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Argentina: Notes On Government's Plans For Privatization Of Oil Industry

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Since President Carlos Menem took power in early July, the Argentine government has awarded 24 exploration contracts to private foreign and national companies. Menem's economic team has promised to privatize segments of the state oil company Yacimientos Petroliferos Fiscales (YPF), and expects conflict with the 36,000-member state oil workers union and other Peronist groups. In July, YPF was reportedly operating at an annual deficit of over $1 billion. Octavio Frigerio, named by Menem to head YPF, said much of the deficit was the result of selling gasoline on the domestic market far below international prices. The situation has been corrected by raising prices, to about $1.50 for a gallon of premium-grade gas. Frigerio said he will develop a plan before year-end to sell parts of YPF, such as the shipping fleet, drilling activity and gas stations. At that point, he added, the production section would remain as a much smaller firm or would disappear as private companies took on its functions. Although Frigerio believes YPF to be "organically inefficient," he said he was not going to confront the union over the size of the work force because salaries account for only 6% of the YPF budget. Argentina has no unemployment insurance system, another reason the Menem government is trying to avoid layoffs. Until President Raul Alfonsin's government, private companies either worked on drilling contracts for YPF or exploited fields after YPF abandoned them. The emphasis now is on private exploration, with production itself to be either by YPF or the private companies. The companies who signed contracts in the past two months are expected to invest $266 million. The extent of the country's oil and gas reserves is unknown because only a small percentage of the sedimentary basins, both on land and offshore, has been explored. The country is considered self-sufficient in oil. (Basic data from New York Times, 09/11/89)

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