



FOREIGN POLICY ASSOCIATION
www.fpa.org

World Leadership Forum 2007

Remarks by Jorge Castañeda

Former Foreign Minister, Mexico

September 25, 2007

MR. JORGE CASTANEDA: Thank you very much for those kind words of introduction and an apology for my delay here, but as you know, everyone this week is always late. It feels like Mexico City, I feel very at home in New York.

What I wanted to do very rapidly is to share with you some views on how our new president is doing. I'm sure many of you thought he perhaps would be with us today. That's not the case, but I certainly would not like to fill his shoes, but I would like to give you some sense of how I think he's doing in several areas and also, specifically, to deal with the issue of U.S./Mexican relations and how I see it as this relationship moves forward in the future.

As you know, a little bit more than a year ago, a year and a half ago, we had a very contested election in Mexico and we're not used to these things. We're either used to elections, we had one election recently, relatively recently by historical standards, in 1976, where there was only one candidate. He got 96% of the vote, but some people suggested that there could be a runoff, and then he could've gotten 108% of the vote. We don't do that anymore, and we have now essentially free and fair elections.

We had a free and fair election in the year 2000, and Vicente Fox won by 7% of the vote. And we had a free and fair election in 2006, and Philippe Calderon won by half a percent of a vote. That's the way elections are, and they are disputed and sometimes the losers aren't very happy with the results and sometimes the winners would've like to have won by a broader margin. And sometimes there were lengthy disputes about who actually won. You may be familiar with that.

But in any case, the fact is Philippe Calderon won last year, and after a very complicated

protracted process of certifying the election and dealing with protests and dealing with an issue of a recount, he was sworn in on December 1 under very difficult and adverse circumstances and has now been in office for nine months. It will be a year on December 1.

I think the first point I'd like to emphasize is that he has consolidated himself in power. We have a president of Mexico who today is the President of Mexico. There is no discussion in Mexico about who the president is. There are a few people who refuse to acknowledge that but that's a different issue. Everyone understands and accepts and knows that he is in charge, he is the president. And the way things looked a year ago, this is not self-evident. So I think we've made huge progress in that sense and I think it's very important that we all realize what a significant achievement this is for President Calderon and for his team.

I think it's also very important to realize that he has proved in office during these first nine months to be effective as President. Not only has he been able to sit in the chair as we say in Mexico, [unintelligible], but in addition, he has sat deftly, comfortably, effectively. And he has gotten many things done during this first year, ten months, which many people would not have expected or believed given the way in which he got to the presidency with such a bare margin of victory and also given the protest that existed.

That said, it would be naïve of anyone, including myself and not totally intellectually honest, not to mention the fact that he has paid a high price to get there and to be able to govern with certain effectiveness over these first nine months. And that high price has been an alliance. A very strong, formal, and up to now I would say even loyal alliance with the absolute worst there is in Mexican politics.

It's not just the PRI, it's the worst part of the PRI. People I wouldn't have dinner with. Although some of them are my friends, but I don't have dinner with them. I have lunch or breakfast but not dinner. They really are terrible, terrible folks. And he has had to make a deal with these terrible folks in order to govern and that has a price, a very high price because they do not do these things for free. They don't believe in free lunches, breakfasts, dinners, snacks, whatever. Nothing is free with the PRI. It's an old slogan, campaign slogan.

They really are not nice, and the price President Calderon has had to pay to become president and to govern during these months with them is a high price. I wouldn't want to get into too many details of that. They'll be a chance perhaps in the quick Q&A period, but I would mention one. In order to achieve, I would consider, very, very, very modest tax reform, which in my opinion was not entirely worth it, but let's say one considers it was worth it, one point of GDP. You can get as much by another 5 bucks a barrel of oil, and I'm sure Chavez would accommodate us on that.

President Calderon had to accept to fire or to have thrown out the electoral council of the EFA [phonetic] and its president, who certified the cleanliness and fairness of his election. That is generally not a good idea. In other words, if the guys who said you won are fired a year later, well some people might actually think maybe you didn't win. Because why are you firing them? Well because they're incompetent, they're corrupt, they're dishonest,

they didn't do a good job. Maybe. And so did you win? If the guys who said you won are lousy, incompetent and corrupt, you have a problem. And that was the price to pay to get tax reform worth one point of GDP. It's an arguable proposition.

And I think in general terms, President Calderon finds himself in a very difficult situation. He has become president, he has consolidated himself in office, he has achieved important advances on many fronts, but he is paying a very high price for doing so. Is that the best road? Obviously, he thinks so. Many people think so. His popularity ratings are high. I think in general most people consider him to be an effective president. But I think it's also important to point out that he is paying a very high price for this.

