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Bolivia Strengthens Cooperation With Brazil & Argentina To Boost Natural Gas Exports

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In Late July, Bolivia's president-elect Gonzalo Sanchez de Lozada met with top-level Brazilian officials to confirm that his government will carry forward efforts to jointly construct a major pipeline that will directly link Bolivia's vast natural gas fields with Brazil's southern industrial states. Also in July, Bolivia and Argentina signed new accords that will eventually allow those countries to become partners in the sale of gasoline to their South American neighbors. In February 1993, Bolivia and Brazil signed a landmark contract to jointly construct and operate a 3,500 kilometer gas pipeline that by the year 2000 will allow Bolivia to export more than 16 million cubic meters of natural gas per day to its neighbor. The pipeline which will run from Bolivia's gas fields in Santa Cruz to Rio Grande do Sul in Brazil will eventually be used to sell fuel to local distribution centers in Brazil's six southern states: Mato Grosso do Sul, Minas Gerais, Parana, Sao Paulo, Santa Catarina, and Rio Grande do Sul. Once fully operational, Bolivia expects to earn at least US$90 million per year from the gas sales (see Chronicles 02/04/93, 03/11/93, 04/15/93). The project is a cornerstone of Bolivian efforts to increase the production and export of natural resources, since heavy exploration in recent years revealed vast natural gas reserves in Bolivia. According to Herbert Muller, Minister of Energy, enough drilling has been done to "prove and certify" 5.2 trillion cubic feet of gas, meaning that natural gas reserves now surpass Bolivian crude oil reserves by a ratio of 4:1. Consequently, Bolivia hopes to become a key supplier of gas to many of its South American neighbors, beginning with Brazil. Reflecting the project's strategic importance, Bolivian president-elect Sanchez de Lozada who will take office on Aug. 6 visited Brazil July 19-20 to discuss future cooperation accords, particularly emphasizing his interest in pushing the pipeline project forward. Sanchez de Lozada met with Sao Paulo state governor Luiz Antonio Fleury Filho to evaluate pipeline construction blueprints, which contractors from both sides completed at the end of July. He then met with President Itamar Franco and top-level cabinet officials to discuss alternative sources of funding for the project. Construction of the pipeline is estimated to cost at least US$1.9 billion, about half of which will come from government coffers and private contractors in the two countries. The state oil companies from both nations Petrobras in Brazil and Yacimientos Petroliferos Fiscales Bolivianos (YPFB) hoped to finance the remainder of the project with loans from private banks, the US Export-Import Bank, and multilateral lending sources, such as the Inter-American Development Bank (IDB) and the World Bank. Nevertheless, both the IDB and the World Bank have conditioned their participation on agreement by Petrobras to accept a minority share in Petroferti, the new company which will build and operate the pipeline. At present, Petrobras has a 51% stake in Petroferti, with the remaining 49% of shares divided among private firms in Bolivia and Brazil. "The pipeline is essential to Bolivia," Sanchez de Lozada told Brazilian officials during his visit. "We cannot bow to the rigid and dogmatic demands of the international institutions. We must find creative solutions to the funding problem." The pipeline project is also encouraging bilateral cooperation in other areas. On July 28, the two governments inaugurated a new direct telecommunications system to facilitate rapid, low-cost communication essential for the pipeline project. Until now, all international calls between Brazil and Bolivia were routed through the Intelsat satellite network. With the new system in place,
authorities estimate communication costs between the two countries will drop by about 25%.
Meanwhile, in late July Bolivia also signed a new accord with Argentina that should boost natural
gas exports even more. Under the agreement, both governments are committed to act as partners in
contracts to supply natural gas to other South American countries beginning with Brazil and Chile
and later will seek to jointly market gas to Pacific Rim countries, to be exported via ports in Chile.
Argentina is also considering investing in the Brazil- Bolivia pipeline, which Bolivia hopes would
partially offset the need for loans from the multilateral banks. By investing in the project, Argentina
could gain access to the pipeline to market its natural gas in Brazil. In a related development, on
July 29 Bolivia and Argentina signed another accord committing both countries to cooperate in the
exploration and eventual exploitation of mineral reserves along their common border. (Sources:
New York Times, 07/19/93; Spanish news service EFE, 07/28/93; Notimex, 07/30/93; Agence France-
Presse, 07/20/93, 07/28/93, 07/29/93, 08/04/93)

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