

Christopoulos, Greg

From: Christopoulos, Greg
Sent: Thursday, December 13, 2001 2:21 PM
To: Epstein, Natan; Sills, Gay; Sampliner, Gary; Resnick, Bonnie; Demopoulos, Abigail; Sloniewsky, Katerina; BruceJ@IADB.org; TCrawford@WorldBank.org
Cc: Neil Efirid (E-mail); 'ThompsonSH@Satate.gov'
Subject: Enron Investment Dispute in Argentina

Below is the ITI write up of an ongoing investment dispute in Argentina for the weekly. [(b)(5)]
Since this dispute is being submitted to ICSID for resolution through intl arbitration, it currently does not raise issues under the Helms Amendment.

[(b)(5)]

Thanks

ENRON INVESTMENT DISPUTE IN ARGENTINA

- On Dec. 12, the Azurix President and CEO briefed Investment Office and General Counsel representatives on the status of Azurix's problems in Argentina. Azurix is an Enron subsidiary that operates water works companies. The meeting focused on the half billion dollar investment dispute that Azurix has with the Province of Buenos Aires regarding the company's concession to provide potable water and wastewater services.
- According to Azurix, the Province has failed to fulfill several of its obligations and, in particular, Buenos Aires has failed to deliver infrastructure works such as algae removal, and has not allowed the company to charge at the rates provided in the contract. On Jan. 11, 2001 Azurix Corp. delivered a notice of dispute to Governor Ruckauf as well as to the federal government regarding breaches of contractual obligations and filed for arbitration with ICSID (the International Centre for the Settlement of Investment Disputes). An arbitration panel is now being selected.
- Azurix also requested consultations as provided for under the GOA-USG Bilateral Investment Treaty (BIT). However, no progress has been made and Azurix is proceeding with termination of the contract by January 2, 2002. Azurix wants to work with the Province of Buenos Aires so that there will be a smooth transition to address any public health concerns. The Province recently notified Azurix that it does not recognize the termination notification.
- Azurix alleges that its expenses exceed the revenues it collects from customers by \$1-2 million per month, that it is caught between the federal and provincial governments, and that the GOA is stalling due to Enron's announced bankruptcy. However, Azurix assures us that it is not covered by the bankruptcy and even if it were, the GOA and the Province of Buenos Aires would still have a responsibility to fulfill their obligations under the Azurix contract and the BIT.
- Azurix wants the USG to facilitate meetings with Provincial Governor Ruckauf and to support the U.S.

Embassy's efforts to increase GOA awareness as to the urgency of this matter. Azurix also wants the USEDs at the World Bank and IDB to make the GOA and IFI staffs aware of the urgency in resolving this dispute. We advised Azurix that Treasury would work with State and Commerce on this dispute and will review any upcoming Argentina loans to determine if this dispute raises issues that should be factored into the loan review process.