Case Study: Ibero-America

Bush's Energy Pirates Get Ready to Turn Off the Lights

by Dennis Small

A national currency, armed forces, food production, electricity generation and distribution—four critical areas which any nation-state must control and develop, if it actually intends to retain its sovereignty. And yet, during the decade of the 1990s, under the Thatcher-Bush "New World Order" so beloved of the bankers, nation-states around the world fell victim to the forces of globalization—the new feudalism—on each of these fronts.

The loss of sovereignty is most advanced, perhaps, in the case of the dying continent of Africa, or in the ongoing shattering of Indonesia, today partially occupied (East Timor) by an invading foreign army of blue-helmeted UN troops. But nowhere is the process more clearly evident, on all four of the above fronts, than in Ibero-America.

In all four areas, the cynical argument wielded by the globalizers to justify their assault, is always the same: "What do you need your own — for, when you can more cheaply use ours?" In order to fill in the blank, just survey the battlefield:

Currency: Give up your national currency, and you are abandoning all hope of running your own credit and monetary system. Today, *dollarization* is sweeping across Ibero-America, as one country after another has been driven, by financial warfare, to seek monetary "stability" by turning the reins of its economy over to the U.S. Federal Reserve board and its madman chairman, Alan Greenspan. To date, Panama, Argentina, Ecuador, El Salvador, and Guatemala have adopted one form or another of dollarization, while other countries (such as Mexico and Colombia) are being pushed closer and closer to that precipice.

Military: Under the senior George Bush, a pervasive plot was launched to annihilate the armed forces of Third World nations, and thereby hold their very territorial existence hostage to the rampage of narco-terrorist armies run by London and Wall Street bankers, and/or to supranational military forces also deployed by these same financial centers. Argentina is the classic case of a once-proud, technologically progressive military, which was lured into the Malvinas War trap in 1982, and subsequently humiliated and dismantled. Colombia's armed forces are being subjected to similar treatment, at the hands of the Wall Street-sponsored FARC drug cartel. And Peru's military, since the November 2000 overthrow of the Fujimori government, is now also on the chopping block.

Food: Mexico is a good case study of what comes from the globalizers' siren song about the glories of "free trade." Mexico was largely self-sufficient in food for most of the postwar period, especially in staples such as corn (used to make tortillas) and beans. But with Bush's North American Free Trade Agreement (NAFTA), Mexico was told that it was "inefficient" and retrograde to grow its own corn, when this could be imported from the United States at a cheaper price. So corn production was sharply cut back over the 1990s, making Mexico increasingly dependent on imports. But now the lion's share of Mexico's foreign exchange earnings goes to pay the country's foreign debt, making corn imports a "corner" that can be cut, as the financial crisis demands. *Mexicans now eat by leave of the oligarchy's global grain cartels—just like in feudal times.*

'Stranglehold' on Electricity

Electricity: Energy, like food, is at the very heart of a nation's physical economy. What happens when you no longer own and regulate your own electricity, and someone else—for example, Bush's energy pirates—can turn off your lights at their whim? Just ask the residents of California. Or consider the case of Brazil, where the government is imposing across-the-board rationing to cut back electricity use by 20-30%, over a one- to two-year period. This is knocking the stuffing out of that economy, heretofore the eighth largest in the world.

As we will demonstrate below, 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 (see **Figure 1**). 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.

Riding shotgun for the energy pirates, is the Bush Admin-

FIGURE 1

Electricity Installed Capacity, Percent Controlled by Foreigners*

* Foreign control considered here as ownership of 25% or more of a generation company. Those listed are foreign companies which control 10% or more of the total installed capacity of the country.

istration. The recently released Bush-Cheney *National Energy Policy* advocates total energy privatization and deregulation in Ibero-America and elsewhere, starting with a "North American Energy Framework" for the NAFTA partners, the United States, Canada, and Mexico. "There will be a need to ensure compatible regulatory frameworks with our neighbors," the plan notes—meaning California-style deregulation everywhere. "Free markets allow prices to reflect changes in demand and supply, and avoid subsidies, price caps, and other constraints," the report insists ideologically, against all evidence. To the degree countries comply with such demands, "the U.S. should actively encourage the U.S. private sector to consider market-based investments." If not, then. . . . The threat remains implicit.

A Mafia Modus Operandi

Before proceeding to survey the damage caused by the privatization and deregulation drive against the energy sector in Ibero-America, we must first briefly identify the *modus operandi* which the pirates have repeatedly used there and elsewhere. In all essential respects, it is the same *modus operandi* perfected by the mafia loan shark, who first throws a large rock through your storefront window, late at night, before coming around the next morning—all smiles—to offer to sell you protection against any future vandalism.

Here's how the shakedown has worked in nation after nation in Ibero-America.

First, financial sharks such as George Soros launch a speculative assault against your currency; they force you to devalue; they wreck your banking system; and then drive you into the waiting arms of the International Monetary Fund (IMF).

Second, the IMF imposes its conditionalities on you, including forced privatizations, to get foreign exchange to pay the debt, and a sharp reduction in the government budget deficit. They insist that you cut everything (except debt service), but especially investment in infrastructure.

