

# The crisis of regional mobility and infrastructure between Argentina and Brazil

The international railway and the MERCOSUR route

Alejandro Rascovan  
alejandrorascovan@gmail.com

## **Introduction**

The present work analyses the critic situation of the international railway and the “MERCOSUR” highway (National route 14 and BR-290), both connect the provinces of Entre Ríos and Corrientes (Argentina) to the state of Río Grande do Sul (Brazil). The poor condition of infrastructure opens questions on regional mobility and planning of future infrastructure.

Regional mobility between Argentina and Brazil includes every transport mode, from boats (which carry most of the trade goods) to buses (that still is the most frequently used passenger carrier). However, this work focuses on the international railway and the MERCOSUR route formed by Argentina’s National Route 14 and Brazil’s BR-290.

On one side, up to the year 2009, Argentina’s National Route 14 was an undivided highway with only two lanes. With an estimate of 170.000 trucks every year, 8.000 buses and 35.000 personal vehicles, the route that connects the borders between Argentina and Brazil was over-saturated to the extent where it was called the “death route”. Between 2009 and 2013 it was transformed into a four lane highway with funds provided by IIRSA (Initiative for the Integration of Regional Infrastructure in South America). However, the route Br-290 still has 614km of undivided highway with only two lanes.

On the other side, the international railway between these countries -privatized from 1999 to 2013 to the Brazilian corporation America Latina Logistica (ALL)- suffered from constant lack of investments and a predatory attitude from ALL, making it almost impossible for transit.

MAP 1 – South America, the Argentinian-Brazilian border and the cities of Paso de los Libres - Uruguayana



Source: Alejandro Rascovan (2014).

So, the first decade of the XXI century presents many questions on how and if governments will react to this crisis and if so, what is the suitable infrastructure that should be developed and what's the relation between international political actors such as IIRSA - which, since the year 2000 has been a major player in defining the regional infrastructure that should be built in South America-, transport corporations such as ALL, and Nation-states.

Through a social science, specifically a geopolitical framework, and an analysis focused on the local scale, this work aims identify the goals of the most important actors involved in the land regional transportation infrastructure between Argentina and Brazil. Another issue is the relation between those infrastructure projects designed by the national states or regional institutions and their effects on the local scale. If a new land regional infrastructure is currently under development, the studies most focused on these two parallel situations.

### *The construction of railroads and global capitals*

Something that relates transportation and the MERCOSUR countries is the placed occupied by global capitals in railroads throughout the history. The global capitals in the 19<sup>th</sup> century were paramount to the development of railways and the consolidation of each country's economic projects. The cycle of global capitals begins in the 19<sup>th</sup> century ends in

the 1940's and 1950's with the creation of large state corporations and returns in the 1990's with neoliberalism reforms. This cycle sets ways in which states and private entrepreneurs worked with each other.

The planning of each network of railroads was strictly related to the definition of development that each political elite had. In the case of Argentina, the railway network grew connecting the productive agriculture with the main ports: Rosario, Bahia Blanca and Buenos Aires. In the case of Uruguay, Setelich (2012), remarks that:

“railroad had a vital importance in the reconfiguration of world commerce. The strategy of Extending railways in Latin America was conceived as way to transport primary goods for exporting, according to the objective of world powers, to have access to raw goods which would be industrialized and commercialized by its most advanced economies.”

That logic was also similar in Brazil. The first railways aimed to connect the productive areas of Sao Paulo and Rio de Janeiro (rubber and coffee) with the ports. The second railroad in Brazil was between Recife and San Francisco in the nordeste. The capital that made the investment had the only objective of exporting sugar. In the south, in Rio Grande do Sul, the first railway was built by the English, naming it *New Hamburg Brazilian Railway Company Limited (NHBRC)*. In 1873 began the construction of a line between the state capital Porto Alegre to the city of *Uruguaiana in the border with Argentina*. The company, with French investors, was named *Compagnie Imperiale du Chemins de Fer du Rio Grande do Sul (CICFRGS)*. Later on, in 1881, it was bought by the english changing its name to *SouthernBrazilian Rio Grande do Sul Railway (SBRGSR)*. The line only arrived to Uruguaiana in 1907, however, in 1898 was sold to a Belgian society that named the company *Compagnie Auxiliere de Chemins de Fer du Brésil (CACFB)* (Ueda, 2005).

