Mexican Congress approves oil privatization

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Last week, the Mexican Congress passed legislation to implement the linchpin of President Enrique Peña Nieto's economic program, opening up the national oil company Petróleos Mexicano (PEMEX) to partnerships with giant foreign oil companies such as Chevron, Exxon and Shell.

The bill introduced in Congress went well beyond what had been initially proposed by Peña Nieto and his Institutional Revolutionary Party (PRI) last August, which would have limited PEMEX to engaging in profit-sharing from production with foreign companies. The bill that passed instead allows output-sharing contracts, and licenses for private oil producers to operate in Mexico, so oil giants can ship the oil to their own refineries.

These are major steps on the way to allowing outright foreign ownership of Mexico's oil reserves. A similar licensing arrangement with Brazil's national oil company allows foreign companies to sell their oil production, and even carry Brazilian reserves as private assets on their books.

At the insistence of the right-wing National Action Party (PAN), the bill also removes the five members on the PEMEX board of directors from the notoriously corrupt oil workers union, shrinking the board to ten members.

Mexican President Lázaro Cárdenas's nationalization of foreign oil firms in 1938, and a series of constitutional amendments that were enacted to bar the return of foreign exploitation—which the proposed legislation would in large part scrap—historically have been the main symbol to the Mexican masses of Mexican independence from imperialism. Polls show that 65-75 percent of the population oppose the PEMEX overhaul.

The ramming through of the oil privatization coincided with the first anniversary of the return to power of the PRI via the presidency of Peña Nieto and unfolded as Mexico has become mired in deep crisis.

Peña Nieto made the centerpiece of his presidency a program to deregulate the Mexican economy and open it up to increased penetration by foreign capital. The PRI entered into the so-called "Pact for Mexico" with the other two major political parties, the PAN and the center-"left" Party of the Democratic Revolution (PRD), to implement this program. The argument was that undertaking these measures would unleash a wave of investment and catapult economic growth.

Even without figuring in the impact of those measures, Peña Nieto had projected 3.5 percent growth in GDP for 2013, coming on the heels of 3.9 percent growth in 2012. Mexico was to become the beacon of economic growth for Latin America, if not the darling of international capital as it relentlessly scours the globe for investment outlets.

Instead, the economy saw a contraction in the second quarter this year and meager 0.8 percent growth in the third quarter. On November 21, Finance Minister Luis Videgaray amended the government's 2013 forecast for gross domestic product growth downwards to 1.3 percent for the year. Mexico's central bank's latest estimate for growth this year is between 0.9 percent to 1.4 percent for this year.

In a fashion reminiscent of the US government's appalling response to Hurricane Katrina, the federal government botched dealing with the worst rainfall and flooding in decades in the wake of two September hurricanes.

This month, the Mexican army decided to set up command headquarters in the central west states of Michoacán and Jalisco, which have been plagued by bloody battles between the Guadalajara- based Nueva Generación gang and the Knights Templar, a drug cartel which has fought the federal government and local vigilantes in the course of an attempt to control the western part of Michoacán. Last week, Peña Nieto sent the Mexican army to take over the Pacific Coast port Lázaro Cárdenas, Mexico's largest, the operation of which is critical to central Mexico's manufacturing belt.

Peña Nieto's main campaign slogan of "a government that delivers" is in tatters. Recent polls show that Peña Nieto's approval ratings recently have dipped below 50 percent, a low for his presidency.

During the first wave of "liberalization" of the Mexican economy in the 1990s the country's banks and its telephone company were sold off. The result was exorbitant rates for loans and expensive phone service.

Legislation under the Pact for Mexico earlier this year implemented major "reforms" to the telecommunications industry and to bank credit, as well as to the educational system (at the expense of teachers). This past week the new Federal Telecommunications Institute preliminarily designated the media and telephone giants Televisa and América Móvil, which dominate these sectors, as monopolists, the initial step under the recent legislation in forcing them to divest operations in favor of foreign competition.

The push to pass the oil privatization legislation brought tens of thousands of protesters into the streets of Mexico City. The largest protests were led by Andrés Manuel López Obrador, the former Mexico City mayor who failed in his 2006 and 2012 bids to become president as the candidate of the PRD, and later broke from the PRD to form MORENA (the Movement for National Regeneration).

Lázaro Cárdenas' grandson, Cuahtémoc Cárdenas, another former PRD presidential candidate, also prominently opposed the oil restructuring. He and PRD elements submitted the signatures of 1.7 million Mexicans demanding a popular referendum on the oil measure.

Right before the Congressional debate began the PRD announced it would break with the Pact for Mexico unless the legislation was pared back along the lines of the prior, more limited proposal. PRD president Jesús Zambrano said the amendments to the Mexican constitution it would require went too far. The PRD, in concert with its social democratic partners of the pseudo-left "Broad Progressive Front," the Party of Labor and Convergencia, promised to block the bill, for naught.

In reality, the PRD argued for what would appear to be less expansive changes in order to provide a safety valve for the overwhelming opposition of the Mexican people. Similarly, López Obrador and his MORENA provide a left cover for the PRD. In the final analysis, their politics only reflect tactical disagreements among sections of Mexican capital. They do not represent the interests of the Mexican working class, which has no political representation.

Despite this token opposition, the PRI and PAN, joined by the Green Party, pushed the legislation through the Senate last Tuesday night, and the Chamber of Deputies passed it on Thursday, by the two thirds majorities needed to amend the constitution. Such changes must be approved by 17 of Mexico's 31 state legislatures, which is expected to happen.