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## **THE CONTRIBUTION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC) TO THE PHYSICAL INTEGRATION OF TRANSPORT SYSTEMS IN SOUTH AMERICA: A HISTORICAL OVERVIEW**

For over a quarter of a century, the Economic Commission for Latin America and the Caribbean (ECLAC) has been in the vanguard of the search for greater physical integration among South American countries, especially in the area of transport, including road, rail, river and multimodal transport.

Its activities in this field have ranged from drafting agreements to the design and introduction of concrete measures and have been carried out, either individually, at the request of the Governments of member States, or in collaboration with other organizations, such as the Institute for the Integration of Latin America and the Caribbean (INTAL), which is part of the Inter-American Development Bank (IDB).

The physical integration of South America has always been one of the main concerns of the former Division of Transport and Communications of ECLAC – the predecessor of the current Transport Unit –, from the early days of its existence some three decades ago. Initially, the focus was on railways, whose role was examined in depth in the study: *Los ferrocarriles internacionales de Sudamérica y la integración económica regional* (E/CN.12/914/Rev.1), published in 1972. A couple of years later, ECLAC tested the feasibility of transcontinental rail transport by accompanying a shipment of copper on its journey from Chuquicamata, Chile, to São Paulo, Brazil, and, in conjunction with the Inter-American Development Bank (IDB) and the Institute for the Integration of Latin America and the Caribbean (INTAL), studied transport services between Lima and both Buenos and São Paulo, *Servicios de transporte terrestre internacional en los corredores Lima-Buenos Aires y Lima-São Paulo* (published as E/CN.12/L.107, which referred to the infrastructure and focused its attention on services and

institutional issues).

Apart from the numerous studies on multimodal transport and facilitation of international transport in South America, in 1977, the findings were published of a series of studies for determining the most feasible ways of improving road infrastructure in the Andean subregion, covering also subjects such as standards of weight per axle for transport vehicles. (See *Perspectivas del transporte internacional por carretera en la subregión andina*, E/CEPAL/L.154, and addenda). A burning issue at that time was the wear and tear on roadways in transit countries caused by trucks from third countries, a topic which was analysed methodologically and quantitatively in the study *Transporte terrestre internacional: una justa compensación por el uso de la infraestructura de los países de tránsito* (E/CEPAL/L.168). The sea access for land-locked countries has always been an issue of special concern to ECLAC as shown. The case of Paraguay, in 1981, by a joint study with the Latin American Railways Association entitled: *Transporte internacional por ferrocarril (TIF) Paraguay-Atlántico* (E/CEPAL/R.252). Regarding Bolivia, various analyses were carried out with the focus almost exclusively on institutional issues; in 1984, however, the study: *Sistema de tránsito para las mercancías de Bolivia a través del Perú* (LC/R.375) covered both infrastructural and institutional issues with a special study on the port of Ilo.

From the mid-1980s, although the Division allocated the greater part of its resources to institutional matters, such as privatization and regulation, physical integration remained a key issue in its programme of work. In 1987, the study: *Transport of Paraguayan exports through the Argentine-Chilean corridor* (LC/R.529) was published. The growing trend towards the concessioning of infrastructure and transport services has enhanced the importance of considering the distribution of the benefits of infrastructure projects and not only its total amount, with a view to identifying the extent to which each beneficiary should contribute to investment costs. This issue, which is especially critical for infrastructure which serves international transport, was studied in *La metodología de la tarificación del uso de la infraestructura y la eficiencia del sistema de transporte nacional* (which is a chapter in the book entitled *Reestructuración y privatización de los ferrocarriles*, LC/L.727, 1993). Infrastructural deficiencies affecting service of trans-Andean transport were identified in the document entitled *Una primera aproximación al estudio de los servicios de transporte en los espacios de integración: el caso de Argentina y Chile* (LC/R.1633), published in 1996.

At the request of IDB/INTAL, studies were carried out on two separate occasions on the role of railways in transport between countries of the Southern Cone and on investment requirements of this sector, in view of the transfer of such operations to private entities. The relevant report, *Los ferrocarriles del Cono Sur de América Latina y su contribución al comercio internacional* was published first by INTAL in 1996 and is now being updated for inclusion in a book to be published by ECLAC. In some respects, it covers the same ground as the study: *Los ferrocarriles internacionales de Sudamérica y la integración económica regional*, published a quarter of a century earlier at a time when rail or road privatization was completely unheard of. The 1996 and 1997 study focused on the economic difficulties faced by the projects relating to the so-called "bioceanic corridors" given the relatively high costs

involved in transporting cargo up to an altitude of 4,000 metres in the Andes and then down to the Pacific ports on the other side. Reference is also made to the financing of major integration infrastructure or service projects whose beneficiaries will include producers and consumers in countries other than those where such investment costs are incurred. ECLAC considers that the principle of fair distribution of the investment costs of such infrastructure is extremely important for the physical integration of South America,

## **Contribution to transport institutions in South America**

For over thirty years, the ECLAC Transport Unit (formerly the Transport Division) has been contributing to the construction of the institutional, operational and regulatory framework for the international transport of goods and persons in South America. The many studies conducted, the solutions analysed and proposed, the continuous contact with authorities and business sectors and the multiple agreements prepared and negotiated with ECLAC support have helped to make transport in South America an example of the sector's organization which has been emulated throughout the hemisphere.

The following is an account of some of the most important facts in the process of integration of transport in South America, in which the role of ECLAC as architect of the agreements and mechanisms adopted has been decisive.

