

'Great Projects' Shape New S. American Agenda

by Gretchen Small

A seminar on "Brazil And The Integration Of South America," sponsored by the Brazilian Embassy in Washington, D.C. and held at the Inter-American Development Bank on Oct. 24, revealed that the determination to develop South America as a single economic unity, through the construction of infrastructure projects to crisscross the continent from north to south and east to west, is taking shape as a political force with the potential to change the continent's future.

The South American heads of state, meeting in their first-ever summit in Brasilia, on Aug. 31-Sept. 1, 2000 at the initiative of the government of Brazilian President Fernando Henrique Cardoso, agreed to launch a drive to integrate South America through great regional infrastructure projects, outlined in the Plan of Action issued at the summit's conclusion. The speakers at the Brazilian Embassy's Washington seminar made clear that, unlike many decisions taken at such summits, the infrastructure drive has not been relegated to collecting dust on a forgotten shelf.

An institutional structure has been created to centralize coordination among the governments, named the "Initiative For The Integration Of Regional Infrastructure In South America," known by its Spanish acronym, IIRSA. Several all-South American meetings of the ministers and/or technical staff from the cabinet ministries responsible for the various aspects of infrastructure (energy, telecommunications, transport) have been held since the summit, out of which 12 "integration and development axes," plus six projects to harmonize national policies and regulations in areas such as border crossings and electricity markets, have been identified as the framework for planning.

Technical staff from the IIRSA project have held meetings with national authorities responsible for infrastructure planning in each of 12 governments of South America, to prepare a systematic inventory of each country's needs and expectations, and to identify the bottlenecks which need to be eliminated. In December, a meeting of the IIRSA Executive Steering Committee (formed by ministers) will be held in Buenos Aires, Argentina, to elaborate a full regional strategy, incorporating the national discussions.

These largely administrative steps, however, do not really capture what has come into being in South America. As the afternoon session of the Brazilian Embassy seminar made clear, a determination is emerging to build, to bring about progress, to think big. This break with the pessimism and small-mindedness which has predominated Ibero-American

thinking for the past two, horrid decades of International Monetary Fund (IMF) looting and free-trade rule, was the most exciting feature of the seminar.

This was best conveyed by Antonio Juan Sosa, infrastructure corporate vice president for the Andean Development Corp. (CAF). He began his presentation by saying that he wanted to say something personal. People must understand that "something new" has come into being which did not exist before, and which has new energy and enthusiasm: a network of officials across the region, who share a strategic vision for the development of South America as a whole. Because we are looking at creating regional "development basins," rather than solutions which stop at each of our borders, we are coming up with new ideas, he said.

This strategic vision, various speakers stressed, does not look at infrastructure as the means to connect two remote areas to get exports out, but seeks to build large "basins of development," which can raise the living standards of those who live in the region.

Whether the participants in the IIRSA project know it or not (and there was no reference to it at the seminar), South America's project to finally open up its interior for development, parallels the great "Land-Bridge" projects being undertaken across the Eurasian continent, with which they can find useful opportunities for exchange of ideas and technologies.

Which Future Shall It Be?

In concluding his presentation, Fernando Simas Magãlhaes, Director of Andean Affairs at the Brazilian Foreign Relations Ministry, and responsible for IIRSA at the ministry, said, "We have today a great opportunity and a not smaller duty. South America can leap into the future . . . by developing the most cost-effective systems to support the flow of people, goods, and ideas. . . . Thus, we have upon ourselves the responsibility to help South America fulfill its natural and long-awaited potential." We must look at the region as a single unit: It is a dream perhaps, but a very nice one, he added.

Magãlhaes's "dream" echoes the dream which Peru's then-President Alberto Fujimori expressed so beautifully in his Sept. 1, 2000 speech to the South American summit, when Fujimori said, "I would like to think that this first meeting, convoked by President Cardoso, would become the birth certificate of the United States of South America."

Fujimori's call there for South Americans to adopt "audacious" goals, and ensure their actions be "sufficiently efficient to turn our dreams into reality," is an admonition which those participating in the IIRSA project are going to have to face, if the economic geography of South America is to be reshaped as they wish. While the reality of the global financial disintegration, and the disintegration of the entire political system of globalization with it, hovered over the seminar, no speaker dared to even mention it! Worse, the expectation, at least as publicly expressed, is that all of IIRSA's lovely projects will become reality largely through private foreign investment, as the world economy disintegrates.