In the northeastern provinces of Argentina (Entre Ríos, Corrientes and Misiones) the cases were similar. The first railway was of local capitals but with the support of the Brazilian bank Mauá y Cía<sup>1</sup>, then it was privatized to English capitals, then nationalized and later on sold again to English investors. The *Ferrocarril Central Entrerriano (FCCE)*, build in 1889 was financed by a credit operation in the London Stock Exchange but constructed but an engineer from the United States. The 300 km were built in two years.

Another line, the *Ferrocarril del Nordeste Argentino (FCNEA)* began its construction by acquiring a capital of £6.2 million, most of it by purchasing old debts and credits. However, the crisis of the Baring Brothers bank in 1890 was a shock to a system of global capitals investing in railways. This also affected Uruguay, were the *Ferrocarril Central del Uruguay (FCU)* was only possible by an agreement between the government and the Baring Brothers (López and Wadell, 2007; Roccatagliata, 1998)

In Paraguay, the railway was privatized in 1871 only to pay the debts of the war against Argentina, Brazil and Uruguay. The loan of £1million was conducted by the bankers

---

<sup>1</sup>The bank, founded in 1855 with seat in Rio de Janeiro was a major loaner to the Argentinian government, and most of all to the Entre Rios province. Its shareholders include industrialist from the United States and England.

*Robinson, Fleming Co.* One year later, the Paraguayan government acquired a second loan of £2million. None the less, the railway was sold to the *Rohe y Cía.* of New York. Finally the *Paraguay Central Railway Co. (PCRC)* was created by those who owe bonds from the loans of 1871 and 1872.

The system of global capitals handling railways in South America ended with the English crisis began in 1929 and trough World War 2. After that major event, Argentina, Uruguay and Paraguay nationalized their rail networks. In Brazil the State of Rio Grande do Sul had already bought the rail enterprises in 1920. In 1959 they were to be merged into one federal corporation. For forty years Argentina, Brazil, Paraguay and Uruguay shared the policy of national monopoly on railways. That system collapsed during the 1990's leaving the door open to the return of private capitals. The policies dictated by the IMF led to savage adjustments on the state expenditure, the privatization of public owned companies and the suppression of almost every single rail service in the continent. As we've explained before, in the MERCOSUR area, the Brazilian ALL was the owner all the railways in southern Brazil and centre and north-eastern Argentina. During the 2000's new waves of foreign investments arose in the region. For example, in Argentina during the past ten years, at least four times Chinese investments in railroads were announced in public media or announced by the government. Since China has become interested in reducing the cost of local transportation for the goods that its interested in trading, a new geopolitical conflict arise, as the amounts of Chinese investments is difficult to reject by any of MERCOSUR governments, but, the planning, and the use of that infrastructure would not be only dictated by national interest but by a foreign power, just as it was all over the region in the 19<sup>th</sup> century.

#### *The "MERCOSUR" highway (National route 14 and BR-290)*

The BR 290 crosses the state of Rio Grande do Sul, from east towards west and the border with Argentina. The 720km highway carries most of the traffic between Argentina and Brazil, but also Brazil and Chile. None the less, only 120km are doubled, the rest remains with a single lane. This highway was built during the 60's and 70's following the ancient path used since the Spanish colony. Later on, in the 1990's decade, the BR 290 was privatized only between the cities of Osório and Porto Alegre, to Concessionária da Rodovia Osório – Porto Alegre S/A – Concepa. One of the main actions accomplished by the road concessionary since 1997 was the widening of the 120 km which we have already mentioned. However to this day, the 620 km from Uruguayana to Porto Alegre remain in conditions not suitable for the heavy traffic.

