

**International Conference on Federalism  
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**Session 1) Opening Plenary**

**PROGRESS AND CHALLENGES OF MEXICAN FEDERALISM**

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Your Excellency, Jean Chrétien,  
Prime Minister of Canada;

Ladies and Gentlemen,  
First of all, I would like to say that it is always a great honor to visit this beautiful country, a trading partner and a friend for which we in Mexico feel respect, appreciation and admiration.

I would like to thank Prime Minister Jean Chrétien very much for his kind invitation to meet here at Mont-Tremblant, in the context of this Forum of Federations.

I would also like to thank Bob Rae and Henning Voscherau for the opportunity to participate in this International Conference.

This is a timely moment to examine federalism, since history has shown that in the twentieth century, democracy and federalism go hand in hand.

As Timothy Anna, a distinguished scholar in Mexican history from the University of Manitoba, has pointed out, in the three countries forming North America, federalism has been "an intimate component of our histories and our own identities".

Although the United States was the first country to develop this system, Mexico, in 1824, and Canada, in 1867, following their own traditions and guided both by geographical realism and political reasons, were also constituted as federal unions.

In Mexico, the notion of federalism arose practically at the same time as the demand for independence.

We Mexicans achieved our full independence in 1821; yet until a relatively short time ago, federalism had been more an aspiration than a reality.

On attaining its independence, Mexico was a mosaic of very diverse regions and localities. Clearly, neither a national State nor an integrated market existed. Our extensive territory included isolated and even unpopulated regions, with limited communications between them, and they enjoyed a considerable degree of autonomy which they were determined to defend.

The first experiences of democracy in Mexico showed that from early on in our independent life many aspired to a federalist organization. Actually, some of the representatives elected to the very first Congress that established our nation in 1824, brought with them the mandate of their states to adhere to it under the condition that a federal system be adopted.

Yet 300 years of colonial life had left a deeply-rooted and strong centralism. For more than three decades Mexico literally lived through a recurrent civil war between those in favor of federalism and the supporters of centralism.

This war had devastating results: Mexico suffered foreign aggressions and invasions. More than half of its national territory was lost. The population was decimated and our incipient productive capacity was severely impaired.

It was only in 1857 that a new Constitution inspired by liberalism established our democratic, republican and federalist regime.

Once again, the constitutional ideal was one thing, while the practice remained something quite different. For very good reasons, the need to build a national State and to subordinate the political activity of the various regions and communities to the interest of the Republic returned to preeminence. Unfortunately, this process was only consolidated by means of a centralized, authoritarian dictatorship.

Thus, Mexico entered the twentieth century without democracy and individual political liberties, while state and municipal governments lacked the capacity for decision-making -- what the law stated was inconsistent with real life.

That was one of the reasons for the emergence of a revolution in favor of the ideals of democracy and social justice, but which also vindicated the political rights of states and municipalities. That is to say, the revolution vindicated a true federalism that would promote democracy and also lessen social inequalities.

This revolution gave rise to a new constitution, enacted in 1917, which fully ratified Mexico's federalist principles.

In fact, it is interesting to note that two main articles of Mexican federalism -- Articles 40 and 41 of our Constitution -- retained in the 1917 Constitution the exact original wording found in that of 1857.

These articles express the will of the Mexican people to become a representative, democratic, federal Republic, made up of free and sovereign states, but united in a Federation established according to the principles of the Constitution itself.

In the same way, the Constitution states that the people exercise their sovereignty through three powers of the Union in matters under their jurisdiction; and through each state's powers in regards to their internal regimes, as established in the Federal Constitution and the state constitutions. These state constitutions may never go against the provisions of the Federal Pact.

Thus, all three constitutions in Mexico's history have established a federal system. In them it is stated that the Republic is made up of free and sovereign states in matters concerning their internal regimes. To this end, each state enjoys constitutional autonomy. It is free to create and reform its internal constitutional order, as long as the bases of the Federal Constitution are complied with.

The Constitution established that the states should also adopt the form of a republican, representative and popular government, with the basis of their territorial division and their political and administrative organization being the Free Municipality. The municipalities are to be administered by a council chosen by direct popular election and have full freedom for their administration.

For many years, however, this constitutional theory remained in conflict with the centralist practices that were actually strengthened in order to address the demands of those who had fought for the revolution.

Land distribution to the peasants and the building of the necessary infrastructure to make education, health and other basic services available throughout the country called for an organizational capacity and resources beyond the reach of weak local governments. Many demands could only be addressed from the center by a sufficiently strong power, and that power turned out to be the Federal Executive Branch.

In fact, the Presidency of the Republic continued to concentrate powers that went beyond those strictly conferred upon it by the Constitution and the law.

It was not only the Presidency that became politically centralized. The country's major social organizations also adopted a centralized structure, as did political parties and business organizations.

As centralism tends to reproduce and strengthen itself, its own momentum led to an even greater concentration of administration, decisions and opportunities.

