Bush's Energy Pirates Are in Global Power Grab

by John Hoefle

In the latter half of June, I journeyed to Mexico City and Guadalajara as part of a U.S.-Mexico bi-national effort by the LaRouche movement to open up a southern flank against the spread of electricity deregulation, which the financial oligarchy is attempting to impose on that nation. My mission was to explain to the citizens of Mexico the perfidious nature of what is being done worldwide under the guise of privatization and deregulation, and to document for them the predatory nature of the energy pirates.

The essence of the message to Mexico was this: The oligarchs want your money, your natural gas, and your oil, and they will lie, cheat, and steal to get them. If you believe they will be fair to you, just look at what they did to California. Their global financial casino is collapsing, and they intend to maintain their power after its crash, through control over the essentials of life, such as food, energy, telecommunications, and other key infrastructure and commodity elements. Privatization and deregulation are looting mechanisms intended to bolster the oligarchs' bankrupt financial bubble, and to give them control of a post-crash world.

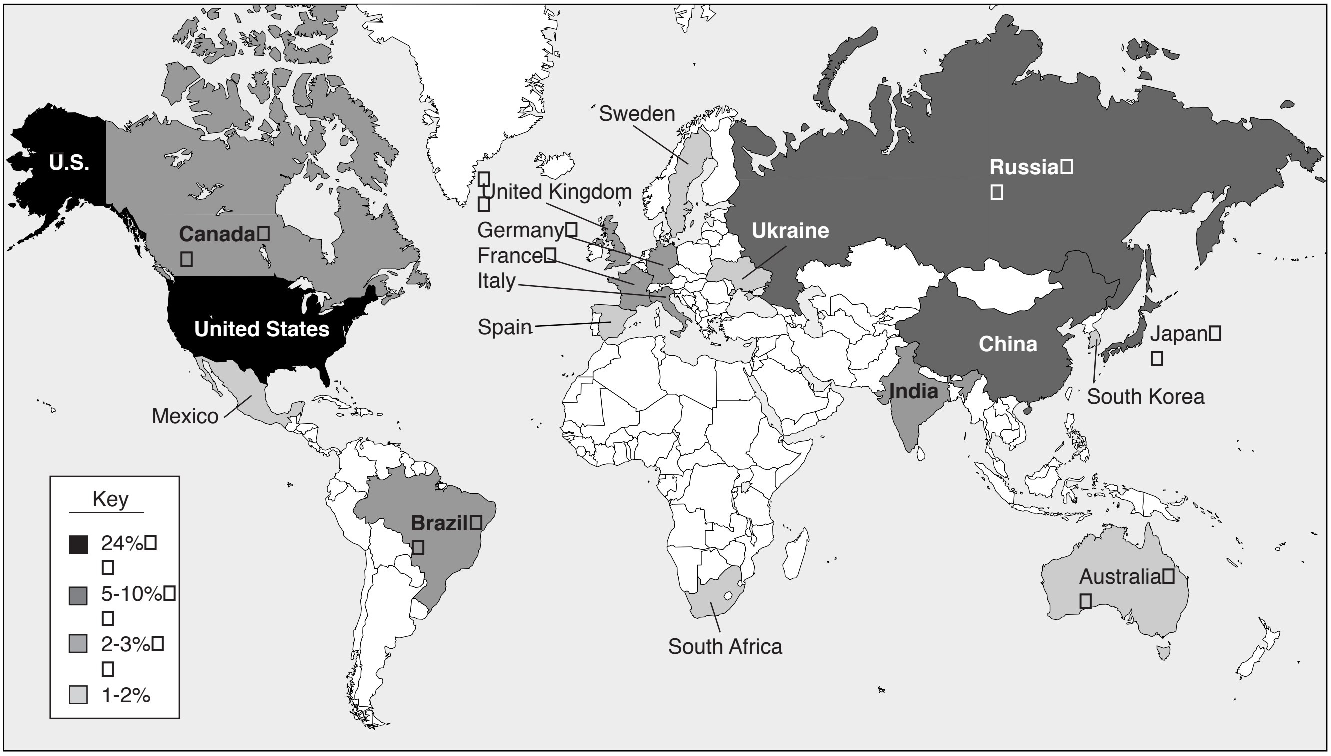
In the terms in which it has been pushed—lowering prices by increasing the supply and giving consumers the right to choose their supplier—electricity deregulation has been an abject failure. The case of California is exemplary: People were promised lower prices and more electricity, but what they got was vastly increased prices and a dramatic drop in supply, causing blackouts when demand was at only two-thirds of previous peak usage. Unable to hide the damage they did in California, the deregulation proponents have attempted to portray what happened there as something California did wrong, not something wrong with deregulation.

