Pemex
From Nationalism to Denationalization

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INTRODUCTION

March 18, 2012, was the seventy-fourth anniversary of the historic expropriation of oil in Mexico, with its nationalist vision that supported our economic, social, and energy future.[1] This commemoration brings to mind the denationalization onslaught by domestic and foreign neoliberal groups against Pemex for the last 29 years. This strategic industry's exploitation and riches must be used for the country's —and its own— economic development and social welfare.

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To understand the road that has been imposed, it is important to remember that in 1947, the neoliberals met in Mont Pèlerin, Switzerland, to launch their struggle. They were led by Friedrich Hayek and Ludwig von Mises, members of the Austrian school of economics, in which other outstanding figures like Friedmann, Polanyi, Röpke, and Popper, among others, also participated.

The statement of aims that came out of that meeting, commonly known as the Mont Pèlerin Consensus, is the basis for neoliberalism, since it takes up the basic principles of classical liberalism: individualism, private property, freedom, and a state with very curtailed economic functions. Its objective was to combat Keynesianism and any and all forms of social solidarity, as well as to create the theoretical founda-

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tions for hard capitalism, lacking any rule, that is, the neoliberal or savage capitalism model.

The neoliberals' critique of the import-substitution model and the suffocating foreign debt of the 1980s made it possible for the International Monetary Fund (IMF) to foster reforms and economic policies in Latin America through economic and structural adjustment programs. This was called economic neoliberalism, the model that promoted the privatization of public companies and services, the elimination or decrease and flexibility in social policies, opening up the economies to the international market, the signing of the North American Free Trade Agreement (NAFTA), industrial reconversion, and a new educational system. And we must not forget its offensive against the defense of any national interests, like the one represented by Pemex.

Pemex Today

Pemex's current circumstances must be analyzed in the context of neoliberalism. During the neoliberal administrations of Miguel de la Madrid Hurtado (1982-1988), Carlos Salinas de Gortari (1988-1994), and Ernesto Zedillo Ponce de León (1994-2000), of the Institutional Revolutionary Party (PRI); and of Vicente Fox Quesada (2000-2006) and Felipe Calderón Hinojosa (2006-2012), of the National Action Party (PAN), the para-state company began to suffer partial denationalization measures. These allowed activities that the Constitution had stipulated were exclusively its purview to be handed over to others through applying illegitimate deregulation policies and opening up to private national and international investment oil activities that had been vertically and strategically integrated.

These administrations justified the furtive denationalization of Pemex, saying that they were doing it to modernize the company and make it competitive so Mexico could catch the energy globalization train and integrate itself into the hemisphere. What they did not say is that our oil industry operates according to the requirements of U.S. energy security and of the interests and profits of powerful multinational oil corporations. Therefore, we can well say that oil neoliberalism is synonymous with conquest, since it involves not only resources, productive and commercial hydrocarbon activities, but also the land itself, thus endangering both our energy and territorial sovereignty.

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To know more about the case, the reader can look at Pemex Exploración Producción (Pemex Exploration and Production, or PEP) bidding processes for private companies so that they can provide hydrocarbon exploration, development, and production services in specific blocks.[2] This leads us to look at history, that is, the critical historic context in which Mexico's oil was expropriated according to the nationalist principle of "Mexican oil for Mexicans,"[3] and to compare it to the history of Pemex under the neoliberal administrations and their denationalizing project. The latter aims to leave in private hands, particularly those of multinationals, the operational, financial, and technological functioning of this strategic public activity, making Pemex increasingly dependent on foreign companies to carry out its different activities.

Today's neoliberalism is pushing Mexico toward being a more dependent, globalized, transnational economy, demonstrating that everything in the world of oil is different now, since the strategies, actions, and policies established in development plans, as well as energy programs, are focused on denationalizing Pemex. In short, we are told that the transition toward the company's modernization and competitiveness requires opening and deregulation measures favoring the penetration of private investment, above all foreign investment. Government after neoliberal government has applied measures to allow the encroachment of the private sector into the oil industry, led like a profit-making business. Their incursions include activities that have been strategically integrated, ranging from extraction, transformation, distribution, commercialization, control of markets, and secure earnings; this means that private oil companies are operating parallel to Pemex with the security offered them by regulations and laws amended for the purpose.