The BR 290



Source: <http://www2.transportes.gov.br/bit/02-rodo/3-loc-rodo/loc-rodo/290.htm>

On the Argentinian side, the RN14 was, until a few years in the same condition as the BR290, collapsed, with only 7,30meters wide in both directions and with the surname “death route”. The heavy traffic (trucks and buses) made it impossible and danger to circulate in. Since 2005, and through a project of IIRSA and a loan from the IADB (Inter-American Development Bank), the RN14 became a two lane in each direction highway. However, this new project did not include the 1127 long but only 496 until the border with Brazil.

## National Highway 14



We consider that there is no MERCOSUR highway, but two separate and with very different conditions, routes linking Brazil and Argentina, but mainly Sao Paulo to Buenos Aires. It is interesting to single out, that of the land commerce between these two countries, 98% is by trucks. Both the railway and the routes were first connected in 1945 when the bridge between the cities of Paso de los Libres and Uruguayana was opened. Since that moment, the trains started losing the competition to the trucks. The 1960's decade showed the expansion of the paved routes and the first signs of a will to destroy the rail networks.

*Regional Transportation Infrastructure in South America since the 1990's*

When it comes to regional integration in South America, there is a before and after MERCOSUR. This regional block between Argentina, Brazil, Paraguay, Uruguay and Venezuela, meant institutionalizing political and economic objectives in the region as never before. Later on, the development of UNASUR was aimed to consolidate integration of all South American countries. However, these advances in regional integration can't be compared to the scars symbiosis in transportation, more specifically in railroads.

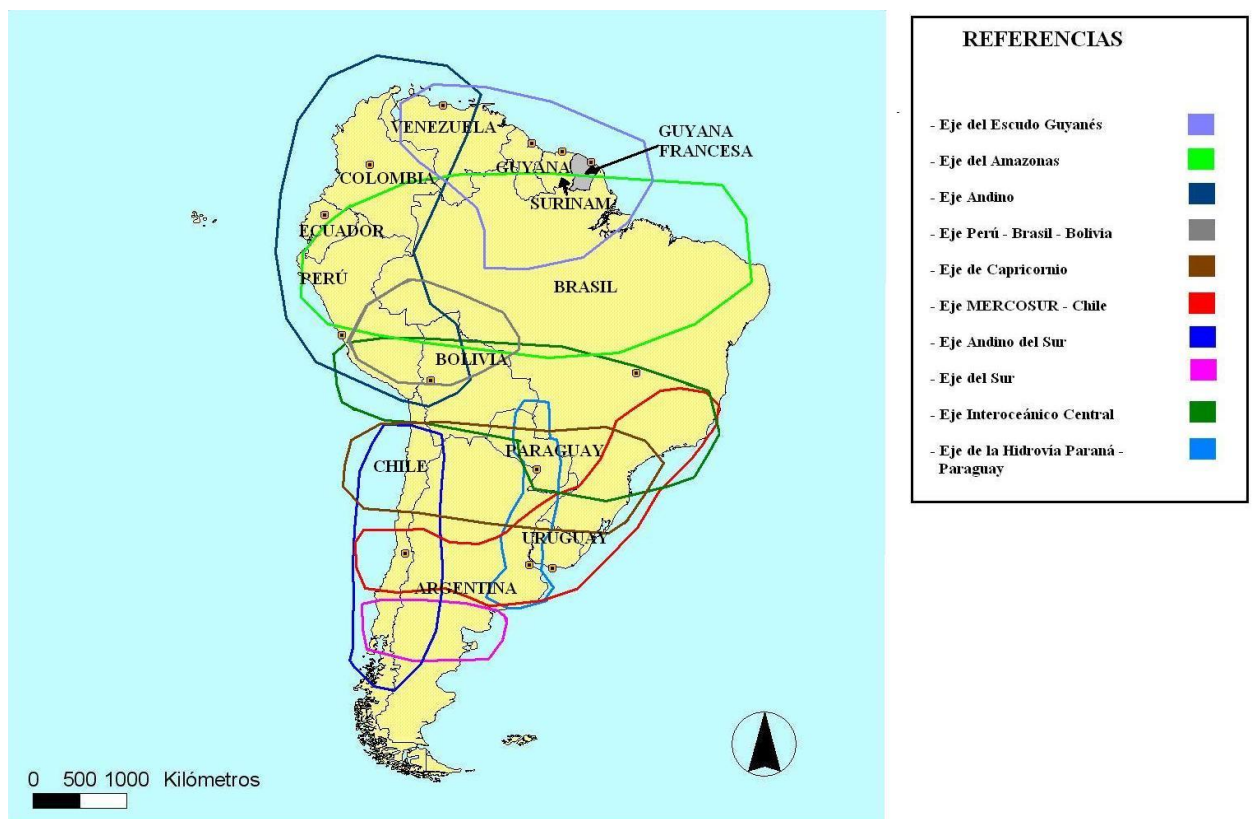
For nearly 150 years, railroads have been planned by the states with the only purpose of serving national interest. The railway lines between the founders of MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) never characterized for their connectivity, so, it is a valid hypothesis that there is not a railway network in MERCOSUR.