Third, since you now lack the resources to invest in infrastructure, you are told that you must attract foreign private investment to fill the gap—for example, to generate the electricity you now desperately need.

Fourth, these foreign investors (the energy pirates) then make their investments conditional on the total deregulation of the energy sector, so that they can charge astronomical rates. (This is sometimes known as "the California clause.") If you don't agree, they blackmail you by threatening to pull their investments out completely.

Fifth, if you foolishly bow to the blackmail and deregulate, everything gets much worse very fast: Prices soar; consumers are unable to pay their bills; bankruptcies ensue; living standards fall; and little or no real new investment occurs, despite all the promises. Chaos prevails—in other words, *the deregulators regulate the market*.

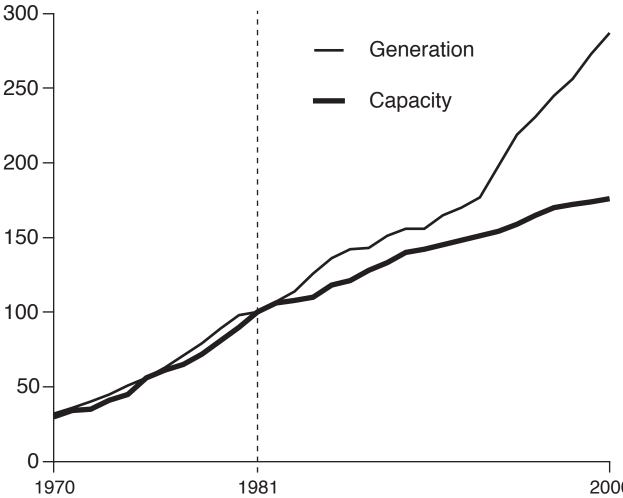
The pirates then proceed to asset-strip the sector, bankrupt it—and then pull out, leaving you with no additional installed capacity to show for it, but with a multibillion-dollar new debt which is added to the government's existing unpayable load.

Sounds far-fetched? Then you've probably never heard the real story of Mexico's banking privatization.

FIGURE 2

Brazil: Electricity Generation and Installed Capacity

(Index 1981=100)



An 'Energy Fobaproa'

After Mexico sold the country's nationalized banks to the private sector for a song, beginning in 1992, those privatized banks engaged in capital flight, and proceeded to run up an unpayable foreign debt of their own, on which they eventually reneged. The Mexican government—generous to a fault, when it comes to doing what Wall Street demands—then bailed out the privatized bankers, to the tune of over $100 billion, which it assumed as new public debt. This was done through an agency the government established for that purpose, called Fobaproa.

Today, an "Energy Fobaproa" is in the making in Mexico, and the rest of Ibero-America.

One reflection of this process is shown in **Figures 2-4,** which compare the growth of electricity installed capacity and actual generation of electricity, in Brazil, Mexico, and Argentina. In all three countries, installed capacity and generation grew pretty much in tandem between 1970 and 1981. But beginning in 1982, when the debt bomb first exploded in Ibero-America and IMF austerity policies began to be imposed with a vengeance, the construction of needed new plants began to fall off, which resulted in a slowing of the growth of installed capacity, and a widening gap with the

FIGURE 3

Mexico: Electricity Generation and Installed Capacity

(Index 1981=100)

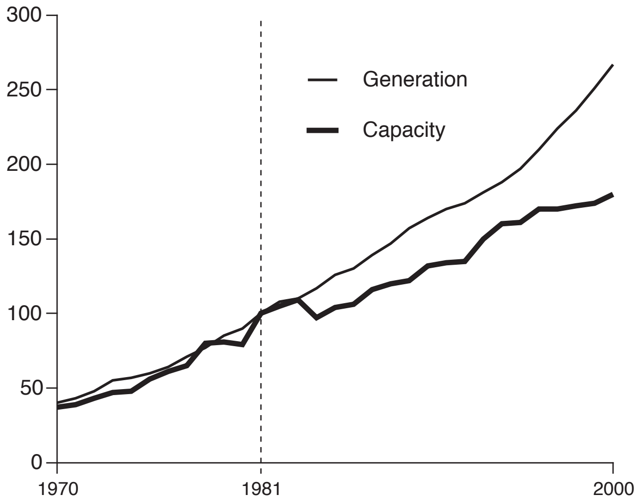
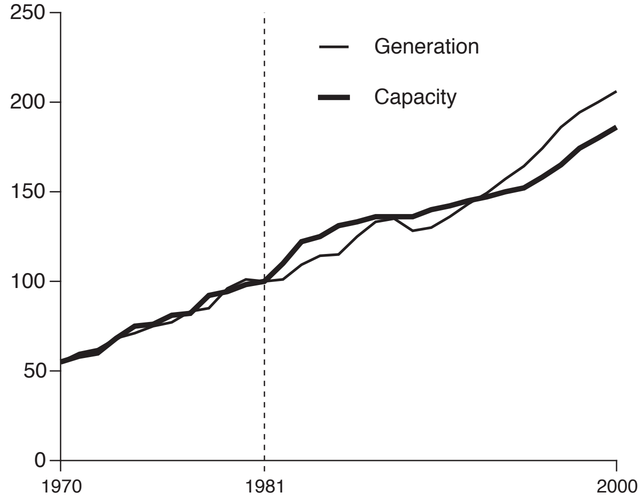


FIGURE 4

Argentina: Electricity Generation and Installed Capacity

(Index 1981=100)



actual yearly generation of electricity.

