

After Trump victory: Mexican peso plummets amid ruling class unease

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In the two trading sessions immediately following the election of Donald Trump last Tuesday, the Mexican peso's value plummeted over 12.6 percent, its most precipitous decline since the 1994 financial crisis. By the close of last Thursday's session, the peso had fallen to 20.53 pesos to the dollar, from 18.6 on the eve of the election. It continued its plunge to 21.45 pesos on Friday.

The abrupt devaluation of the peso reflected the upending of the Mexican ruling elite's expectations of a Clinton victory, and laid bare their anxieties over what a government headed by Trump may presage. Particular concern has been provoked by the president-elect's protectionist rhetoric, including his professed intent to impose a 35 percent tariff on all Mexican-manufactured auto exports to the US, along with his denunciations of NAFTA as "the worst trade deal ever." On the latter point, he has made vague threats ranging from abandoning it outright to renegotiating terms.

Bilateral trade between the US and Mexico is estimated at US\$583 billion annually, with 80 percent of Mexican exports going to the US. A renegotiation of NAFTA could create conditions of crisis and uncertainty rivaling the effects of Brexit in Europe.

Nevertheless, the Mexican currency gained in value modestly to 20.3 pesos to the dollar this week as the initial panic of Mexico's financial aristocracy gave way to some expressions of cautious optimism. Trump's past remarks about infrastructure investment and slashing of corporate tax rates down to 15 percent from 35 percent in the US are seen as potentially benefiting sections of Mexico's ruling elite as well in the long term.

The far-right billionaire's anti-immigrant vitriol is also of some concern to the Mexican ruling class. This is motivated not by concern for the well-being of the millions of undocumented immigrant workers he intends to deport as by the possibility of greatly diminished revenues from the remittances (currently valued at US\$24.8 billion per year) sent to Mexico.

There remains considerable public anger over the political fiasco that was Trump's visit to Mexico in September. The display of servility by President Enrique Peña Nieto toward Trump, the most hated figure in Mexico, served to further undermine the legitimacy of his administration. Peña Nieto's approval rating has fallen to 26 percent.

Trump's threat of mass deportations is largely a continuation of the already existing situation. Mexican Secretary of the Interior Osorio Chong recently announced the expansion of the Programa Somos Mexicanos, a program that was implemented in 2014 with

the express purpose of reintegrating deportees into the workforce. This was a complementary response to the Obama administration's own deportation policy, which sent back nearly 200,000 Mexican nationals in 2015 alone.

Similarly, Trump's proposed "wall" has elicited only the most guarded reaction from the Mexican political establishment, which can do little else since it is caught between the growing disapproval of the mass of the Mexican population on the one hand, and the demands of its subordination to US imperialism on the other.

Peña Nieto gave a brief press conference the day after the US elections in which he related little of substance, except to reaffirm the prostration of that country's ruling elite to Washington. With regard to the charged question of Trump's deportation scheme, he could only offer: "As President of Mexico, I will dedicate myself to the best of my ability, genuinely, with body and soul, to watch over the well-being and the interests of Mexicans wherever they may be." The proposed border wall was noticeably absent from his address.

He added: "President-elect Donald Trump expressed his willingness to work with everyone and every country, looking for agreement and not hostility, alliances and not conflicts, and Mexico shares that vision."

Peña Nieto will find areas of "agreement and not hostility" by adapting his administration to Trump's proposed police state measures to round up millions of undocumented immigrants. Given his well-established record as enforcer of Washington's repressive immigration policies, carrying out tens of thousands of deportations of Central American immigrants as part of the so-called Merida Initiative, there is no reason to suspect that the Mexican elite will not continue to do Washington's bidding.

Contrary to Trump's racist claims about drug dealers, rapists and criminals storming the US-Mexico border, the fact is that there has been a net outflow of Mexican immigrants back to their home country in recent years, in response to both the Obama administration's draconian immigration policies and the limited economic opportunities available since the 2008 financial meltdown. Trump's denunciations are designed to pollute the political climate in the US and scapegoat immigrant workers for conditions created by the decay of American capitalism.

His xenophobic appeals will inevitably run aground upon the intractable realities of American capitalism's dependence on a vulnerable and super-exploited layer of undocumented immigrant

workers. Divisions exist within the ruling class on how to deal with the “problem” of immigrant workers, particularly on the part of the large agribusiness conglomerates that have long pushed for immigration “reform,” the better to manage and exploit their workers.