Deregulation works when properly implemented, they insist, pointing at Pennsylvania as the proof. However, deregulation is also failing in Pennsylvania, so much so that the state took the extraordinary step of involuntarily transferring

FIGURE 1

Bush's Energy Pirates Target Top Electricity Generators

(Percentage of World Generating Installed Capacity)



Source: International Energy Agency.

hundreds of thousands of utility customers to Enron's New Power Company, in a vain attempt to make it appear that its "choice" program was working. Even with that transfer, the number of customers of energy pirates in the state is plummeting, just as it is in Massachusetts.

The record shows that the pirates simply cannot compete on price with regulated utilities when it comes to providing electricity, and in fact require significantly higher prices in order to make money. That is why, as a part of deregulation, the regulated utilities are being broken apart; stability is being dismantled so that chaos and volatility can reign, and prices soar. The electricity markets are being remade in the image of the financial markets.

While deregulation is a failure from the standpoint of providing the consumer with lower prices, it is a huge success from the standpoint of the pirates and their oligarchic controllers. To them, deregulation is doing precisely what it was intended to do: spinning off huge profits which fund their worldwide asset grab, and the global restructuring not only of the electricity sector, but of the world economy, weakening nations and bolstering the empire.

World Electricity Generating Installed Capacity, January 1, 1999

(Thousands of Megawatts)

Nation	Generating Capacity	Nation	Generating Capacity
United States	775.9	Brazil	65.2
China	277.1	Ukraine	54.8
Japan	226.4	South Korea	46.4
Russia	203.9	Spain	44.9
Canada	109.8	Mexico	38.5
France	108.3	South Africa	38.0
Germany	107.8	Australia	37.9
India	103.4	Sweden	32.9
United Kingdom	69.9		
Italy	65.5	**World Total**	**3,180.1**

Source: International Energy Agency.

Britain's Global Grab

The headquarters for this global power grab is not Texas, but the City of London and Wall Street. After a pilot project in Chile in 1987, energy deregulation made its debut in Britain in 1989, under Prime Minister Margaret Thatcher. Britain began privatizing its national electricity system, selling off state-owned electric utilities to private companies, and opening its doors to domestic and "foreign" competition (we put foreign in quotes, because the British have a habit of using British-controlled, but foreign-domiciled, companies in such circumstances).

One of the first of these foreign companies to enter the British market was Enron, which had been formed four years earlier through a merger between Omaha's InterNorth and Houston Natural Gas. (Today, Thatcher's Secretary of State for Energy, Lord Wakeham, sits on the board of Enron.)

By 1997, seven of Britain's 12 regional electric utilities were controlled by U.S. firms. Those utilities included American Electric Power, Calenergy, Central & South West Corp., Cinergy, Dominion Resources, GPU, PacifiCorp, Public Service of Colorado, and Southern Co. Many of these companies, not surprisingly, were once part of the old J.P. Morgan electricity cartel. Morgan, in turn, was a U.S. agent for British capital (**Table 1**).

By 1997, the U.S. companies also moved heavily into the independent power-producing market in Britain. Notable in this regard were Enron, AES (the Prince Philip-connected firm which is now the single largest generator of electricity in Ibero-America), and Mission Energy, an unregulated subsidiary of Edison International, the parent of Southern California Edison.

The Commonwealth nation of Australia was also opened up, to British and U.S. companies. Among the U.S. companies active in Australia by 1997 were CMS Energy, Edison International, Entergy, GPU, Northern States Power, PG&E, PacifiCorp, Texas Utilities, and Utilicorp United.