Secondary, a very briefly that I'd like to touch upon, the economic situation in Mexico. We have now had since 1996, '95 was a terrible year, but since 1996, we have now had 12 years, 5 of Zedillo, 6 of Fox and 1 of Calderon, of modest, but ongoing economic growth.

Now many of you, those who are young or those who are not young but don't remember or don't know will not recall this, but for example, my colleague and dear great friend, Jorge Pinto [phonetic] will recall it, because we both have the misfortune of being roughly the same age.

This is the first time we have 12 years of uninterrupted, uncrisis-administered growth in Mexico since the 1960s. We lived through the crisis of 1976, 1982, 1987 and '88, 1994. The last time we had 12 years of growth, modest growth, without a crisis, was between 1964 and 1976. That's a long time ago. So these 12 years have been very good for the country. They have permitted an extraordinary expansion of the middle class. Interest rates, domestic interest rates at 7, 8, 9%. You can now get a mortgage in Mexico, a 15-year, fixed-rate mortgage, in pesos at 9-1/2%. I don't remember that. Now, when I was a kid I didn't go around getting mortgages. My parents did but they paid much more. But I don't remember when we were able to do that in Mexico.

So this has been an enormous achievement these last 12 years, and the responsibility is shared. A great deal belongs to former President Zedillo, a great deal belongs to former President Fox, and a great deal now belongs the first year to President Calderon. This is a huge achievement. And I think really this is very notable in Latin America and very notable for Mexico.

But again, that said, the average growth rate for these 12 years will be in the 3 to 3-1/2% per year, which is why too low. It's just not enough. Mexico needs to grow 5, 6, 7% per year and it's not doing so, and it hasn't done so for 25 years now. We had one good year under Zedillo, which was 2000, 6-odd percent. One good year under Fox, last year, 5% practically, 4.9, and that's it since 1981, which is a long time ago. A lot of you weren't even around.

So the problem we face is that Mexico has to grow much more and it's not doing so. And [inaudible] I don't see it happening in the near future because I don't see anything that the previous government, President Fox's administration or the current government, President Calderon's administration, is doing in order to double the rate of growth that we have.

Just to give you a sense of where we stand today, second quarter 2007, U.S. economy grew 4%, supposed to be in trouble, we grew 2-1/2%. Brazilian economy grew 5.1, 5.2%, we grew 2-1/2%. And this is the situation we're going through. So it is a real issue. We have had 12 years, unequalled years in recent Mexican history.

Mexico is a country today that would be unrecognizable for many of us from the '60s and '70s. The expansion of the middle class, what I've called the Mexicanization of the middle class, that it doesn't look like many of our Mexican compatriots here or myself, it looks like the busboys washing dishes and this is a marvelous change in Mexico. The middle class is truly becoming Mexican in Mexico and this is an enormous achievement. But it's not going fast enough, it's not going dramatically enough. We have to do much more and we're not doing it. So this is the second point I wanted to make.

And the third point very rapidly, because it's directly linked to U.S./Mexican relations, of course, is a consequence of these two points that I mentioned before but mainly of the second one. Yes, this transformation of Mexico bodes the best for U.S./Mexican relations over the next 20 years or so. But for the moment, what it has done, the fact that the economy is not growing enough is that more and more people have come to the United States.

And since the United States since 1996, and this is a Clinton administration responsibility, decided to try and make it more difficult to make it more difficult to come to the U.S. without papers, then Mexicans have kept coming, but they've stopped coming and going, they've stayed. And this has changed the immigration picture completely.

I have a book coming out in a little more than a month, it's called *Ex-Mex, From Migrants to Immigrants*, and the basic thesis of the book is that traditional Mexican circular migrants have become immigrants. Whether Americans consider them legal or not legal from the point of view of historical friends is irrelevant. That's a domestic U.S. discussion on which there are many points of view, as I'm sure you all know and share, some or the other points of view.

But what has happened is that more people have come and they're staying in the United States. So there are today, six to seven million Mexicans in the United States without papers. There are another six to seven million Mexicans with papers, and there are 350 to 400,000 Mexicans coming to the United States every year without papers. And they will continue to come for the next ten years, at least, regardless of what happens in the U.S. or in Mexico.

And this is, of course, a huge problem for both our countries, because the United States prides itself, not necessarily accurately, but prides itself on being a country of laws, where laws are respected. I just went to see the other day, the [unintelligible] Tushore [phonetic] Documentaries. Great film, by the way, if you have a chance to see it. I strongly recommend it. But it starts, of course, with prohibition, which for a country of a nation of laws was a complicated period I'm told. In other words, you had a law that was enforced for 15 years and that no one respected. It sounds like immigration. And I also understand that once they realized that it didn't work, I've heard that they repealed it. I've noticed that they've repealed it. No, not here, from what I can see.

