
Interview: Francisco Chona

‘Colombia’s government is being manipulated by the multitis’

by Javier Almario

EIR: Why is it that Colombia has oil-producing neighbors, and yet no oil is found here?

Chona: Mexico and Venezuela have the advantage of nationalized oil exploration, through the state companies PEMEX and PDVSA. Colombia, which has depended on the oil multinationals, has not even explored 30% of its territory. I am certain that if oil were sought in the other 70%, it would be found.

Mario Galán [father of the assassinated political leader Luis Carlos Galán], who was president of Ecopetrol for 20 years, had a very nationalist policy. He wanted to raise the company to PDVSA standards, to PEMEX standards, but in a very elegant way, without dispensing with foreign investment, through business dealings which were both delicate and ethical. And so, he told the companies: It is not profitable for you to exploit those concessions, so sell them to me. And he set me to studying the purchase of those concessions. Then we bought COLPET, where I began as a worker; we bought Casabe, we bought Orito. The purchase of those concessions during the Galán era notably strengthened Ecopetrol. The purchase of the Cartagena refinery was the final negotiation carried out during Galán’s term.

That was the management which did the most to strengthen Ecopetrol. Beyond this, Galán had carried out major investments in expanding the refining capacity of Barrancabermeja, and also the expansion of petrochemical production.

EIR: Galán was president of Ecopetrol until the Alfonso López Michelsen government came in in 1974. . . .

Chona: With the advent of the López administration, there was a total change in Galán’s nationalist plan. López said: “Just a minute. No more nationalism. No more nationalizations, no more buying of oil fields.” The first thing López did was to change the whole structure of the company. He dumped Galán, he dumped the vice presidents, and imposed a new philosophy. López said: “We are going to raise prices.”

López raised the prices of crude, and of course with the price hikes, those concessions which had not been profitable for the multinationals . . . became profitable again. The López epoch was critical because we had to import petroleum. In 1975, imports began and lasted until 1985. The whole López government was a government of imports.

EIR: López began to pay international prices for the oil that the multinationals produced in Colombia, at the same price as if it were imported.

Chona: Yes, as of 1976 we began to pay the international price for oil produced in Colombia. This was already a desperate measure. Because the multinational companies told the government, “As long as you have controlled prices, there will be no exploration in the country.” And that measure, of paying international prices for the crude discovered in Colombia, remains the policy today. When one speaks of the oil bonanza that is filling the coffers of the oil-producing nations, one must make this distinction.

Colombia *is* an oil-producing nation at this moment. But Colombia does not own all the oil that is exported, nor does it own all the oil it produces. In August of this year, for example, 462,700 barrels of oil per day [bpd] were produced. Let’s look at whose oil it was. About 89,500 bpd are Ecopetrol’s; 315,700 bpd are from the “associations,” that is, are produced in association with Ecopetrol; and 57,400 bpd belong to the companies that have concessions to produce crude. Of the 315,700 bpd, 40% or 126,300 bpd belong to the associated multinationals. During August, the amount refined was 241,000 bpd. What was their makeup? Direct participation from Ecopetrol was 89,500 bpd, while the concessions provided 57,400. That gives us 147,000 bpd. If we subtract those 147,000 bpd from the 241,000, that leaves us 94,000 bpd of oil that had to be bought from the multinationals to complete the refining quota. The rest is exported.

The exports are 200,000 bpd, of which 100,000 belong

to Ecopetrol. But note that the 94,000 bpd had to be paid for at international prices, while the 57,400 bought from the concessions had to be paid at 53% of the international price. Thus, the 100,000 bpd that Ecopetrol has to sell at the international price is compensated with what Ecopetrol has to buy from the multinationals to complete the refining quota, 94,000 bpd.

Outside of this, Ecopetrol has to import gasoline. So, Ecopetrol's balance—which in the end is the country's balance—is neither interesting, nor productive, nor very profitable, if we want to speak in economic terms, because one must pay for crude produced here inside the country at international prices. Beyond this, we have to import gasoline at international prices. In fact, the most interesting profit Ecopetrol makes is in the export of fuel oil, which, through August, was an average of 66,000 barrels per day. In effect, these exports of fuel oil are the net profit that comes to oil-producing Colombia.

Despite accepting the pressures of the multinationals, Colombia only became self-sufficient and an oil exporter in 1986, with the discovery of the Caño Limón reserves by Occidental Petroleum Co. But Caño Limón is not eternal. It has been operating for five years now, and, as of 1991, will begin to decline and the country will be faced with the problem of importing crude oil.

At this moment, the growth of Colombia's oil reserves has been negative. That is, instead of growing, they are dwindling. This is a factor which should concern us. In the past two years, there has been a tremendous decline in reserves. For example, in 1989, some 147 million barrels were extracted and only 47 million more were discovered, meaning that reserves declined by 100 million barrels. If we estimate that an average 450,000 bpd will be extracted in 1990, that means that during the year, 164 million barrels will be extracted, and yet during the same year only 25 million barrels of reserves were detected and registered. This means that we have reduced reserves by approximately 140 million barrels. I estimate that if the country had 2.2 billion barrels in reserves in 1988, we are going to end 1990 with reserves on the order of 1.8 billion barrels, and it will continue to decline.

