

NEW FEDERALISM IN MEXICO:
IMPLICATIONS FOR BAJA CALIFORNIA
AND THE CROSS-BORDER REGION

Executive Summary

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For most of this century, the Mexican political system has been defined by a strong central government headed by a powerful president. Over the last two decades, however, there has been a rising interest—created by both economic realities and internal political pressures—in shifting the balance of power toward state and municipal governments. The current president, Ernesto Zedillo, calls this concept “New Federalism.”

The decentralization of government can take two primary forms: deconcentration and devolution. Under deconcentration, the federal government establishes agencies at the state and local level but still maintains responsibility for policy. A more authentic form of decentralization occurs with devolution, when administrative authority is transferred to state and local governments. This type of decentralization brings decision-making and accountability closer to the affected constituencies, provides a system of intergovernmental checks and balances, and encourages the proliferation of innovative policies on several levels.

A series of crises beginning in the 1970s created an accelerated demand within Mexico for decentralization. The collapse in oil prices, the necessity for economic restructuring and even popular political movements have all been contributing factors. The economic crisis forced the first step in decentralization; the federal administration was no longer able to fund all of its programs and instead passed some of them on to the state and local governments. In addition, private companies began taking on responsibilities that had formerly fallen under the federal government (oil, telephone, etc.), leading to a lessening of the central government’s authority.

The passage of reforms in 1983 gave state and local governments a greater say in policy issues; however, the inability of these entities to pay for their new responsibilities meant that much control was essentially retained by the central government.

In 1997, Mexican voters elected a Chamber of Deputies in which, for the first time, the majority of seats was held by opposition parties. This was important for decentralization for two reasons: the federal legislature was no longer a rubber stamp for the wishes of the executive, and the opposition parties—having won several governorships and a number of municipalities—now had a stake in expanding the roles of state and local governments. This opposition-controlled legislature has passed reforms that promote municipal autonomy, including giving municipalities control of their budgets, giving municipal councils (rather than state legislatures) the power to

make extended planning commitments and ensuring that state governments respect the rights of municipalities.

However, the question remains whether these steps are just cosmetic, giving the surface appearance of increased state and local power without changing the underlying assumptions of governance. In particular, four areas need to be addressed to ensure that federalism has taken a firm hold:

- **Fiscal decentralization:** giving the state and local authorities greater authority to generate their own revenue and then ensuring that they have the political capacity to implement necessary, albeit unpopular, taxes and fees. Officials also need to explore public financing alternatives and public-private partnerships for large projects.
- **Re-election:** changing the election laws so that federal and state legislators can be re-elected (they currently can serve only one term; the length of the term depends on the office), thus forcing them to be accountable to their constituencies. In addition, a change in these laws would mean that elected officials could apply their experience and work toward long-term goals.
- **Municipal restructuring:** establishing separate elections for city council members to act as a check on powerful local executives. Under the current system, the majority of seats on a city council are handed out to members of the mayor's political party
- **Judicial reform and activism:** shifting the balance of power away from the central executive so that, as in the United States, the judicial branch plays a role in shaping laws and acting as a check on other branches of government. An important step would be ensuring the independence of the judiciary and affirming the right of states and municipalities to pursue legal action against the federal government.

Decentralization in Baja California

Baja California is of particular interest in the debate over decentralization. It has long been considered an “independent” state because of its distance from the capital and because of its history of electing local and state leaders from opposition parties. In addition, its economic prosperity (compared with the rest of the country) and its physical location (within easy access to U.S. ports and transportation infrastructure) have enhanced its potential for cross-border collaboration in a number of areas.

A major step toward decentralization came in 1989, when Ernesto Ruffo Appel, a member of the opposition party, National Action Party (Partido Acción Nacional, PAN), was elected governor of Baja California—and the election was recognized by the federal government. He used both his position and his state's economic power to advocate greater transfer of responsibilities from the federal government to states and municipalities.

Administratively, the state has taken on the areas of education, health care, sewage and water, and rural transportation infrastructure. In turn, it has passed on to local governments the responsibility for such areas as urban planning and building permits, traffic control, and parks and recreation facilities.

Fiscally, decentralization has brought to Baja California an increase in both revenue-sharing from the central government and revenue generated by the state and local governments. Between 1989 and 1994, revenue-sharing increased by more than 18 percent; self-generated revenue increased during the same period by more than 44 percent.

Cross-Border Implications of the 'New Federalism'

Decentralization, together with the growing economic interdependence of Baja California and California, has created an opportunity for expansion of collaborative efforts among political leaders, private companies and non-governmental organizations on both sides of the border. Cooperation during emergency situations has become commonplace, but institutions in both countries need to recognize the importance of strengthening their ties on an ongoing basis.

Several issues lend themselves easily to cross-border collaboration, and effective decentralization in the Baja California government can facilitate such cooperation:

- **Water:** In 1989, Gov. Ruffo established a new commission to take control of all water operations in the state. This agency not only provided new service to areas that had been neglected by the federal government, but also improved administrative systems and increased the price of water, resulting in higher revenues. Decentralization opens the door to cooperation between Baja California and the San Diego County Water Authority.
- **Housing:** Dollar-based mortgages could make housing more affordable for those residents of Baja California who either earn their wages in dollars or link

the price of their services to the value of the dollar. This would require passage of enabling legislation at the state level.

- **Health care:** While health care policy is still set in Mexico City, the federal government has begun to decentralize its health care system. Decentralization could allow such collaborative efforts as binational licensing of physicians and portable health insurance products.
- **Urban development:** Federal legislation has mandated the creation of quasi-independent local agencies to oversee long-term urban planning efforts. The creation of these agencies could improve cross-border planning on large infrastructure projects, including expansion of the land ports of entry.

Leaders on both sides of the border need to recognize the opportunities created by the “New Federalism.” Particularly in Baja California, change is occurring rapidly, and policy-makers must be aware of potentials for collaboration resulting from the greater freedom of state and local governments to control their own destiny.