

# IIRSA: Integration Custom-Made for International Markets

By Raúl Zibechi | June 13, 2006

The project for Integration of South American Regional Infrastructure (IIRSA, by its initials in Spanish), is swiftly but silently moving forward. IIRSA is the most ambitious and encompassing plan to integrate the region for international trade. If completed in full, the project would connect zones containing natural resources (natural gas, water, oil, biodiversity) with metropolitan areas, and both of these with the world's largest markets.

From August 31-September 1, during the 2000 South American Presidential Summit in Brasilia initiated by President Fernando Henrique Cardoso, the InterAmerican Development Bank (IADB) presented its "Plan of Action for the Integration of South American Infrastructure." In essence, it formed the foundation for what would become IIRSA, an ambitious plan to facilitate regional and global trade by carrying out physical projects and effecting changes in legislation, statute, and national regulations.

IIRSA is a multi-sectoral project that aims to develop and integrate transportation, energy, and telecommunications infrastructure over the next 10 years. The goal is to reorganize the continent's landscape based on the development of a physical infrastructure of land, aerial, and river transport; oil and gas pipelines; waterways; maritime and river ports; and power lines and fiber optic cables, to name a few. These projects are organized in 12 integration and development axes—corridors where investments can be concentrated to increase trade and create chains of production connected to global markets.

To carry out this megaproject a number of physical, statutory, and social "barriers" must first be overcome. This requires harmonizing national legislation in the 12 affected countries, and occupying the key territories that tend to have low populations but are major reserves of raw materials and biodiversity.

## An Ambitious Project

The December 2000 IADB study "A New Push for Regional Infrastructure Development in South America" suggests that the main obstacles to accomplishing physical integration, and therefore, to improving the flow of merchandise, are the "formidable natural barriers like the Andes Mountains, the Amazon Rainforest, and the Orinoco river basin."<sup>1</sup> Carlos Lessa, former president of the Brazilian Development Bank (BNDES, by its initials in Portuguese) agrees, pointing out, "The Andes mountain range is certainly beautiful, but it's a terrible engineering problem."<sup>2</sup> This kind of logic that regards nature as a "barrier" in some places and a "resource" in others pervades all aspects of the plan.

During the September 2003 Sub-regional Seminar, IIRSA's Technical Coordination Committee defined three goals:

- Support the integration of markets to improve intra-regional trade.
- Promote new chains of production to become competitive in major global markets.
- Reduce the "South American cost" by creating a solid logistical platform that is well-inserted into the global economy.



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According to studies, another objective of this integration project is to conquer South America's natural resources and put them at the disposal of North American and European markets.

These objectives can be easily observed on maps of the development and integration axes, each of which encompasses several countries.<sup>3</sup> The ten axes already defined (two are still under development) are:

- **Andean Axis** (Venezuela-Colombia-Ecuador-Peru-Bolivia)
- **Amazon Axis** (Colombia-Ecuador-Peru-Brazil)
- **Central Inter-oceanic Axis** (Peru-Chile-Bolivia-Paraguay-Brazil)
- **Capricorn Inter-oceanic Axis** (Antofagasta/Chile-Jujuy/Argentina-Asunción/Paraguay-Porto Alegre/Brazil)
- **Guyana Shield Axis** (Venezuela-Brazil-Suriname-Guyana)
- **Mercosur-Chile Axis** (Brazil-Uruguay-Argentina-Chile)
- **Southern Axis** (Talcahuano-Concepción/Chile-Neuquén-Bahía Blanca/Argentina)
- **Southern Amazon Axis** (Peru-Brazil-Bolivia)
- **Atlantic and Pacific Maritime Axis** (all countries)

The two axes still under development are the Parana-Paraguay waterway and a megaproject to unite the Orinoco, Amazon, and Rio de la Plata river basins through a connection of 17 rivers to permit river transportation from the Caribbean to Rio de la Plata.

Each axis involves a variety of infrastructure projects. For example, the Amazon Axis, which unites the Pacific Ocean with the Atlantic and crosses three large ecosystems (coastal, Andean mountain, and rainforest), must tie the Amazon River and its tributaries to the ports of Tumaco (Colombia), Esmeraldas (Ecuador), and Paita (Peru). This will

require major improvements to existing roads and construction of others. Since the axis aims to create a dense network of river transportation systems, several rivers will be dredged and straightened, while in other places river ports will have to be completely overhauled. These infrastructure projects and the spike in transportation flows they generate will result in massive environmental impacts on the Amazon ecosystem.