A Vision of Pemex's Future

The idea that has been spread that Pemex's present and future development has no domestic solution shows that foreign interests have filtered into all its activities. With that aim, the principles of the Constitution have been manipulated and changes made to Article 27's regulatory legislation, a law that is subordinate to the Constitution itself. This is despite the fact that the regulation's own Article 9 states that the goods under public domain are inalienable, that is, they cannot be passed to others and cannot be sold, and that this right is not subject to any statute of limitations, that is, as a right with no time limit, it cannot be changed or lost under any circumstances.

For example, although Pemex's company, the Industria Petroquímica Básica (Basic Petrochemical Industry, or IPB), is one of the goods that come under public domain —see the General Law of Public Goods—, it has been opened up to private interests . . . but without great results. The importance of Pemex's petrochemicals company is that, before basic petrochemicals were reclassified, they were the basis for the productive activities in the secondary chemical industry, which was something only few countries had achieved.[4] Clearly, despite official speeches about defending the national sovereignty of the oil industry, the facts show that the managers' real option has been to open Pemex up little by little —and even sell it— despite its strategic importance, since there is no public or private entity that can replace it in terms of its energy, fiscal, and economic significance and transcendence.

It is a fact that the oil-energy-basic-petrochemical trio will maintain its transcendence in the next millennium. Then, why not take advantage domestically of the wealth that pours out of the oil reservoirs in Mexican territory and its transformation in refineries and petrochemical plants? Why deny future generations the products, services, and profits derived from oil-based activities? What could be better than their remaining in Mexican hands and serving the nation's interests?

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Energy Reform: A Continuing Dispute

In 2008, the first executive proposed an energy or oil reform based on changing the legal framework to continue opening Pemex up to private sector participation, creating strategic alliances, making inroads into deep-water drilling in search of the "treasure below the sea," and increasing refining capacity.[5] Thus, using the pretext of a lack of technology, experience, and capital, after a heated debate, the first executive managed to reform and pass the laws corresponding to its proposed denationalization project. This reform required the creation of a legal framework —obviously unconstitutional— for the penetration of private companies, particularly transnational ones, into strategic activities that had been exclusively reserved for Pemex. This is the case of exploration, but includes all the other aspects of oil production, whose CEOs have incorrectly managed the nation's resources and goods that should be used to benefit the country's economic and social development.

But the denationalizing spirit has not been completely sated. Despite being anti-national and unconstitutional, the measures in favor of opening up Pemex are derived from the neoliberal economic and energy project that the country's neoliberal administrations have fostered and from pressure from institutions like the International Monetary Fund. The latter, for example, intervened making "recommendations" for Pemex to sign "contracts with incentives" to increase reserves and production.[6]

Some of the reform's results can be observed in the performance of certain variables. Because of the over-pumping, proven hydrocarbon reserves dropped from 14.31 billion to 13.80 billion barrels of equivalent crude. At the same time, oil production slumped from 2 792 to 2 550 barrels a day (BD) and exports from 1 403 BD to 1 338 BD. The only positive note has been that during what has been called the new oil boom, between 2008 and 2011, characterized by the unprecedented rise in the price of oil, the price of a barrel of export-grade crude rose, on average, from US$84.38 to US$100.92. Between 2007 and 2011, this meant Pemex raked in total sales to the tune of US$498 billion, an amount never before attained by any previous administration. This proves its profitability if we disregard the suffocating fiscal regime applied to it, which sucks out 100 percent of its profits.

We should not forget how important domestic sales are for Pemex, whose earnings come from the hike in oil products, particularly gasoline. Domestic sales represent 50 percent of its total sales; that is, domestic consumers are an important pillar for the company.

