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More trouble for Bush: Bolivia Military Occupy Oil and Gas Fields

By: fromPortugal on: 01.05.2006 [21:30] (348 reads)



President Evo Morales ordered soldiers to immediately occupy Bolivia's natural gas fields Monday and threatened to evict foreign companies unless they sign new contracts within six months giving Bolivia majority control over the entire chain of production.

Bolivia has South America's second largest natural gas reserves after Venezuela

Bolivia's President Evo Morales asked Peru and Colombia to scrap free trade agreements with the U.S. in a bid to `save the Andean Community, a five-natic trade bloc that accounts for one-fifth of its exports. "

War Over Gas
At the heart of Bolivia's current wave of protest a **proposed deal to export a portion of th country's mammoth natural gas reserves California**. Pacific LNG seeking a deal to ship tl gas out of land-locked Bolivia through its Pacifi coast neighbor, Chile...

Bolivian President-elect Evo Morales has invited energy-hungry China to help develop his country's vast gas reserves after his government carries out plans to nationalize them, a Morales adviser said.

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Bolivia Military Told to Occupy Gas Fields

LA PAZ, Bolivia - President Evo Morales ordered soldiers to immediately occupy Bolivia's natural gas fields Monday and threatened to evict foreign companies unless they sign new contracts within six months giving Bolivia majority control over the entire chain of production.

Morales said soldiers and engineers with Bolivia's state-owned oil company would be sent to installations operated by foreign petroleum companies.

"The time has come, the awaited day, a historic day in which Bolivia retakes absolute control of our natural resources," Morales said in a speech from the San Alberto petroleum field in southern Bolivia to decree a nationalization of the natural gas industry. The field has been operated by Brazil's Petroleo Brasileiro SA in association with the Spanish-Argentine Repsol YPF SA and France's Total SA.

Bolivia has South America's second largest natural gas reserves after Venezuela, and all foreign companies must turn over most production control to Bolivia's cash-strapped state-owned oil company, Yacimientos Petroliferos Fiscales Bolivianos, Morales said.

An Army spokesman did not immediately return a telephone message seeking comment on when

and how the military would act.

Morales, a strident leftist, had pledged to exert greater state control over the industry since he won the presidency in December in a landslide, becoming Bolivia's first Indian president.

Multinational companies that produced 100 million cubic feet of natural gas daily last year in Bolivia will be able to retain only 18 percent of their production, with the rest being given to YPFB, he said. Morales did not name the companies.

Other major petroleum companies doing business in Bolivia, besides Petroleo Brasileiro and Repsol, include Britain's BG Group PLC and BP PLC and U.S.-based Exxon Mobil Corp.

A Repsol spokesman said the company could not respond because it had not received official word of the announcement. Petrobras officials did not immediately return messages seeking comment on Monday, a national holiday in Brazil.

"We are monitoring the situation very closely," said Bob Davis, a spokesman for the world's largest oil company Exxon Mobil Corp. He said Exxon Mobil has a 30 percent interest in a non-producing field called Itau, which is operated by Total.

Morales said the government would begin negotiations immediately with the companies to make sure they are willing to comply, but said they could be stripped of their privilege to operate in Bolivia if they don't sign new contracts within six months.

In the past, YPFB produced Bolivia's natural gas, but it was reduced to an administrative role in the mid-1990s after the country's gas exploration and production business was privatized. Experts have warned that the company is incapable of becoming a producer again without a massive infusion of cash.

Morales has repeatedly said the country's natural resources have been "looted" by foreign companies and must be nationalized so that Bolivians could benefit from the profits that were being sent overseas.

But he has also said that nationalization will not mean a complete state takeover, because Bolivia lacks the ability to tap all its natural gas on its own.

Last week, Morales told Brazil's Valor Economico newspaper that Bolivia would have to "set up a new battalion, a new army of oil and gas specialists to exert the property right" for a complete state takeover of petroleum production.

Morales chose May 1, International Day of the Workers, to announce the nationalization plan. He wore a YPFB helmet as he gave his speech. Afterwards, a soldier unfurled a Bolivian flag from atop the natural gas installation.

Morales also said the state would retake majority control of Bolivian hydrocarbons companies that were partially privatized in the 1990s.

Morales is following the path of Venezuela's President Hugo Chavez, his populist political mentor, said Pietro Pitts, editor-in-chief for the Venezuela-based LatinPetroleum.com.

