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PEMEX Director Raul Munoz Leos Resigns Under Pressure

by LADB Staff

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Raul Munoz Leos, director of the state-run oil company PEMEX, resigned under pressure in early November after allegations of corruption and mismanagement had surfaced in recent months. Munoz Leos was replaced by Luis Ramirez Corso, who has headed PEMEX subsidiary Pemex Exploracion y Produccion. Munoz Leos first came under fire in July after several news outlets reported that the PEMEX director had negotiated an ill-advised contract agreement with the union workers (Sindicato de Trabajadores Petroleros de la Republica Mexicana, STPRM) without consulting the PEMEX board of directors. Under the deal, Munoz Leos authorized 7 billion pesos (US\$61.2 million) in salary and benefit increases, including housing. Members of President Vicente Fox's Cabinet and the PEMEX board of directors called that benefits package excessive.

Accord with union puts Fox government in difficult position

The unilateral decision of the PEMEX director to grant the additional benefits to the STPRM put the Fox administration in a difficult position. The Fox government had made a strong effort to prosecute ex-PEMEX director Rogelio Montemayor Seguy for allegedly laundering funds through the STPRM to help finance the campaign of Francisco Labastida Ochoa of the former governing Partido Revolucionario Institucional (PRI) in the 2000 presidential election, in a scandal commonly known as Pemexgate (see SourceMex, 2002-01-30 and 2002-09-18).

Shortly after the scandal broke, Montemayor fled to the US, where he managed to fight extradition to Mexico for more than two years. Montemayor's luck changed in July of this year, when a US District Court approved Montemayor's extradition to Mexico. He was returned to Mexico City in early September. US Federal District Court Judge Lynn Hughes said he approved the extradition because he found probable cause that Montemayor had committed the crimes with which he has been charged in Mexico, which are misappropriation of funds and making illegal payments.

Some high-level officials said the Fox government's case against Montemayor and other PRI officials may be weakened by Munoz Leos' agreement with the STPRM in July. Before Munoz Leos resigned, in a letter to President Fox, Finance Secretary Francisco Gil Diaz said the latest contract with the STPRM could have legal ramifications for the case against the union and Montemayor for misuse of funds. Legislators from the PRI and the Partido de la Revolucion Democratica (PRD) called for a thorough investigation into the STPRM contract granted by Munoz Leos.

PRD Deputy Miguel Alonso Raya said a small faction of STPRM members, led by union leader Carlos Romero Deschamps, managed to again coerce PEMEX management into granting them special favors. Romero is also a central figure in the Pemexgate scandal (see SourceMex, 2002-09-18 and 2004-03-10). "The vast majority of the 90,000 workers employed by PEMEX would not benefit from this agreement," said Alonso Raya. "The accord favors a group associated with Carlos Romero Deschamps."

PRI Sen. Manuel Bartlett Diaz took a different stance on the situation, saying that the union should not be persecuted. "[The Fox government] is trying to weaken the union to make it easier to privatize PEMEX," said Bartlett Diaz, a vocal opponent of recent government efforts to bring private investment into the state-run oil company.

Critics also question use of PEMEX funds for cosmetic surgery

Munoz Leos' problems go beyond the ill-advised agreement with the union. In mid-October, the PEMEX director again came under scrutiny after several Mexico City daily newspapers published details about how Munoz Leos' wife Hilda Ledezma Mayoral billed PEMEX for liposuction treatments last year and this April costing a total of US\$12,000. PEMEX officials initially downplayed the reports, saying that all of its employees and their dependants are entitled to medical reimbursements.

Furthermore, the officials said, Munoz Leos repaid the company in full for the expenses. The issue did not die down, however, prompting President Fox to publicly criticize Munoz Leos. "This government has made a strong commitment to transparency, whether the situation involves PEMEX or another agency," Fox told reporters during a trip to Montreal in late October.

Similar statements came from the leadership of the governing center-right Partido Accion Nacional (PAN). "We will request all the pertinent investigations to determine who is responsible for spending PEMEX money to pay for cosmetic surgery for Munoz Leos' wife," said PAN official Alejandro Zapata.