In the case of Brazil, both generation and capacity grew at a healthy average annual rate of about 11%, between 1970 and 1981. But from 1982 to the present, the average annual growth of electricity generation dropped to 5.7%, while installed capacity grew at an even slower 3.0% per year, on average. The widening gap between Brazil's electricity generation needs (even at the current low rate of growth), and the installed capacity that is in place to do that, is unmistakeable (see Figure 2). After 19 years of banker-dictated, criminally low investment in building new generating plants, that gap now amounts to 63% of current installed capacity. In other words, installed capacity would have to be 63% greater than it is today, just to catch up with the rate of growth of generation. Instead, it has stagnated, creating a time bomb of disinvestment in energy plants which, sooner or later, was bound to explode. This explains far more about Brazil's current energy crisis than the transient problem of low rainfall for its hydroelectric plants.

Mexico displays a similar profile. Both installed capacity and generation were growing at about 9% per year between 1970 and 1981, and generation then fell off to 5.3% per annum over the next two decades, and installed capacity grew by an even slower 3.1% (Figure 3). The predictable drumbeat can already be heard about how Mexico needs to "attract foreign investment by privatizing and deregulating," if it ever hopes to narrow that gap, which today is 48% of installed capacity. This is another time bomb of dangerous disinvestment, which could detonate at any moment.

In the case of Argentina, the results are similar, if somewhat less dramatic. There, generation and capacity both grew by 5.5% per annum during the 1970s, and then fell off to 3.9% and 3.3%, respectively, from 1982 until the present (Figure 4). This gap is now 11% of installed capacity; but it would of course be much larger if Argentine electricity generation had grown, over this 19-year period, even at annual rates like those of Brazil and Mexico (5.7% and 5.3%, respectively)—let alone at the 10-12% per year that is actually required in a healthy developing economy.

Small wonder, then, that the media is full of warnings that Argentina, Chile, Mexico, and other countries are all facing Brazil-style shortages over the next few years.

The Great Drooling Sound

Having created the energy crisis in the first place, the international financial oligarchy is now deploying their Bush League energy pirates to move into the breach and take advantage of it. Beginning gradually in the late 1980s, and then proceeding frenetically from the mid-1990s onwards, all of the well-known names in energy piracy have moved into Ibero-America: AES, Enron, Reliant, Duke, El Paso, and so on. If you look just beneath the surface of these companies, as we do in the profiles included in this survey, you can readily see that all strings lead to London—i.e., that British financial interests play the determining policy role, in nearly every case.

AES for example—whose chairman of the board, Roger Sant, was chairman of the U.S. branch of Prince Philip's wildly anti-development Worldwide Fund for Nature (WWF), from 1994 to September 2000—today singlehand-

TABLE 1

Foreign Strangleholdings over Ibero-American Electricity

	AES		Endesa		Other Foreign*		Sub-Total, Foreign		TOTAL
	Megawatts	% Total	Megawatts	% Total	Megawatts	% Total	Megawatts	% Total	Megawatts
Argentina	4,264	21%	4,292	21%	1,943	10%	10,499	52%	20,350
Bolivia					964	96%	964	96%	1,000
Brazil	9,606	15%	658	1%	7,572	12%	17,836	27%	65,800
Chile	1,632	16%	4,614	46%	1,350	14%	7,596	76%	10,000
Colombia	1,404	11%	3,055	24%	875	7%	5,334	42%	12,580
Mexico	484	1%			4,100	11%	4,584	13%	35,900
Peru			1,693	31%	520	9%	2,213	40%	5,500
Venezuela	2,265	11%					2,265	11%	21,500
Other	1,079	3%			870	3%	1,949	6%	31,000
Total	**20,734**	**10%**	**14,312**	**7%**	**18,194**	**9%**	**53,240**	**26%**	**203,630**

* Duke, Iberdrola, Enron, PPL, GPU, Mirant, AEP, NRG, Fenosa, Alliant, EDP, CMS, EDF, Tractebel

edly controls[1] close to 21,000 megawatts of installed capacity in Ibero-America, which is more than 10% of the continent's total of 203,630 MW (see **Table 1**). They have huge *strangleholdings* in Argentina, Brazil, and Chile, in particular.

In Argentina, AES has taken advantage of the environment of total electricity privatization and deregulation, which has been in place there since 1991, to gain control over 21% of the country's total installed capacity. This includes the large thermal plant San Nicolás and the 1,000 MW hydroelectric generator Alicura.

AES was frozen out of the Chilean market until December 2000, when they succeeded in a hostile takeover of Chile's second-largest generator and distributor, Gener. This gave them control of 1,632 MW of capacity, about 16% of Chile's total.

