

Dateline Mexico by Josefina Menéndez

How bad is the Pemex cash problem?

Pemex has a payments bind, but it's not as bad or long-term as some people are saying.

Pemex is often described as the "motor" of Mexico's rapid economic growth of the past four years. Is the motor failing?

There is no question that Pemex's revenues plummeted during the June-July tug of war with the multis over price. At least 40 percent of Mexico's contracts were cancelled during those two months, dropping exports below the 1 million barrels per day (bpd) figure.

The fall-out actually began with some quiet contract cancellations in April. And it was well into the fall before Pemex director Julio Rodolfo Moctezuma Cid was able to announce that the desired "platform" of exports in the 1.5 million bpd range had been re-established.

For those of you who thought that the revival of exports starting in August and the expansion of Pemex's Bank of America-led acceptance facility to \$4 billion in the same period plus a \$700 million acceptance facility with the British) had turned the situation around, the news is not good. In a recent informal survey I conducted with a half dozen well-informed sources who either do business directly with Pemex or know others who do, the following picture emerged: Pemex is so far behind on payments that a number of supplier firms are close to bankruptcy.

Several foreign drilling companies with offices in Mexico are reportedly packing up. A firm producing oil equipment in Mexico,

whose head office is in Houston, reports their new plant is practically idle, workers are beginning to be laid off, and another few months of stagnation will mean bankruptcy.

These sources report that Pemex has not only drastically cut back on the oil technology it is buying abroad, but has put obstacles in the way of those domestic manufacturers who need to import capital goods to produce the same equipment at home.

Due to this, I am told, there is a process of "cannibalization" going on—firms are virtually stealing scarce technology from one another to fulfill contracts, and in some cases are pressing into use antiquated machinery that was slated for retirement. But, in context, the current payments crisis is the playing out of the May-August interruption in revenues, not any new difficulty.

The climb back has been slow but steady. Recent statistics taken as reliable by international analysts show total production climbing from July's low of 2.1 million bpd, to 2.26 in August and 2.48 in September. The September export figure rose to 1.26 million bpd, up 26 percent from August. October's figures are expected to show exports topping 1.4 million bpd, as announced by Moctezuma Cid.

At the same time the next big Pemex development focus, the Chicontepec Project, is being kept front burner. President López Por-

tillo announced on Nov. 6 the formation of a special inter-departmental committee, five cabinet secretaries and the Pemex director, to oversee the first phase of the project, planned to involve \$40 billion in investment over a 20-year period.

It was simultaneously announced that the original focus on combined agricultural, ranching and oil development has been expanded to include a new major industrial port, Tuxpan.

And new oil finds are being announced which augur well for the future. These include the first light crude discoveries in the prolific Campeche Gulf and further discoveries on the West Coast.

The real question is whether the international oil markets are sufficiently weak to allow a re-run of last summer's collapse—which was not a randomly targeted affair, as *EIR* readers are aware. A *Business Week* article of Nov. 9 claimed, "Another political uproar could be in the making. In recent weeks, high prices have prompted Exxon, Ashland Oil, and other buyers to cut purchases again. . . . One U.S. oil company president maintains that Mexico's heavy Maya crude is overpriced by \$3 per barrel, and that its Isthmus light is \$1 too high."

Leading international analysts, however, tell me that the *Business Week* article is psychological warfare. The markets are stable, if not expanding, and with the recent unified OPEC pricing decision, Mexico's increase of \$1 per barrel in the price of its light crude, announced the last week of October, should hold without problems. The price of that light crude is now \$35 per barrel, the Mayan heavy, \$28 per barrel, and no major interruptions are in sight.