Mexican government in deep crisis in wake of mass protests

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A poll published this week by the newspaper *Reforma* puts the approval rating of Mexican President Enrique Peña Nieto at a historic low of 12 percent, down from 24 percent in December.

This plunge reflects popular anger over Peña Nieto's decision to raise gasoline prices on January 1 by 20 percent. The *Reforma* poll showed that 85 percent disapproved of the increase, the so-called *gasolinazo*.

The gasoline price rise came in the wake of a plunging peso. The peso was at 12 to the dollar when Peña Nieto took office in December 2012. It recently reached a low of 22.50 to the dollar.

The peso's drop has had an inflationary impact on the prices of basic goods and foodstuffs, with the price of beans rising by 12 percent in December alone. The increase in gasoline prices will filter throughout the economy to further stoke inflation.

A group of specialists interviewed this week by the newspaper *El Universal* emphasized that the *gasolinazo* will particularly impact those already on the brink of poverty.

Héctor Villarreal, director of the Center of Economic and Budgetary Studies, told *El Universal* that the gas price hike will make the basic basket of goods inaccessible for many families, putting around an additional 10 million at risk of falling into poverty.

While the daily minimum wage of 80.04 pesos (about US$3.70) went up by 9.4 percent on January 1 along with the 20 percent increase in gas prices, that was insufficient, said Ricardo Becerra Laguna, president of the Institute for Democratic Transition Studies, given the fuel price hike and the fact that prices of basic goods were already on the rise. Becerra Laguna agreed with Villareal that the rise in gas prices could create a "nation-wide surge of impoverishment."

The fall in the peso stemmed in large part from a lack of confidence by investors in the Mexican economy arising from Donald Trump's election victory. Trump campaigned on promises to lower US corporate taxes, place tariffs on imports from Mexico, forbid or tax remittances from Mexicans living in the US and deport what could be upwards of 5 million Mexicans.

Peña Nieto's approval rating had already dropped to 30 percent by 2015, due to corruption charges and widespread government violence, including the disappearance of 43 Ayotzinapa teaching students, who had been protesting against Peña Nieto's education reform. It sank into the 20 percent range last summer after he invited Trump to Mexico and then fawned over him, despite overwhelming Mexican hostility to the then Republican candidate.

Outrage was so high in Mexico that Peña Nieto made his finance minister and close confidant Luis Videgaray, who had arranged Trump's visit, a sacrificial lamb, firing him soon thereafter.

Despite Videgaray being widely despised in Mexico as a Trump conciliator, earlier this month, Peña Nieto named him as Mexico's new Secretary of Foreign Relations, as a sop to Trump. Trump called Videgaray a "wonderful man."

Earlier this week Trump stressed that he would immediately undertake building his promised border "wall," to be paid for by Mexico. Although he did not expressly mention this in his inaugural address, Trump promised to protect the US border from the "ravages" of other countries "making our products, stealing our companies and destroying our jobs." This threat was directed most of all at Mexico and China.

In response, Peña Nieto was able only to express his deepening subservience to US imperialism. He tweeted his congratulations to Trump on taking office, calling for a "respectful dialogue" to "strengthen our relation with shared responsibility."

Peña Nieto even delivered a present to Trump on the eve of his inauguration, the expedited extradition on Thursday of Sinaloa cartel head Joaquín ("El Chapo") Guzmán Loera to US authorities. This seemed intended to appease Trump, who had cited drug dealing and violence as part of his campaign against Mexican immigrants, by suggesting that that the Mexican government was serious about combating the drug cartels rather than corrupted by them.

Guzmán Loera had filed a constitutional “amparo” petition with the Mexican Supreme Court in an attempt to postpone or defeat extradition. According to the *La Jornada* newspaper, the Mexican justices put denial of the amparo on a fast track in response to pressure from the federal government. Luis Videgaray had already promised such approval.

