
Interview: Dr. Juan Bustos Fernández

President of Argentina's state oil company: 'The nation will not allow us to be sold'

Dr. Juan Bustos Fernández, president of Argentina's state oil company, Yacimientos Petrolíferos Fiscales (YPF), gave the following interview to EIR Ibero-American editor Dennis Small on Aug. 31:

EIR: What is Argentina's current energy situation, particularly that of oil?

Bustos: Argentina is self-sufficient in its energy profile. We import a little natural gas from Bolivia, but that is for geopolitical motives more than anything. In northern Argentina, there is plenty of gas and also a gas pipeline, but since we have an old contract with Bolivia, and since it is a source of foreign exchange for Bolivia, the Argentine government each year buys \$450 million worth of gas from them. . . .

On the petroleum side, Argentina is completely self-sufficient. This year may see a repetition of what happened last year, that is, our net balance of payments on account of oil and derivatives will be about \$300 million in our favor. This means that Argentina is not only supplying itself, but has some exportable surplus. . . . Also, our studies on oil supply and demand show that even in the . . . extreme situation of an 8 percent GNP growth, Argentina would continue having favorable balances on our petroleum account for the next three years.

EIR: Does that mean that Argentina, unlike countries such as Brazil, is not vulnerable on the petroleum front?

Bustos: We are absolutely not [vulnerable], even without much increase in our oil production, because we have accelerated the change-over from oil to gas. We have very abundant gas reserves, enough for 50 years. . . . The coming constitutional government has lots of maneuvering room for making its future energy policy.

EIR: Some bankers are insisting that Latin American countries sell off parts of their state sectors, including the Brazilian and Argentine oil companies. Do you see any chance of YPF or other sectors of the Argentine economy being denationalized?

Bustos: No. I see this to be quite impossible. In the speech I gave on Petroleum Day, last Dec. 13 . . . I very solemnly declared that YPF is not for sale and never will be sold. And this is not a mere phrase; it is not mere rhetoric, but the

feelings of all the Argentine people. Thus it is inconceivable that the oil could be sold off, and even more so to foreign companies. To nobody. I can't imagine that happening.

EIR: What would be Argentina's reaction to any pressure for that coming from international financial circles?

Bustos: It would be negative. No politician—not even one totally convinced that it would be advantageous—would dare sign such an agreement.

EIR: There would be total unity like during the Malvinas war?

Bustos: Total. Total. More than during the Malvinas, I would say, if that's possible.

EIR: What is your opinion on the international financial situation, on the debt problem, and in particular the debts of Argentina and of the YPF?

Bustos: . . . I prefer to speak about the YPF debt, since the global Argentine debt is managed by other institutions. But the YPF debt could perhaps serve as an example to grasp the Argentine debt situation.

Until 1978 YPF was totally self-sufficient in terms of capital and in terms of funds. It yielded profits and did not need outside investment funds, since its price structure complied with the Hydrocarbons Law—which mandates domestic oil should be sold at the world price, or, at worst, at the extraction cost plus a reasonable profit. Well, that went on until 1978, at which point "political" prices for oil derivatives were put into effect as an unreasonable and necessarily explosive inflation-fighting method. This violated the Hydrocarbons Law and implied a very big deficit for YPF. To cover the deficit, instead of the Treasury helping, the company was forced to become indebted. It was induced not to borrow in pesos, but to seek credits abroad—despite the fact that YPF had no need for dollars or foreign exchange, since it is a totally integrated industry that needs to import very little.

Thus the dollars we borrowed from the major international banks were exchanged for pesos at the Central Bank, which then sold the dollars, I don't know to whom. But they obviously did not serve to capitalize the company.

The total debt of YPF is \$4.6 billion. Since Argentina's

total debt is less than \$40 billion, YPF owes more than 10 percent of it.

EIR: None of that debt was used for investments in oil exploration and production to improve YPF performance?

Bustos: None at all, because these dollars never came to us. They only financed a deficit made in pesos. . . .