A number of very serious repercussions arose from this excessive centralization.

In the economic sphere, centralism favored a strong State interventionism that inhibited individual initiative and social participation. An increasingly large and cumbersome central administration ended up by losing its efficiency. Economic progress was throughout the country unbalanced.

The national government's social responsibility of compensating for unequal resources, well-being and advancement opportunities in the country's poorer states lost its priority. While wealth and investment were concentrated in some regions of the country, others became increasingly poor.

Local governments continued to be generally weak and dependent. They became completely subordinate. Without sufficient capacities, resources or technical means, they were incomplete and impotent administrations, and their fragility was in sharp contrast to the national government machinery present in every state.

With growing globalization, centralized strategies became highly constricting and inefficient, and ran counter to the democratic aspirations of citizens and communities.

The only answer lay in decentralization; in ensuring that local governments enjoyed effective powers. The only answer was federalism.

It is my deep belief that many of Mexico's development problems and the limitations that held back true democracy were due to excessive centralism.

I am convinced that federalism is the best political system to achieve development with social justice. I am certain that federalism is the best political system for democracy; that federalism is the best political system for a nation comprising a vast cultural diversity and vigorous political plurality.

I am fully confident on that federalism is clearly achievable in Mexico.

That is why it was very satisfactory to have had the responsibility, as Minister of Education, of undertaking the decentralization of basic education in Mexico.

Until then, more than two-thirds of budget resources, physical infrastructure, labor relations and pre-school, elementary and secondary school services were centralized.

Decentralization required acceptance by the governments of 31 states and the reorganization -- and in some cases the creation -- of state educational systems, in addition to complex negotiations with the largest trade union in Latin America.

The administration and control of more than 100,000 schools, with all their

equipment, were decentralized, as were labor relations with 700,000 teachers and workers and the financial resources used in their operation. These funds amounted to 85 percent of the total basic education budget.

As a matter of fact, this operation has been cited as one of the largest decentralization processes in the world.

This process of decentralization presented a very serious concern in that public education could lose the national and unifying character that historically it always had.

In fact, throughout our history, and especially since the Constitution of 1917, public education has been a fundamental factor for strengthening national unity and instilling in children and young people the identity and the pride of being part of the Mexican nation.

In order to respond to that concern, Constitutional reforms were instituted and a new General Law on Education was passed.

These reforms laid down with precision that it is the right of every person to receive education, and that the State will provide pre-school, elementary and secondary education. It was reaffirmed that such education is to be mandatory, lay and free.

Moreover, in order to ensure that basic education maintains its national, unifying and democratic sense, the new law determined that the national government should retain the authority over study plans and programs. Nevertheless, a margin was also established for the states to add regional and local contents to certain subjects such as history and geography.

The decentralization process in education has continued to grow stronger and has now been extended to other spheres that were previously the responsibility of the national government. Among them are high school, technological education and vocational training.

Once I became President of Mexico, I decided to undertake the decentralization of our public health system.

Again, this naturally involved enormous efforts: legal, political, financial, administrative and operating efforts. A total of 32 public organisms were created, one for each state. Furthermore, the previously centralized budget resources were transferred to the states, and a clear means was established for applying those funds and monitoring their use.

The national government transferred 7,000 hospitals, clinics and health centers, including all their equipment, to the states, as well as more than 120,000

physicians, nurses and support personnel.

Today, for the first time in our history, each state has its own health system that is better able to meet the specific needs of their different regions.

The decentralization of health services has also already begun to provide benefits.

Health coverage has been expanded. Our new decentralized structure has allowed us to take medical and basic preventive care to practically all corners of the country. Over the past five years, we have been able to incorporate 16 million people, who in 1994 lacked health care, into our country's public health services.

After decentralization, the states are exercising over 70 percent of health expenditures, which has also been the fastest growing budget item under this administration.

As a result of this decentralization, the two most important areas of the federal government's social expenditure -- education and health -- are now directly managed by the states themselves. These two areas account for 60 percent of the government's programmable budget.

But our federalism has much, very much further to go so that it can effectively promote integral development with fair opportunities for everyone throughout Mexico.

That is why during my administration we have set ourselves the goal of progressively decentralizing a number of tasks that have a strong social and economic impact on the life of the states and municipalities.

This new wave of decentralization includes, among others, programs of agricultural support, water management for irrigation, building and operation of drinking water systems, and construction and maintenance of secondary and rural roads, as well as a number of labor training and environmental protection programs.

Nevertheless, by no means is it sufficient to decentralize government functions. I believe that each decentralized function must be accompanied by the necessary legal authority and budget funds to carry it out.

Therefore, unprecedented efforts have been made in this administration to strengthen the treasuries of state and municipal governments.

To that end, with the approval of the Federal Congress, the tax-collecting capacity of states and municipalities has been broadened.

Recently, the Federal Congress also approved a reform which for the first time asserts the municipality as a level of government instead of merely being a mere administrative division of the states. The amendment establishes capacities which are exclusive to the municipalities and strengthens the right of association between municipalities for the better fulfillment of their tasks.

