

Man to Watch in Mexican Petrochemicals

Prospective foreign investors have long been awaiting a clear statement of the future roles of government and private industry in developing Mexico's embryonic petrochemical industry (*CW*, Aug 16, p. 39). This week the country's new leadership made a tentative start on the problem, set out to clean up a bill hastily enacted by the former government.

But, as Mexico's three-week-old administration begins to put its house in order, it is discovering that policy lines must be made a lot more definite before much U.S. chemical capital is lured south of the border.

Since the 1941 oil law was passed, the unwritten policy had been that basic petrochemical raw materials would be controlled by the government-owned oil monopoly, Petroleos Mexicanos (Pemex). Still a mystery was the future extent of Pemex's participation in production of finished products (e.g., resins, solvents, etc.).

Then, on Nov. 29 of this year—its last day in office—President Ruiz Cortines' administration passed a long, fuzzily worded "oil law," which stated that Pemex was to control all production, storing, and selling of "those (petroleum) derivatives which are susceptible to serve as raw materials for basic industries."

This left the business community in confusion, so a "bill of particulars" was hastily thrown together, handed around the following week.

Chemical men were amazed to discover that the government's notion of

basic raw materials—to be produced under Pemex control—included polyethylene, butadiene, styrene, ammonia, polystyrene, acetone and phenol. "Basic raw materials" seemed to be an open-end definition that could include anything the government wanted.

While specifying government con-

policy regarding Pemex's plans.

In his first exclusive interview with the foreign press, Roldan told *CW* that "for the present," Pemex intends to build (with no equity shareholders) four plants. They would make polyethylene, butadiene, styrene and anhydrous ammonia.

The polyethylene plant would come first, has been in the planning stage for years. Eventually, Roldan admits, Pemex may go into "one or two" other "basic petrochemicals."

Foreign Capital: New foreign capital — but not foreign control — would apparently be welcome for these projects. For chemical projects outside of Pemex's domain, foreign investors are welcome, but might get better consideration if they go in with "some" Mexican capital, private or government — if it's available.

Roldan's record may give prospective investors a somewhat clearer picture of what's ahead. Before taking on his Pemex job, he headed the Altos Hornos steel mill (backed by government and private capital), which ex-

panded enormously under his guidance. By-product manufacture (begun under Roldan's tenure) is epitomized by the \$10-million St. Gobain-Mexican fertilizer plant.

Roldan has a reputation for handling labor skillfully, is international-minded, and has shown talent in attracting foreign capital. He handled recently concluded negotiations with three New York banks for \$20 million



New Pemex chief Roldan: 'Welcome' or 'No Trespassing'?

trol, the law appeared to allow private companies to share investments with Pemex or another government agency. But it didn't look as if there was much room for U.S. companies to own or control petrochemical plants.

More Promising Policy: The new Pemex president, Pascual Gutierrez Roldan, is beginning to hew out a more definite—and more promising—

to finance production of pipe for natural gas transmission.

And Lots of Interest: Foreign interest in Mexico's petrochemical future is already perking. A new Mexican investment company has just been set up with capital from Germany (Krupp and Siemens) and the U.S. (Allen & Co., which controls Syntex SA). The new combine, called Intercontinental S.A., will be one of Mexico's biggest private-investment ventures. First on its agenda: a \$10-million fertilizer plant in Sonora. And once Pemex really clarifies its policies, Intercontinental may push into petrochemicals.

Mexico's first big petrochemical plant may be European-backed. Since the inauguration of President Lopez Mateos, an influx of important European businessmen, industrialists and financiers has been noted. Montecatini is reported to be keenly interested in a Mexican petrochemicals venture. And Orsonio de Nora (Milan), which built Pennsalt's Mexican caustic soda plant earlier this year, could easily put up a petrochemical plant.

Terms for Control: But Roldan still has some obstacles to overcome before he can expect U.S. companies to help usher in his heralded petrochemical boom. "Basic" and "nonbasic" petrochemicals will have to be defined (Roldan promises to issue a list soon). And U.S. companies will want to know on exactly what financial terms they will be able to participate. Several U.S. producers tell *CW* they are not interested in going into a venture unless management decisions will be in their hands.

A paucity of short-range incentive is another barrier to greater investment in Mexico. The market is still too small to support the relatively huge output of a typical U.S. petrochemical unit. For some products, only batch operations are feasible.

And Roldan still faces strong elements of "antiforeign" nationalism that could complicate his plans to draw in U.S. and European capital. Nevertheless, he promises "some big petrochemical announcements" within the next couple of months.

Shell Decentralizes

Having put more than \$130 million into expansion projects over the past seven years, Shell Chemical Corp. management this week decided that the company's centralized organization is outmoded. Starting Jan. 1, operations will largely be in the hands of the general managers of four newly established divisions and one previously constituted division.