Chavez has also moved to exert greater control over his country's vast petroleum reserves. Most foreign companies have decided to keep producing in Venezuela, though some announced they would abandon some production.

"You can call Bolivia Venezuela Part II because it seems like he (Morales) is going to try to do the same thing that Chavez is doing," said Pitts, referring to giving the state majority control of hydrocarbons.

Ecuador's Congress last month ratified a hydrocarbons reform law designed to cut into windfall profits of foreign crude producers, among them U.S.-based Occidental Petroleum Corp.

The law would give the government 50 percent of oil company profits whenever the international oil market exceeds the prices established in existing contracts. Most of those deals were pegged to 1990s oil prices when crude was worth a fraction of today's market.

The Ecuadorean law sparked sharp reaction from Washington. A U.S. Embassy spokeswoman said recently that the law appeared to violate a bilateral investment treaty between the two nations.

[link](#)

Troops seize oilfields in Bolivian nationalization

LA PAZ (AFP) - Troops seized Bolivia's oil and gas fields as President Evo Morales issued a formal decree nationalizing the petroleum resources of South America's poorest country.

The takeover of oilfields by the army's engineering corps was announced by the top military command moments after the president announced a formal decree nationalizing the country's petroleum operations, which had been expected.

"The state is recovering its property, the possession and total and absolute control of these resources," Morales said at a May Day speech at San Alberto gas field in southern Bolivia.

Moments later, the president called on the country's "patriots" to "mobilize against any effort by any company to sabotage" the nationalization.

The left-wing leader stated that the move would be a "true nationalization" that would help the economy and generate additional jobs in Bolivia, where 70 percent of the population lives in poverty.

Morales said foreign energy companies would have to agree on new contracts with the state-run oil firm, Yacimientos Petroliferos Fiscales Bolivianos (YPFB), within 180 days.

During the transition period, the state firm would receive 82 percent of the revenues from any operations, with the oil companies getting the remaining 18 percent.

Morales indicated that "only companies that respect these new terms will be allowed to operate in the country" after the 180-day transition period.

"At the end of this period, companies that do not sign new contracts will not be able to operate in the country," he added.

Officials said the army was to assume control of the 56 oil installations in the country. The deployment of troops "seeks to ensure the functioning of oil facilities to guarantee the normal supply of energy in accordance with international agreements as well as to fulfill domestic needs," an army statement said.

Morales was elected in December on a pledge to take a bigger share of earnings from Bolivia's energy industry, which accounts for about 15 percent of its economic output.

Bolivia has the second highest natural gas reserves in Latin America, with an estimated 54 trillion cubic feet, behind Venezuela. The country produces a modest 40,000 barrels per day of crude oil.

The measure is expected to affect about 20 foreign oil companies, including Spain's Repsol, Petrobras of Brazil, Britain's BP and British Gas, US-based ExxonMobil and French group Total.

Although the move was expected to have little impact on global energy supplies, financial markets reacted by pushing prices higher.

"It's part of a trend of governments taking strident action to protect either national resources or to nationalize formerly privately owned oil resources amid the environment of very high oil prices," said Bill Farren-Price, deputy editor of the Cyprus-based Middle East Economic Survey.

"High oil prices have emboldened resource-rich governments to act in the same way that we have seen Iran challenging the West over its nuclear program and Venezuela's President Hugo Chavez carrying out a very similar maneuver regarding international oil companies there. It's part of the same trend."

The details of the plan were not immediately clear. But Morales himself has repeatedly said that the nationalization of resources would not involve the confiscation or expropriation of oil companies' assets.

The military document stated that the measure was part of an "intelligent nationalization, which implies ... the negotiation of terms of equity and justice" with oil companies.

Bolivia's move comes after Venezuela's Chavez clamped down on foreign oil companies that owe back taxes. Chavez's government also seized control of oil fields operated by Total and ENI of Italy after they rejected new operating accords requiring higher royalties to be paid to state-owned Petroleos de Venezuela SA.

Morales' announcement came two days after he and Chavez joined Cuban President Fidel Castro in Havana to sign a trade agreement to counter a US-led drive to forge a Pan-American free trade area.

[link](#)

Bolivia's Morales Asks Peru, Colombia to Halt U.S. Accords

April 24 (Bloomberg) — Bolivia's President Evo Morales asked Peru and Colombia to scrap free trade agreements with the U.S. in a bid to "save" the Andean Community, a five-nation trade bloc that accounts for one-fifth of its exports.

