legal certainty, and an attractive regulatory framework. Mexico and Chile also stood out for their openness to investment in energy infrastructure.

These conditions favored long-term investments, especially in regulated sectors such as natural gas, and in countries with strong regulatory frameworks and growth opportunities.

From the outset, Enagás established strict criteria for its investments:

- **Alignment with core business:** Prioritising gas transportation and storage infrastructure and related assets.
- **Risk profile:** Infrastructure predominantly contracted on a long-term basis with strong counterparties.
- **Active participation as an industrial partner (Governance):** Contributing technical knowledge and participating in operational and strategic management of assets.
- **Collaboration with strategic partners:** Establishing alliances with local or international players who bring value and expertise.
- **Profitability and sustainability:** Rigorously evaluating economic viability with stable and predictable cash flows and attractive returns.

These principles guided its decisions and allowed for projects aligned with its standards. In many cases, investments were made in consortiums with other companies and financial entities from Europe or OECD countries, which supported the achievement of financial, CSR, and governance goals. Likewise, Enagás sought to replicate abroad the standards already applied in Spain, especially regarding sustainability, regulatory compliance, and operational efficiency.

An additional factor was the opportunity to contribute to the development of key energy infrastructure for the economic growth of host countries. Many governments actively promoted foreign investment through mechanisms such as:

- Bilateral Investment Promotion and Protection Agreements
- Legal Stability Agreements (CEJ)
- Investment Law Contracts
- Guaranteed Revenue Mechanisms
- Favorable contractual terms and conditions

3. Barriers to investment

In most countries where Enagás has invested, no significant obstacles have been identified. However, in some cases in Ibero-America, it has encountered barriers, mainly stemming from political instability and resulting regulatory changes. Frequent government changes and high ministerial turnover have hindered institutional dialogue, limiting the ability to establish constructive engagement and reach mutually beneficial solutions. This situation has led to decision-making paralysis in some countries, as many officials prefer not to act out of fear of potential legal repercussions for which they could be held personally accountable.

This is compounded by a lack of legal certainty, evident in ad hoc regulatory changes and measures that have affected existing projects and increased litigation.

The growing competition from investors from non-OECD countries represents a significant challenge. These actors, operating with lower governance and sustainability requirements, can take on risks that companies from OECD countries are not willing to accept, especially as some are backed by their governments. This dynamic may undermine institutional quality and encourage practices that are less aligned with the CSR principles promoted by the OECD. Therefore, the organisation should pay special attention to ensure that candidate countries are attracting foreign direct investment from companies that, at a minimum, comply with OECD standards.

4. Relevance of the OECD

Enagás sees the OECD's role in the region as positive, as it promotes standards ingovernance, transparency, and sustainability, fundamental for a predictable investment environment. OECD accession is viewed as an opportunity for Ibero-American countries to consolidate deep institutional reforms.

It is essential that these processes remain rigorous and that the OECD provides long-term engagement to ensure that reforms go beyond legal changes and translate into real improvements in public management and legal certainty. The OECD can also strengthen dialogue between governments and investors by promoting coherent regulatory frameworks, effective dispute resolution mechanisms, and institutional monitoring systems. Ongoing follow-up and accountability are essential to ensure effective implementation of standards.

5. Recommendations to the OECD

The following measures could help improve the investment climate in the region:

A. **Rigorous accession processes:** It is essential to verify that countries meet their reform commitments and uphold high standards, avoiding any relaxation of requirements. This ensures that countries undergoing accession offer strong guarantees of legal security, predictability, and regulatory certainty, which can attract foreign direct investment from OECD-based investors.

B. **Better internal coordination of the OECD during accession processes:** Greater coherence between the various committees and analytical bodies of the OECD is recommended. Enagás has observed divergent assessments of the same country, which can send mixed signals. Improved coordination would ensure consistent diagnoses and recommendations.

C. **Attention to the rise of non-OECD investments:** The OECD should analyze in greater depth the increasing presence of these investors in Ibero-America and their implications, to adjust its recommendations and ensure that foreign investment (regardless of origin) does not undermine the standards and values promoted by the organisation.