Dave Heineman, who sits on Trump’s agricultural advisory committee, speaking to agriculture newsletter Agri-Pulse on the future of trade deals such as TPP and NAFTA, confirmed these differences: “Talk to governors of large industrial states and they will tell you that while [agriculture] was favored in trade relations in these trade deals, the manufacturing sector and other sectors of the economy weren’t.”

Whatever the final form taken by Trump’s approach to repressing immigrant workers, the underlying political logic is to drive a wedge between workers who are objectively linked across national boundaries in the production process, and whose common interests are inimical to those of their respective ruling classes.

Both US and Mexican workers and farmers were negatively impacted by NAFTA, which was developed by both Republican and Democratic administrations before being finally implemented in 1994.

Poor peasants found their livelihoods shattered by an influx of cheap US agricultural imports propped up by federal subsidies. This coincided with Mexico’s own slashing of agricultural subsidies alongside other neoliberal counterreforms, including a wave of privatizations of key assets such as telecommunications and railways and the dismantling of the constitutional protections of the *ejido* (communal agriculture) system.

As a consequence of NAFTA, Mexico, formerly self-sufficient in corn, now receives half its supply from the US. Mexican agriculture is estimated to have lost nearly a million and a half jobs—it was this ruination of the small Mexican farmer that proved to be a major source for immigration northwards in this period.

The growth of the Mexican industrial working class was manifested in the mushrooming of low-wage *maquiladora* plants along the border states to facilitate production across national boundaries, a process known as “near-sourcing.” Mexico is now the third largest producer of automobiles behind the US and Brazil in the Americas, and auto manufacturers are eager to exploit a labor force whose wages average \$5 an hour, barely a third of what is being paid to the low-wage new-hires in US auto plants.

Andres Manuel Lopez Obrador, head of the center-left Movement for National Regeneration (Morena), has distinguished himself little from Peña Nieto with his blasé comments advising the Mexican population not to “panic” about Trump’s designs.

“In the case of the United States, it’s best to wait and we’ll respond depending on what they decide,” he said. “I hope that there are no unpleasant surprises—to the contrary, it would be something they would have to rectify because nothing will be resolved with walls and coercive measures. I trust that we’ll be able to convince them that the best thing with regards to the United States is cooperation for development.”

Lopez Obrador is expected to turn any deterioration in US-Mexico relations under a Trump administration to his own electoral advantage in 2018. To Trump’s far-right strain of economic nationalism, Lopez will respond in kind, with the

support of the Mexican pseudo-left.

Tendencies such as the Movement of Socialist Workers (MTS), the Mexican section of the Morenoite FT-CI, attempt to formally distance themselves from the politics of Morena, but what they advance politically is not substantially different. Their insipid statement leading up to the US elections, “Neither ‘Killary’ nor Trump! Organize the discontent against Yankee meddling!” bears all the trademarks of a narrow nationalist outlook that repeatedly descends into vulgar anti-Americanism.

They offer no analysis as to what accounted for Trump’s emergence as the Republican frontrunner. The American working class appears in the piece not once. Instead, there are only telegraphed clichés about the United States as an undifferentiated imperialist monolith.

Significantly, its main criticism against the ruling PRI is that it has “long ago abandoned its nationalist rhetoric.” As the WSWs has pointed out, the basic aspiration of sections of the upper middle class is toward a return to the kind of nationalist course that existed in the days of the “Mexican miracle,” as if the objective conditions that allowed for the limited gains of import-substitution industrialization in the postwar period could be willed back into existence. Should the MTS strike out on its own in 2018, it would only counterpose to Morena’s protectionism a similar political trap for the Mexican working class, albeit with pseudo-socialist window dressing.

Protectionist measures are an economic blind alley that can only serve to intensify trade disputes and geopolitical tensions. The bogus invocation of “national sovereignty” in Mexico, or the promise to “make America great again,” can be accomplished only on the basis of attacking the living conditions of the working class, as already evidenced by Obama’s aforementioned “rescue” of the auto industry in 2009. Put bluntly, the only way to bring jobs back on a capitalist basis is to intensify the attack on all the hard-fought gains of the working classes throughout North America.

In a worried editorial Thursday headlined “Preparing for the worst,” the Mexico City daily *La Jornada* said that the implementation of Trump’s campaign promises could create a population of 10 million people “in a situation of complete deprivation.” It called upon the government to prepare a massive program of public jobs for building housing, schools, clinics and other infrastructure. Acknowledging that such an initiative would come at “an astronomical cost,” the paper warned that without it, “Mexico would face an unmanageable, destabilizing and tragic human catastrophe.”

As no section of the Mexican bourgeoisie is prepared to carry out any such program, the prospect is for a rapid intensification of the class struggle and a new period of revolutionary crisis.



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