However, with the creation of MERCOSUR a new way of doing politics was created. States began to have meetings according to different subjects. In MERCOSUR the Work Group N°5 was in charge of transportation and infrastructure. Even though MERCOSUR had the capability of making policy on transportation and infrastructure, it never happened. In the

year 2000 with the creation of IIRSA, the OAS and the IADB became two institutions whose policies were taken into consideration by states through IIRSA's lens. The objective of IIRSA was to perform group actions towards the integration and modernization of regional infrastructure in order to stimulate development of isolated areas as well as empower those territories.

So, in the context of IIRSA, the ministries for Transportation, Energies and Telecommunications of the 12 South American states elaborated a "Plan de Acción" (Working Plan) in which the actual work (and the continent) was to be divided into Axis of Integration and Development (EIDs).

This EID's meant new geo-economic references for the territorial planning, complemented by the development of Sectors Integration Processes (PSI), so to identify the spaces and search for resolutions, legal and institutional, so to improve the competitiveness and the sustainability of the region.



These axes of development from IIRSA are a brand new way to policymaking in the planning and the management of territories. For example, the Axis of Capricorn is approximately around the Tropic of Capricorn, located between the 20 and 30 degrees of south latitude, having in the important ends harbour facilities as in the Atlantic Ocean and the Pacific. In addition IIRSA remarks which should be the future of the region: "the dynamics of the Axis will be determined by: the power interchange, the increase of the transport of load-passengers and the development of the sub regions of the Axis associated to agriculture (soybean), the metal mechanics industry and the mining and non-mining extractive activities".

Another Axis is the Hidrovía Paraguay-Parana. Within this Axis, three railway projects consider that are in different state. A loan was approved for 166 million dollars for the renovation and/or improvement of routes between Posadas and Asuncion thus to be able to link Asuncion with Buenos Aires. But some of that railway was privatized to a Brazilian conglomerate called América Latina Logística<sup>2</sup>, who, in the case of a renewal of the tracks, would have been capable of monopolizing the commerce by train between the Atlantic and the Pacific.

During the 1990's ALL also acquired the concession of the federal railway network in Brazil for the states of Parana, Santa Catarina and Rio Grande do Sul. It also purchased from Buenos Aires to the Pacific Railroad, the former San Martin routes, consolidating then a network of more than 21,000 km, covering from Mendoza to Porto Alegre. It is within a global framework where the value of the soybean keeps augmenting, that ALL is profitable. This company also counts on multimodal terminals in cities like Zárate (Argentina) and Uruguiana, Porto Alegre and Curitiba (Brazil).



