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INTERNATIONAL TRADE

Bolivia rift overshadows summit

European Union nations, meeting with nations from Latin America and the Caribbean, criticized Bolivia for its nationalistic policies and urged it to keep its markets open.

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Associated Press

VIENNA - Bolivia's recent decision to nationalize its natural gas sector -- and a burgeoning rift with Brazil over the abrupt move -- overshadowed a summit Friday that drew leaders from the European Union, Latin America and the Caribbean.

The 58 leaders closed the summit pledging to boost economic and political ties among the regions.

But EU leaders warned Bolivia -- and Venezuela, which recently announced plans for a new tax on foreign oil firms -- that their increasingly nationalist policies could clip economic growth and urged them to open up their markets to promote trade.

"There are always two possibilities in life: Either you want to open your markets or you don't want to open your markets -- it's your choice," Austrian Chancellor Wolfgang Schuessel said. "But the reality is . . . open market societies are better in their performance than closed, restricted structures."

NEW CONTRACTS

Bolivian President Evo Morales announced May 1 that the country would nationalize its gas sector, giving foreign oil firms six months to negotiate new contracts -- or leave. He said the move was based on a desire to put Bolivians -- not foreigners -- at the receiving end of Bolivia's rich resources.

On Thursday, he accused Brazil's state-run oil firm, known as Petrobras -- the largest foreign investor in Bolivia -- of operating illegally, under "unconstitutional" contracts.

Morales, speaking at a news conference before the start of the summit, also warned that some companies might not be compensated for their investments in Bolivia.

On Friday, Brazil's foreign minister, Celso Amorim, said in response that his government had not ruled out pulling its ambassador to Bolivia in protest. He urged Morales to ensure compensation to Petróleo Brasileiro SA if Bolivia seizes company assets there.

"We will act firmly but not hastily. Don't wait for Brazil to do it precipitously, but this does not exclude a strong reaction," Amorim told reporters.

At the close of the summit, Morales said he would meet with Brazilian President Luiz Inácio Lula da Silva this morning -- before EU talks with regional groupings such as Mercosur, the Andean Community, Central America and Caribbean nations -- for a "very important" meeting.

"We can have differences; I don't know President Lula's version. If he said he's indignant, that could be his government's position," Morales said. "We could also be indignant with companies that exploit our natural resources."

He added that he wanted Petrobras to stay in Bolivia and to retain Brazil as a key ally.

At the same time, Morales announced that he and Venezuelan President Hugo Chávez would meet Thursday to sign accords between Bolivian and Venezuelan state-owned oil companies to extract natural gas in the Bolivian regions of Chaco, Santa Cruz and Cochabamba.

Chávez, meanwhile, indicated that his government may seek a larger ownership stake in key heavy-oil projects run by foreign companies in the oil-rich Orinoco River basin.

British Prime Minister Tony Blair called on Morales and Chávez to show the world they were using their energy resources responsibly.

"The most important thing is that everyone uses the power they have responsibly, that is what we want to have happen," Blair said at a news conference.

COOPERATION

In their declaration, the summit leaders said, "While acknowledging the sovereign right of countries to manage and regulate their natural resources," they would "continue and strengthen" cooperation to set up better regulation of their respective energy sectors.

However, the declaration did not provide details on any practical measures on building economic ties between the regions.

The European Union is Latin America's second-largest trading partner, after the United States.

The EU did manage to agree with Central American nations, including Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and Panama, to launch free-trade talks

and to hold special negotiations with four Andean countries to resolve problems in beginning similar talks with them.

Peru's President Alejandro Toledo said he hoped his country, along with Ecuador, Colombia and Bolivia, could achieve a free-trade pact with the EU by 2008.

"There are always barriers on the way to integration but this cannot hinder the ultimate goal of integration," he said. "Different opinions are normal."

At the talks, the leaders also agreed to better coordinate issues such as U.N. reform, terrorism, drugs and fighting poverty.