At this moment, the policy is to produce a lot of dollars no matter what the cost, because crude is currently going at very high prices and the only thing that matters is producing more dollars. Although extraction is going on, no investment is going into exploratory activity, which is what builds reserves. . . .

EIR: Is this the result of not having applied the Ecopetrol 2000 program?

Chona: Exactly. That plan is not being carried out. I know the entire history of petroleum in Colombia. I know that what is most important is technology, which continues to be taboo in our oil industry—"only the white Northern races are capa-

ble of having technology." This is not true. Technology is acquired by whoever wants to have it. But one must have a purpose: to want to have it.

Therefore, under this development plan Ecopetrol 2000, a technology institute was created—a technology institute in which we would have to invest money. We had to search out the best people, the best human elements, to go to France, Germany, England to understand these technologies. Because those who have technology, sell it; it's a business. Then we began to see results: Putumayo was an abandoned region, and the first group—made up of French and Colombians—did a study of Putumayo and got results. . . . Later, we got a private Canadian company to offer us help and to study the oil basins, one by one.

The results were inconclusive, because they were never finished. That institute also was suspended.

EIR: How did Ecopetrol International function?

Chona: Ecopetrol International was the best thing of all, because everyone is always talking about dependencies, especially in terms of markets. . . . At that time, many steps had been taken in Latin America toward economic integration: the Andean Group, ALALC, ALADI, etc. I said, "Only the multinational companies, and in this case, the state companies, can achieve economic integration." So, I met with the presidents of the major Latin American state companies and told them, "Let's do this." And everyone liked the idea. We were going to exchange technology and to do business with each other. What does Colombia know? Well, we know how to do *this*. What do you know? We know how to do *that*. We'll do an exchange.

EIR: When was that meeting?

Chona: There were various meetings in succession in 1987. From them emerged Ecopetrol International. The President of the Republic [Virgilio Barco] made it easy. He invited me to a border meeting in the Amazon with Peruvian President Alan García. I went to the meeting. For Alan García, one of the points on his agenda was petroleum. All the foreign companies had pulled out of Peru, and there was no exploration going on. So I proposed to him that we form a binational company between Peru and Colombia, to carry out the exploration that Peru needs. That gave me the opportunity to get out a decree signed by the President, and facilitated the creation of Ecopetrol International, of which the binational company was to be a subsidiary. It was created. But . . . there it sits. The fear was so great—because this country is not accustomed to thinking big—that events then took place leading to my retirement from Ecopetrol.

EIR: And what happened to the refinery?

Chona: The plan included construction of the refinery. From the moment I became president of Ecopetrol, I began to work on the refinery. I kept introducing the subject of the

refinery, and it was approved by the President of the Republic, by the board of directors of Ecopetrol, by everyone. I had approved the refinery. It was going to be built then, in 1988. But certain interests were out to stop it. Why was the refinery inconvenient? Because, apart from being an installation that was going to produce the gasoline we import today and will continue to import for many years, the refinery was going to be an export regulator, because they had to sell me the crude oil to supply the refinery, and the business the state was going to carry out was going to be profitable. I bought crude and sold processed products. Then the exporter of that crude was going to be the state. The multis were well aware what that was all about; the state didn't understand, but the multis did. That is why there was such opposition. The fact is that this is a government manipulated by the oil multinationals.

EIR: And what about the gas pipeline that was part of the Ecopetrol 2000 plan?

Chona: A gas pipeline was also proposed. A gas pipeline that would have been the salvation of this country, because it was to have brought gas to Bogotá. If that gas pipeline had been built, it would not have been necessary to raise the cost of electricity because the majority of the people would have switched to gas cooking, and gas is extremely cheap compared with electricity. The demand for electrical energy

would have fallen, and logically people would have paid for electricity for illumination, but not for cooking. That project was also halted.

Now I can very clearly see the deception today behind the *la apertura* [free-trade opening of the economy—ed.] and privatization. It is very clear: We are going to do what Mr. Carlos Menem in Argentina did, which is selling off [the state oil company] Yacimientos Petrolíferos Fiscales in bits and pieces. They have just sold a field that produces 300,000 bpd and has 2,900 oil wells to a group of foreign companies. It wouldn't surprise me if one of these days we were told that the refinery will be built by such and such a multinational company, in association with certain sources of capital. It seems that there is much questionable capital in this country, that is going to enter, or is hopeful of entering. . . . The profitable companies, those which are yielding profits, are the targets of that capital. It is very sad that a company which produces results, gets sold.

EIR: One part of your plan was the creation of an Ecopetrol Exploration Fund.