President Richard McCurdy tells *CW* each division will be fully integrated, having its own research, production and marketing organization.

Overriding reason for the move, McCurdy explains, is the corporation's growth since it was promoted from divisional to subsidiary status within the Shell Oil system 13 years ago. Sales of chemical products have mounted about sixfold over that period, now exceed \$200 million/year. Physical volume of chemicals sold: more than 1 million short tons/year. And the company now operates eight large chemical and rubber plants, four small alcohol denaturing units.

Top Officers Realigned: But one reason for the timing of the reorganization is that one of the three incumbent vice-presidents—Leo Steck—has reached retirement age. Under the new organizational scheme, there will be four vice-presidents, all based in corporate headquarters — New York — and working on matters involving more than one division or the company as a whole.

Continuing in vice-presidential rank will be Cecil Humphreys and George Monkhouse. Moving up to vice-presidential stature: Bernard Downey, now general manager of manufacturing operations, and George Huldrum, Jr., now manager of chemical sales.

Carryover division is the ammonia division, principal ammonia and urea producer in the Pacific Coast area, with headquarters at San Francisco and plants at Shell Point and Ventura, Calif. Lawrence Roberts—now manager of operations in that division—will succeed Monkhouse as divisional manager.

Four New Divisions: Largest of the

new divisions will be the industrial chemicals division, to be headed by Alfred Fler. It will operate plants at Norco, La.; Dominguez and Martinez, Calif.; and parts of the plant and laboratory at Houston, Tex.

The plastics and resins division, under Martin Buck, will start out with only one main product line—Shell's Epon-brand epoxy resins. It will be sharing the Houston plant and laboratory facilities with the chemicals division. But this division appears to have top growth prospects. One indication: it's in line to take over whatever project is eventually chosen for Shell's nearly 200-acre plant site in New Jersey, across the Delaware River from Philadelphia.

The synthetic rubber division will operate the plant and research laboratory at Torrance, Calif., with John Cunningham as general manager. Sumner McAllister will head up the agricultural chemical division, which will handle the plant at Denver, Colo.

Price Boost Benefits

In sizing up the company-by-company impact of last week's federal and state decisions on natural gas pricing policies, chemical industry management can be sure of at least two effects:

- Both the U.S. Supreme Court's reversal of the "Memphis case" decision and the Texas Railroad Commission's approval of a 55% increase in wholesale gas rates in the Houston area will lead to generally higher costs for users of natural gas throughout the country.

- With natural gas producers and pipeline companies now confident of higher returns on sales of their product, there will be a new spurt in all phases of the natural gas industry—exploration, production, pipeline construction. It follows that there should then be greater availability of natural gas for fuel and feedstock use in many areas; and that there will be an enhanced market for various chemical products used in natural gas operations—e.g., safety odorant additives, pipe coatings, plastic pipe.

TRADUCCION DEL ARTICULO PUBLICADO EN CHEMICAL WEEK DEL 20 DE DICIEMBRE DE 1958.

El Hombre a Observar en los Petroquímicos Mexicanos

Los posibles inversionistas extranjeros han esperado desde hace mucho tiempo una declaración clara de los futuros papeles del gobierno y la industria privada en el desarrollo de la embrionaria industria petroquímica de México (Chem. Week Ago. 16, - p. 39). Esta semana, los nuevos directores del país han hecho un arranque tentativo sobre el problema, con intención de aclarar - un proyecto de ley apuradamente promulgado por el gobierno anterior.

Pero, conforme la administración de México, de tres semanas de edad, empieza a poner la casa en orden, está descubriendo que las líneas de política deberán hacerse bastante más definidas antes de que mucho capital de los E.U.A. sea atraído al sur de la frontera.

Desde que se aprobó la ley del petróleo de 1941, la política no escrita ha sido que las materias primas petroquímicas serían controladas por el monopolio petrolero en manos del gobierno, Petróleos Mexicanos (Pemex). Era todavía un misterio la extensión futura de la participación de Pemex en la producción de productos terminados (v. gr. resinas, solventes, etc.)

Y entonces, el 29 de Noviembre de este año -su último día en el poder- la administración del Presidente Ruiz Cortines aprobó una larga y obscuramente fraseada "ley del petróleo" que establece que Pemex controlaría toda la producción, almacenamiento y

venta de "aquellos derivados (del petróleo) que son susceptibles de servir como materias primas para industrias básicas".

Esto dejó a la comunidad de hombres de negocios en confusión, así que apuradamente se recopiló un "bill of particulars" (preámbulos del proyecto de ley) y se pasó de mano en mano durante la semana siguiente.