In areas covered by the axis, there is major hydroelectric power potential as well as large oil reserves already under development, in addition to soybean crops, wood extraction, fishing, and fish farms. The axis will connect with three others (Andean, Central Inter-oceanic, and Guyana Shield) and reduce transportation costs for Pacific countries to Europe, and Brazil to Japan, thus encouraging more trade. The construction of two gas pipelines is being considered for areas deep in the Brazilian Amazon, one extending from Coari to Manaus and the other from Urucu to Port Velho, at a total cost of \$750 million. This would allow natural gas to be exported from key points in the Amazon and Southern Amazon Axes. The first contains the important port of Manaus, and the second Port Velho, Brazil, which would be united with the Peruvian ports on the Pacific. This would also allow transportation of the area's grain production—where soy, corn, and wheat production are the fastest growing—in addition to Camisea's natural gas from Peru.

The majority of the axes are interconnected. Of the 10, four cover the Amazon and five unite the Pacific with the Atlantic. Under this plan, the continent's natural resources will be made available to international markets.

The IIRSA project has defined seven processes of sectoral integration to address institutional and statutory obstacles. They are: regional energy markets; functional systems of aerial, maritime, and multimodal transport; promotion of information and telecommunication technologies; the facilitation of border crossings; and finance modalities.

Total investment is expected to be on the order of \$37 billion. The project will be financed by the IADB, the Andean Promotional Corporation (CAF, by the Spanish), and the Financial Fund for the Development of the Rio de la Plata Basin (FONPLATA, by the Spanish), in addition to the important contributions of the Brazilian Development Bank (see boxes below).

### InterAmerican Development Bank (IADB)

Regional financial institution created in 1959 to encourage the economic and social development of Latin America and the Caribbean. It has 46 members: 26 from Latin America and the Caribbean, the United States, Canada, and 18 additional member countries from out of the region. Its highest authority is the Assembly of Governors, made up of the Secretaries of Treasury from each country.

The right to vote is determined by the number of shares: Latin America and the Caribbean have 50%, the United States 30%, Japan 5%, Canada 4%, and the rest 11%. Brazil, Argentina, and Mexico taken together have the same number of shares as the United States.

From 1961-2002, the IADB approved loans totaling \$18.82 billion: 51% for energy projects, 46% for ground transportation, and 3% for telecommunications, maritime, river, and aerial transport. Brazil received 33% of the resources.

### Andean Promotional Corporation (CAF)

Multilateral financial institution created in 1970. By 1981, it had approved \$618 million in operations, but from 1995-1999, it underwent a huge expansion, approving \$12.33 billion in operations

It is the largest financial agent for infrastructure projects in Latin America. Made up of 16 member countries, it is the number one financier for countries belonging to the Andean Community of Nations. It is a major financier of the Atrato-Truando or Atrato-Cacarica-San Miguel canal, which will allow the connection between IIRSA and Puebla-Panama Plan.

### Financial Fund for the Development of the Rio de la Plata Basin (FONPLATA)

Created in 1971 to finance integration projects for the river basin. Brazil and Argentina each hold 33.3%, Bolivia, Paraguay, and Uruguay 11.1%. It finances multi-million dollar projects for transportation, agriculture and livestock, industry, exports, and health.

### Brazilian Development Bank (BNDES)

Brazilian public bank created in 1952. Under the Lula government, it has been directed to finance large infrastructure projects in South America. It has extensive resources—greater than any other financial institution in the region—and it is implementing important energy and hydroelectric projects in Venezuela and Ecuador, among others. It has projects that exceed a billion dollars with Venezuela and Argentina.

In reality, these projects are already underway, though not in direct connection with IIRSA. According to CAF's 2002 *Annual Report*, some 300 physical integration projects have been identified in South America, 140 of which were ready to begin at any moment. Sixty IIRSA-related projects were already underway: 40 for transportation, 10 for energy, and 10 for telecommunications.