Mexico also announced on Thursday that Videgaray and other Mexican dignitaries will visit Washington DC on January 25 to meet, undoubtedly on bended knee, with key Trump administration officials, including chief of staff Reince Priebus, Trump son-in-law and senior adviser Jared Kushner and senior adviser Stephen Bannon.

While some in the Mexican government have made demagogic calls for countermeasures to Trump’s policies—Mexico’s economy Secretary Ildefonso Guajardo suggested in the last week an immediate “neutralizing” “fiscal response,” that is, a counter-tax—these are not serious proposals, but rather public relations stunts. The Mexican government will dance to Trump’s tune.

Forthcoming changes in Mexico’s energy industry can only further destabilize the economy and the political situation. Mexico’s energy reform law enacted in 2013 ended the monopoly of Mexico’s national oil company Petróleos Mexicanos (Pemex) on oil production. After bidding in 2015, private companies began investing in oil exploration and production in Mexico.

But opening oil refining, transportation and sales to private investment was put off to 2018, at which point the Mexican government intended for fuel prices to be brought in line with market prices. Until then, the government would set prices lower than the cost of production in the country.

Federal government revenue dropped sharply when oil prices collapsed in 2014. Despite attempts to hedge oil prices, oil revenue dropped from 852 billion pesos (about $40 billion) in 2012 to only 408 billion pesos in 2015. This fall in revenue was exacerbated by lowered interest in private bidding on Mexican production contracts.

In 2016, the government decided to accelerate the liberalization of refining and distribution of oil due to this revenue shortfall. That resulted in the price hike and two additional tax hikes on fuel sales on January 1.

The gas price increase on January 1 led to demonstrations throughout the country, which included blocking highways and fuel depots. They included teachers’ unions, transportation unions, various social movements as well as ordinary citizens. The protests were largely organized in a spontaneous fashion on social media, rather than by any centralized leadership. At the same time, the movement has lacked any coherent perspective or program.

The Mexican ruling class is too invested in the energy reform to backtrack on it. But it fears that protests will grow even larger, particularly if there is a violent crackdown by federal police or even the army. The already depleted support for Peña Nieto’s Institutional Revolutionary Party (PRI) could completely evaporate.

The government has resorted to sham “reform” measures as a political palliative. This week it signed with business leaders and labor unions an “Agreement for the Economic Strengthening and Protection of the Family Economy.” The agreement proposes various vague initiatives, such as maintaining stable prices for basic goods, modernizing public transportation, encouraging investment and employment and strengthening the rule of law. No one can take these measures seriously.

Mexico’s so called opposition parties are making every effort to suppress opposition in the Mexican populace. The right-wing National Action Party (PAN) has called for lowering fuel prices. However, the PAN, along with the fake “left” Party of the Democratic Revolution (PRD), supported the energy reform law, and both still do.

For its part, the PRD has sought to dissipate the protests, advocating that a million people file amparo petitions with the Mexican Supreme Court to invalidate the gas price hikes. This is nothing more than a stunt with no chance of success.

Finally, the National Regeneration Party, or Morena, headed by Andrés Manuel López Obrador, has called for all sides and parties to sit down in a show of “unity” to address the price rises. In other words, this bourgeois party once again seeks to contain opposition within bounds acceptable to the capitalist ruling establishment.

Others deeply imbedded in the Mexican ruling class have warned that the country’s institutions are in such a state of collapse that action at a more fundamental level is required.

Constitutional scholar Diego Valadés, formerly a Mexican Supreme Court Justice under PRI president Carlos Salinas de Gortari, told the magazine *Proceso* this week that the “institutional apparatus” is no longer responsive to the demands of society or able to fulfill the basic functions of the state.

Valadés has concluded, given the unprecedented and deepening distrust of the Mexican population, that the only alternative is the formation of a coalition government, presumably amongst all major political parties, or a return to “authoritarianism.” Such authoritarianism likely would extend to military intervention.