The pirates also moved into India, via Enron's Dabhol power plant in the state of Maharashtra, engaging in activities that induced a former official of the World Bank to characterize the company as "the East India Company of the Twenty-First Century," a reference to the British Empire's infamous opium- and slave-running imperial overlord.

One of the characteristics of the pirates' move into a country (and U.S. states, as well), is that the privatization and deregulation bills are rammed through in a rush, giving lawmakers little time to debate the particulars of the bills upon which they are being asked to vote.

An example of how this works was recently documented by the LaRouche Society of the Philippines, which is fighting to stop the pirates from privatizing the National Power Company and deregulating the national electricity system. There, an attempt was made to ram through a long-stalled power bill in a special session of a lame-duck Congress. Among the promises made by the backers of the bill, was that it would cut electricity rates 27%.

Today these U.S.-domiciled energy pirates are active in nearly 50 countries, from Europe and Africa to Asia. The highest density of presence, as measured in terms of the number of companies active in energy generation or transportation, is in Britain and the Commonwealth nations of Australia and India, followed by China and the Ibero-American nations of Brazil, Argentina, Bolivia, Chile, Colombia, El Salvador, and Mexico.

TABLE 1

British Empire Leads Deregulation Movement: U.S.-Based Companies Acquiring Energy Assets in Britain and Australia as of 1997

British Regional Electric Companies

Acquired Company	Buyer
Yorkshire Electricity	American Electric Power & Public Service of Colorado
Northern Electric	Calenergy
SEEBOARD	Central & South West Corp.
East Midlands Electricity	Dominion Resources
London Electricity	Entergy
Midlands Electricity	GPU and Cinergy
Eastern Group	PacifiCorp
SWEB	Southern Co.

British Independent Power Projects

Project	Buyer
Barry	AES
Isle of Grain	AES
Medway	AES
Indian Queens	Destec
Dinorwig	Edison International
Derwent	Edison International
Ffestiniog	Edison International
Sponden	Edison International
Teesside	Enron
Sutton Bridge	Enron
Wallend	Enron

Australian Electricity Assets

Asset	Buyer
Loy Yang A, Victoria	CMS Energy
Loy Yang B,Victoria	Edison International
CitiPower, Victoria	Entergy
Solaris Power, Victoria	GPU
Queensland Power (Gladstone), Queensland	Northern States Power
Queensland Pipelines	PG&E
PowerCor, Victoria	PacifiCorp
Eastern Energy, Victoria	Texas Utilities
United Energy, Victoria	Utilicorp United

Notes: Includes purchases of partial interest in acquired companies. Company names are as of time of purchase. Only acquisitions by U.S. companies are listed.

Source: Energy Information Administration, U.S. Dept. of Energy.

The target list of the electricity pirates can be seen from looking at a map of national generating capacity (**Figure 1** and **Table 2**). The United States, with 24% of global electricity generating capacity as of 1999, is the juiciest target in the world, followed by China with 9%, Japan with 7%, and Russia with 6%. India, with 3%, and Brazil, with 2%, are immediate targets.

The Case of Mexico

Mexico is also a prime target. In addition to its 1% of global generating capacity, Mexico has two added benefits: a common border with the United States, and huge oil and gas deposits. Mexico is the world's fifth-largest oil producer, with reserves of some 28 billion barrels and crude oil production of about 3 million barrels a day (compared to 21 billion and 6 million barrels, respectively, for the United States); it exports $10.4 billion worth of oil a year, 93% of which goes to the United States. The nation also has 30 trillion cubic feet of natural gas reserves.

The energy pirates have plans to turn Mexico into a giant electricity *maquiladora,* using cheap labor and looser environmental restrictions to generate cheap energy in Mexico and sell it into the more lucrative U.S. market. Mexico will be forced to compete on price with the United States for its own electricity, jacking internal prices up significantly higher than current levels.

The problem in Mexico, from the standpoint of the pirates, is that energy is largely controlled by the national government. The Mexican oil industry was nationalized in 1938, and is controlled via the state-owned oil company, Petroleos de Mexico (Pemex). This makes Pemex one of the world's largest oil companies, the single most important entity in the Mexican economy, and a powerful symbol of Mexican sovereignty and independence. As such, Pemex is number one on the Anglo-American oil cartel's hit-list in Mexico.