- The meeting of Ministers of Public Works and Transport of the Southern Cone Countries has successfully assisted and promoted the expansion of international goods and passenger transport services, resulting in a considerable increase in commercial trade, tourism and business in the region in the 1990s. ECLAC has participated since 1967 in each and every one of the agreements adopted by this forum. In particular, mention should be made of the successive agreements for management of international ground transport and appendices relating to customs, insurance and migration; these agreements were adaptations for South American countries of solutions developed in Europe at lower cost to the operators and which included simplified procedures for border crossings, despite the absence, at the time, of any framework for economic and trade integration similar to that in Europe.
- The Integrated Transit System for the import of goods into Bolivia, developed and applied between 1973 and 1976 and currently in use, was one of the major advances in terms of transport facilitation, both in South America and in the rest of the world. For the first time, it was possible to carry out a direct transshipment of cargo and, therefore, of designing intermodal transport operations. The simulations, field tests, negotiation and interpretation of bilateral agreements and the implementation of the system were prompted by ECLAC. Thus, the study entitled *Estudio de facilitación del tránsito de mercadería con destino a Bolivia a través del Puerto de Arica* (E/CEPAL/L.116) was published in January 1975 at the request of the Governments of Bolivia and Chile.
- In 1982, the case studies realized by ECLAC to consider the relevance of adopting and

applying in South America the Agreement of the United Nations Conference on Trade and Development (UNCTAD) on international multimodal transport and effective coverage of transport risks in trade in the region enabled them to determine the need to adopt a common system of liability for international land transport. This decision gave rise to the preparation and negotiation of the Agreement on the Contract of Transport and the Civil Liability of the Carrier in the International Land Transport of Goods – signed in 1989. Years later, in 1992, ECLAC contributed once more to the better implementation of the Contract with its breakdown for the road and rail modes.

- In 1991, when the decision was taken to establish the Conference of South American Ministers of Transport, Communications and Public Works, the then Transport Division of ECLAC, in conjunction with the Department of Services of the Latin American Integration Association (LAIA) and the Department of Physical Integration of the Cartagena Agreement Board (JUNAC), prepared the document *La Conferencia de Ministros de Transportes, Comunicaciones y Obras Públicas de América del Sur: antecedentes de su creación* (LC/R.1202), October 1992. The preliminary work and drafts of the rules of procedure of the Conference were adopted in the same year in the host city of the organization, that is, in Santiago, Chile. These rules of procedure served in 1999 as the framework for the preparation of the corresponding system of organization of the Executive Committee of the Western Hemisphere Transport Initiative (WHTI), which works in close collaboration with ECLAC.
- In 1994, ECLAC acted as advisor to the working group mandated to study the integration of standards for the management of international land transport in the Southern Cone and the Andean Community. In the same year, the Conference of South American Ministers of Transport, Communications and Public Works endorsed Bolivia's proposal that operators from Southern Cone countries should operate in the countries of the Andean Community and vice versa. A proposal for coordination was designed and put forward by ECLAC.
- The more recent initiatives include the active participation of ECLAC in the preparation of standards for multimodal transport, subsequently adopted in the Andean Community, Mercosur and throughout South America. In 1996, ECLAC proposed that a system of Transport Statistics for South America should be developed. This is currently being developed in conjunction with LAIA under the project name SETAS. Other outstanding contributions by ECLAC include the calculation of approximate standard weights and dimensions of vehicles, the design of a regional policy on air transport, the analysis of fifth freedom traffic rights and the analysis of conditions for the development of biooceanic corridors.

Since the 1960s, ECLAC has attended the regional ministerial forums on transport. Its presence and active participation in the work of the Western Hemisphere Transport Initiative (WHTI) has helped to define the purpose and scope of the WHTI, orient its work and define mechanisms for coordination of regional transport systems. The document presented to the

Executive Committee of the WHTI is entitled *Propuesta para un plan de acción para la integración de los sistemas de transporte de las Américas* (LC/R.1953) and was published in June 2000. Based on the principle of open regionalism, ECLAC proposed that WHTI should draw on the advances made by existing forums and that its areas of competence should be those decided on by common agreement by those forums. ECLAC will thus be able to participate fully in building an institutional framework for the entire continent.

## **Road maintenance as a means of enhancing integration**

Truck maintenance is a question that has been of concern to ECLAC in the last two decades owing to the damage caused by the poor condition of road networks, both because it affects the competitiveness of countries and the regions of which they are part, and because of the obstacles it poses to integration at the continental level.

In the 1980s, ECLAC, in conjunction with the World Bank, held three Latin American seminars on truck maintenance (Santiago, Chile, in 1983; Curitiba, Brazil, in 1986, and Piriápolis, Uruguay, in 1988). These were forums for the exchange of experiences on technical, organizational and financial aspects of road maintenance.

As of 1990, a programme was started, with support from the German Agency for Technical Cooperation (GTZ), and, after a look at the failings of traditional systems, new financial, institutional and management schemes were proposed for road maintenance. Funds were set up for this purpose with financing through user charges and the introduction of maintenance contracts by level of service or standard, in addition to institutional arrangements to ensure their feasibility. The proposals were published in the following books: *Caminos – Un nuevo enfoque para la gestión y conservación de redes viales* (LC/L.693/Rev.1, September 1994) and *Legislación modelo de conservación vial* (LC/L.899, May 1995).

As of 1994, with the establishment of the International Road Federation (IRF), a technical assistance programme was started for countries at their request, for the introduction of concepts developed in the previous phase. To date, four countries and two states in Brazil have created road maintenance funds and in six countries, contracts have been granted by level of service; meanwhile, headway is being made in various other countries, on studies for the implementation of similar contracts. The bulletin *Reforma Conservación Vial* is published biannually and is now in its eleventh issue; it provides information on progress with respect to road maintenance in South America.

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