This is a problem. The United States immigration policy is a huge issue for Mexico and it's a huge issue for the United States. Many of you will say, well, why is it a huge issue for Mexico, this is a U.S. domestic policy issue. Why in the world should we be talking or negotiating this with Mexico. Well, again, perhaps a historical perspective in conclusion is useful.

The United States negotiated in 1907 what came to be known as the Gentlemen's Agreement with Japan, whereby there would be no further Japanese immigration to the United States. It was opened up again after 1920. But between 1907 and 1920 that agreement was in place. That is more than a century ago, or exactly a century ago, the United States negotiated this immigration policy with Japan.

Then, as I'm sure many of you know, between 1942 and 1964, the United States had the Brasedo [phonetic] Agreement with Mexico, which lasted 22 years, which was an agreement between two countries that's why it's called an agreement. If it was domestic U.S. unilateral policy, it wouldn't be called an agreement. And some people think it was terrible, and other people think it was okay, and other people think it was very good for one country or the other or both. But the fact is, it existed.

But most interestingly though, maybe you're not all familiar with this, the United States as we speak has a standing immigration agreement with another country that it began negotiating in the 1960's and has renegotiated on many occasions. The last one was in 1994 by the Clinton administration, but this agreement has, of course, been extended by the Bush administration. Would someone like to remind us which country that is? No? No one? No one would like to remind us with whom the United States has a standing immigration agreement that's been negotiated over the last 45 years?

FEMALE VOICE 1: Canada.

MR. CASTANEDA: Michelle, you should know.

FEMALE VOICE 1: Canada.

MR. CASTANEDA: Of course it's Cuba. That is, the United States has an immigration agreement with, what it considers to be wrongly in my view, its worst enemy, but not with its best friend. So as far as consistency goes, maybe that's not the way to put the matter.

Not domestic U.S. policy of the Cuban Adjustment Act. That's a different issue. A specific number of Visas every year with so many conditions, requirements, granted, etc. It's a negotiated agreement between the two governments. It's the only issue on which the two governments have systematically negotiated over the past 50 years. Not once but about five times. It started with a [unintelligible] exodus in 1965, and the last time was the Basedo exodus across the straights of Florida in 1994 with the Clinton administration.

But again, there's a little bit of inconsistency in all of this. The point being that there is an underlying problem in U.S./Mexican relations, and that problem is immigration. The Calderon administration would like to, as it says, democratize the agenda. And that was an idea that was very well received by the people here in the restaurants. They thought that was an excellent idea, yeah, let's not talk about them anymore. It didn't go down

very well, and of course, it didn't work, it didn't fly.

And President Calderon has been very forceful and very eloquent and very, I think, effective in once again making it known to the United States that this is a fundamental issue for Mexico. It is the issue. There is no issue more important for Mexico than Mexican immigration to the United States, perhaps because other issues have been settled in the past. But it is the single most important issue.

So where do we stand today? We stand in a complicated situation. Mexico is working as a democracy. It wasn't a sure bet, remember we had never tried this before in our history. It's not, we're not like the other Latin American countries who had had some form of democratic rule in the past, lost it and recovered it, Chile, Argentina, Uruguay, etc. We never had this. So it was no, it wasn't a sure bet that it would work. It's worked, certainly since 1997 and I would argue since 1994, we have been living under essentially democratic rule, and the country is much better off than it was before. I think it's worked. The economy has not grown the way it should, but it's growing, and it's not going through a maxi-devaluation crisis every six years, and the middle class is expanding. And perhaps most importantly, poverty is significantly decreasing, and even inequality is beginning to decrease.

And we have advanced in dealing with the United States because at least now the immigration issue is clear in the U.S. It is a fundamental issue also for the United States. And we have settled other issues. We've settled trade issues, we're working on drug issues, we've settled border issues. Most, we have an increasingly convergent view of the world, not as convergent as I would like, but increasingly convergent. We see Latin America, we see human rights, we see corruption issues more and more the same way and that's good.

But we have enormous challenges. So I think that while I'm sure President Calderon would have presented the rosy side much more eloquently than I can, I hope I presented both sides to you in as balanced a way as I could so that you see where we are and where we'd like to go. Thank you very much.

And I'll be, you'll tell me, you know, how much time we have.

MALE VOICE 1: We probably have time for one or two questions, maybe you answered all of our questions. Any questions? Sir?

MALE VOICE 2: Can you comment a little bit more about the current security or insecurity in Mexico and how that relates to trying to fight the drug war in Mexico?

MR. CASTANEDA: Well, there's two different issues involved. One is the general question of law and order in Mexico, where there is a real problem. But it's a problem that goes back several years and that we have really not advanced a whole lot either at a federal level or a city or state level in fixing. And this does not generally have to do so much with drugs. It's just a general breakdown of law and order of holdups, kidnappings, absence of the rule of law. And this is a very serious central issue in Mexico, which affects really everyone in the country. The huge majority of the population one way or another. That's one issue.