But perhaps the most significant progress made in our federalism lies in the reform of the system for transferring budget resources from the national government to state and municipal governments.

New ways of transferring funds to the states and municipalities have been established, giving legal and financial certainty and transparency. We have put an end to the margins for arbitrary and discretionary decisions.

At the same time, clear and sound criteria have been laid down for the allocation of resources. These criteria give priority to states and municipalities with greater social shortcomings and greater deficiencies in basic infrastructure.

Thanks to this decentralization of public spending, the states and municipalities are receiving the largest amount of resources in their history.

In fact, whereas in 1994, for each peso spent by the centralized Public Administration, the states and municipalities spent 78 cents, today, for each peso spent by the centralized Public Administration, the states and municipalities are spending 1.5 pesos.

I truly believe that in these closing years of the twentieth century, we Mexicans are advancing firmly towards a more vigorous federalism.

Nonetheless, I am convinced that much more will still have to be done in the first few years of the twenty-first century to strengthen our federalism more and more. I believe that the democratic maturity that Mexico has achieved in recent years will give an added boost to federalism.

It is thus with a double sense of satisfaction to have called for a thorough political reform that has provided clear, fair and transparent conditions for electoral campaigns, and an effective transference of power and decision-making capacity to local governments.

Today in Mexico, democracy is the key to change as well as to political participation.

Thanks to the political reform we Mexicans have carried out in these recent years, today we have fair laws and autonomous institutions to regulate and watch over our electoral processes.

The political reform has also included the strengthening of the Judicial Branch and the powers of the Legislative Branch, the formula for the composition of Congress, the design of the country's electoral districts, the election of the Mayor of Mexico City, the access of parties and candidates to the electronic media, as well as the rules for the financing and accountability of political parties.

I can say with great satisfaction that Mexico is now living fully and passionately a normal democracy.

At the beginning of this talk I said that democracy and federalism go hand in hand.

When people's personal liberties and rights are strengthened, they are encouraged to increase their political participation and to demand better governments, beginning with those that are closest to them -- local governments.

All levels of government react by responding more efficiently and in a more timely manner to social demands. To that end, local governments are demanding greater powers and greater access to available resources. Each level of government is thus stimulated to better comply with its responsibilities.

An essential component in making further progress in our federalism is the management of fiscal resources.

In Mexico, certain taxes such as VAT and Income Tax are collected by the national government because this is more efficient. Other taxes, such as those applicable to real estate, are collected by local governments.

In order to share in the revenues collected by the national government, the states sign a special agreement which must be approved by the state Congress.

As of last year, a new system for distributing national government resources to the states and municipalities was established. Those additional resources are earmarked for health, education and basic-infrastructure programs.

With regard to fiscal federalism, I believe we have to make much more progress in Mexico. The productive potential of states and municipalities must be encouraged so that strong regional economies generate more resources to meet local requirements.

In all cases, however, one limit must be the national government's compensatory responsibility.



The national government has a prime social duty, particularly in a country with major needs such as Mexico.

That social duty is to channel resources from the more prosperous regions to the regions with greater needs. This social duty cannot be ignored and must be carried out efficiently and transparently. It is a duty that is inherent to federalism.

Therefore, a national law determines the distribution of funds by the national government to the states. This distribution is ruled by a formula that recognizes the tax-collecting capacity of the states, but also redistributes resources to the states with the greatest shortages. This redistributive or compensatory function is essential so that federalism really contributes to overall development and social justice.

If we are united in a federation it is precisely so that we are stronger; so that we help one another; so that those with the greatest advantages help those who are less advanced.

The only other limit to our federalism is national unity.

I certainly believe that federalism and democracy are the best legal and political framework for all of us to live with respect for our differences in culture, language, creed and ideology.

And I also certainly believe that federalism only takes on its full meaning if it contributes to strengthening the unity of the nation. History has shown Mexicans that only unity makes us strong; that only united can we overcome our challenges; that national unity is indispensable for creating and sharing progress.

National unity is essential for preserving our cultural pluralism and for ensuring respect to all regional identities as well as securing their harmonious coexistence.

National unity is the most important value for Mexicans.

Federalism balances the value of national unity and the life of the states and municipalities. On one hand it privileges the existence of the nation and on the other it reinforces the vocation for autonomous government of the states and municipalities.

That is why I am certain that in the coming century, our federalism will be reinforced as the most appropriate political system for ensuring the unity of our nation, for combining our diverse and vigorous cultural and regional roots, bound together by the common aspiration to live in a strong, indivisible nation that is respected throughout the world: a free, prosperous nation with social justice.

Federalism in Mexico has been an effort that began with our independence, that has been built by many generations and that will be continued with determination in the years to come.

I am convinced that this is a very worthwhile effort. By working for a true, dynamic and vigorous federalism, we are working for a united and plural nation, for a nation with strong democracy and social justice.

Thank you very much.

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