Los interesados en actividades químicas se sorprendieron al descubrir que la idea del gobierno de lo que eran materias primas básicas -para ser producidas bajo control de Pemex- incluía polietileno, butadieno, estireno, amoniaco, poliestireno, acetona y fenol. "Materias primas básicas" parecía ser una definición tan amplia (open-end) que podía incluir todo lo que el gobierno quisiera.

Aunque específica control del gobierno, parece que la ley permitía a las empresas privadas el compartir intereses con Pemex ó alguna otra dependencia del gobierno. Pero no parecía que hubiera mucho espacio para que las compañías americanas poseyeran ó controlaran plantas petroquímicas.

Una Política más prometedora: El nuevo presidente de Pemex, Pascual Gutiérrez Roldán, está empezando a elaborar una política más definida -y más prometedora- acerca de los planes de Pemex.

En su primera entrevista exclusiva con la prensa extranjera, Roldán dijo a "Chemical Week" que "por el momento" Pemex intenta construir (sin otros accionistas a igualdad) (with no equity shareholders) cuatro plantas. En ellas no fabricarían polietileno, butadieno, estireno y amoniaco anhidro.

La planta de polietileno sería la primera, y ha estado en la etapa de planeación durante años. Eventualmente, admite Roldán, Pemex podría entrar en "uno o dos" otros "petroquímicos básicos más".

Capital Extranjero: Aparentemente, nuevo capital extranjero -pero no control extranjero- sería bienvenido para estos proyectos. Para otros proyectos químicos fuera del dominio de Pemex, los inversionistas extranjeros son bienvenidos, pero podrían obtener mejor consideración si se asocian con "algun" capital mexicano, privado ó del gobierno -si lo hay disponible.

El récord de Roldán puede dar a los posibles inversionistas un cuadro algo más claro de lo que hay en el futuro. Antes de tomar su trabajo en Pemex, dirigió la fábrica de aceros de Altos Hornos (soportada por el gobierno y por capital privado), la que se expandió enormemente bajo su dirección. La manufactura de subproductos (iniciada bajo su mando) se resume en la industria de fertilizantes de \$ 10 millones (dólares) formada entre (capital) mexicano y St. Gobain.

Roldán tiene buena reputación en el manejo de la clase obrera, tiene una mente orientada internacionalmente, y ha mostrado talento en atraer capital extranjero.

El manejó las negociaciones recientemente concluidas con tres bancos de Nueva York por \$ 20 millones para financiar la producción de tubería para transmisión de gas natural.

Y un gran interés: El interés extranjero en el futuro petroquímico de México se está despertando. Se ha formado recientemente una compañía inversionista mexicana con capital de Alemania (Krupp y Siemens) y los Estados Unidos (Allen & Co. que con-

trola a Syntex, S. A.). La nueva combinación denominada Intercontinental, S. A. será una de las mayores empresas privadas inter-sionistas en México. Lo primero en su agenda: una planta de fertilizantes en Sonora por \$ 10 millones (dólares). Y una vez que Pemex realmente aclare su política Intercontinental podría interesarse en petroquímicos.

La primera planta petroquímica grande de México posiblemente será financiada por (capital) europeo. Desde la toma de posesión del Presidente López Mateos se ha notado un influjo de hombres de negocios, industriales y financieros europeos importantes. Se ha reportado que Montecatini tiene profundo interés en una empresa petroquímica mexicana. Y Oronzio de Mora (Milán) que construyó la planta de sosa cáustica de Pennsalt Mexicana a principios de este año, fácilmente podría erigir una planta petroquímica.

"Condiciones para el control: Sin embargo, Roldán tiene que vencer todavía varios obstáculos antes de que pueda esperar que las compañías americanas den su ayuda al pregonado auge petroquímico. Tendrán que definirse cuales son los petroquímicos "básicos" y "no básicos" (Roldán ha prometido publicar pronto una lista). Y las compañías americanas querrán saber exactamente en qué condiciones financieras podrán participar.

Varios industriales americanos han dicho a Chemical Week que no están interesados en participar en una empresa a menos - que las decisiones administrativas estén en sus manos.

La falta de incentivos a corto plazo (al capital correspondiente) es otra de las barreras para mayores inversiones en México. El mercado todavía es muy pequeño para sostener la pro-

ducción relativamente gigantesca de una unidad petroquímica americana típica.

Para algunos productos sólo son posibles las operaciones intermitentes.

Y Roldán todavía se enfrenta a fuertes elementos de nacionalismo "anti-extranjero" que podría complicar sus planes de atraer capitales americanos y europeos. Sin embargo, ha prometido "algunas importantes declaraciones relativas a petroquímica" dentro del próximo par de meses.

Pie de la fotografía:

El nuevo jefe de Pemex Roldán: ¿"Bienvenidos" o "Prohibido el Paso"?