The other issue is the drug-related violence and insecurity, which is a different issue, which does not affect everybody in the country by a long shot. But which is dangerous for the country's national security or whatever you'd like it. And there have been large improvements on this front on the one hand and large regression, significant regression on the other hand.

Each successive administration, particularly President Salinas, Zedillo, Fox, and now Calderon, have tried to address this question of drug enforcement in different ways. It's not that nobody noticed it before. You may remember the film *Traffic*, which came out about eight, seven or eight years ago, and how the Mexican general or drug czar who was appointed drug, the general who was appointed drug czar by President Zedillo turned out to have been drug czar but in the sense that he ran the cartels not the anti-cartel forces. That was the beginning of the Army's involvement in fighting drugs. This is not new as an issue or as a solution.

People have different points of view about President Calderon's strategy of bringing the Army into that fight much more dramatically than before, bringing the Army out into the streets, on the highways, in the neighborhoods. There are people who believe it's not ready for that mission, it's not its mission, we will incur human rights issues which will be very complicated, and that this will involve types of cooperation with the United States, which the United States is not ready for and which we're not ready for.

There are other people who believe that there's no option. That it's that or nothing. Well, I think it's an open discussion.

FEMALE VOICE 1: What is the next [inaudible] government desire in terms of how the immigration policy with the United States and why?

MR. CASTANEDA: Well, it's difficult for me to speak, not only on behalf, I would never venture to do that, but certainly to try and explain what the current government's stance on immigration is, because it's changed a great deal over the last seven or eight months.

The first stance was, let's take immigration off the agenda or bring it down in priority. But that was really tactical, hoping that comprehensive immigration reform would go through in Washington. When it didn't go through and a very tough policy by the Bush administration and the states and the cities has begun to make life miserable for Mexican immigrants in the United States, legal or otherwise, President Calderon has been forced to speak up. And he has spoken up, as I said, very eloquently.

But it's a very different policy from de-emphasizing immigration. I'm not sure I know exactly what he wants. He has also said that he would like to concentrate on creating jobs in Mexico, and that's a very good idea. It's such a good idea that every Mexican president has had it roughly for the past century. This is not exactly rocket science, you know, what do we do so people don't come to the United States, we create jobs in Mexico, yeah sure, as if nobody had thought about it.

FEMALE VOICE 3: [Unintelligible] really wish that it wasn't an issue rather than [inaudible] specific?

MR. CASTANEDA: Well, I think that most people ranging from Presidents Calderon and Fox in Mexico to President Bush and Senator Kennedy and Senator McCain in the United States, which is a pretty broad spectrum here, I mean you know, it doesn't get a whole lot broader, would say that this issue has to be addressed by both countries and in the United States, and that there's not a thousand ways of doing it. You have to legalize the people who are here. You want to call it amnesty, you don't want to call it amnesty, you want to do it slowly, you want to do it quickly, you want to do it overnight. You can do it anyway you want. You have 12 million people who are here illegally and the only thing you can do about them is to make them legal. You try and adapt the law to reality and not reality to the law. And if you try to adapt reality to the law, most likely it's not going to work.

The second thing you have to do is what's going to happen in the future. Well, to try and establish what has been called a guest worker program or a temporary worker program. So those people who need jobs and those people who, in the United States, need that labor can get that labor for periods of time, three months, six months, a year, one year, yes, one year, no, in the United States and then they go back to Mexico or elsewhere.

Is this complicated? Yes, it's complicated. Difficult to administer? Yes, difficult to administer. You got to, does anyone have any better ideas? Well, two countries thinking about this the last seven or eight years, the entire U.S. Congress, the entire Mexican Congress haven't come up with better ideas. As a matter of fact, the rest of the world hasn't come up with better ideas either.

Most European countries have one form or another of guest worker programs with descending countries. They have not been perfect. There have been a lot of problems. The U.S. had a guest worker program with Mexico for 22 years from 1942 to 1964. It was not ideal. But nobody's come up with a better idea.

If the better idea is to pay Americans what wages that they would accept to do the work that Mexicans do, fine, but you got to find the Americans who would still want to wash dishes even for \$20 an hour. And then you got to decide how much you're going to pay in the restaurant, not the guys who wash the dishes, but the chef and the waiters and the maitre d', because I don't know a lot of maitre' d at a hotel who will work for less than the dishwasher. Maybe there are some, but I don't know them. Thank you very, very much.

MALE VOICE 2: Jorge, I know you considered running for president last time around. I personally think you'd make a great president of Mexico. Thank you very much for coming. And let me remind you that at 5:30 we have Sergey Lavrov, the Russian Federation Foreign Minister, right here in this room. Thank you.

[END TRANSCRIPT]

#