

Argentina Flanks the Empire, Re-Nationalizes YPF Oil Firm

by Cynthia R. Rush

April 21—In a move that has unnerved the City of London and its allies on Wall Street and across Europe, Argentine President Cristina Fernández de Kirchner announced on April 16 that, in the name of recovering “hydrocarbon sovereignty,” she had signed a decree expropriating 51% of the formerly state-owned YPF (Yacimientos Petrolíferos Fiscales) company, held by the Spanish oil firm Repsol since 1998. The remaining 49%, she said, would be controlled by her nation’s oil-producing provinces.

Repsol, which is largely a front for British and other foreign financial interests, had “stripped” YPF, the President said. Its failure to invest or explore had created such a shortage that, for the first time in 17 years, Argentina was forced to import oil and gas in 2011, despite possessing plentiful resources. Not to have taken this action, she said, would have made Argentina an “unviable nation, not due to a lack of resources, but to business practices,” and Repsol’s model of predatory finance.

The audience of governors, trade unionists, political leaders, and a large contingent of enthusiastic young people gathered at the Casa Rosada—the Presidential Palace—applauded jubilantly to the reading of the decree, whose first article states, “[I]t is declared to be of national public interest, and as a priority objective of the Republic of Argentina, achieving self-sufficiency in hydrocarbons, as well as in the exploitation, industrialization, transportation, and marketing of hydrocarbons, so as to guarantee economic development with social equality, job creation, increase in competitiveness of various economic sectors, and equal and sustainable growth of different provinces and regions.”

As a signal of her intention to completely reverse policy, the Argentine President named Planning Minister Julio De Vido, a staunch nationalist and longtime collaborator of both Fernández and her late husband Néstor Kirchner, as YPF’s interim president. Axel

Kicillof, the nationalist Deputy Finance Minister, will be De Vido’s co-chairman. New Argentine management has already been put into place, and De Vido and Kicillof have announced plans to immediately gear up production by drilling and repairing up to 1,000 wells. Several foreign oil firms have indicated their desire to stay in Argentina and increase oil and gas production.

“We Argentines are changing history,” President Fernández declared two days later, as she inaugurated a 24-hour public television channel dedicated to science, technology, and industry. Referring to the YPF expropriation, she explained that “history is not built as one wants, but as one can. History’s path is winding, with ups and downs and obstacles to avoid. But I believe that we Argentines are changing history—that which we did not want to write, and which others wrote for us.”

Kicking Over the Chessboard

The Argentine President’s bold defiance has enraged London-allied political and financial leaders and their media outlets, all of which are howling in unison that she has “broken the rules!” The expropriation “goes against globalization’s rules,” complained Josefina Vázquez Mota, Presidential candidate of Mexico’s ruling PAN party. Britain’s Reuters huffed that “international patience” with the Argentine President had been wearing thin even before the expropriation, because of her “rule-breaking policies.”

Spanish Prime Minister Mariano Rajoy, whose own grip on power is precarious, was so terrified by the implications of President Fernández’s action, that he insisted the re-nationalization be considered not as just a Spanish matter, but one of “global” significance to be dealt with “by the international community.”

Why? Because at a time of the gravest strategic global crisis and social upheaval, characterized by the disintegration of the trans-Atlantic financial system, and the London-steered threat of thermonuclear war



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Argentine President Cristina Fernández de Kirchner announces the expropriation of the formerly state-owned oil company YPF on April 16. Under the ownership of the Spanish company Repsol, oil exploration and development were neglected in favor of dividend payments to shareholders, forcing Argentina to import oil and gas.

targetting Russia and China, the City of London sees Fernández's "rule-breaking" assertion of sovereignty as a very dangerous threat. She has intelligently outflanked her nation's historic enemy, the British Empire, which demands that national sovereignty be wiped off the face of the Earth, replaced by the supranational fascist austerity now ripping apart the nations of the Eurozone.

Her actions are reminiscent of, and a sequel to, those taken by her late husband and former President Néstor Kirchner in 2005, when he announced a debt restructuring that offered creditors a 75% "haircut." No country in recent history had ever dared affirm that the welfare of its people came before the interests of foreign creditors—other than Lyndon LaRouche's friend, Mexican President José López Portillo, back in 1982. In 2006, Kirchner paid off the entire \$9.8 billion that Argentina owed to the IMF, and subsequently declared, "There is life after the IMF, and it's a good life."

While the Kirchners' measures infuriated the London and Wall Street financial predators, they haven't escaped the attention of opposition forces inside Greece and Spain who are resisting the draconian austerity regimes imposed by their governments.

The global banking elites' worst nightmare is that other nations might follow Argentina's example. This is why IMF Managing Director Christine Lagarde stated so fiercely several months ago that any comparison be-

tween Greece and Argentina, or the suggestion that Greece should adopt an Argentine-style debt restructuring, was "odious" to contemplate.

'Taking Back What Is Ours'

Also offensive to London is the fact that Repsol was part of the "Spanish"—read, British-controlled—imperial recolonization of Ibero-America, which saw mass privatizations in the 1990s of many former state-sector companies, bought on the cheap.

YPF, founded in 1922 as the first state-owned oil firm in the world, was an object of immense pride for Argentines, a prized tool in the strategy for national industrial development. Army Gen. Enrique Mosconi, the nationalist who served as YPF's director from 1922 to 1930, transformed it into a revered national institution by fighting for the legislation that protected the country's reserves from the predatory practices of such foreign oil trusts as Royal Dutch Shell or Standard Oil, and by investing in the basic infrastructure and technology which allowed it to expand output and benefit the Argentine people with lower consumption costs and higher living standards.

