

MEXICAN CONGRESS PASSES ENERGY REFORM: HISTORIC DEFEAT FOR THE LEFT

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The Mexican Congress passed President Enrique Peña Nieto's energy reform bill in December, allowing private and foreign investment in the energy sector, despite widespread public opposition and massive protests by opponents. Peña Nieto and his supporters argued that the energy reform would allow more effective development of the country's petroleum resources, leading to economic growth and more jobs.

Opponents have argued that the new law turns over the oil industry to foreign capitalists. Ricardo Monreal of the opposition Party of the Democratic Revolution (PRD) said, "This isn't the reform of the century, it's the robbery of the millennium."

The passage of the new energy law, which required amending the Mexican Constitution, represents a historic victory for the country's conservatives over the left and over the nationalist legacy and institutions of the Mexican Revolution. The new law will allow foreign oil company involvement in Mexican oil production at every stage of the process, ending the country's monopoly of the petroleum industry.

The energy reform passed through Congress on a fast track with overwhelming votes in both the Senate and the House. The Mexican Senate voted in favor of the measure by a vote of 95 to 28 on Dec. 11, while the lower house passed the bill by a vote of 353 to 134 on Dec. 12. Within just four days, the 17 of 31 states needed to approve the amendments to the Constitution had been found and, on Dec. 21, Peña Nieto signed the bill into law in the historic National Palace. "We Mexicans have decided to overcome myths and taboos and take a great step into the future by way of democratic institutions," said Peña Nieto. "Mexico has pronounced itself in favor of change and transformation."

Proponents and Opponents

Voting in favor of the law were the Institutional Revolutionary Party (PRI) and its satellites the Ecological Green Party of Mexico (PVEM) and the New Alliance Party (PANAL) of the teachers union, as well as the conservative National Action Party (PAN). Opposing the energy reform were the Party of the Democratic Revolution (PRD) and the Workers Party (PT). The measure was also opposed by the Movement of National Regeneration (MORENA), a political organization in the process of becoming a party, which has no representatives in the Congress.

Opposition to the bill was organized by historic leaders of the Mexican left such as Cuauhtémoc Cárdenas of the PRD and Andrés Manuel López Obrador, the leader of MORENA. López Obrador, however, suffered a heart attack on Dec. 3, effectively removing him from the culmination of the struggle in December. Joining the left parties in opposing the bill were the independent labor unions such as the Mexican Electrical Workers (SME) and the Coordinating Committee of the Mexican Teachers Union (la CNTE), a large opposition caucus.

The opposition held large marches and huge rallies throughout December and, as the date for the votes neared, opponents surrounded the Mexican Senate. At one point representative Antonio García Conejo stripped off his clothing except for his undershorts to symbolize the stripping of Mexico's natural resources and its dignity.

The actual vote had the atmosphere of a brawl as legislators pushed, shoved, and hollered at each other. As PRI legislators shouted “Mexico! Mexico!” and the PRD legislators shouted “Traitors! Traitors!”, PRD congresswoman Karen Quiroga punched the nose of her female colleague Landy Berzunza Novelo of the PRI, sending the latter to the infirmary. Just before the vote in the lower house, PRD and PT representatives locked the doors to the congressional hall in an attempt to prevent a vote, but legislators simply moved to another room and voted there.

What Is Changed by the Law

The new law overturns one of the greatest achievements of the Mexican Revolution that began in 1910 and ended in 1940, the country’s takeover of the foreign oil industry. The Mexican Constitution of 1917 in its Article 27 gave the nation control of all land and water and of the subsoil, that is, of the minerals and petroleum. On the basis of that article, in March of 1938, President Lázaro Cárdenas expropriated (with compensation) and nationalized the foreign oil companies in Mexico, principally the U.S. Standard Oil Company and the British Royal Dutch Shell, as well as several others.

The nationalized companies were unified as the Mexican Petroleum Company (PEMEX) with representation on the board by the Mexican Petroleum Workers Union (STPRM). PEMEX was the largest employer in Mexico throughout most of the twentieth century and represented one of the largest sources of the country’s GDP as well as providing most of the revenue for the Mexican government. PEMEX’s top officials came, until the PRI’s defeat in 2000, from the Institutional Revolutionary Party (PRI) which also controlled the notoriously authoritarian and corrupt oil workers' union. The wealth produced by PEMEX provided the funds that built Mexico’s national highways, hospitals, and schools during the oil boom of the 1970s, but it also provided the slush funds that oiled the PRI’s political machine.

