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German, Swiss Interest in Transcontinental Railroad Edges Out Chinese

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Plans for a transcontinental railroad to link the Pacific and Atlantic Oceans in South America have greater strength now that the governments of Switzerland and Germany, along with business groups from those countries, are showing interest in helping finance and build the ambitious project. China, previously the railroad's great ally, has now taken a back seat, and there's no longer talk of Asian financing through the Asian Infrastructure Investment Bank (AIIB) or participation of the state-owned China Railway Group ([NotiSur, May 28, 2004](#), [Jan. 14, 2005](#), [Jan. 23, 2015](#) and [Oct. 14, 2016](#)).

Bolivia, once the project's sole promoter, seconded by Peru and a now dubious Brazil, has now been joined by the governments of Paraguay and Uruguay. On more than one occasion, Bolivian President Evo Morales has said that the railroad uniting the two oceans is the most concrete and fastest way to end the landlocked situation Bolivia has suffered since the end of the War of the Pacific (1879-1883) when it lost its seaboard to Chile.

New governments make the difference

The outlook for the project began to change once Peru and Brazil installed new governments. In Peru, the new administration of Pedro Pablo Kuczynski said it was not certain what advantages its participation in the megaproject would offer. On March 15, however, First Vice President Martín Vizcarra clarified the country's position, saying, "We will grant all facilities for its completion, even in the case that the feasibility studies we may order are negative." Bolivian and Paraguayan analysts agreed that the change in attitude in Lima could be due to Kuczynski's desire to maintain better relations with Germany. Meanwhile, in Brazil, where President Dilma Rousseff (2011-2016) was overthrown last August, relations with Bolivia have been cold. Spokesmen for her replacement, President Michel Temer, now say that Brazil has no preferences as to whether to send its exports via the railroad or the inter-oceanic canal that China is building in Nicaragua ([NotiCen, Feb. 5, 2015](#), [Dec. 10, 2015](#), [May 25, 2017](#)). Unlike Peru, Brazil considers linking Atlantic and Pacific ports with a railroad across South America a simple business proposition, not a strong factor of regional integration.

Changes were visible beginning in January. Morales visited Asunción on New Year's Day to meet with President Horacio Cartes, pick up a Paraguayan proposal that could be decisive for the development of the project, and sign a memorandum of understanding that was then presented to German and Swiss authorities. The Europeans saw the commercial possibilities that construction of the bi-oceanic railroad would open. A meeting of the parties interested in the construction of the railroad was held in La Paz on March 21 and 22. All committed South American countries minus Brazil were present. In a sign of the pace the execution of the project is taking, a discussion began about the financing, and different ideas were put forth about the type of association the multinational entity should adopt.

Rainer Bomba, head of the German Federal Ministry of Transport and Digital Infrastructure, was commissioned by the Angela Merkel government to handle negotiations. He arrived in the Bolivian capital accompanied by Swiss authorities and more than 50 businessmen from their two countries as well as from France. The Inter-American Development Bank, which has already financed four feasibility studies requested by Bolivia, and the Development Bank of Latin America-CAF both sent observer missions.

Two countries without maritime outlets

The meeting was enriched by a proposal from Paraguay, which like Bolivia is a country without a maritime exit. Paraguay has no access to Pacific ports and is dependent on land routes to reach the Atlantic, where it uses the Uruguayan port infrastructure. The country, however, has planned and is developing a waterway project known as the Paraguay-Paraná Hidrovía. To reach the regional goal, it would be necessary to change the course of both the Paraguay and Paraná rivers, widen them by eliminating meanderings and part of the riparian vegetation, establish a signaling system, and deepen the waterways by dynamiting several islands and islets and dredging channels. The goal is to make the waterway navigable for barges with drafts deep enough to carry viable cargo volumes. The plan is to take the waterway north to south, from Puerto Cáceres in the Brazilian state of Mato Grosso into the Paraná Delta at the Uruguayan port of Nueva Palmira. Paraguay has proposed a rail spur between Roboré, in Bolivia's eastern department of Santa Cruz, and Puerto Carmelo Peralta in Paraguay, to connect the transcontinental railroad to the waterway.

Preliminary studies have the transcontinental railroad starting in Santos, Brazil, entering Bolivia at Puerto Suárez (just a few kilometers from El Mutún, which has one of the largest iron ore deposits in the world), and passing through the Bolivian municipalities of Santa Cruz, Montero, and Bulo Bulo until it reaches the highlands of La Paz, enters Peru at Hito IV, and ends up in the Port of Ilo. A more specific study estimates the cost of the project, which would take five years to complete, at US\$10 billion to US\$14 billion. It will span 3,755.5 km—1,521 km in Brazilian territory, 1,894 in Bolivia and 340.5 in Peru. Traveling at 100 km per hour, a loaded freight train would need at least two days to complete the trip from the Atlantic to the Pacific. A passenger train going 160 km per hour, the same distance could be covered in a day. The spur that would unite Roboré with Puerto Carmelo Peralta and the waterway would be something less than 500 km long. The German government pledged to President Morales that it would finance the cost of that part of the railroad, according to Milton Claros, the Bolivian minister of public works.

In a sign of the importance the Merkel government gives the bi-oceanic corridor, the state-owned news agency Deutsche Presse-Agentur (DPA) boosted its journalistic team in La Paz during the March meeting. On March 21, it quoted Matthias Sonn, the German ambassador in Bolivia, as saying that a multinational entity would be in charge of gathering resources to finance the railroad construction while the German Development Bank would provide the resources to cover the costs of the rail iron. DPA emphasized the proximity of Puerto Suárez to the El Mutún mines. The iron of the Bolivian southeast is coveted in several countries, including Germany. It was perhaps in reference to this that DPA recalled the suggestive title of an internal Ministry of Public Works document: "We will reach the sea through the metal."

The importance of the project is clear for Bolivia. Since the end of the War of the Pacific, successive governments have demanded access to the sea with more or less energy. The current administration even presented a complaint substantiated in the Court of Justice in The Hague. When Morales

received foreign delegations in March, he said that 80% of Bolivian exports depart from the north of Chile, adding, "When we have other ports—Ilo in Peru or access to the Atlantic via the waterway—Chile will no longer block us with its continuous stoppages of customs services, keeping Bolivia from growing economically."

Morales called the bi-oceanic railroad the Panama Canal of the 21st century. "It will be the Qhapaq Ñan that connects our brothers of the future," he said. The Qhapaq Ñan was the Inca Empire's impressive road network, the spinal cord of its political and economic power. There is no precise archeological data about the Qhapaq Ñan, because Spanish conquerors destroyed all great engineering works of the Inca, but it is believed that the network of roads extended more than 20,000 km, from the south in current-day Colombia to the northeast in what is today Argentina, with roads that would also reach what has become Chile, beyond the Andean mountain range.

The idea of building a multinational railroad had come up in August 2000, when a list of priorities was drawn up in the Initiative for the Integration of Regional Infrastructure in South America during a regional presidential summit held in Brasilia. Since then, action has been minimal. The most progress took place during in the last half of 2016, when terminal ports were identified and costs were estimated. There was talk of a minimum of US\$10 million and a maximum of US\$60 billion, but such a huge difference in the estimates put into doubt the suitability and seriousness of those who made them. The only thing that was clear for everyone was that the transcontinental railroad would open a certain possibility of deepening interregional trade and above all, lower the cost of freight costs of Chinese imports and of the commodities destined for the Asian market.

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