AES controls nearly 10,000 MW of installed capacity in Brazil, which is about 15% of the national total. They made their big move on Brazil in May 1996, joining with fellow pirate Reliant and others to buy a controlling interest in the strategic Rio de Janeiro-based electricity generation and distribution company, **Light,** which was Brazil's first privatization in this sector. A year later, AES was part of another foreign consortium that bought into **Cemig,** the regional power company of the state of Minas Gerais, with over 5,600 MW in capacity. And then in October 1999 they began their takeover of São Paulo state's **Tiete,** with its 2,650 MW of capacity.

More recently, AES has resorted to overt thug tactics to try to force Brazil to fully deregulate electricity prices *immediately,* something which is not slated to occur until 2003. In May of this year, AES President Dennis Bakke deployed to Brazil, just as the country's electricity crisis was exploding, to announce that AES was suspending $2 billion in electricity investments in the country. He then delivered an explicit threat: "What is happening in Brazil is the total collapse of the system, and the cause is simple. . . . [The government] preferred to keep prices low to protect the consumer, but ended up ruining the population by provoking rationing and cuts." The pirate continued: "If that behavior is not changed, it will be an enormous disaster for the country. It is going to ruin the economy, and ensure that new investors don't enter the country."

This display of arrogance emboldened Enron to follow suit one week later, announcing that they were also suspending $600 million in investments in Brazil: "The current regulations are preventing investment," Enron Vice President for Brazil Orlando González told *Jornal do Brasil* newspaper bluntly.

After AES, second place in Ibero-America goes to the Spanish energy company **Endesa,** which has used privatization poster-boy Chile as their springboard for assaulting the rest of the continent. Endesa now controls 7% of the region's total installed capacity, with large holdings in Argentina, Colombia, and Peru, in addition to Chile.

As in the case of the large Spanish banks—such as Banco Santander Central Hispano (BSCH) and Banco Bilbao Vizcaya Argentaria (BBVA)—which have taken up major positions across Ibero-America, Spain's Endesa turns out to be a front for Anglo-American financial interests. For example, each of Endesa's major moves in Ibero-America has been orchestrated and bankrolled by Banco Santander (and then by BSCH, when Santander merged with Banco Central Hispano at the end of the 1990s). As *EIR* documented in a study published Aug. 22, 1997, "British Banks Establish

1. Foreign control is considered here as ownership of 25% of more of a generating company, although in the vast majority of the cases reflected in Table 1, foreign ownership was upwards of 75-80%. By comparison, the Energy Information Agency (EIA) of the U.S. Department of Energy defines "foreign-affiliated" as meaning a 10% or greater holding by a foreign company.

Death Grip Over Ibero-America," Banco Santander is run out of London:

"In 1988, Santander forged what they have called 'a long-term and fruitful alliance' with the **Royal Bank of Scotland** (RBS), and with **Metropolitan Life Insurance** of New York, controlled by the British Morgan financial interests," *EIR* wrote at the time. After documenting the interlocking directorates of Santander and RBS, and the latter's direct link into the British royal household, *EIR* elaborated:

"The Morgan role in Santander is not limited to the Met Life connection. Santander's rising young star, and CEO of its Santander Investment division, is the 38-year-old Ana Patricia Botín, daughter of the bank's chairman. After graduation from Harvard with a bachelor's degree in economics in 1981, Ms. Botín joined the Madrid office of J.P. Morgan. Rising through the Morgan ranks, by 1986 she had been appointed vice president and head of their Latin American unit. In 1988, her apprenticeship with Morgan apparently over, Ms. Botín returned home to work for daddy at Santander."

Other foreign companies with substantial electricity-generation holdings in Ibero-America, include Enron, Duke, CMS, Entergy (mostly in joint ventures with Endesa), Spain's Iberdrola, Belgium's Tractebel, Electricité de France (EDF), and others. Overall, foreign interests now control major portions of installed capacity in Ibero-America: 76% in Chile, 52% in Argentina, 42% in Colombia, and 27% in Brazil (see Figure 1). In Mexico, howevever, whose electricity sector has not yet been privatized or deregulated, foreigners so far control only about 13% of the national total. This in part explains why Mexico is today the primary target of the energy pirates, along with Brazil, whose pace of privatizations slowed down after the 1999 debt crisis.

When the energy pirates talk about these holdings in Ibero-America, you can almost hear a great drooling sound as they survey their prey. One company waxed eloquent about how "the creation of a vast area of free exchange and the reorganization of the power sectors have given rise to investment opportunities" in Ibero-America. Another reported that they were "building substantial critical mass in infrastructure, positioning the company for a leading role as these regions move towards deregulation." Reliant Resources, however, announced in December 1999 "the company's plan . . . to divest its Latin American investments, which are primarily regulated energy delivery businesses," and head to the greener pastures of Europe where they expected even less regulation than in Ibero-America. AES and other companies quickly snapped up Reliant's holdings in the region.

