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Memorandum on the oil agreements signed by Frondizi

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International Workers' Unity – Fourth International (ITU–FI)

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# Preface

Perón, exiled in Madrid and with Peronism banned, made a pact with Arturo Frondizi, of the Intransigent Radical Civic Union (UCRI). The workers, mostly Peronists, obeyed their leader's order to vote for the Frondizi-Gómez ticket, which won in May 1958. A few months into his administration, in July, Frondizi announced the “battle for oil.” Arguing the need to achieve self-sufficiency, he began negotiations with the large oil companies, primarily Yankee, to hand over the country's oil wealth with leonine contracts and initiate the emptying of the traditional and efficient state company, YPF (Fiscal Oil Fields). He thus contradicted the claims of anti-imperialism and national independence that he had proclaimed in 1954 in his book *Oil and Politics*. This submission gave rise to strong opposition and even a crisis in the UCRI. His deputy, Alejandro Gómez, resigned from the vice presidency. This shift was part of his policy of surrender to imperialism, the IMF and the multinationals, of repression of large workers' strikes such as those of the bank workers and the National Meatworks workers, and the surrender of education to privatization and the churches.

Since 1958, *Palabra Obrera* joined the repudiation of the delivery of oil, which in 1963 had already given rise to the events that Moreno denounced in the memorandum

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# Memorandum on the oil agreements signed by Frondizi

1.- The most important argument made by the propagandists of the oil contracts signed by Frondizi is that of production and self-sufficiency. Formally, this argument carries much weight since the country under Frondizi effectively achieved self-sufficiency in oil and a fabulous increase in production. From 1958 to 1962 oil production tripled, from around five million cubic metres to fifteen and a half million.

2. Any serious, responsible, scientific study of oil contracts must start, therefore, from this certain fact: the fabulous increase in production. Regarding this argument of the agents of foreign companies, we must point out:

a) The fundamental task to produce more oil is not to drill wells but to discover them. The oil industry makes tremendous expenses in the exploration of the land to first locate with certainty the areas where there is oil and then, specifically, through drilling where profitable wells can be located, which gives oil and gas without any doubts.

b) Once a well has been drilled and its profitability is assured, that is, it has a large amount of oil and gas, the task is minimal and of a secondary character.

3. The propaganda manoeuvre of oil agents tends to make us forget or ignore this fundamental characteristic of the oil industry: its fundamental expenditures are made many years before a well comes into operation. **This is how it took YPF about 40 years to locate the modern wells and exploitation areas.** Bylate 1953, **YPF had already located all the new areas and wells: Flanco Sud, Madregones, Campo Durand, and Mendoza. To achieve these successes, YPF had spent real fortunes, several hundred million dollars.**

4. Only from this key date, late 1953, could YPF undertake the task of self-sufficiency for the country. According to YPF research, until 1953 the country could not be self-sufficient because it was estimated that all oil deposits did not add up to more than 50 million m3. This meant that if we self-supplied, in just four years we would liquidate all stocks. YPF with very good judgment allowed the import of oil until new mineral sources were located that would allow us to be sure of self-sufficiency. But from 1953 onwards, YPF managed to locate and specify with complete accuracy that the mineral reserves reached at least 500 million m3. **The battle for oil and self-supply was thus won by YPF in late 1953. The only thing to be done was to extract the oil, the simplest and easiest task, and transport it. This entire task could take four or five years at most, as opposed to the previous one that had taken over 40 years.**

5. It is at this time when the world's major oil companies set their sights on Argentina as a possible oil producer. The battle of large companies to appropriate the wells discovered by YPF in its 40-year battle begins. For this campaign they first used Alsogaray[[1]](#footnote-1) with his slogan "Let oil pay for the crisis" and later Frondizi and his alter ego, Rogelio Frigerio.[[2]](#footnote-2) This is how Frondizi signs agreements with foreign oil companies, handing them the wells discovered and commissioned by YPF.

6. The contracts are true concessions and not, as has been stated, employment contracts for the benefit of YPF. They are real concessions for the following reasons:

a) YPF is obliged to buy oil at a fabulous price from these companies at the bottom of the well;

b) the price is fabulous because it has been set at around US$11 per cubic metre according to international prices. The agents of the oil companies assure, Dr Arturo Sábato,[[3]](#footnote-3) *El Economista*, 17 December 1961, that the cubic metre of oil in Comodoro Rivadavia reaches US$16.35 and therefore the price of the companies is much cheaper. What this scoundrel does not say is that in Comodoro Rivadavia 3.8 m3 per day is produced and in the wells kindly transferred by YPF to foreign companies more than 20 m3 per day, which makes the cost of oil in these last wells six times lower than those of Comodoro Rivadavia since the cost of oil is calculated per well/day. This is how the best technicians in the country have calculated that a cubic metre of oil costs foreign companies a maximum of US$3. That means a profit of at least US$8 per cubic metre.

7. The other characteristics of the contracts are as leonine as those that set the price. Let's take a look at some of them:

a) The dollars paid to them are freely available, i.e., they can be remitted abroad. This is how the country does not save any foreign exchange with self-sufficiency in oil.

b) Excluding the income tax, all other taxes or royalties that companies have to pay are paid by YPF.

c) Not only the best YPF wells but also extensive areas of land are given to the companies; all of Tierra del Fuego is given to a single company (Tennessee Argentina SA).

d) All elements that companies bring to the country are exempt from paying customs duties.

e) National justice is excluded from hearing disputes that arise between YPF and the companies over the interpretation of the "contracts”.

f) YPF cannot stop buying production from foreign companies for any reason.

Buenos Aires, October 3, 1963

1. **Alvaro Alsogaray** (1913–2005) was an Argentine politician and businessman. Minister of Economy during 1959-1962, he was one of the principal proponents of economic liberalism in modern Argentina. [↑](#footnote-ref-1)
2. **Rogelio Frigerio** (1914–2006) was an Argentine economist and politician. An adherent of developmentalism, in 1958 he was Secretary of Socio-Economic Affairs in the critical Economics Ministry. [↑](#footnote-ref-2)
3. **Arturo Sábato** (1913–1998) was an Argentine chemist and professor, best known for having been Arturo Frondizi's personal delegate at YPF, and also together with Rogelio Frigerio they were the promoters of the “battle for oil” (1958-1962). [↑](#footnote-ref-3)