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Oil, a Strategic "Weapon"

Oil is a powerful "weapon" for the confrontation among powers since whoever controls it worldwide will have incomparable power. As sovereign property, oil takes on special importance for underdeveloped countries since those like Mexico continue to be part, whether by conviction or external pressure, of an oil denationalization project, despite crude's strategic position in the energy hierarchy.

Trade, economic, and financial confrontations among the powers make Latin American countries' oil a strategic "weapon," but national interests are subjugated to those of the transnationals. What is hiding behind supposed entrepreneurial freedom is "savage" capitalism that takes over strategic resources and public companies to raise private profits. We can say that public goods are "expropriated" to the benefit of the private sector, based on an illicit legal foundation.

Despite the resurgent nationalist spirit in the sphere of Latin American oil, the privatizing "wave" is advancing gradually on the oil industry and vertically integrated activities, making them energy-financial "booty" and an instrument of power. This is a stimulus for the United States, since with this kind of an energy advantage, it will be able to face down other powers and strengthen its economic activities. The forced march of turning public property into private and the control and monopolization of public activities and goods, of strategic natural resources, markets, and domestic consumers, all strip enormous wealth from the Latin American countries. That wealth would be of enormous use for their present and future economic and social development, and that is why recovering it becomes a strategic policy.

Conclusion

The neoliberal denationalizing euphoria is an invitation to recover the nationalist spirit. The imperative is not to continue opening the public sector to private companies, but to reclaim and modernize Pemex for the good of the nation, since it already has sufficient numbers of specialists, experience, and capital. I think it is fundamental to support any and all projects that can give new impetus to the para-state company, based on its workers and its own operational, technical, financial, and research assets, but with a different vision of national development. Every last drop of oil that exists in the bowels of the country and the wealth that its exploitation brings must be used to benefit Mexican society. VM

Notes

[1] The oil was expropriated by President Lázaro Cárdenas del Río (1934-1940) in 1938. [Editor's Note.]

[2] See http://www.pep.pemex.com/Licitaciones/Paginas/Licitaciones.aspx.

[3] We should remember that the administration of Lázaro Cárdenas fostered the independent development of the national economy in accordance with a six-year plan imbued with a nationalist spirit, using our natural resources together with the development of our own industry, with active state support. One aim was to reduce foreign control over the economy, since it was very dependent and controlled by foreign capital.

[4] After four reclassifications carried out between 1986 and 1991, of the 72 petrochemicals that made up Pemex's list of basic petrochemicals only ethane, propane, butanes, hexane, heptane, naphtha, and the raw material for carbon black were left in the category; all except the last of these are gases. All the others were disguised as secondary petrochemicals.

[5] The energy reform was approved October 28, 2008. The following laws were amended: the Law Regulating Article 27 of the Constitution in the Area of Petroleum; the Founding Law of Article 27 of the Constitution in the Area of Petroleum; the Founding Law of the Public Federal Administration; and the Law on the Energy Regulatory Commission. New laws were also passed: the Law on Petróleos Mexicanos; the Law on the National Hydrocarbon Commission; the Law for the Sustainable Use of Energy; and the Law for the Use of Renewable Energy and Financing the Energy Transition. On October 21, 2008, the section of the Federal Government Service Charges Law pertaining to the fiscal regime applied to the PEP was amended.

[6] The "contracts with incentives" will allow private oil companies to explore and exploit deep-water deposits. Pemex will establish areas to this end, sub-lease them to private companies, which will explore them, and, if they are productive, will design a marketing project for the zone. If they are not profitable, they will return them and Pemex will not be obligated to pay for the work done. See "La Suprema Corte analiza los 'contratos incentivados' de Pemex. Suárez Coppel los defiende y asegura que entrarán en vigor," http://www.elmananarey.com/XStatic/manana/template/notaimprimir.aspx?id=581372.