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Home > Publications > News of the Americas

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- [Americas Quarterly](#)
- [Exclusive Interviews](#)
- [Hemispheric Updates](#)
- [News & Views](#)
- [News of the Americas](#)
- [Papers & Reports](#)
- [Viewpoints Americas](#)
- [Weekly Roundup](#)
- Program Materials**
- [Program Summaries](#)
- [Speeches](#)
- On the Record**
- [Articles & Op-Eds](#)
- [Congressional Testimony](#)
- [Congressional Updates](#)
- Multimedia**
- [Podcasts](#)
- [Video](#)
- AS/COA News**
- [Announcements](#)
- [Communication Materials](#)
- [In the News](#)
- [Press Releases](#)

Latin America Bets on Infrastructure

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October 2, 2008

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Latin American integration project bridge connections in the region. (AP Images)

At a time of global financial insecurity, Latin American countries have deepened economic ties through a series of large-scale infrastructure project connecting countries and oceans. While political integration also grows through multilateral organizations such as the Union of South American Nations and Mercosur, another sign of stronger bonds rests with governments' demonstrated willingness to **pledge billions** and partner with neighbors to bring major construction projects to

fruition.

Brazil stands as a leader on spearheading such infrastructure projects, shown by two mega projects through which it can gain access to the Pacific Ocean. In partnership with Ecuador, Brazil **launched** the \$2 billion Manta-Manaus project that includes highways and waterways and stands as a transportation alternative for the busy Panama Canal. At the same time, the governments of Brazilian President Luiz Inácio Lula da Silva and his Peruvian counterpart Alan García will oversee a project connecting Peru's southern ports of Ilo, Maratani, and San Juan de Marcona with Brazil's Rio Branco and Madeira River's Porto Velho. As the *Economist* notes, these stronger ties come with **another benefit** for Brazilian firms: By producing sugarcane-based ethanol in Peru, the Brazilian ethanol industry can take advantage of Peru's free-trade agreement with Washington to tap into the U.S. market, which remains elusive for Brazilians due to a hefty import tax.

A September 30 summit in the Amazonian city of Manaus brought together the leaders of Brazil, Ecuador, Venezuela, and Bolivia to discuss how to **connect** Caracas and La Paz via highway with the infrastructure projects underway with Peru and Brazil.

Projects are also flourishing in the Caribbean and Central America. Colombia, Panama, and Venezuela recently **announced** a new venture called Gran Ruta de las Américas, a road that will allow Central American visitors to drive to Cartagena and further east into Venezuela.

Energy cooperation serves as another fertile area for cooperation, with viability studies underway to lay down an underwater power distribution line that would enable Colombia to **sell electricity** to the Dominican Republic and Puerto Rico, reports *El Listín Diario*. Colombian President Álvaro Uribe underscored his commitment to the project during his visit to Santo Domingo in August, when he promised **"energy of good quality at low prices."**

Further south, a **pipeline plan** could allow Bolivian natural gas to flow through northern Argentina, benefiting businesses and millions of families by delivering the energy source directly rather than forcing people to buy gas tanks. Controversy over who should pay for the gas lines leading from the main pipeline to the municipalities delayed some portions of the project. In response, the Argentine government **pledged funds** for most of the

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secondary distribution lines with the goal of reaching the project's expected 2010 completion date.

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Aside from growing connections between neighbors, countries also improve their competitiveness with pivotal infrastructure projects undertaken within their borders. For example, Mexico **created a national fund** to channel more than \$240 billion into infrastructure over the next five years. Furthermore, the **proposed giant port** in Punta Colonet in Baja California could snatch a good portion of the cargo coming from Asia, easing the burden on strained ports of Los Angeles and Long Beach in California.

The long-held goal of expanding ties through infrastructure gained a lift in 2000 when 12 South American countries created the for Integration of Regional Infrastructure in South America, which **coordinates** several multinational initiatives and gained the backing of the Corporación Andina de Fomento and the **Inter-American Development Bank**. For more information, reports, and statistics about Latin American integration, visit the **Latin American Integration Association**.

On September 5, AS/COA hosted a panel on strategic infrastructure in Latin America, **highlighting** the opportunities to close the infrastructure gap in the region and reviewing the outlook of projects funded by the public sector and public-private partnerships.

During the week of September 22, AS/COA hosted its annual Presidents of the Americas series, when several presidents discussed deepening integration in Latin America. View **summaries** and access audio/visual of their remarks.

Send questions and comments for the editor to:
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