*Local and global, from International Relations to Geopolitics*

When considering the most important traditions in International Relations (IR) theory and Regional Integration theories territories are almost invisible. Whether it is the traditional debate from K. Waltz (1957) about the three images or E. Hass' functionalism (1958), the premise was that the focus should be to study the most important player in the international system.

<sup>2</sup> América Latina Logística (ALL) is a Brazilian holding company that operated railway lines in Argentina (1998-2013), and stills operates in Brazil (1997-) and also provides transportation services such as logistics, intermodal transport, port operations, movement and storage of merchandise, administration of storage facilities and general storage.



Therefore, the relations (tensions) between global and local scales were almost invisible. When considering Hass' theory, the spillover expected shows how the process or regional integration has a unilateral direction, from top to bottom. In the same context, neorealism expresses that the international system is the centre of the analysis, but considering States at the core<sup>3</sup>.

The bridge between IR and Geopolitics was well treated by Agnew (2006) who considered three tendencies on the relation between IR and Geography. The first one is centred on constructivism and realist that are interested in transcending the state-centrism. The second one is the traditional geopolitics from Cold War; and a third one that takes into consideration world politics, territories, networks and fluxes.

Another interesting approach is considered by Arroyo Pichardo (2013). That view focus on the complexity of the relations between global and local and lead to an analysis of the tensions and the risks of global politics on local territories. To introduce the notion of risk leaves behind the impartiality that IR pretends to have. So, it seems necessary for IR to interact with concepts outside their "comfort zone" if a real understanding of global – local processes is the objective.

During the 1980's emerged the term *glocalization*, defined as the "process by which local communities respond differently to global changes"<sup>4</sup>. So, if global and local scales are to be redefined, then Castells (1997) concept of network society becomes relevant, as it combines both spaces of flows and timeless times. Then, according to Bauman, *glocalization* implies a re-stratification of society based on freedom and movement (Bauman, 1998). It is also a combination of de-territorialization and re-territorialization. It is the increasing economic activity outside and over the level of the nation-state (as internationalization of capital).

Besides, according to Bauman, *glocalization* also implies a double path of globalization, for some, and localization, for others<sup>5</sup>. This is the core of Bauman's approaches to *glocalization*. The consequence of this development is a polarized world. Localized people are tied to specific territorial spaces and have an inferior existence with fewer opportunities to develop.

So, the geographic space is formed by and evolves from a set of relations that are established on the terrestrial surface. The geographic space appears, then, as the backbone of the *systems of relations*, some of these of physical elements and others of the human activities

In the following section, we will consider whether the development of regional transportation, mostly railroads might be considered as an emergent tendency within a capitalist dynamics that tends to the weakening of the local and national scales.

According to Brazilian geographer Milton Santos (1996, p. 271), the global thing does not exist but as an intellectual construction. The consequence of this process is a territorial rupture from which the selectivity of the capital determines the territorial anatomy

---

<sup>3</sup> Some interesting perspectives on Regional Integration theories can be found in the work of Malamud and Schmitter (2007)

<sup>4</sup> <http://www.encyclo.co.uk/define/glocalisation>

<sup>5</sup>For example, cities in the frontiers fit precisely in this definition, as they include national institutions, adapted frontier activities and inhabitants working on logistics, customs, and border military forces and, on the other side, international corporations that profit from MERCOSUR legislations to take part in international commerce.

(development/underdevelopment). In this context, the 1990's shown the arisen of a new territorial specialization of the production matched with the formation of economic blocks.

The idea that social life is focused on process and in an eternal state of change, transformation and reconfiguration is crucial in this debate (Harvey, 1990). If the objective is to understand dynamics and process then the analysis cannot start from one single scale, local, national, regional or global but it has to comprehend them as part of a whole (Swyngedouw, 2004). Swyngedouw's interpretation on scales (2004) is important as it considers the struggle between global and local not only in the organization of societies but also within the political and academics rhetoric. He emphasizes on the struggle and on how the arena where is played is the reconfiguration of special scales. So scales and also economic fluxes and networks are redefined within the process of *glocalization*. This same process includes the de-territorialization/re-territorialization of capitals<sup>6</sup>.