It All Started in Chile

According to a May 2001 monograph by the Energy Information Administration of the U.S. Department of Energy, "Chile's electricity sector has served as a model for subsequent privatizations throughout the world." What has made it so exemplary is that, for the past 20-25 years, Chile has served as the beachhead for Spanish-domiciled—but British-controlled—companies, which have taken over entire chunks of the Ibero-American economy and financial system.

The heyday of Chile's privatizations occurred during the 1985-89 reign of Hernán Bucchi as the last Finance Minister of the Pinochet dictatorship (1971-89), when 30 companies were privatized in four short years, including the strategic electricity sector. But Bucchi, along with a handful of cohorts, in particular José Piñera and José Yuraszeck, had carefully laid the groundwork years earlier.

In the 1970s, Chile's electricity sector was dominated by two large, state-run companies: the generator **Endesa** (not to be confused with Endesa/Spain), and the distributor **Chilectra.** These companies had been founded by nationalist forces in the early 1940s, with the express mandate of developing the country by bringing cheap electricity to its remotest regions.

Bucchi, a follower of the ultra-liberal economic doctrines of Milton Friedman and the Mont Pelerin Society's Friedrich von Hayek, was appointed vice president of Endesa (1979-82), and then became president of the company (1982-83). During this same period, he also served as Deputy Secretary of Economics (1979-81) and of Health (1981-83). It was from these official posts that he laid the groundwork for the later privatization frenzy, with two critical 1981 measures:

1. In May 1981, he privatized Chile's pension funds, creating the famous AFPs, which have since become a model for privatizers the world over. Bucchi adviser José Piñera played a particularly prominent role in designing the pension privatization program, and he is today trotted around the globe to push "the Chilean model"—including before the U.S. Congress—courtesy of the Mont Pelerinite Cato Institute of Washington, D.C. President George W. Bush recently made Piñera his adviser on pension reform.

2. In July 1981, Bucchi split up Chilectra into three regional affiliates: **Chilmetro, Chilgener,** and **Chilquinta.**

By 1983, Bucchi was on top of Chilean electricity (all still in the hands of the state): He himself was president of Endesa, and his close allies were running each of the new distributor affiliates. Chilgener was headed by Bucchi adviser Bruno Philippi; Chilquinta's general manager was Richard Bucchi (Hernán's brother); and Chilmetro's general manager was José Yuraszeck.

In July 1987, Finance Minister Bucchi put the three distributor affiliates up for privatization. In the case of Chilmetro, Yuraszeck himself bought 20% of Chilmetro's stock—with capital loaned to his newly formed holding companies (the **Chispas,** otherwise known as **Enersis**), by the Chilean government's State Bank! In other words, Chilean government money was used by a group of government officials to purchase government assets on their own behalf, which thereby became their private property. Such are the wonders of privatization and free-market economics: pure piracy.

Six months later, José Piñera was named president of the newly privatized Chilmetro, and Yuraszeck stayed on as its general manager.

Chilmetro was then used by its new owner, Enersis, as the staging ground to move on the rest of the electricity sector. In December 1989, when the country's number-one generator, Endesa, was put up for privatization, Yuraszeck's and Piñera's Enersis/Chilmetro snapped up a dominant 12% interest. Four months later, in April 1990, they consolidated their control by buying an additional 25% share of Endesa. This time, *they used capital from the AFPs, the very pension funds which Piñera himself had conveniently established back in 1981!* Controlling this dominant share, Piñera was named Endesa VP and Yuraszeck became a director of the company.

In 1992-93, Enersis, which now owned the lion's share of Chile's privatized electricity generation and distribution infrastructure, began its expansion drive into the electricity sectors of other Ibero-American countries, by purchasing Argentina's Costanera and Chocón plants. The deal was set in motion and financed by none other than Spain's Banco Santander. Syndicate financing for Enersis' mid-'90s expansion into other Ibero-American markets, such as the purchase of Colombia's Codensa, was headed by Spain's Banco Central Hispano (BCH), Banco Santander's subsequent merger partner.

'Crimes in the Transactions'

But the biggest move of all occurred in August 1997, when Endesa Spain purchased 32% of Enersis, and mopped up an additional 32% in April 1999, giving the Spanish company control over Enersis's vast holdings in Chile, Argentina, Peru, Colombia, Brazil, and elsewhere. The media dubbed this "the deal of the century." But it also quickly turned into "the scandal of the century," when Yuraszeck was accused of insider trading and arranging a sweetheart deal with Endesa Spain. Those criminal charges are still pending before Chilean courts. Also questioned for his role in favoring Endesa Spain, was the then-head of Chile's Santiago Stock Exchange, Pablo Yrarrázaval. Within days of the deal's consummation, Endesa Spain named him president of their new Chilean affiliate.

But this is "standard" corruption. The real question is, whose idea was it in the first place for Endesa Spain to forge such a "strategic alliance" with Chile's Enersis? It was the brainchild of Spain's Banco Santander—specifically the Santander Investment division which Morgan's Ana María Botín was to head only months later. In fact, Santander was also the formal intermediary for the buy-out.