Chavez on April 19 said Venezuela would withdraw from the bloc because Colombia and Peru reached trade agreements with the U.S. that make the group obsolete. Trade between member nations Bolivia, Ecuador, Colombia, Peru and Venezuela totaled almost \$9 billion last year.

"It's important not to abandon the people who fight against the U.S. free trade agreement, Morales said in the statement posted to the presidential Web site. "We must save the Andean Community. To pull out would mean abandoning our people."

Bolivia exported \$463.5 million to Andean Community member nations last year, out of total

exports for \$2.67 billion.

[link](#)

2003 article

Bolivian President Falls Over Gas Sale to California

COCHABAMBA — Bolivia has once again experienced a major political and social crisis, this time ending in the forced departure of its president, Gonzalo Sanchez de Lozada. Since mid-September, a wave of protest has spread across the country demanding government action on a variety of issues but the key spark was opposition to a proposed mega-deal by a private consortium known as Pacific LNG to sell Bolivian natural gas to California.

More than 70 people have been killed in clashes with the government near the capital city of La Paz. These clashes escalated as the government sent soldiers and tanks into the streets in an attempt to break-up blockades of the highways. President Sanchez de Lozada announced a suspension of the deal until the end of the year, but it was not enough to satisfy social movements opposed to the deal and skeptical of the government.

War Over Gas

At the heart of Bolivia's current wave of protest is a proposed deal to export a portion of the country's mammoth natural gas reserves to California. Pacific LNG is seeking a deal to ship the gas out of land-locked Bolivia through its Pacific coast neighbor, Chile.

That proposal runs smack into a deep, century-old, national resentment over Chile's seizure of Bolivia's last remaining access to the sea in 1879. School children here are still taught that the nation must reclaim its ocean.

Even if the gas were piped to the Pacific some way other than Chile, polls say a majority of Bolivians would still oppose the gas deal with California. The International Monetary Fund (IMF) and others claim that the sale would be a cash boon for a country that really could use one. But average Bolivians aren't buying the argument that those benefits will ever trickle down to them.

"The money will all just end up in the pockets of the President, the ministers and other politicians, says Lourdes Netz, a former Roman Catholic nun. "Look at all the public companies that have been privatized. Have the people benefited?"

Under the terms of the agreement with the Bolivian government, Pacific LNG would invest \$5 billion to build the project while the Bolivian government would receive royalties of 18%. Critics argue that under these terms the impoverished country would find itself on the losing end, despite the current high price of natural gas. **Bolivia deregulated its economy in the mid-1990s, under the auspices of the IMF and an earlier tenure of Sanchez de Lozada.** These reforms cut the royalties that the government would receive from half to less than one fifth of the revenues from gas sales.

Bolivia's political system is also notoriously corrupt Transparency International rates it among the most dishonest in Latin America. When local corruption meets big international conglomerates looking for a way to pipe away natural resources at rock-bottom prices, the result is usually a sweetheart deal that leaves the dealmakers happy and the public left in the dust.

Many people here say that its essential to first get a political system that will actually sell the gas in the people's interests, before the gas is sold.

__Destination: California __

Pacific LNG, the consortium behind the project, is composed of the British multinationals BG Group and Pan-American Energy itself composed of BP and Bidas and the Spanish giant Repsol-YPF. The \$5 billion gas export plan consists of a 700km pipeline from Bolivia to a port in Chile from where gas would be shipped to Mexico. There the shipment would be converted from its liquefied form back into a gas by the American company Sempra Energy Corp. and imported in California via a pipeline running from Baja California.

The San Diego-based Sempra has been in negotiations since December of 2001 with Pacific LNG for a 20-year contract amounting to \$7 billion. Sempra has been criticized for gouging consumers during the California energy crisis by inflating the price of gas and still faces investigation by federal and state regulators. It has been rushing to build gas terminals in the US and Mexico in response to the high price of natural gas while opposition to its projects mounts from groups like Greenpeace Mexico.

BP, Repsol-YPF and the BG Group have similarly unsavory records. BP, formerly known as British Petroleum, has been accused by the European Parliament for complicity in human rights abuses by the military in Colombia, and has been involved in environmentally damaging projects all over the world.

Similarly Repsol-YPF has built destructive pipelines in the Ecuadorian Amazon and on indigenous land in Colombia, both in conjunction with Shell and Occidental Petroleum, and independently on the land of the Uwa people. In 2002, the Mapuche people in Argentina sued the Spanish oil conglomerate for \$404 million over the irreversible damage of indigenous lands.