EIR: Do you see any parallels between the Argentine situation and the general situation of Ibero-America in that indebtedness has not corresponded with an increase in productivity?

Bustos: That is my impression. I believe that this dollar indebtedness in large part has not resulted in capitalization of imported capital or even of national capital. . . .

EIR: What will be done with the debt? Can it be paid?

Bustos: I think that this is a matter which goes beyond my capacity and functions. I suppose the present government and the constitutional governments in the future will have to find ways of making debt payment compatible with the development of the country.

EIR: Could we speak a bit about YPF's plans for fertilizers and petrochemicals?

Bustos: Surprisingly enough, but a few years ago YPF was forbidden from entering the petrochemical area. This is absurd, since as you know these days the petrochemical companies are generally owned by the big oil companies. Starting last year, we returned to the petrochemical business when 50 per cent of the shares in the General Mosconi and Bahia Blanca plants, the country's biggest petrochemical complexes, were returned to us. . . . We also have plans for fertilizer industries which the country needs immediately to increase its agricultural productive capacity. . . .

EIR: Would even the famous "pampas" benefit from a fertilizer industry?

Bustos: Tremendously. The time has already come when production there can be increased only through fertilizer use, because every technique of soil management not using fertilizer has already been used in Argentina. Argentine technology is quite good; now what is needed are the inputs to increase production, with fertilizer, and all the products of the chemical industry. Since no other company has gone in that direction, YPF will do it, following the mandate of our founder, General Mosconi, that our company should be at the service of the economic development of the country.

EIR: That was my next question. What is your concept of national economic development and the role which a state company like YPF should play in it?

Bustos: Well, I am no partisan of statism; I am a businessman, and I have been one for many years. But I believe that

in a country like ours, if the state does not develop these basic industries, nobody will develop them. I think that the creation of YPF is really an exceptional act of the prophetic vision of our founder General Mosconi, who did in 1922 what many other countries, including developed ones, did only later. You should know that YPF was the first state oil enterprise in the world. Today the great capitalist nations also have their state oil companies: France, Italy, Spain, Germany, etc. Mosconi's example was followed by other countries. You cannot say that state enterprises are incompatible with free enterprise or a market economy, as people always say.

EIR: The energy ministers of the four oil exporting countries of Latin America [Ecuador, Venezuela, Mexico and Trinidad] met recently in Puerto La Cruz, Venezuela. They reached agreement on greater cooperation and on a possible integration of their capacity for taking care of supplying the oil needs of Latin America before exporting to other areas. What do you think of that idea? Is there a future to the idea of greater regional trade, or a possible Latin American oil common market?

Bustos: I think so. Even more, I think we all are obliged to do everything in our power to improve trade between the countries of Latin America, which has dropped during the last few years. Its springtime was 15 or 20 years ago, but instead of growing, as the European Common Market did, we have been reducing this cooperation and economic union, which is the direction of Latin America's future.

EIR: This kind of trade could be carried out under novel formulas, I imagine. For example, without needing dollars.

Bustos: That is true. We have some agreements which we call "the covenant dollar," which are simply a way of measuring the value of our merchandise without exchanging dollars. We have this situation with some countries in Latin America, such as Brazil, for example.

EIR: I saw that the Argentine foreign minister, Dr. Aguirre Lanari, signed in Caracas a few months back a trade agreement between Argentina and the countries of the Andean Pact for this kind of economic cooperation.

Bustos: Honestly, I don't know what was in that agreement, but I know that there is now a covenant with the Andean Pact to work more closely with it . . . to contribute in some way to cooperation and unity.

EIR: One last question which is political and vital at this moment in which Argentina is about to have its first elections in many years. What do you think is the future of Argentina in the next two or three years?

Bustos: I think the elections are going to be supremely beneficial, since every constitutional regime, aside from the great benefit it means to live under a constitutional order, also give great prestige to a country internationally. . . .