Argentina achieved oil self-sufficiency through the policies of Mosconi and the YPF. The company became a model for the rest of the continent, and the subsequent creation of state-run oil firms in Mexico, Colombia, Brazil, Bolivia, Venezuela, and Uruguay owed much to Mosconi's influence. In 1928, he toured the continent to discuss how to achieve economic independence through the defense and development of oil and other natural resources.

In a 1927 radio address on "Oil and the Latin American economy," Mosconi warned that "the nations of Latin America which, like us, exploit oil, and have no coal deposits, or none that are commercially exploitable, must protect the sources of this liquid fuel from all influences that are not eminently nationalist; that fuel is



YPF

A YPF terminal off the coast of Argentina. The company was privatized in 1993 by President Carlos Menem, Wall Street's man in Buenos Aires.

the base upon which future industrial organization will be built.”

In an act of treason, Argentine President Carlos Menem privatized YPF in 1993, and Repsol bought it in 1998. Now, from the Empire's standpoint, Cristina Fernández has done the unthinkable. She intends to reverse the policy of looting that decades of those Spanish-British privatizations represented, by declaring that energy and oil sovereignty is “a matter of State.” This is “not a party or partisan issue,” she said, but one related to “a sustainable country, one that has development and growth; it has to do with our own history.”

Most of the countries in the world “are absolutely reluctant to leave in the hands of private interests and out of state [control] a resource that was always strategic but is of vital character, and that's why I've made the decision we've adopted today,” she said on April 16.

As even the City of London's *Financial Times* and the British news service Reuters had to admit, Repsol used YPF as its “cash cow.” After Argentina defaulted on its foreign debt in 2001 and fell into a catastrophic economic collapse, YPF went from being Repsol's “crown jewel to an albatross,” Reuters reported on April 16, “although it still provided substantial cash flows for reinvestment elsewhere in the world.... Repsol preferred to milk the company for dividends rather than invest.”

Between 2001 and 2011, Argentina's oil reserves dropped by 50%, President Fernández reported. In the five years between 2006 and 2011, the oil and gas trade surplus dropped by 150%. By 2011, the country had to

import oil and gas worth \$9.34 billion. Yet, while Repsol shrank oil production, its profits rose by 113% between 2003 and 2011, thanks to the rising oil price.

Apoplexy and Some Sanity

European monetarist leaders and their London and Wall Street friends have spent the days since April 16 shrieking that they would make a bloody example of Argentina, predicting it would be forever “isolated” from the global community and suffer the fate of a pariah. Bloomberg news service trumpeted on April 19 that Argentina's representatives “would be shunned” at this week's annual meeting of the IMF and World Bank in Washington.

Speaking for the Empire directly, Britain's Foreign Secretary William Hague bellowed on April 18 that President Fernández's takeover of YPF “goes against all the commitments Argentina has made in the G-20 to promote transparency and reduce protectionism.” Fulminating against Argentina's “protectionism,” such as restricting imports, Britain, he said, would work “with Spain and our EU partners to ensure the Argentine authorities uphold their international commitments and obligations.”

Italian Prime Minister and IMF toady Mario Monti wrote to President Fernández to complain about tariff barriers she had imposed that restricted Italian imports, demanding that they be immediately lifted. Rajoy threatened to call for Argentina's expulsion from the Group of 20 and to lodge a complaint at the World Trade Organization. The *Wall Street Journal* entitled its April 18 editorial “Why Not Expel a Thieving Buenos Aires from the G-20?”

Repsol chairman Antonio Brufau literally called for regime change in Argentina, charging that its people had a government “they didn't deserve,” and urging that immediate international action be taken to force it to become a “normal” country.

Despite the threats, the Empire hasn't been able to secure the punishment of Argentina it hoped for.

One question is what the United States will do.

While Spain's Foreign Minister José Manuel García-Margallo boasted on April 19 that he had secured Sec-

retary of State Hillary Clinton's agreement to collaborate with Madrid in crafting retaliatory measures against Argentina, Clinton herself has said little publicly. State Department spokesman Frank Toner made fairly tepid remarks on April 18, characterizing the YPF re-nationalization as a "negative" development that could "dampen the investment climate" in Argentina, and adversely affect the economy.

In the past, Clinton has enjoyed a warm personal relationship with Fernández. It remains to be seen whether NerObama will pressure her into taking a more aggressive stance against the country.

Prior to this week's IMF meeting, various European leaders threatened that these multilateral bodies would officially denounce Argentina. That didn't happen. Instead, the head of the IMF's Western Hemisphere Division, Chilean Nicolás Eyzaguirre, stated that "this is pretty much a bilateral problem between Argentina and Spain. We as a multilateral organization don't have any particular comments to offer. . . ."

During the meeting, several Ibero-American media widely publicized comments of Argentine Finance Minister Hernán Lorenzino asserting that neither the IMF nor the World Bank should have anything to say

about the YPF re-nationalization, because "Argentina is a sovereign country and makes its decisions without depending on what any international agency says, but rather on what the President thinks is best for Argentines." Lorenzino also harshly attacked the IMF's austerity policies, from which he said Argentina had long since distanced itself.

Not so subtly, the ministers of the BRICS grouping—Brazil, Russia, India, China, and South Africa—invited Argentina to join them in a joint statement on trade and development policy presented at the meeting of G-20 Trade Ministers in Mexico.

Brazil's refusal to play the British game here is particularly important. When Argentine Planning Minister de Vido visited Brazil on April 20 for discussions with Energy Minister Edison Lobão, he also met with President Dilma Rouseff for half an hour. On the YPF matter, Rouseff told de Vido, "We do not interfere in internal affairs of other nations, nor will we issue any value judgments." Both President Fernández and de Vido have said that Argentina intends to work closely with Brazil's Petrobras oil firm to both gear up production inside Argentina, and to help all of South America obtain energy self-sufficiency.

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