## Territories and Markets

Overcoming the physical, legal, and social barriers to implementing IIRSA will require profound changes in geography, legislation, and social relations. The South American continent is sometimes considered a collection of five separate "islands" that should be united: the Caribbean Plate, the Andean Mountains, the Atlantic Plate, and the Central and Southern Amazon Enclaves. The integration and development axes unify these "islands" by breaking down what is called in technocratic language, natural "barriers."

From a geographical perspective, this unification would demand major undertakings in infrastructure to "correct" the obstacles imposed by nature, speed up the flow of transportation and trade, and greatly reduce costs. The Peru-Brazil-Bolivia Axis, for example, seeks to create an access path from Brazil's agricultural industry, in the Southern Amazon Enclave, to Pacific ports without having to first travel north through the Amazon river basin. To accomplish this, efficient highways crossing the Andes must be built, in addition to the infrastructure projects necessary for river transport. The path paved by nature will be modified, through huge

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investments, so that South American merchandise can more rapidly reach the global market.

As Andres Barreda points out, “Starting in the 1980s, the flow of commercial traffic from the Pacific began to displace flow on the Atlantic side. In the 1990s, port traffic on the Pacific was outpacing the Atlantic’s; and in the year 2000, the United States’ Pacific port traffic saw double the volume of its Atlantic ports. There is a problem when the global economy shifts from the Atlantic to the Pacific.”<sup>4</sup> This shift caused the Panama Canal to lose its significance and in its place corridors connecting the two oceans are beginning to appear. According to Barreda, South America has a “strategic bottleneck” in Bolivia, where five of the 12 corridors cross.

South America is one of the few regions on earth that contains all four strategic natural resources: hydrocarbons, minerals, biodiversity, and water. The profound changes to the landscape do not follow a model for integrating the continent as a whole, but rather, for inserting it into the global market. IIRSA, it could be said, centers on an “outward-facing” or exogenous type of integration, rather than an “inward-facing” one. In addition, the axes or corridors must have certain characteristics: “To make real-time connections, the Internet is fundamental. To make just-in-time connections, intermodality is fundamental.”<sup>5</sup> As such, the corridors must combine a modern-day telecommunications system with the necessary infrastructure for intermodal transportation.

Intermodality is based on the “container revolution.” The system must be exactly the same for ground, aerial, and river transportation, and merchandise must be able to transfer from one system to another seamlessly. This requires a system of highways and semi trucks, airports and airplanes, and rivers and barges capable of transporting freight containers, which are now replacing the old system of storage or deposit that the merchandise sector has traditionally utilized. This transformation is linked to the emergence of “global factories” that operate under the just-in-time premise. A sort of “global automaton” has been created by large

businesses that employ remote-control operation techniques and cover the planet in the form of a network. But this global automaton, “industrially and productively integrated, now operates with new center-periphery hierarchical relations of an industrial character,” as evidenced by the *maquiladora*.<sup>6</sup> IIRSA is the South American link to integrate the continent into this process, but in a subordinate manner.

To overcome the various legal and statutory barriers, IIRSA has adopted the neoliberal strategy of deregulation and weakening the state. Adapting national legislation to the needs of global trade requires homogenization of the rules. This would inevitably lead to each country or region losing its distinguishing characteristics, and states would lose their autonomy to multinationals and the governments of developed countries.

Finally, the “social barriers” must also be overcome. Just one example of this among dozens is the 260-mile Coari-Manaos gas pipeline that passes through the Amazon River as well as one of the best-preserved areas of the rainforest. The two companies primarily interested in the project are Brazil’s Petrobras and the United States’ El Paso (world leader in natural gas and one of the world’s largest in the energy sector). In 1998, Petrobras built the first part of the gas pipeline (174 miles), which united the Urucu reserves with the city of Coari. The project caused enormous social and environmental impacts: “It reduced fishing levels, affecting river populations that depend on fish to survive; it affected areas where Brazil nut is extracted, crucial to the surrounding areas; the Coari population grew considerably, as the city houses the workers that arrive from different areas; and there has been a dramatic increase in prostitution, violent crime, and cases of malaria.”<sup>7</sup> The Urucu-Port Velho gas pipeline will affect 13 indigenous communities and five municipalities where 90% or more of the population is indigenous.

The benefits gained by a small handful of multinationals will create irreversible social and environmental damages, and further weaken the autonomy

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of marginalized states, giving them even less recourse to deal with their problems.

