

## Argentina Must Nationalize Foreign 'Energy Vultures'

by Dennis Small and Cynthia Rush

A Spain-centered grouping of foreign-owned privatized oil and utility companies has declared economic warfare against Argentina, in an attempt to strangle that country and bring about the overthrow of the Néstor Kirchner government. These *energy vultures* are deliberately creating natural gas and electricity shortages for the approaching Winter months in South America's Southern Cone—much as many of the same companies did in California in mid-2002—thereby joining forces with the speculative financial *vulture funds*, the International Monetary Fund, and allied synarchist bankers, all of whom are bludgeoning the country to force it to pay more debt.

Argentina has rapidly evolved into a test case for the entire world, at a moment of breakdown crisis: Can a sovereign nation place the survival interests of its own population before the genocidal debt claims of foreign financial interests; or, will nations be made to submit to their own demise, without a whimper? Argentina's Kirchner government has obstinately insisted on the former—that the people come first—and on March 9 forced the IMF to “blink” in a showdown over rolling over a \$3.1 billion payment due them from Argentina. Since that time, the international financial community has determined that Argentina must be crushed, lest its defiance be followed by other Third World debtors, such as neighboring Brazil.

Kirchner, however, is not submitting quietly to the new round of energy blackmail, and he has rejected the energy vultures' lie that the shortages are a result of their inability to make necessary investments over recent years, because natural gas and utility rates were kept too low by government regulators. An uneasy *Wall Street Journal* article of April 8 reported that Kirchner, “in typically fiery tone, issued a blunt warning last week to the foreign-owned companies: “They are going to have to give us the gas and energy we need,

and we are not going to succumb to pressure.’” President Kirchner lashed out at the entire process of privatization that was imposed on Argentina beginning in 1989: “We are almost the only country in the world which doesn't control its energy equation, as a result of that ‘illustrious’ theory that the State works better, if it gives away all of its production.”

But more than fiery rhetoric will be required to survive the synarchist onslaught. The LaRouche Youth Movement (LYM) in Argentina has issued a political statement calling on the Kirchner government to *re-nationalize the foreign-controlled energy companies*, including oil and gas producers as well as electricity generation companies, if they continue to blackmail the country by holding supplies back.

Energy is not a “commodity,” the LYM stresses; it is a strategic component of the country's physical economy, and thus a matter of national security. The Argentine Constitution, like that of the United States, obligates the government to defend the general welfare of the population and its posterity. Economic warfare whose objective is to destroy the nation, has to be countered by the government. The LYM call explains that such measures of national defense in the energy field, along with continuing resistance to the IMF and the vulture fund financial assault, must be coupled with support for Lyndon LaRouche and his policies of international financial reorganization, such as his New Bretton Woods proposal.

Democratic Presidential candidate LaRouche explained the backdrop to the Argentine energy crisis, as follows:

“This is actually part of the *New Spanish Empire* concept. These Spain-based companies are grabbing all of the energy resources of South America, and taking them over. This is a question of national sovereignty. The countries of Central and South America are going to have to reassert their sovereignty against the attempted Spanish re-colonization of South America, through this energy policy.”

LaRouche elaborated: “A sort of a neo-Carlist re-colonization of South America is in process by the former occupying powers. These countries have lost their sovereignty to Spain, to the Spanish *reconquistadores*. This is a fascist takeover. What you have is a foreign power, Spain, with its zeal for re-colonization of its former captives, is trying to re-colonize, grab and loot its former colonies, and reduce them to colonies again through this energy system takeover. Stopping them is a matter of patriotism.”

## Lights Out

*EIR* warned about the dangers of energy privatization, and singled out the Spanish role as well, in an Aug. 10, 2001 feature (p. 22). We wrote:

“The international energy pirates, in just a few short years, have seized control over more than a quarter of Ibero-America’s total electricity installed capacity. In a number of countries, such as Argentina, Chile, and Bolivia, they have such huge holdings—*strangleholdings* is perhaps a better word—that their control exceeds 50% of the national total. Will the energy pirates use their dominance to actually pull the plug? They are already threatening to do just that, if they don’t get their way.”

