

# Crisis feared over Bolivia gas takeover

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**LA PAZ, Bolivia** - South American leaders scrambled to avert a regional crisis over Bolivia's nationalization of its natural gas sector as Venezuelan leader Hugo Chavez flew with Bolivian President Evo Morales to a hastily arranged summit in Argentina on Thursday.

Morales had announced Monday that he had nationalized Bolivia's natural gas reserves and will reduce foreign participants to minority players - giving the companies six months to sign contracts or leave Bolivia.

The socialist Chavez, a political mentor and ally of the leftist Morales, said he came to Bolivia late Wednesday not to give advice but to offer "congratulations and learn from Bolivia's wisdom."

"With good will, Morales will reach the agreements he needs to make with the foreign companies," Chavez said after arriving in the capital of La Paz.

Chavez spoke after Brazil - Bolivia's biggest gas client - summarily announced it would cut off all new petroleum investment in Bolivia, where it has invested \$1.6 billion to boost production over the last decade.

The European Union, meanwhile, expressed concern over Morales' order for army troops to guard more than 50 natural gas installations, most operated by foreign companies since Bolivia privatized petroleum production in the mid-1990s.

Morales and Chavez flew to the Argentine city of Puerto Iguazu along the border with Brazil to join Brazilian President Luiz Inacio Lula da Silva and Argentine President Nestor Kirchner.

Foreign companies now face audits of their Bolivian operations by authorities ahead of the contract negotiations, Hydrocarbons Minister Andres Soliz told a news conference Wednesday in the eastern city of Santa Cruz, where most foreign oil companies have their Bolivian headquarters.

Morales has long claimed that Bolivia's natural gas resources have been "looted" by multinational companies.

While Silva said he believes he can negotiate a solution to the controversy, he asserted he will defend contracts giving Brazil rights to Bolivian gas. "The fact that Bolivia has rights does not deny the fact that Brazil has rights in the matter as well," Silva said.

Morales and Chavez also planned to discuss Chavez's idea to construct a 5,600-mile pipeline linking Venezuela's vast natural gas reserves through Brazil to Argentina, Chavez said.

The pipeline, estimated at \$25 billion, would also branch to Bolivia, Paraguay and Uruguay - though experts have predicted it could cost more and environmentalists say the plan could damage the Amazon.

Chavez confirmed that Venezuela's state petroleum company PDVSA will help finance, with an unspecified amount of money, the construction of an ethane, methylene and propane plant in Bolivia.

Morales reiterated his determination to proceed with the nationalization.

"We've received many telephone calls, been faced with some threats by some companies, but others wanting to cooperate and support this profound transformation process in the country," Morales said late Wednesday, without naming specific companies.

While Morales wants Bolivia's cash-strapped state-owned Yacimientos Petroliferos Fiscales Bolivianos petroleum company to dominate gas production as part of the nationalization plan, the company has functioned as little more than a bureaucracy for a decade since the Bolivia's gas industry was privatized. Experts say it would take a huge infusion of cash to transform the company into a capable operation.

Bolivia wants the company to oversee all aspects of gas production, refining and sales - but it's not clear how it can come up with the money and expertise it needs to wrest control of the industry from the foreign companies now managing it.

Morales, a populist who won a landslide victory in December, has long vowed to take back control of Bolivia's natural resources. While Bolivia has vast mineral and forestry wealth, the country's most valuable asset is its natural gas reserves - the continent's second-largest after Venezuela.

Under Monday's decree, foreign companies must sell a majority stake of their participation to YPF. Yet it remains unclear how Bolivia will come up with the several billion dollars needed for that deal.