## Two Cases: Brazil and Bolivia

IIRSA affects each country in the region differently, but in general, we can define “winners” and “losers” in terms of the benefits and damages the implementation of IIRSA will generate. One of the problems with the project is that it will deepen the gaps between countries, regions, and the rich and poor social sectors of society, since different regions will be integrated into the global market on an unequal footing based on current “comparative advantages.” Brazil, one of the most industrialized countries in the world, and Bolivia, South America’s poorest country, illustrate this point well.

In Bolivia, the only thing poor is the indigenous majority. The country boasts important hydrocarbon reserves, the second largest on the continent behind Venezuela. It also occupies a key geographical position: five of the integration and development axes connecting the Pacific with the Atlantic must pass through its territory. It is also rich in biodiversity. Consequently, in its plan “Change for All,” the international bank called for Bolivia to become a thoroughfare for the subcontinent and central distributor of gas and other sources of energy.”<sup>8</sup> As a country providing passage, corridors for exporting goods and services will form part of important binational projects for hydro- and thermoelectric energy generation and distribution.

According to plans defined by IIRSA, Bolivia must construct a new Fundamental Network of Highways that will leave entire zones isolated but connect hydrocarbon reserves to global markets. The Central Inter-oceanic Axis that seeks to unite the Brazilian port Santos with the Chilean ports Arica and Iquique, crosses through the middle of Bolivia and is critical to countries like Brazil and Chile, which are especially interested in establishing bi-oceanic trade. The Peru-Brazil-Bolivia Axis would unite the Brazilian state Rondonia with the Pacific and gain access to its large-scale soy production, thereby

“taking advantage of one of the regions where crossing the Andes presents the least difficulty.”<sup>9</sup> Bolivia is about to become the object of huge investments for the construction of the five corridors that will fracture its national territory.

Brazil finds itself in the opposite situation. Exogenous integration will permit it to “advance its goal of dominating Latin America, a result of its 1980s strategy to reach a position of regional leadership by gaining influence over its closest neighbors: Argentina, Uruguay, Paraguay, first, then Bolivia and Chile, and finally, the rest of the Andean community and all of South America, the ultimate goal being to strengthen its economy in the face of the FTAA.”<sup>10</sup>

Brazil will be in a position similar to that of the world’s industrialized nations the moment it begins to benefit from IIRSA. In reality, Brazil’s relationship with the rest of South America—Argentina being the exception—is similar to that which most center countries have with peripheral countries. In the first place, Brazil has a major interest in channeling its industrial and agribusiness production through the Pacific. Second, several of the businesses set to develop infrastructure are Brazilian, like Petrobras or Norberto Odebrecht Construction, which has investments all over the region.<sup>11</sup> Third, the Brazilian Development Bank (BNDES) is one of the principal financiers of IIRSA.

The Madeira River Complex, which is a nucleus of the Peru-Brazil-Bolivia Axis, is perhaps the best example. Carlos Lessa, ex-president of the BNDES, maintains that under this project “Brazil can promote its vision of conquering the West, a jungle zone with neighboring Peru and Bolivia. Its megaproject illustrates the dream of Latin American integration, an area that is ripe for development.”<sup>12</sup> The Madeira River Complex project includes two hydroelectric dams in Brazil; floodgates for making the river navigable, which will require the elimination of a zone of waterfalls that “interrupt” navigation; a hydroelectric dam on the Beni River in Bolivia; and ports for the Madeira-Gupore-Beni-Madre de Dios waterway in Brazil, Bolivia, and

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Peru. The project will allow “significant supply of low-cost energy and consolidate the agribusiness Development Pole in the western region of Brazil and the Bolivian Amazon.” This would permit a reduction in the cost of transportation for grains, and other commodities.<sup>13</sup>

The project will have an enormous impact on the environment and will benefit only Brazil. “Brazilian businesses will be the only buyers of the energy produced, allowing them to impose conditions on buying, contracts, and prices.” The project will involve a \$6 billion investment, benefiting Brazilian-owned businesses Odebrecht, Furnas Centrais Electricas, and the Tedesco Maggi group (largest soy producer in Brazil). The latter has invested \$100 million into making the Madeira River navigable, “where it has the largest fleet of barges and tug-boats, with a river transportation capacity of 210,000 tons per month.”<sup>14</sup>

Taken in perspective, projects like the Rio Madeira Complex make up part of Brazil’s geopolitical expansion west to occupy “empty” territories and control strategic resources like Bolivia’s hydrocarbons. They confirm the idea that “Brazil’s leaders believe that increasing their competitiveness in the international market depends, in large part, on South American integration.”<sup>15</sup> It is, however, a kind of subordinate integration on two levels: Brazil over the rest of South America, and global markets and business over the region as a whole.