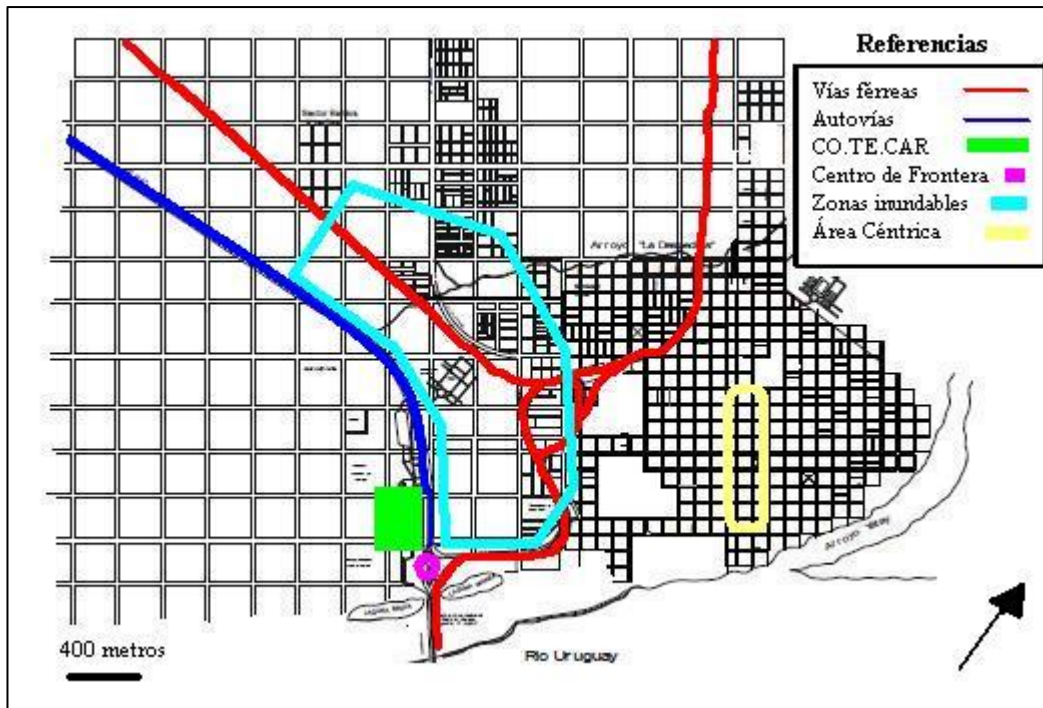
Territorial economies, as Veltz (1996: 8) explains, occur as a process of loss of hierarchies and specialization of centres and nodes that fulfil different specific roles within social networks. We consider railroads in MERCOSUR after the 1990's as a social network rather than a material network of rails crossing the borders.

So, that network that is MERCOSUR has different layers, levels, and transportation is in the middle of public debates about territorialisation (Subra, 2007:7). This means that a geopolitical analysis, meaning understanding the different forces and power relations that participate in politics, is possible to a better understanding of regional integration and its effects on local territories. Those effects became clear in Paso de los Libres, when the construction of the RN14 new lanes, changed the natural derange of the city and some neighborhoods started to flood.

## Paso de los Libres

---

<sup>6</sup> On this will comment afterwards, however is important to remark that the Argentina/brazil border provides with a perfect example. The international railroad privatized to the Brazilian corporation ALL has the monopoly on railways in center/east Argentina and all of Brazil's south.



Source: Alejandro Rascovan, 2014.

*The COSIPLAN (South American Council of Infrastructure and Planning) – IIRSA and UNASUR*

The UNASUR (South American Nations Union) is an integration political instrument formed by all twelve countries in the continent. Its conception began also at the Presidents’ Summit of Brasilia in 2000 however; UNASUR had different ambitions that MERCOSUR, focusing on security and democracy issues. It was also at the Brazilian capital that in 2008 the Constitutive Treaty of UNASUR was signed.