The current Argentine situation fits that description to a “T.”

First, there is the question of oil and gas *production*. By far the largest oil and gas producer in Argentina is **Repsol-YPF**, which resulted when Spain’s Repsol acquired Argentina’s YPF in June 1999 for \$13.5 billion, creating one of the largest oil and gas companies in the world. Its production is ten times larger than that of Argentina’s next-largest oil company, Pérez Companc, and it is thus dominant in the Argentine market.

Second, there is the natural gas *distribution* network, comprised of Transportadora de Gas del Norte (TGN) and Transportadora de Gas del Sur (TGS). At 5,005 kilometers, TGS is the largest pipeline system in South America, and delivers two thirds of the country’s natural gas. It was acquired in 1992 by none other than **Enron**, of California fame.

Third, there is *electricity generation*: More than 50% of the national total is generated by natural gas-fired thermal plants. Spain’s **Endesa** generates 21% of Argentina’s total electricity, with another 21% coming from the infamous U.S. energy pirate **AES**.

It is this foreign stranglehold over Argentina’s energy sector which is now being wielded as a weapon of economic warfare, arguing that government price regulation is the cause of the shortages.

However, a September 2003 study by Enarós, Argentina’s National Gas Regulatory Entity, proves this argument is a hoax. The real culprit, it states, is the 1990s privatization framework. What investment there was, concentrated on building infrastructure *for export*, and doing little domestic beyond what was required for maintenance.

Pablo Yrarrázaval, the president of the Chilean affiliate of Spain’s Endesa energy giant, typifies the mentality of the energy vultures. Having already bought up nearly a quarter of Argentina’s energy sector, he declared: “For us, it is not an obligation to invest.” That will happen only if the Argentine government sets “the rules of the game”—permits the energy vultures unrestrained looting rights —“necessary for the companies to invest and satisfy demand.”

Similarly, Repsol-YPF and others have withheld natural gas from the market, as a means of forcing a price increase. Rather than sell domestically, or through distributors where the price is controlled, they have reserved a significant portion of their product for sales abroad, where the price is 155% higher than Argentina’s regulated price. Neighboring Chile is the largest such export market.

The Kirchner government has responded to the crisis by reducing exports to Chile to shore up domestic supplies, and by granting an increase in the natural gas well-head price that is paid to the oil companies, in order to guarantee adequate supplies for the Winter months of June, July, and August, when demand is highest. Both steps could bring him significant political trouble.

The natural gas price increases—33% by May, and another 67% over the next 15-18 months—will translate into sharp rises for industrial and household consumers of natural gas, as well as dramatic hikes in electricity rates. Kirchner’s current strong popularity among Argentines will suffer greatly as a result—to the IMF’s delight.

## Clash With Chile

On the foreign front, the Chilean government has presented a diplomatic note of protest over the export reductions, arguing breach of contract. The *Wall Street Journal* is trying to get as much mileage as possible out of such regional conflict, reporting in an April 8 article that “some affected companies have said they’re considering joining the long list of those suing Argentina for breaking contracts.” This is a reference to the outrageous lawsuits that the vulture funds have filed in U.S. and other foreign courts, through which they have placed liens and attempted to seize assets of the Argentine government abroad.

The Argentine Foreign Ministry responded with a letter of its own to the Chilean note, placing the blame firmly with Argentine gas producers which, it said, had not met legal commitments to make investments and satisfy local demand, before signing export contracts. The letter said Chilean firms or the Chilean government are perfectly within their rights to sue companies that break export contracts because they don’t produce enough gas to meet both overseas sales and domestic obligations. However Argentina said that was the responsibility of the private sector, not the government.

Ironically, the “Chilean” electricity companies most affected by the export reduction are Endesa Chile and AES’s local unit, AES Gener.