Private and foreign companies were for decades forbidden from involvement in exploration, drilling or refining, though over the years they became involved in peripheral aspects of the industry. Proponents of the law argued that by forbidding foreign involvement Mexico was failing to develop deep water off-shore oil reserves as well as potentially rich shale deposits. They claimed that only an influx of foreign capital and technology would be able to take advantage of the existing natural resources. Foreign oil companies, particularly the Americans who have been involved peripherally in the past, were anxious to see the energy reform pass, though the European oil companies have also expressed great interest.

What the New Law Permits

The new energy law will effectively grant concessions to foreign oil companies, though that term is not used because of its association with the earlier period of private domination of the industry in Mexico. While Mexico’s oil reserve will remain the property of the nation, companies will be given contracts or licenses to drill for oil; these will be for services or on a profit-sharing or production-sharing basis. That is, companies will share both risks and profits, receiving a percentage of the crude oil produced.

PEMEX now becomes a for-profit company that will have to compete with private domestic and foreign oil companies. The new law also removes the Mexican Petroleum Workers Union from the board of directors of PEMEX.

Under the new law the Mexican electricity sector is also open to private investment. All Mexican energy generation and distribution is now in the hands of the Federal Electrical Commission (CFE), a national company created over several decades by the absorption of smaller private and public

electrical companies.

American companies most interested in exploring and drilling for oil in Mexico are Chevron, Exxon, and Shell. These are in fact the successors to Standard Oil and Royal Dutch Shell, the very companies expropriated and nationalized in 1938. So history is reversed.

Massive Layoffs to Be Expected

Senator Rabinranath Salazar of the PRD, as well as other opposition legislators, predict that both PEMEX and the CFE will lay off tens of thousands of workers. Salazar believes the layoff of PEMEX workers alone will come to some 100,000. PEMEX workers have long had stable employment paying some of the highest wages in Mexico, but those days may now be over.

Similar things have happened in the recent past. When Mexico privatized the railroads in the 1990s over 100,000 railroad workers lost their jobs.

Salazar told the Mexico City daily La Jornada that the energy reform law says that workers' rights will be protected, but that apparently refers to the right to severance pay.

Political Implications

The passage of the energy reform represents a stunning achievement for Enrique Peña Nieto who has finally managed carry out a reform advocated for years by leaders in both the PRI and the PAN. The president's success in carrying out the labor and education reforms earlier this year and now the energy reform show him to be the country's most successful president since Carlos Salinas (1988-1994), breaking through all opposition to pass neoliberal reforms that eluded his predecessors.

Interestingly, the transformation of the oil industry also represents a blow to what was historically one of the principal bases of the PRI. PEMEX was the flagship of the country's nationalized industries and the oil workers of the STPRM, the vanguard of the working class of an earlier era. The PRI's power had been based in large measure from the 1930s to 2000 on its control of the nationalized industries and on the unions that represented workers in those industries.

The energy reform would have been political suicide a few decades ago, but the PRI has become a modern party whose power is based upon its use of the mass media more than on its labor, peasant, and community organizations, not to say that those are totally irrelevant. The energy reform thus not only transforms the economy but also ends a period of political history by demolishing the institutions on which the PRI's one-party state of the 1940 to 2000 period was based.

Continuing Opposition

The opposition has promised to continue the fight. Jesús Zambrano of the PRD announced that his party would leave the Pact for Mexico, the alliance between all three major parties formed at the time Peña Nieto became president, punishing the PRI and PAN for their treachery. It is doubtful that this will matter much to them now.

The opposition has also called for a national plebiscite, though it is not clear that the Constitution permits such referenda.

Finally, opponents say that they will bring legal cases to challenge the law in the courts. There seems little likelihood that the energy reform will be overturned either by a plebiscite or by litigation. When the oil industry acts, there are few forces today capable of stopping it. Beaten down

during the administration of former President Felipe Calderón, Mexico's independent unions were in no position to stop the Peña Nieto steamroller and could not conceivably force it back.