Peña Nieto moves toward privatization of Mexican oil

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No sooner had Enrique Peña Nieto, the candidate of the PRI (Institutional Revolutionary Party), won the presidential election in July, he began to implement a conservative, pro-business agenda, first with his support for labor reform legislation and second by laying out an energy policy. The lynchpin of that energy policy is the privatization of Pemex.

In a visit to Brazil in September, Peña Nieto indicated that he favored the so-called Petrobras model. Petrobras is the Brazilian national oil company.

Starting in 1997, Petrobras was transformed from a fully national oil company, to an investor-owned company in which the state owns 60 percent of the shares.

At a press conference following a meeting with Brazilian President Dilma Rousseff, Peña Nieto declared that the Petrobras "model inspires what we want to do in Mexico." The Mexican president attributes Petrobras' supposed efficiency to the entry of private capital. Turning to Pemex, he said that an influx of private capital would leverage investments and job growth in Mexico.

A few weeks later in Germany, Peña Nieto again announced his intention to present before the legislature an energy reform law, declaring that his models for Pemex were Petrobras and the Colombian Ecopetrol. "To cling to old resistances is to postpone benefits for Mexicans," declared the newly elected president.

As with Pemex, Petrobras was subjected to a campaign to discredit it in the eyes of the public. As with Pemex it was starved of necessary funds to modernize.

The Brazilian company's privatization resulted in the loss of some 30,000 jobs. The world market sets domestic oil and fuel prices, while the profits of private investors are taxed at a relatively low rate, by international standards.

The reference to Ecopetrol is even more ominous. The privatization of that company in 2003 was accompanied by savage attacks, kidnappings and murders of oil workers by right-wing paramilitary death squads. According to conservative estimates, some 200 workers have been killed at the hands of death squads since 2003. At least 400 others have been expelled, with their families, from their homes and towns. In May 2004, the Colombian government of former president Alvaro Uribe responded to a strike by 3,800 oil workers protesting savage repression in the oil center of Barrancabermeja by militarizing the region, terrorizing thousands of workers and their families and expelling militants from the oil fields and refineries.

The main beneficiaries from Ecopetrol's privatization have been Chevron Texaco (US), BP-Amoco (UK), and Schlumberger (Austria).

The privatization of Pemex will inevitably spark strong opposition in Mexico, and President Peña Nieto is no stranger to repression. Mexican students and youth who protested his inauguration in Mexico City and Guadalajara on December 1 experienced this first hand; protesters were singled out, dragged and beaten.

As a governor of the state of Mexico he ordered the 2006 attack on the community of San Salvador Atenco, which resulted in two deaths, 100 wounded and sexual assault against two women, followed by draconian prison sentences against leaders of the community. During his campaign, organized PRI goons attacked protesting youth at campaign events. *Pemex es de los mexicanos,* the slogan that Pemex belongs to all Mexicans, while never fully a reality, continues to be a source of nationalist pride for Mexicans. It is the one state-owned company that was not privatized in the 1980s.

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Since then, a backdoor form of privatization has proceeded in stages through outsourcing. According to Petroleum Industry Classified Workers Union (*Unión de Trabajadores de Confianza*) spokesperson Alfredo Hernandez Peñalosa, Pemex now contracts out over 60 percent of well drilling, maintenance and repair to privately owned foreign companies. Subcontracting accounts for 70 percent of the monies that Pemex budgets for such purposes.

This policy has displaced thousands of skilled and technical workers. Those who do find work end up as low wage contract workers with little or no job security. In tandem with this outsourcing, Pemex has also dismantled much of its petrochemical infrastructure. The closure of a petrochemical plant in Camargo, Chihuahua State, will soon result in the destruction of 5000 jobs.

The company was born in the oil industry nationalization of 1938, a response by the bourgeois nationalist government of President Lazaro Cardenas to the massive labor rebellion in the Shell and Standard Oil facilities. The strikes and occupations over wages and the length of the working day lasted seven months.

Pemex's original mission was that of insuring domestic oil needs and promoting national (i.e., bourgeois) interests.

Currently, Pemex is the largest Mexican company, public or private. It generated over $124 billion in revenues last year from crude oil and refined products. High revenues do not translate into profits; it lost about $9 billion in the second quarter of 2012.

It has now become an oil monopoly tied to the global energy market and committed, in the name of efficiency, to the profit interests of its bond holders—finance capital, the privately owned banks and financial institutions that own its debt—and private contractors. Pemex is also closely allied to Repsol, the Spanish oil company, with whom earlier this year it announced a 10-year partnership that includes ownership by the Mexican firm of Repsol shares.

Private sector economists blame Pemex's low profitability on shady contracts with suppliers of oil drilling and other equipment, on payoffs to the oil workers union to suppress worker discontent, on a fall in the value of Repsol stock, and on excessive government taxes—over one third of the federal government's income comes from company revenues.

Peña Nieto and the Mexican ruling class promote the notion that Pemex's difficulties are the results of the intrinsic inefficiency of being a state-owned corporation and to the high wages, benefits and pensions that the company gives its workers. All this will be solved, they insist, by the injection of private capital.

Parallel to the process of privatization is the gradual elimination of fuel subsidies for domestic consumers, who will soon be forced to buy fuel at the world market price.

The incorporation of Pemex into a publicly traded company is a way of handing it over to private companies; it is immaterial that the government plans to own a large chunk of its shares, or even a majority.

In anticipation of the changes, both Exxon Mobil and BP have established closer ties with Pemex.

A recent article in the *Financial Times* quotes Exxon Mobil CEO Rex Tillerson, who said in June that this oil giant was carrying out joint studies with the Mexican firm "so we can get to know each other." But he added: "It's going to be a long process … And if the next step provides an avenue for Exxon Mobil to participate, we will."

BP has offered to share with Pemex the oil capping technology that it derived from its experience in the Gulf of Mexico, at "no cost" to the Mexicans, as a way of creating a working relationship with Pemex.

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