IMF launches new assault on Pemex

by Carlos Cota Meza

In the second half of this year, Mexico's state oil company Petróleos Mexicanos (Pemex) suffered two accidents considered "major" by the industry. The first, an explosion at a gas processing complex in Cactus, Chiapas on July 26, left six people dead.

According to official investigations, the accident occurred while maintenance procedures were under way; the explosion caused the shutdown of three petrochemical plants in Cosoleacaque, Veracruz, and reduced the national capacity for processing gas by 35%, forcing Pemex to sign emergency contracts with the United States to import gas at a cost of $700,000 a day. Losses from the explosion and shutdowns were valued at $56 million in gas production, plus another $161 million due to suspensions of hydrocarbon extraction, which affected nearly 50% of total gasoline production in the country.

The ramifications of the Cactus explosion were barely absorbed, when a second accident occurred on Nov. 11, also during maintenance procedures. An explosion and fire took place at a Pemex storage plant, located at the edge of one of Mexico state's most densely populated townships, bordering Mexico City. Official estimates are not yet in, and so it is not known how much gasoline and diesel fuel were stored at the plant, and how much was consumed by the fire. What is known, is that the disaster claimed four lives, injured a dozen or more, and forced the evacuation of more than 5,000 inhabitants of neighborhoods in a two-kilometer radius. Material losses are calculated at more than $40 million.

Reactions to the latest tragedy range from a shrill chorus from the proponents of privatization of the country's largest and most important state company, to denunciations of Pemex's directors, whose immediate resignations are being demanded.

The truth is that the two accidents are closely related. For the past four years, it has been known that the main cause of Pemex accidents (nine in 20 months, including the one in Plátano y Cacao, Tabasco, in February 1995, when a gas pipeline blew up) is the deterioration of its installations for lack of maintenance. The oil workers union has repeatedly warned of the potential danger of oil and gas leaks from control valves, as well as from heavily corroded pipe joints and splices. The three major accidents were all caused by these conditions.

Pemex has been subjected to a brutal "disinvestment" policy for the past 14 years, enforced as part of a commitment to the International Monetary Fund (IMF) to punctual payment of the country's foreign debt.

During the Miguel de la Madrid government (1982-88), confidential information on Pemex's internal operations (based on audits by the multinational MacKinley Co.) was provided to the oil multinationals for the first time.

Attack on labor

During the Carlos Salinas de Gortari government (1988-94), the illegal frameup and jailing of oil workers' leader Joaquín Hernández Galicia was carried out to silence the union, and Pemex itself was splintered into four separate conglomerates, for the explicit purpose of readying Ibero-America's largest company for future privatization. Pemex was reconstituted as Pemex-Exploration and Development, Pemex-Refining, Pemex-Commercialization, and Pemex-Petrochemicals. The company's workforce was cut from 200,000 workers in 1984, to barely 100,000 today. It comes as no surprise, that the workforce at the storage area where the latest accident occurred had been slashed by 50%.

During the current Ernesto Zedillo administration, the planned privatization of Pemex-Petrochemicals had to be suspended, due to tremendous opposition from nationalist sectors in the country, and also due to the vast web of illegalities which the Salinas government had spun. It remains the case, however, that the privatization of Pemex is one of the most important political battles currently raging inside the Zedillo government.

Income from Mexico's oil exports was used to restructure the 1986 foreign debt; it was used to leverage the 1990 Brady Plan; surplus income generated by price increases from George Bush's war against Iraq, in 1991, was used to make payments on the foreign debt, and to amortize the domestic debt.

And under President Zedillo, Pemex is once again the prop for foreign debt payments. After the financial debacle of December 1994, agreements with the IMF established that Mexico would receive new loans to reduce its foreign debts due in 1996. In exchange, Mexico issued bonds, on condition that if the price of oil increased, the government was committed to raising the yield on the bonds by an amount not exceeding 30% of the additional revenue from export of crude.

Add to this the fact that 29% of Mexico's income from oil exports is already committed, "off the top," to creditors represented by the New York Federal Reserve.

It thus requires no stretch of the imagination to conclude that the accidents at Pemex, large and small, are integrally tied to the merciless looting to which the Mexican economy has been subjected since 1982 by the International Monetary Fund and allied financial circles.