Chona: That fund, Fexpetrol, was created to avoid dependence on anyone. Rather, the fund was to be financed by taking the income from 10% of all of Ecopetrol's exports, and would have that to put its hands on, especially in the period when there weren't going to be exports, so the fund

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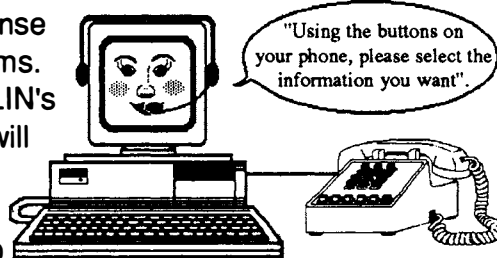
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would have the wherewithal to respond and execute a plan that was already operational. Then, the government came along and said it needed the money from the exploration fund because the international entities would not lend to the Finance Ministry of the [previous Virgilio Barco] government, and so they availed themselves of Ecopetrol. I told the government that if they let me proceed with my plan, for each dollar invested, I would return two in the future. The government didn't understand. They needed the money *now!* The government said, "We are not going permit the refinery, nor exploration, nor the pipeline, nor distribution. Foreign capital will do it."

EIR: In other words, the exploration fund was used to pay the debt?

Chona: Money was taken from Ecopetrol to build highways, and for many other things—for example, to finance the National Rehabilitation Plan. And what remained of Fexpetrol was given to FODEX [Fund for the Payment of the Foreign Debt]. Ecopetrol was forced to buy dollar-denominated paper of the Central Bank, and these funds have yet to be returned to Ecopetrol. And another thing to keep in mind is that Ecopetrol's debt will soon have to be refinanced, and it has nothing to pay it with because all of Ecopetrol's resources have been taken. In addition, Ecopetrol is currently managed by someone who knows nothing about oil. So, everything leads to the privatization of Ecopetrol.

EIR: One of the conflicts you had when you were president of Ecopetrol was over the handling of the state coal company Carbocol. Did you want Carbocol to become a dependent of Ecopetrol?

Chona: At that time, the manager of Carbocol was Andrés Restrepo Londoño, the current Ecopetrol president. As was his custom, he was managing the company at a loss. Note that 50% of Carbocol's assets were Ecopetrol's.

So, Carbocol's management and the government were considering the sale of Carbocol to a multinational company, because they had nothing to pay its \$540 million debt to the U.S. Export-Import Bank with. I told them, "Don't sell it to the multinationals. Let me buy Carbocol." That way, Ecopetrol—an efficient company which turned a profit despite everything being squeezed out of it—would have owned 97% of Carbocol, and would have administered the country's coal in an efficient manner.

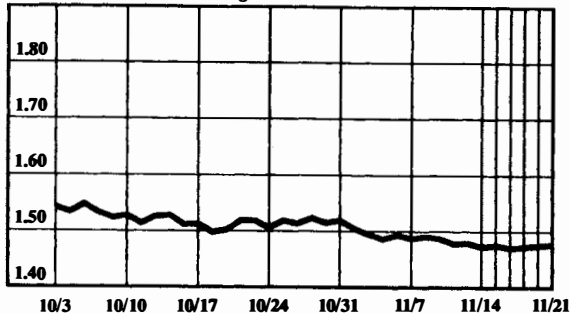
But it would appear that the political class doesn't like efficiency. They wanted Ecopetrol to take on Carbocol's debt but to stay out of its management. The political class doesn't like efficiency.

I am convinced that they have determined to sell Ecopetrol, but they are going to sell it the way they sold the national railroads, like junk. They want to sell Ecopetrol, but first they want to steal it blind. And they will sell it when it has been completely looted.

Currency Rates

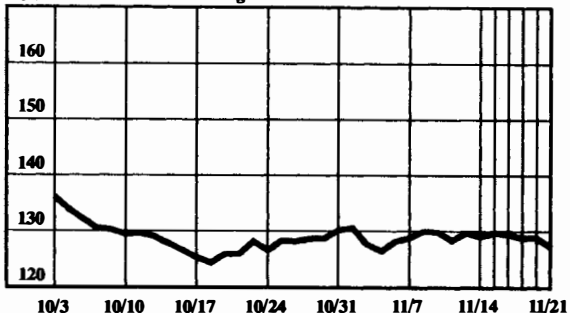
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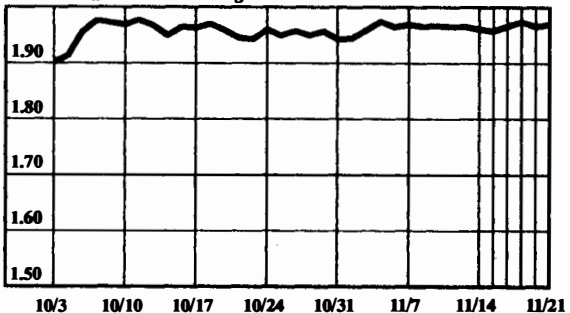
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