Reality must be faced. Within two months of the September 2000 summit, Fujimori was overthrown by a foreign-run operation led by Wall Street's drug-linked Project Democracy and the U.S. State Department. Within four months, Argentina would have defaulted on its foreign debts, but for a \$41.5 billion bailout package from the IMF and others, announced on Dec. 31, 2000. The bailout was but the first of several schemes over the first half of 2001, each of which left the country more indebted and more destroyed than before. By October 2001, Argentina admitted it was defaulting anyway, and the country is disintegrating.

In June, Brazil, whose industrial capabilities are the most advanced which South America has available for any regional infrastructure program, was forced to order national energy consumption cut by 20%—the lawful result of years of its own disinvestment in its national infrastructure—in the vain attempt to service its ever-growing debt pyramid. That pyramid, despite all the government talk of how “different” Brazil is from Argentina, is only “different” from Argentina's by being more than double its size. And it is about to blow.

The refusal at the seminar to even mention publicly the reality of the systemic crisis, reflects the fight raging within Brazil, in particular. The Cardoso government convoked the South American Summit, and has been the primary impetus in keeping the physical integration project going. At the same time, Brazil's domestic and foreign policies, alike, are determined by the government's thus-far unshakable insistence that Brazil will stay the course of globalization, even as it disintegrates.

The seminar itself reflected this dichotomy. It was the second part of a two-part seminar series titled “Brazil: Investment Magnet, Regional Platform.” The first seminar, on Oct. 23, focussed on “Investment Flows To Brazil,” and featured Central Bank chief (and former partner of speculator George Soros) Arminio Fraga as its main speaker. The press release announcing the seminars cited Brazil's Ambassador to Washington, Rubens Barbosa, on how “the back-to-back seminars are complementary: ‘Brazil is consolidating its position as one of the leading foreign investment recipients worldwide—a tendency that should be furthered by the implementation of major infrastructure projects linking South American countries. As Latin America's main economy, Brazil is at the epicenter of this new geo-economic structure.’ ”

For the past few years, Brazil has relied heavily on foreign direct investment to pay its debts. But that foreign investment came in, almost entirely through privatizations, where foreign interests bought up (for cheap) companies which the state had built up and developed, not to build new projects or capacity. All Brazil got out of that strategy was an electricity crisis—and greater foreign indebtedness. The attempt, now, to “sell” Brazil, and South American development, as an opportunity to bring in sufficient foreign investment to allow Brazil to cover its projected \$50-60 billion current account deficit for 2002, is just plain laughable.

Unless Ibero-American leaders face up to the reality that

FIGURE 1
The Orinoco-Amazon-Plata Axis



Depicted on the map are the three great river systems which unify the South American continent. The greater part of this continental riverway is already navigable.

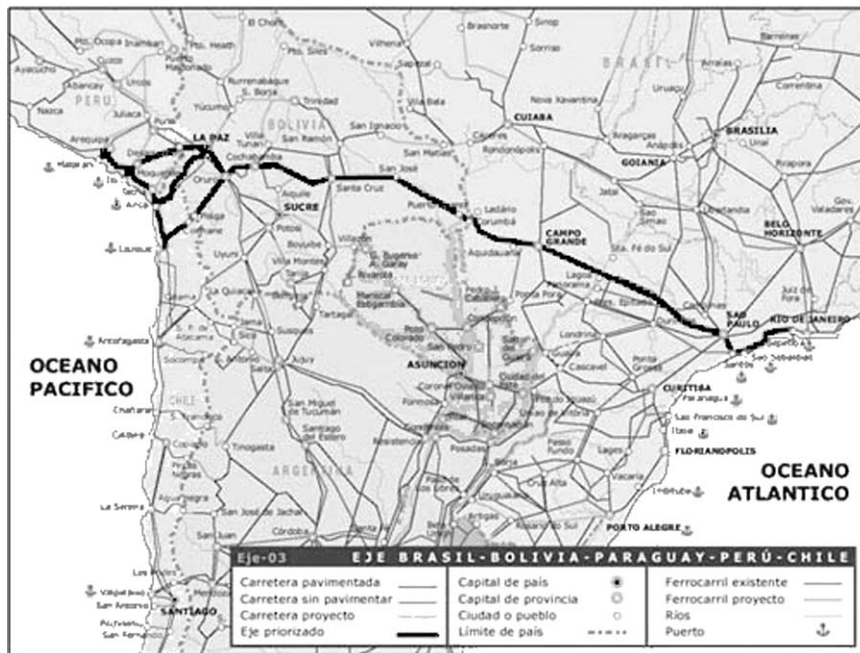
Source: IIRSA.

nothing but destruction can come out of the collapsing globalized system, these development projects will not be built. The decision has to be taken to dump the tenets of globalization and its free trade which have so wrecked the region, and they must return to nation-state economics, with its state-generated credit, state support for domestic private industries, and protectionism, as part of a general bankruptcy reorganization of the world financial system, which lifts the crushing weight of past debts from the living.