The institutional framework of UNASUR included different Councils on different areas. One of those was infrastructure. Its main objective is “to develop infrastructure for regional integration recognizing and following the achievements and advances made by IIRSA and include them into the council’s work”

In 2010 the COSIPLAN first published the results made by IIRSA and the Axis of Integration and Development. At the end of that year, the active projects were 524 with an amount of US\$96.119,2 million in investments, almost 40% to the MERCOSUR-Chili Axis.

Fig. 1: IIRSA’s projects and investments 2004-2010(million US\$)

Year	Number of projects	Estimated investment
2004	335	37.424,80
2007	349	60.522,60
2008	514	69.000,00
2009	510	74.542,30

<b>2010</b>	524	96.119,20
-------------	-----	-----------

Source: www.iirsa.org

Fig 2: IIRSA projects and investments by Axis of Development (million US\$)

<b>EID</b>	<b>N° Groups</b>	<b>N° Projects</b>	<b>Estimated Investments</b>
<b>ANDEAN</b>	10	64	9.343,5
<b>CAPRICORNIO</b>	5	76	8.979,1
<b>RIVERS PARAGUAY- PARANÁ</b>	5	93	6.514,8
<b>AMAZONIAN</b>	7	64	6.099,9
<b>GUAYANA</b>	4	18	4.540,3
<b>SOUTHERN</b>	2	27	2.738
<b>CENTRAL INTEROCEANIC</b>	5	61	4.112,7
<b>MERCOSUR- CHILE</b>	6	105	44.389,8
<b>PERU-BRAZIL- BOLIVIA</b>	3	25	29.557,8
<b>TOTAL</b>	47	531	116.120,6

Source: IIRSA (09/07/11)

*Conclusions: The international railroad as a geopolitical case study*

It is not difficult to fall in to the temptation of beginning the analysis from one particular scale and then to ascend or descend whether the starting point was the local or the global scale. To prevent us from that, we suggest, for example, that the international railroad, as a network-actor (Latour, 2008) could be the protagonist in a geopolitical study that will provide us with the perfect example to understand where MERCOSUR really is and how local, national, regional and global scales are related between each other.

This railroad is a disruptive factor that affects everyday life in both Uruguaiana and Paso de los Libres, by crossing the cities through its most populous avenues. Except for the America Latina Logistica (ALL) workers, there is no doubt that the international railroad is an “intruder” in the cities. The profits for the transportation can only be understood when considering the international market prices, mostly soybean, and the networks of production, transportation and commerce, mainly to China. It is then that these cities become logistic cores. But in order to achieve such position, new private and public investments should occur; however, this does not imply a strategic context where the needs and their double condition of local-regional centres and the relation between each other are considered.



Photo: Alejandro Rascovan 03/2008<sup>7</sup>

Since the development of MERCOSUR, the process of territorial planning is more complex, as it involves new actors, both public and private but also local and regional. It is also interesting that it is no longer the state the monolithic subject charged with developing and implementing infrastructure plans. This situation turns to contradictions and lobbies as it is still the states where decisions are taken. In the last years, international institutions such as the Inter-American Development Bank, the United Nations Development Programme, and the Organization of American States are formulating integration and infrastructure plans between the Latin-American countries. What is interesting is on one side, to consider what does integration and development mean to these institutions and which are the real objectives beneath the moral purposes of integrating territories<sup>8</sup>.

This work has tried to study the process of regional integration of MERCOSUR by adding a new geopolitical framework to the traditional analysis in the field. The appearance of the local scale but by considering multi-scale geopolitical analysis allows understanding politics and policies that are involved, from the ALL Corporation to the city hall of Paso de los Libres and Uruguaiana, from IIRSA to both ministries of foreign affairs.