Frontal assaults on Pemex having thus far failed (a Constitutional amendment would be required to privatize it), Bush's energy cartel has launched flanking actions against Mexico's downstream natural gas and electricity industries. The nation's Natural Gas Law of 1995 opened up the natural gas market, allowing private companies limited powers to engage in the transportation, storage, and distribution of natural gas, while retaining Pemex's control over exploration and production. In electricity, independent power producers and co-generators were allowed limited involvement through a 1992 law, but state-owned companies still generate a large majority of the nation's electricity.

Survival of the Nastiest

In surveying the damage done by energy deregulation, many people wonder why it is that such a destructive process would be allowed to continue, why it is that an obviously failed policy is not reversed. "Don't they understand that they are destroying the economy with their greed?" people ask.

To find the answer to that question, one must look at the issue from a higher perspective. The truth is that the economy has already been destroyed, by three decades of deindustrialization and financial speculation. Knowing that their bubble would ultimately collapse, the oligarchs and their servants have been consolidating their control over food, energy, telecommunications, precious metals, strategic minerals, and other essentials of life.

What they are now doing, is looking for a way to survive the consequences of their own folly—and ours, for letting them get away with it—by setting up looting operations for the post-crash world. That, ultimately, is the nature of deregulation.

Peruvian President Alejandro Toledo. His new government is handing Peru over to the privatizers.

The Bankers' Feeding Frenzy: 'Privatization'

by Dennis Small

In examining the way in which energy and other forms of *piracy* are functioning, it's useful to note that there are two distinguishable components of this looting process. The first, is the policy of *privatization,* under which public-sector companies in the developing sector and the former East bloc nations, are systematically sold off to private interests—usually foreign private interests. The second, is the *deregulation* of the victim economy, meaning that the government is instructed that not only may it not own any major enterprises, but it also must not try to regulate them—or the rest of the economy—in any way.

We will look at the second aspect, the direct loss of national sovereignty from privatization, in the following article; the huge quantitative expansion of this looting process will be analyzed here.

The underlying—if unstated—concept of both of these policies, is that there is no such discernible thing as the General Welfare of a society, and so it is pointless and counterproductive for the government to try to attain it, by any combination of direct ownership and regulation of economic factors. The more efficient approach, we are regularly informed by the advocates of piracy, is to let "market laws of supply and demand" set the price and quantity of all goods produced, and to interfere with those laws as little as possible—ergo, privatize and deregulate. Only when private interests are allowed totally free rein, will the sum of their individual greedy appetites add up to the greatest good.

Of course, this is all a giant hoax masquerading as cheap economic theory, and cheaper philosophy. The reality is that "privatization" is barely concealed robbery of government assets in order to pay the foreign debt. And "energy deregulation," it turns out, actually means the heavy-handed *regulation* of the market—not by the government, but by a handful of private energy pirates, such as AES, Enron, etc. Under *deregulation,* these companies get to use their dominant market position to impose their own highly *regulated* policy decisions, decisions which are set according to the political and financial interests of the international financial oligarchy, who are intent upon hijacking any and all financial flows in order to bail out their bankrupt global monetary system.

So the actual policy fight is not between regulation and deregulation, but rather over *who* is going to do the regulating: the sovereign nation-state, or a gang of global pirates. This point will come into sharper focus as we look, first, at the privatization process worldwide, and then at the energy sector in Ibero-America.

On Dec. 19, 1997, *EIR* published a world survey of privatization, which estimated that the cumulative dollar value of all privatizations internationally had reached about $242 billion. That was based on our estimate that total privatizations in 1997 would hit the record level of $55 billion. But we were wrong: The 1997 total turned out to be even greater, reaching a whopping $85 billion. And 1998 and 1999 were also "banner" years.

Ibero-America the Leading Victim

In fact, the Twentieth Century ended with a veritable orgy of privatizations, as can be seen in **Figure 1.** Loot-hungry