Case study: Coparmex

1. About the company

The Employers' Confederation of the Mexican Republic (COPARMEX) is one of the most representative and influential business organisations in Mexico. Founded in 1929, it has been for nearly a century a central player in promoting economic development, defending the rule of law, and enhancing the competitiveness of Mexican businesses. Today, COPARMEX brings together more than 36,000 companies of all sizes and sectors, which collectively represent approximately 30% of the country's Gross Domestic Product (GDP) and generate over 4.8 million formal jobs across all 32 states of Mexico.

COPARMEX's structure is organised into 71 business centers, 14 federations, and 19 specialized working commissions focused on strategic topics such as competitiveness, tourism, international trade, energy, innovation, legal certainty, and human rights. This broad geographical and thematic reach allows COPARMEX to have a comprehensive view of the opportunities and challenges facing the Mexican private sector. Moreover, COPARMEX has built a strong international presence by actively participating in organisations such as the International Labor Organization (ILO), the International Organization of Employers (IOE), and *Business at OECD* (BIAC), with the aim of projecting the voice of Mexican business leaders in the world's major forums.

COPARMEX's commitment to institutional strengthening and sustainable development has been recognised for its role in landmark initiatives such as the Transparency Law and the 3de3 anti-corruption law. Currently, COPARMEX seeks to influence the international agenda to improve Mexico's investment climate, as this is an indispensable element for generating employment, innovation, and inclusive economic growth.

2. Incentives for investment

From COPARMEX's perspective, Mexico has competitive advantages and significant opportunities that make it an attractive destination for foreign direct investment (FDI).

- **Tourism as an economic engine:** The tourism sector is one of the main attractions for investment. In 2024, tourism accounted for 14.9% of national GDP and generated approximately 7.7 million direct jobs (13% of total employment), with a growth of 4.5% compared to 2022, exceeding the overall growth of the economy. Foreign investment in tourism has also been dynamic. In 2024 it reached USD 2.9 billion, an increase of 130% over 2019, representing 8% of all FDI received in the country. These capital flows have gone mainly into hotel infrastructure, airports, and ancillary services in high-potential destinations such as Cancún, Los Cabos, and the Riviera Nayarit, consolidating Mexico as the world's second most visited destination in 2022 and 2023.

- **Nearshoring and integration with the United States:** Another key attraction is nearshoring, a strategy that is leading global companies to relocate their production chains closer to their end market. Mexico's geographic position — with a border of over 3,000 kilometers shared with the United States, its logistical infrastructure, and the regulatory framework of the United States–Mexico–Canada Agreement (USMCA) are clear advantages for attracting investment. Currently, more than 80% of Mexican exports are destined for the U.S. market, with which there is deep manufacturing integration, especially in the automotive, aerospace, electronics, and agri-food sectors.

Nearshoring has driven the growth of industrial parks in northern states such as Nuevo León, Coahuila, Chihuahua, and Baja California, as well as in the Bajío region (Guanajuato, Querétaro, Aguascalientes), generating opportunities in infrastructure, energy, housing, and services.

- Export Costs and Trade Agreements: Mexico has 14 free trade agreements with 52 countries, which gives it preferential access to markets representing more than 60% of global GDP. This network reduces export costs and strengthens legal certainty for international investors. The USMCA, in particular, offers tariff advantages and clear rules of origin that favor the development of regional value chains. The combination of low logistics costs, a competitive workforce, and access to global markets cements Mexico as a strategic export platform.

3. Barriers to investment

While Mexico has many advantages, there are structural challenges that must be addressed to improve the investment climate.

- Political and institutional uncertainty: FDI in Mexico totaled US$30.2 billion in 2024, which represented a drop of 22.8% compared to 2022 (US$39.1 billion). This decline is associated with an environment of political uncertainty, constitutional changes, and institutional weakness. A particularly worrying factor is the 2025 judicial election, which introduced the selection of judges and magistrates by popular vote. This measure, considered regressive by various civil society organisations, weakens the independence of the judiciary and increases the system's vulnerability to political pressures. Credit rating agencies such as Fitch, S&P, and Moody's have warned that this reform could affect the country's sovereign rating and lead to greater caution among investors. The concentration of political power in the Executive and Congress (where the ruling party holds a majority) has also increased perceived regulatory risks. Sudden changes in the legal framework, the cancellation of infrastructure projects, and state intervention in strategic sectors have created uncertainty among companies.