The current Bolivian gas pipeline is not the first for the BG Group. BG was involved in a Bolivia to Brazil gas pipeline through the Amazon that was partially financed by loans from the World Bank and Inter-American Development Bank. According to geographer Derrick Hindery, the project was constructed in spite of the saturation of the energy market in Brazil. It led to increased exploration, forest clearing and settlement along the pipeline perimeter, which includes delicate rainforest ecosystems and the lands of Guaran, Chiquitano, and Ayoreo indigenous communities.

Although the Bolivia-Chile pipeline is suspended for now, BG's Petrina Fahey says that they are optimistic about the future nonetheless. BG believes that Bolivia's gas reserves are key to the country's future prosperity and our aim is to continue to work with the government to deliver gas projects which support the best interests of the people of Bolivia.

Fahey adds that Pacific LNG's actions are not culpable for the upheaval. The current unrest in Bolivia is a political matter, and it would therefore be inappropriate for BG to pass comment. The situation is regrettable and BG hopes that a peaceful solution will be achieved shortly.

In Bechtel's Footsteps

Bolivia's "gas war" bears many similarities to the now-famous deal three years ago in which the California-based engineering giant, Bechtel, was given control of the water system of Bolivia's third largest city, Cochabamba. Within weeks of taking control of the city's water, Bechtel hit poor families with huge increases in their water bills, enough to spark a popular rebellion and chase Bechtel out of the country.

In their closed-door negotiations with the Bolivian government, Bechtel officials were no doubt given reassurance that the government could handle any protests that might erupt. To defend Bechtel's contract the Bolivian government imposed a state of martial law and fired live rounds at its own people. Yet not even that was enough to make Bechtel's Bolivian deal stick.

Pacific LNG seems intent to follow in Bechtel's footsteps, having tanks sent out in their favor even before the first pipe is laid in the ground. However, the corporations eager to be the multi-billion dollar gas link between Bolivia and California might want to reflect a bit on whether they want to really follow Bechtel's lead. However clear the words may be on paper, an agreement with the Bolivian government on gas won't mean very much if it faces widespread public opposition.

Tip of a Larger Iceberg

One of the best ways to understand Bolivia is to think of South Africa in the last days of apartheid in the early 1990s. In Bolivia the vast majority is unbelievably poor, mostly Indian, and struggles for basic survival. The country is run, however, both politically and economically, by a tiny, wealthy elite that seems mostly intent on protecting its privileges. One Bolivian lives in adobe houses without running water. The other vacations at Disney World.

This conflict erupts periodically in violent clashes as labor groups, coca farmers, teachers, university students and other sectors take to the streets to protest government policies. Bolivia's last serious eruption of protest, which left 33 people dead, was in February, over the government's implementation of an IMF-pressured economic belt-tightening package.

The pattern repeats itself over and over again. Social movements make demands and the government ignores them. Those movements then take to the streets and the government sends in police and soldiers. Eventually people get killed and the Catholic Church persuades the government and movement leaders to sit down for talks. The government makes a series of promises, which it then breaks, and the cycle begins once more.

While Bolivia's social movements enjoy broad public support for their demands - a fair deal or no deal on gas, opposition to privatization, etc. - the non-protesting majority is growing weary of their tactics. As the old saying goes, "When you have a hammer everything looks like a nail." In Bolivia, every protest seems to turn into highway blockades and other disruptions that hurt the poor more than anyone else. Unfortunately, it seems that massive disruption is the only language that Bolivian political leaders can hear.

If Pacific LNG follows Bechtel's path - watching on CNN as Bolivia falls into bloody chaos on its behalf - its dreams of a California gas deal will also fall into chaos and its public reputation, deservedly, will pay a heavy toll. Instead, it should tell the Bolivian government to put away its tanks and tell the Bolivian people that it wants to make a deal worthy of broad public support. Bolivia's new President, former Vice-President Carlos Mesa, vowed to support a binding public referendum on the gas deal the night he took office.

Support for a revising the deal has also come from key California consumer groups. "We can't solve our energy problems by purchasing gas that has been in effect robbed from other countries," said Nettie Hoge, executive director of The Utility Reform Network, California's largest utility consumers' advocacy organization. "Pacific LNG has the power to demand that the Bolivian government stop shooting at protestors and the power to negotiate a fairer gas deal for the Bolivian people. They should do both as soon as possible."