As Chile's *Diario Estrategia* put it in August 1988, in the heat of the scandal: "If [Chilean] justice starts to investigate the existence of crimes in the transactions of the Chispas during . . . the whole operation, it will inevitably have to establish the role played by Endesa Spain, as buyer, and Santander Investment, as intermediary."

Neither has yet occurred. Were it to happen, the trail would quickly lead through Banco Santander to the House of Morgan, the Royal Bank of Scotland, and from there into the Queen's household, itself.

It should come as no surprise that British interests would employ a Spain-Chile connection as a convenient cut-out to further their own financial and geopolitical purposes in Ibero-America—as we have here documented for electricity, and previously for banking.[2] Such operations date back at least to the 1879-83 War of the Pacific, in which London used Chile as its surrogate to destroy neighboring Peru's emerging alliance with anti-free-trade, American System forces in the United States, linked directly to the Lincoln tradition.[3]

More recently, in this century, London deployed its agents of influence on *both* sides of the Spanish Civil War of the 1930s, to transplant religious left-right conflict and even warfare into the Hispanic Americas, and Chile in particular (to wit, the 1971 Pinochet coup against Salvador Allende). Although this topic takes us beyond the scope of the present study, it is worth taking note, for example, of the striking preponderance of members of Opus Dei—the conservative Catholic order, with strong roots in Spain, and which has been heavily penetrated by British free-market economic theories—in the circles immediately surrounding Pinochet, and Hernán Bucchi in particular.

Pipelines and Choke Points

The piracy may have started in Chile, but it surely didn't stop there. In the mid 1990s, the U.S. energy giants AES and Enron, in particular, made their moves on South America. As we previously noted, AES's drive began with its 1996 purchase of a major share of the Brazilian generator and distributor, Light, and its most recent acquisition was Chile's **Gener** (previously Chilgener, one of the three affiliates split out of Chilectra back in the 1980s).

Enron has concentrated on natural gas, especially the pipelines that transport it from one country to another, and on energy-related "financial services," i.e., speculation and market-rigging of the sort they are charged with in California and elsewhere. In fact, Enron's own web page proudly promotes its Direct Sales group, which has "the intent to execute commodity and financial transactions in Brazil." Sounding more like a Wall Street hedge fund than an energy company, they explain:

"The Direct Sales group offers a flexible combination of financing products, proposals for the purchase and sale of electricity and other select commodities and energy outsourcing services. Direct Sales is positioned to help to maximize a customer's power asssets through the outright purchase of capacity or surplus generation or through various swap structures designed to leverage national, rather than regional sup-

2. *EIR*, Aug. 22, 1997.