- Corruption, insecurity, and lack of rule of law: Corruption is a persistentbarrier. According to #DataCOPARMEX, 46.9% of member businesses reported having fallen victim to at least one act of corruption in the past year, reflecting a systemic problem that increases costs and risks for investors.

- Public insecurity is also a challenge. In the first half of 2025, 5,887 extortion victims were recorded, the highest level in a decade and an 83% increase compared to 2015. The presence of organised crime in various regions creates operational risks for businesses and limits the development of productive investments in high-potential areas.

- Lastly, legal uncertainty and cases of indirect expropriation discourage new investments. In 2022, a U.S. company had its quarry in Quintana Roo shut down on the grounds of environmental protection, despite having valid permits; the case went to international arbitration and is perceived as a precedent of regulatory instability.

4. Relevance of the OECD

The OECD is a key player in promoting public policies that strengthen the investment climate. Its work provides governments and the private sector with comparative information, international standards, and best practices.

One of its most relevant tools is the FDI Regulatory Restrictiveness Index, which measures legal restrictions on foreign investment in more than 100 countries. This index helps identify regulatory barriers and assess the impact of reforms on the business environment. Likewise, the FDI Qualities initiative aims to ensure that

foreign investment contributes to sustainable development goals, such as increasing productivity, creating quality jobs, gender equality, the energy transition, and technological innovation.

The OECD also supports governments through guidelines on the effective use of fiscal and non-fiscal incentives, avoiding market distortions. The report "The Role of Incentives in Investment Promotion" (2024) provides criteria for designing transparent and competitive investment attraction policies. Finally, the OECD has served as a bridge for emerging economies like Argentina, Brazil, and Peru to gain greater access to global forums and to adopt good investment practices. This role is especially relevant for Mexico and Latin America, regions that require greater inclusion in the design of international standards.

5. Recommendations to the OECD

A. **Expand Spanish-language dialogue and regional participation:** It is essential that the OECD expand its consultation forums and information sharing in Spanish, in order to incorporate the perspective of Latin American business leaders and their national chambers, such as COPARMEX.

B. **Promote anti-corruption standards and the rule of law:** It is recommended that the OECD strengthen the adoption of its Anti-Bribery Convention and evaluation mechanisms for judicial independence, as an integral part of the investment climate agenda.

C. **Reduce regulatory barriers:** The OECD can support Mexico in implementing reforms that improve its ranking on the FDI Regulatory Restrictiveness Index, by eliminating unnecessary restrictions and streamlining procedures.

D. **Improve transparency in incentives:** It is key to develop comparable and publicly available frameworks for fiscal and non-fiscal incentives, following the best practices documented by the OECD in its 2023 and 2024 reports.

E. **Encourage sustainable investment:** It is recommended to prioritise investment projects that create quality jobs, reduce social and environmental disparities, and strengthen the integration of SMEs into global value chains, applying the approach of the FDI Qualities initiative.

Mexico has significant advantages for attracting foreign investment, such as its geographic position, integration with the United States, network of trade agreements, and the potential of sectors like tourism and advanced manufacturing. However, the deterioration of the rule of law, corruption, insecurity, and regulatory uncertainty are affecting investor confidence, as reflected by the 22.8% drop in FDI between 2022 and 2024.

The OECD has a strategic role to play in reversing this trend, by promoting international standards, driving pro-investment reforms, and facilitating dialogue with the private sector. COPARMEX reiterates its commitment to collaborate with the OECD and *Business at OECD* (BIAC) to build a more competitive, transparent, and sustainable environment that allows investment to become an engine of economic and social development for Mexico and the world.

BUSINESS at OECD | Business and Industry Advisory Committee to the OECD

Established in 1962, *Business at OECD* (BIAC) is the officially recognised institutional business voice at the OECD. We stand for policies that enable businesses of all sizes to contribute to economic growth, sustainable development, and societal prosperity. Through *Business at OECD*, national business and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organisations.

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