## **IIRSA in the World**

IIRSA is closely linked to the FTAA, to the point where they can be seen as two sides of the same coin. “The FTAA deals very concretely with judicial and administrative issues, while IIRSA deals with infrastructure.”<sup>16</sup> Both form part of a much larger project that includes the Puebla-Panama Plan. IIRSA is, however, unique in at least one way: it is a type of integration that has been conceived of by the South, engineered in large part by the continent’s elite, and will primarily benefit those sectors best inserted into the global market. The demand for

infrastructure projects has grown out of the need for global markets to access a stable and increasing flow of raw materials and natural resource exports. Accessing these resources has to be done as “competitively” (which is to say, as cheaply) as possible. It’s clear that this type of development will only generate more poverty and greater inequalities, further concentrate wealth on a local and global scale, and create profound environmental impacts. Among other negative consequences, the external debt of South American countries will continue to rise. The current practice of overexploiting resources could create a situation where a few decades down the road, countries that today depend on oil and natural gas to generate income will exhaust their reserves without ever having truly benefited from them.

One of the most worrisome aspects of IIRSA is the way in which it is being implemented: silently. While the continent furiously debates the FTAA and other free trade agreements, IIRSA projects are taking place without the participation of civil society or social movements and without the release of information by governments. This method of implementation clearly seeks to avoid debate altogether. At the same time, projects are starting up in separate areas to be linked at a later date—a technique that prevents vigilance, weakens the control of affected communities, and facilitates sidestepping environmental regulations. Formally, IIRSA began in the year 2000, but a good part of its projects have their roots in the previous decade.

The most disturbing prospect of IIRSA’s large network of infrastructure projects is that they may well accomplish the same goals as the FTAA, only without that name, with no debate, and imposed from the top down by global markets and national elites. If this is the case, a few decades from now South America will have quietly completed a gigantic, continent-wide remodeling project that affects every one of its inhabitants. The elite know—as recent experience has shown them—that openly debating their plans will only condemn them to failure.

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## END NOTES

- <sup>1</sup> IADB Document, cited in Elisangela Soldati, ob. cit. p. 4.
- <sup>2</sup> Cited in Guilherme Carvalho, ob. cit. p. 36.
- <sup>3</sup> The maps can be found at [www.fobomade.org.bo](http://www.fobomade.org.bo). Click on the green button “Geopolítica e Integración” and then on “IIRSA-ALCA”. When the page loads, click on “Galería de Mapas”.
- <sup>4</sup> Andrés Barreda, ob. cit.
- <sup>5</sup> Ibid.
- <sup>6</sup> Ibid.
- <sup>7</sup> Elisangela Soldatelli, ob. cit.
- <sup>8</sup> Fobomade, “El rol de Bolivia en la integración sudamericana”, p. 3.
- <sup>9</sup> Ibid. p. 7.
- <sup>10</sup> Ibid. p. 6.
- <sup>11</sup> See the report, “Brazil and the Difficult Path to Multilateralism” at [americas.irc-online.org/am/3144](http://americas.irc-online.org/am/3144).
- <sup>12</sup> Patricia Molina, ob. cit.
- <sup>13</sup> Ibid.
- <sup>14</sup> Ibid.
- <sup>15</sup> Guilherme Carvalho, ob. cit. p. 64.
- <sup>16</sup> Marcel Achkar and Ana Domínguez, ob. cit. p. 18.

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## RESOURCES

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## ACRONYMS

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Fobomade (Foro Boliviano sobre Medio Ambiente y Desarrollo): [www.fobomade.org.bo](http://www.fobomade.org.bo)

FONPLATA: [www.fonplata.org](http://www.fonplata.org)

IIRSA: [www.iirsa.org](http://www.iirsa.org)

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