Under those circumstances, South America is a continent waiting to be built. Minister Magãlhaes pointed to South America's enormous untapped resources which lie wasted because its infrastructure has not been sufficiently developed. “In the last five decades, South America has invested much less in infrastructure than the rest of the world. This situation became even more serious in the 1980s, when the debt crisis brought cuts in financing of public works and a steady deterioration of physical infrastructure, mainly because of severe fiscal targets negotiated with the IMF,” he stated bluntly. “Meeting the demand for water and sanitation, telecommuni-

FIGURE 2

Projected Brazil-Bolivia-Paraguay-Peru-Chile Axis



The construction of a paved highway running from the Atlantic coast of Brazil to the Pacific coast is just one of seven proposed east-west routes to cross the South American continent.

Source: IIRSA.

cations, power, and transportation facilities, nowadays requires a huge investment, that needs to involve both public and private sectors.”

Roberto Giannetti da Fonseca, head of the Brazilian Chamber of Foreign Trade, reported that only 16% of South America’s trade is with itself, as compared to Europe, where intra-regional trade makes up close to 70% of its trade, and Asia, where 46% of its trade is within the region.

To meet these opportunities, 11 “axes,” or “hubs,” of development for South America have been drawn up by the IIRSA team. (IIRSA functions loosely as a network of government officials and staff from the three regional financial banks—the Inter-American Development Bank, the CAF, and the Financial Fund for the Development of the Río de La Plata Basin). A small IIRSA secretariat has been set up in Buenos Aires to coordinate activities, and to disseminate information, including through their website, with the idea of generating maximum circulation of new ideas as they are developed.)

Beautiful color maps depicting IIRSA’s preliminary proposals for these “development axes” are available on the website: www.iirsa.org. In **Figures 1** and **2**, we reproduce two of these maps, which exemplify the plans to open up the interior of the continent, largely abandoned as national economies concentrated development upon the two coasts, as

they remained trapped in semi-colonial economic status.

Figure 1 shows the Orinoco-Amazon-Plata Axis. This is a centuries-old project to unify the three great river systems which flow through the South American continent: the Orinoco River in the north, which can be readily connected to the extensive Amazon River system, which, in turn, can be linked to the river systems which run into the Río de la Plata basin. Alexander von Humboldt proposed unifying these waterways in 1799, and by 1840, the technical engineering studies for how to accomplish this had been drawn up. The greater part of this continental riverway is already navigable, requiring only the completion of a handful of major construction projects and some more minor improvements (dredging, widening the rivers, etc.) for the entire 10,000 kilometer route to be navigable.

Figure 2 depicts one of IIRSA’s east-west routes, connecting the great industrial cities of Brazil (Rio de Janeiro and São Paulo) on the Atlantic, to five cities on the Pacific Coast of Chile and Peru (Matarani, Ilo, and Tacna in Peru,

and Arica and Iquique in Chile). Named the Brazil-Bolivia-Paraguay-Peru-Chile Axis, this route would open up transportation possibilities to either of the two oceans for landlocked Bolivia, in particular, four of whose cities (Santa Cruz, Cochabamba, Oruro, and La Paz) lie along this route.

This is only one of some seven east-west transportation routes proposed to connect the Atlantic and Pacific coasts of the South American continent, through a combination of roads, railroads, and waterways.

A key component of the IIRSA maps, however, cannot be seen in our black and white reproductions. In the color editions, a swath of bright yellow extends for some 50 miles or so on either side of each of the proposed transportation routes, identified in the key as the projected “area of influence” which will benefit from each transportation corridor. The yellow on the maps brings out a concept stressed by various of the speakers at the Oct. 24 seminar; that, as Juan José Taccone of the Institute for Integration of Latin America and the Caribbean put it, the new strategic vision of South America is not interested solely in the flow of goods along a road, but seeks to bring development to the local communities which are “exposed” to the infrastructure projects, be they transportation, energy, or telecommunications. The concept parallels that of “development corridors” formulated by Lyndon LaRouche as part of his Eurasian Land-Bridge perspective.