3. Luis Vásquez Medina, unpublished manuscript.

FIGURE 5

South America: Foreign-Controlled Natural Gas Pipelines

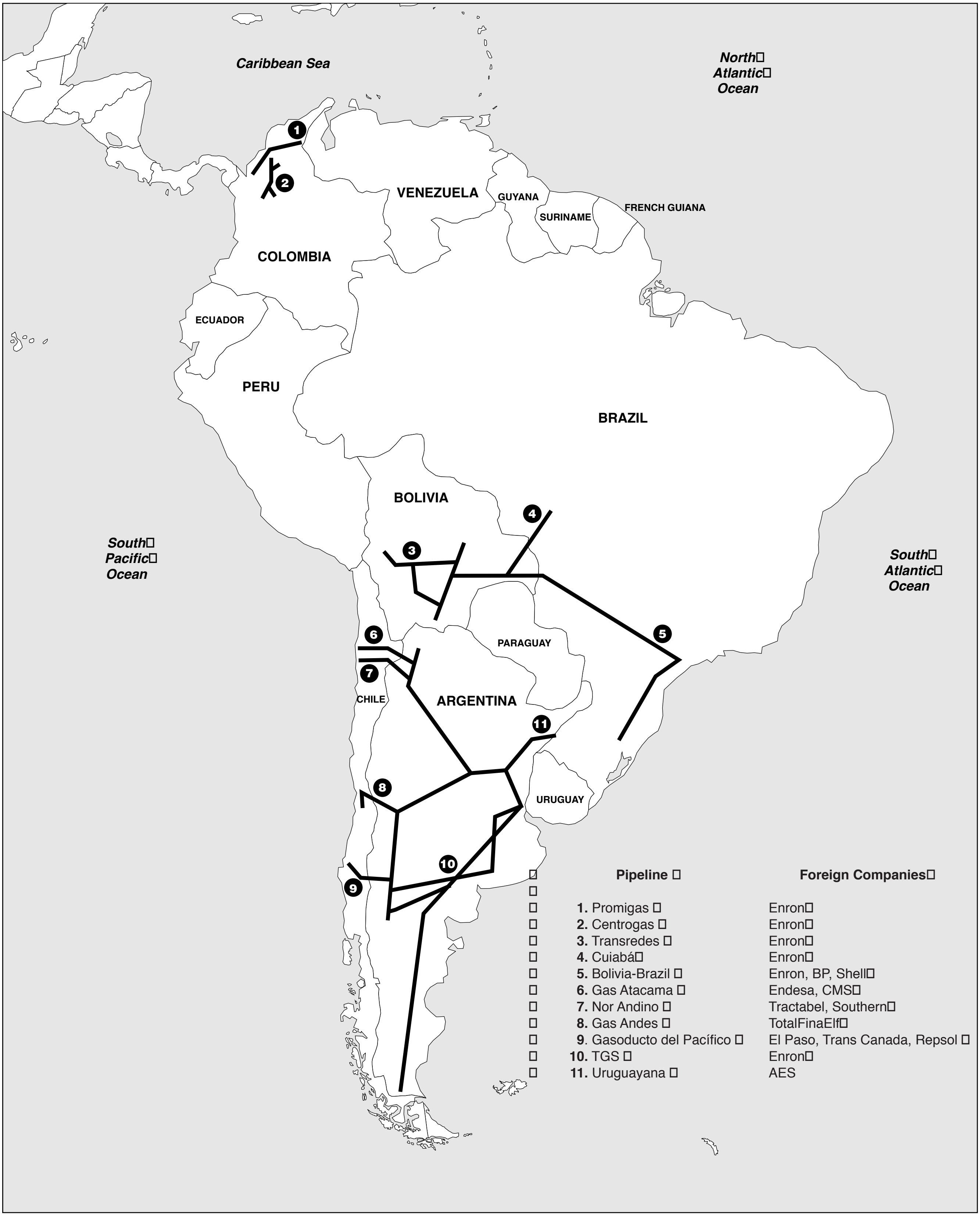


FIGURE 6

South America: Great Rail Projects

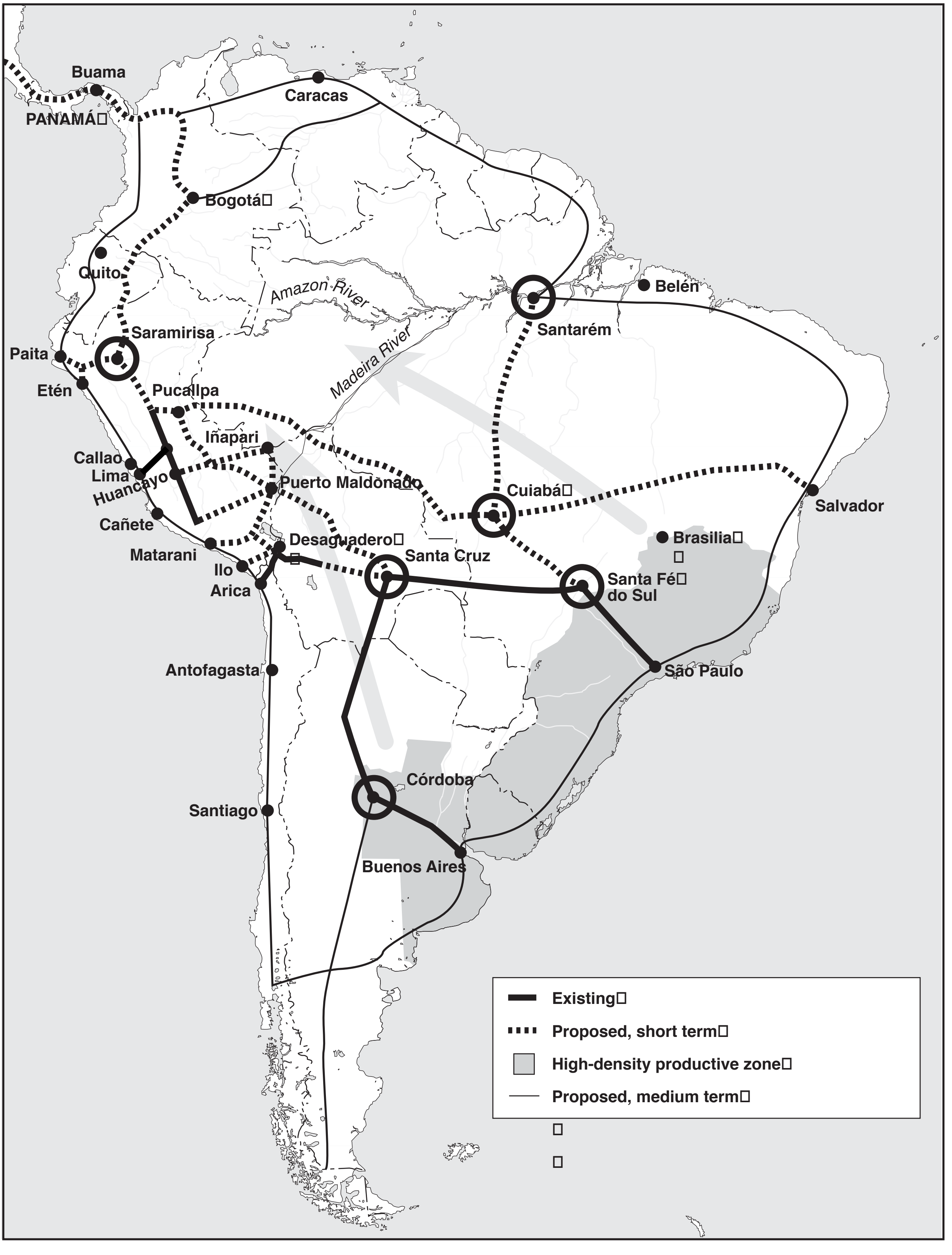


TABLE 2
Privatization and Deregulation

		Electricity		Natural Gas	
Date	Country	Privatized	Deregu-lated	Privatized	Reregu-lated
1987	Chile	Yes	Yes	Yes	Yes
1991	Argentina	Yes	Yes	Yes	Yes
1994	Peru	Yes	Yes	Yes	Yes
1994	Bolivia	Yes	Yes	Yes	Yes
1995	Colombia	Yes	Yes	Yes	No
1999	Venezuela	Yes	Yes	Yes	Yes
2001	Brazil	Partial*	No	No	No
2001	Mexico	No	No	No	No

* Beginning in 1996

ply and demand opportunities, or through the monetization of the facilities themselves"—i.e., through speculation.

Enron's natural gas pipeline projects must be evaluated with this speculative focus clearly in mind at all times.

Over the years, Enron has taken a dominant position in natural gas pipelines in Ibero-America (see **Figure 5**). Their first big step was their 1992 purchase of Argentina's **Transportadora de Gas del Sur.** TGS is South America's largest pipeline company, delivering two-thirds of the nation's total gas consumption (to southern Argentina and greater Buenos Aires) through its 6,600 km grid.

Argentina has the second-largest proven reserves of natural gas in South America (after Venezuela), concentrated in its Neuquén basin in western central Argentina. Argentina is a significant exporter of natural gas to neighboring Chile, Uruguay, and Brazil, through pipelines controlled by Endesa, El Paso, Tractabel, AES, and other foreign companies.

Venezuela's natural gas (and electricity) were opened up to privatization and deregulation only recently (1999), under the mantle of revolutionary rhetoric emanating from the Chávez dictatorship in that country. **Table 2** provides a thumbnail chronology of the opening of the major nations of Ibero-America.

Enron's next big move occurred in 1996, taking a controlling share in two Colombian gas pipeline companies, **Promigas** and **Centragas.** In 1997, they bought a 25% share of **Transredes,** a Bolivian natural gas and oil pipeline company. In 1998, Enron acquired **Elektro,** Brazil's sixth-largest electricity distributor serving the state of São Paulo. "Elektro is an essential component of Enron's energy strategy for the Southern Cone," Enron reports. São Paulo is the site of Enron's South American headquarters, both because of Elektro's importance, but also because the company intends to use São Paulo's emerging speculative markets, including the spot market Mercado Atacadista de Energia (MAE), for its financial ventures.