The railroad is the actor who summarizes the effects of the MERCOSUR at local level and its relations with the regional scale. On one hand it de-stabilizes everyday life in

---

<sup>7</sup> This picture shows the ALL cargo train crossing the city of Uruguaiana through an avenue, waiting in the traffic, a van, a car and an urban bus

<sup>8</sup> By moral we mean a certain “common sense” where the word integration has a positive connotation and where sometimes the implications and subjects that are involved are not considered.

Uruguaiana, but simultaneously its monopoly is central to understand what States do or don't do regarding transportation policies and of course the regulation of global capitals investing in transportation throughout the history.

When we mentioned a crisis, we meant that the new infrastructure projects may have dangerous effects over local populations. But also, the lack of planning, neither national nor regional is a crisis. Transportation infrastructure meant in the 19<sup>th</sup> century populating the newborn nations and also a mean to transport the goods. The 21<sup>st</sup> century presents, with the introduction of IIRSA and the COSIPLAN, a scenario where only the transportation of goods have priority on the territories.

### *Bibliography*

- Arroyo Pichardo, G. (2013). *Lo global y lo local en las relaciones internacionales. Riesgos mundiales, problemáticas locales y complejidad. Una visión desde el Sur*. Mexico D.F.:Cenzontle – UNAM.
- Bauman, Z. (1998). *Globalization: The Human Consequences*. Cambridge: Polity.
- Castells, M. (1997). *El surgimiento de la sociedad de redes*, Madrid, Alianza.
- Haas, E. (1958) *The Uniting of Europe: Political, Social, and Economic Forces 1950-1957*. Stanford: Stanford University Press.
- Harvey, D. (1990). *The Condition of Postmodernity*. Oxford: Blackwell.
- Latour, Bruno. (2008). *Reensamblar lo social. Una introducción a la teoría del actor-red*. Buenos Aires: Manantial.
- López M. J. y Waddell J. E. (comp). 2007. *Nueva historia del ferrocarril en la Argentina. 150 años de política ferroviaria*. Buenos Aires. Ed. Lumiere.
- Malamud, A. and Schmitter, P. (2007), *The Experience of European Integration and the Potential for Integration in South America*, IBEI Working Paper 2007/6, Institut Barcelona d'Estudis Internacionals.
- Roccatagliata, J. A. (1998). *Los ferrocarriles ante el Siglo XXI*. Buenos Aires, Editorial de Belgrano.
- Santos, M. (1996) *A natureza do espaço. Técnica e tempo. Razao e emoção*. Sao Paulo: HUCITEC.
- Sassen, S. (1991). *The Global City, Saska Sassen*. 1991. Princeton University Press, Princeton, NJ.
- Setelich, J. (2012). El ferrocarril como herramienta de promoción de la productividad y la competitividad: el caso de AFE. In: Chávez, D y Torres, S. (eds) *La reinención del Estado empresas públicas y desarrollo en Uruguay, América Latina y el mundo*. Transnational Institute de Ámsterdam. Available at <http://www.tni.org/es/briefing/la-reinencion-del-estado>
- Subra, P. (2007). *Géopolitique de l'aménagement du territoire*. Paris. A. Colin
- Swyngedouw, E. (2004). Globalisation or Glocalisation? Networks, Territories and Rescaling. *Cambridge Review of International Affairs* 17(1)(2004) : 25-48.
- Ueda, V. (2005). La formación de las redes de los ferrocarriles en Río Grande do Sul hacia un nuevo modelo de integración en el Mercosur. In *Segundas Jornadas de História*

*Regional Comparada e Primeiras Jornadas de Economia Regional Comparada*. Porto Alegre.

– Veltz. P. (2005). *Mondialisation, Villes et Territoires*. Paris: L'Économie d'Archipel, Presses Universitaires de France.

- [http://www.iirsa.org/proyectos/detalle\\_proyecto.aspx?h=251](http://www.iirsa.org/proyectos/detalle_proyecto.aspx?h=251)