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Andrés Gaudín

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## Peru and Bolivia Put Economic Interests above Ideological Differences

by *Andrés Gaudín*

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The leaders of Bolivia and Peru have made a habit, since 2015, of doing something that is commonplace in Europe but not standard diplomatic practice in the Americas: holding periodic, bilateral meetings to discuss matters of mutual interest.

In late August, in Lima, the two nations held their third rounds of talks, and while the agenda was ample, the centerpiece of their conversations was, once again, the construction of a railroad line that would crisscross Bolivia and link South America's two oceans, the Atlantic and Pacific.

For Bolivia, a landlocked country that's had dismal relations with Chile since losing its coastline in the cruel War of the Pacific (1879-1883), the project is like oxygen ([NotiSur, Aug. 5, 2016](#)). When the social democrat Michelle Bachelet returned to power in Chile in 2014, analysts imagined that, due to her political leanings, a deal would perhaps be worked out to provide Bolivia ocean access. Not only did that fail to transpire, but relations between the two countries actually worsened—to the point that the matter is now being handled by the International Court of Justice in The Hague ([NotiSur, July 28, 2017](#)).

Peruvian President Pedro Pablo Kuczynski and his Bolivian counterpart, Evo Morales, have no ideological affinity, but they are proving they can work together, particularly with regards to integration. The two leaders agreed, for example, to further facilitate the access Bolivia has had since 1992—and henceforth for 99 years—to the Peruvian port of Ilo, located approximately 1,200 km. south of Lima. Specifically, they decided to allow Bolivia to help run the terminal, invest in a major expansion of the port, and set up its own customs and port administration offices.

The leaders also agreed on plans to encourage the development of small and medium-sized companies, cooperate in the fight against copyright infringement, and have Peru connect Bolivia to a fiber-optic network that will make Internet services in the landlocked country faster and significantly less expensive.

But the highlight of the talks was a resolution to get the ocean-to-ocean railroad project up and running by 2025, when Bolivia celebrates the 200th anniversary of its independence from Spain. And while the final trajectory of the route won't be settled until early next year, it has been determined that the rail line will start in the Atlantic Port of Santos, in Brazil, enter Bolivia in Puerto Suárez (just a few kilometers from Cerro Mutún, the world's largest iron-ore deposit), pass through the municipalities of Santa Cruz, Montero, and Bulo Bulu on its way to La Paz, in the Bolivian highlands, and run from there to Peru, where it will end in Ilo.

In total, the railroad will stretch 3,755 km.: 1,521 km. in Brazil, 1,894 in Bolivia, and 340 in Peru. Assuming a loaded train travels at 100 km. per hour, cargo would be able to move from the Atlantic to the Pacific in slightly more than a day and a half. Passenger trains, traveling at 160 km. per hour, could cover the same distance in just one day. Morales let it be known that once the railroad is up

and running, Bolivia will redirect to Ilo all of the cargo (2.5 million tons annually) it currently ships through the Chilean port of Arica.

### *Attracting investors*

Two weeks after the summit in Lima, Bolivia hosted a gathering in Cochabamba, 400 km. southeast of La Paz, to further discuss the project and ready it for the construction stage. Participants included 22 governmental experts from Argentina, Brazil, Peru, Paraguay, and Uruguay, and 11 private-sector railroad representatives from Switzerland, Germany, Spain, Italy, and Austria who are interested in financing and building the cross-continental rail line. Representatives from international credit lenders such as the Inter-American Development Bank and Germany's KfW IPEX-Bank also joined.

Absent from the meeting were representatives from China, which had been the first country to express an interest in investing in what Morales has called "the Panama Canal of the 21st century." The big surprise, however, came from the Swiss railroad industry, which sent one of its leading players, Michele Molinari, president and CEO of Molinari Rail and a board member of SwissRail, an industry association involving more than 100 Swiss companies.

"We're able to bring the necessary technology for all parts of the project. We could participate in all of it," Molinari said. His repeated use of the word "all" created something of a sensation, reportedly, among the gathering's other participants.

Molinari explained that SwissRail's member companies have a wealth of experience in the design and construction of railroads, technology provision, and maintenance in difficult terrain like in Peru and Bolivia. He also made it clear that the Swiss association could seek help from a network of some 180 companies from Germany and elsewhere.

"We have to keep in mind that it won't be easy to go from sea level, on the Pacific coast, to the mountains, at more than 4,000 meters elevation, only to descend again toward Bolivia's productive zone and go from there back to sea level," Molinari said. "It's a huge challenge for us. But we're in a position to overcome it. Don't forget that the world's longest railroad tunnel is in the Swiss Alps."

### *Diversifying exports*

At the end of the multinational gathering in Cochabamba, the delegates were invited to attend the inauguration of a urea and ammonia processing plant in the nearby town of Bulo Bulo, one of the places the cross-continental railroad is slated to pass. The new facility is an example of how Bolivia is already planning its development around the railroad project. It's also, in the words of the Morales government, "the most important industrial project in Bolivia's 192 years of independence."

The urea and ammonia plant, the first of its kind in the Andean region, will allow the country to move away from exporting only raw natural gas (with all its components) and instead sell value-added derivatives. The plant was built and paid for by the South Korean tech giant Samsung and involves some very particular engineering. Its cutting edge technology is visible for everyone to see and involves a complicated network of pipes spread out over 200 hectares with various towers that reach up more than 70 meters and look something like steel skyscrapers.

The first country to express an interest in buying the plant's urea and ammonia was, interestingly enough, Peru, which shares a border with Bolivia that stretches 1,000 km. along difficult terrain in both the Amazon rainforest and Andes mountain range. The overture came from Peru's vice-

president, Martín Vizcarra, and is yet another demonstration, according to an analysis by the Brazilian website Carta Capital, of how Peru and Bolivia are prioritizing national interests over the ideological differences of their respective governments.

Shortly after, the Brazilian state of Mato Grosso let it be known that it, too, would like to do business with the Bulo Bulo plant and is willing to buy all of the urea (600,000 tons annually) the facility can produce. Paraguay and Argentina also have an interest in buying Bolivian urea, an effective fertilizer, but will have to wait in line.

Besides the economic significance of the massive railway venture and the opening of the urea and ammonia plant in the depressed rural zone of Bulo Bulo, the projects are also of great value politically for Morales, who would like to stay on as president until at least 2025, when Bolivia (on Aug. 6 of that year) will celebrate its bicentennial ([NotiSur, June 17, 2016](#)).

“Bolivia today is not the same as it was in 2006, when Morales first [became president]. It has taken a number of fundamental steps, and with what we’re seeing now, it looks like the country is on its way to changing radically and positively forever,” said Ronald Nostas, president of the Confederación de Empresarios Privados, a Bolivian private-sector business organization that tends to be ideologically opposed to the president. Nostas is a powerful player in the pharmaceutical industry whom the business magazine *AméricaEconomía* included in its ranking of Bolivia’s most influential people.

“We’re taking advantage of resources like never before,” Nostras said. “The inauguration of the Bulo Bulo plant is historic.”

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