The Fox government announced Munoz Leos' departure with very little fanfare. In a radio interview, Energy Secretary Fernando Elizondo said the change in leadership at PEMEX was part of the "new direction" the company was taking in the final years of the Fox administration. "We are...strengthening the leadership required by the company in the final phase of the administration." The announcement is said to have come two days after Fox asked Munoz Leos to tender his resignation.

Munoz Leos, who served as general manager at Dupont de Mexico before joining PEMEX, was hired to instill some private-sector efficiency in the company, one of the 10-largest oil producers in the world. But some analysts suggested the change had nothing to do with the performance of PEMEX but rather had political motives. "The fall of Munoz Leos had nothing to do with the performance of the company," said syndicated columnist Sergio Sarmiento, who pointed out that the ex-PEMEX director brought efficiency to the state-run company and succeeded in increasing production and reserves of crude oil.

Others said the Fox administration, by making the change, might have acknowledged its mistake in giving the job to a private-sector executive. "[The Fox administration] didn't so much make a mistake about Munoz Leos, but about the whole concept of the job, said George Baker, head of the Houston-based energy consultants Baker and Associates. "Heading PEMEX isn't a business job, it's a political job."

Successor to continue pushing for private investment in PEMEX

Munoz Leos was one of the key players in the Fox government's controversial program to give private services contracts (contratos de servicios multiples, CSM) in northeastern Mexico (see SourceMex, 2003-07-23 and 2004-01-28).

The change, however, is not expected to alter the Fox administration's push to bring private investment into PEMEX because Ramirez Corso has also played a key role in the effort. In one of his first statements after the announcement of his appointment, Ramirez Corso said the Secretaria de Energia (SENER) was preparing a package of legislation to send to Congress that would give legal certainty to private companies that had invested in Mexico's energy industry.

In a separate comment, however, the new PEMEX director was careful to emphasize that he did not view full privatization of the state-run oil company as an option. "I think we have the elements...to sensibly define a strategy that ensures we do not privatize our natural resource," Ramirez Corzo said in a radio interview.

The new PEMEX director, ironically, may be in trouble for a decision he made regarding a couple of contracts awarded to private companies. The Procuraduria General de la Republica (PGR) has launched an investigation into allegations that Ramirez Corso and other PEMEX officials showed favoritism in granting contracts to Motores y Partes Coatzacoalcos and Equipo Peerles del Centro, awarding them each contracts worth more than US\$2.3 million. The investigation was initiated because of a complaint by Mexico Diesel Electro-Motive, SA de CV, a company that lost in the bidding process. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 3, reported at 11.42 pesos per US\$1.00] (Sources: Revista Vertigo, 07/29/04; Bloomberg news service, 07/23/04, 11/01/04; Agencia de noticias Proceso, 07/23/04, 08/04/04, 09/02/04, 09/29/04, 11/01/04; Spanish news services EFE, 07/23/04, 07/26/04, 07/29/04, 09/02/04, 09/12/04, 09/27/04, 11/01/04; Associated Press, 07/23/04, 09/06/04, 11/01/04; Reuters, 11/01/04; Notimex, 07/26/04, 08/06/04, 08/09/04, 09/02/04, 09/06/04, 09/28/04, 09/29/04, 10/04/04, 11/01/04, 11/02/04; Los Angeles Times, 07/28/04, 11/02/04; La Jornada, 07/30/04, 08/10/04, 09/03/04, 09/07/04, 09/29/04, 11/02/04; The Houston Chronicle, 09/02/04, 11/02/04; El Financiero, 09/03/04, 11/02/04; Unomasuno, 09/21/04, 11/02/04; The Dallas Morning News, The Financial Times-London, The New York Times, El Sol de Mexico, 11/02/04; El Universal, 07/27-29/04, 08/05/04, 09/03/04, 11/02/04, 11/03/04; La Cronica de Hoy, 07/27/04, 08/05/04, 09/03/04, 09/07/04, 10/27/04, 11/02/04, 11/03/04; The Herald-Mexico, 07/29/04, 08/05/04, 08/06/04, 09/03/04, 09/07/04, 09/28/04, 11/02/04, 11/03/04; Por Esto, El Siglo de Torreón, 11/03/04

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