[link](#)

Bolivia invites China to develop gas reserves

AP , BEIJING

Tuesday, Jan 10, 2006, Page 7

Advertising Bolivian President-elect Evo Morales has invited energy-hungry China to help develop his country's vast gas reserves after his government carries out plans to nationalize them, a Morales adviser said.

Morales met with State Councilor Tang Jiaxuan (唐家璇), a senior Cabinet official, on Sunday after arriving from Europe on a world tour. He met yesterday with President Hu Jintao (胡锦涛) and China's commerce minister.

"For the government of President Morales, hydrocarbons is a fundamental topic, in particular the industrialization of natural gas," said Carlos Villegas, an economic adviser to Morales.

"He invited the Chinese government, through its state companies, to participate," Villegas said.

Morales has alarmed Western governments with his plans to nationalize Bolivia's gas resources.

Villegas said Bolivia wants private companies to remain as partners to develop them and will renegotiate existing contracts following Morales' inauguration on Jan. 22.

Villegas said Morales wants to develop industries to turn Bolivia's gas into more profitable products such as cleaner-burning diesel instead of exporting it as a low-priced raw material.

"We have made the proposal in Spain and France, and now in China," Villegas said. "We are offering. It doesn't mean that we are relying only on China."

The left-leaning Morales, a former Indian activist, said he hoped to build ties between Bolivia's socialist movement and China's ruling Communist Party.

"I want to express my profound admiration for the transformations that you have made through the Chinese people's revolution," Morales said during a meeting with Wang Jiarui (王家瑞), head of the Chinese Communist Party's international liaison department.

Morales' visit comes amid a campaign by Beijing to develop ties with nations throughout Latin America as new sources of fuel, raw materials and new markets for its export dynamo.

China has signed deals to develop Venezuelan oil fields, and its investments in the region include a Brazilian steel mill and copper mines in Chile and Peru.

For their part, Brazil, Argentina and other nations look to China as a source of investment and markets for their own exports.

Beijing has become a regular stop for Latin American leaders traveling with large business delegations.

China and Brazil have a joint program to develop and launch scientific satellites.

The growing Chinese presence in the region has led some to question whether Beijing wants political influence. Beijing has close relations with presidents Fidel Castro of Cuba and Hugo Chavez of Venezuela, both frequent critics of Washington.

[link](#)

*I recommend that you take a look to the 2003 article, and think about the real problem Bolivia brings for US: Bolivia have the 2nd biggest natural gas reserves after Venezuela, and is going to go under state control. Now that **will** enter in **direct** conflict with construction of a pipeline heading to California(US)*

Again what we are seeing around the world is the same: more and more countries are showing that having other clients for their products their prefer to sell to them rather US!

Once again who are we seeing in and South America countrie? China! While US is occupied in opening military bases everywhere, China opens new business...

So we are seeing that US is loosing for the China/Russia alliance, because Russia is there too, Russian Gazprom is proposing to invest in exploration and production.

Is Bush trying to enter in Middle East, Central Asia and New Europe? well let's revise that:

Bush have deep growing problems in Iraq, loosing ground in Central Asia and the "New Europe" is seeing new pipelines surpassing them.

More: Bush is having more and more problems in Africa and is definitely loosing ground in "their" backyard, South American countries!

where is bush going to get the energy for his country? i suggest new SUV's to the US market: SUV's with pedals...

Comments by FromPortugal

4 comments

Only comments

Article and comments

Comments per page

Good article...
by kamau on 01.05.2006 [23:40]

...and very good commentary, FromPortugal.

USA schemes and plots
by Yasis on 02.05.2006 [00:10]

This USA, trying to sow discord among the Andean Community, to prevent a latin american bloc from forming to counter it.

Good for China
by Iranian-Shi'ite on 02.05.2006 [01:05]

China just won oil victories in Nigeria and Kenya.
China already had beat the USA in Iran.
Now China is going to beat the US in Bolivia; and China is gaining ground in Venezuela.

Isn't there also a pipe line that will be built between Siberia and China? Ha!

Any one know which way Central Asia is leaning?

Cuban Commandos
by Iranian-Shi'ite on 02.05.2006 [01:11]

How much do you want to bet that Cuban commandos are mixed in with the Bolivian soldiers in case the USA sends in Airborne Rangers to try to take the oil and gas fields.

The Cuban commandos will make the Rangers eat their own livers.

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