But by far and away Enron's most ambitious and strategically significant move in South America came with their late 1990s decision to join British Gas, Brazil's Petrobras, and others in the construction of the Bolivia-Brazil natural gas pipeline. This 3,000 km pipeline stretches from Bolivia's natural gas fields eastward to São Paulo; has a second spur to the Cuiabá 480 MW plant also in Brazil; and connects to Pôrto Alegre in the south. It is the largest transborder energy project on the South American continent, and it came on line in April 2000.

The Bolivia-Brazil pipeline raises a crucial, concluding consideration.

Observe **Figure 6,** a map published by *EIR* in August 2000. The joint website of the Inter-American Development Bank, the Andean Development Corporation, and Fonplata today carries a similar map, which portrays a unified series of transportation and other infrastructure projects, which were the central subject of discussion at the historic September 2000 summit of South American Presidents held in Brasilia, Brazil. The physical integration of the continent, through such projects, was posed as an economic strategy for the region, in opposition to the destruction today sweeping the region under globalization and liberal free market policies, such as privatization and deregulation.

Both maps make use of the idea of natural development corridors, proposed for more than two decades by Lyndon LaRouche and this magazine, including such features as the interconnection of South America's three major river systems, and their linkage with major north-south and east-west railroad lines. Particularly fascinating is the fact that the IADB presents these not as simple transport routes, but as the backbone of what they call "areas of influence," which closely echo LaRouche's emphasis on the need to build 100 km-wide "development corridors" on either side of the transport arteries.

Now, look back at the map of foreign-controlled natural gas pipelines (Figure 5), which operate in precisely those areas of densest proposed infrastructure projects—i.e., the chokepoints. Certainly, there is nothing wrong with the *sovereign nations* of Bolivia and Brazil, for example, cooperating around a joint natural gas project. But there is something very wrong, and very dangerous, if a speculative pirate such as Enron is the actual owner of that connection. Thus is Brazil becoming increasingly dependent, not on Bolivian natural gas per se, but on *Enron's decision,* taken in a Wall Street boardroom, over whether to transport such gas from Bolivia to Brazil.

It is not surprising that, earlier this year, the Presidents of Brazil and Bolivia met to discuss the idea of building a second natural gas pipeline between the two countries—one controlled by the two sovereign nations, rather than a Wall Street-run energy pirate.

This is exemplary of a far healthier aproach to economics than the destructive frenzy of privatization and deregulation which has swept the world of late.