



# DR-CAFTA Part II: The infrastructure dilemma

By John Hyatt

**A**t the recent USAID Regional CAFTA Conference in Guatemala City, the stakeholders panel discussed the need to unify and improve the transportation network if the region is to realize benefits of the Central America Free Trade Agreement.

Some suggested bypass roads or dedicated highways outside main urban centers to relieve pressure. But the topography conspires against it. Steep, mountainous terrain lined with streams makes road construction expensive and trucking a slow option.

Both highways and railroads have a basic east-west orientation when a north-south orientation would link countries.

The region is plagued with tectonic and volcanic activity. Along the spine of South America, the Andes extend through Mexico to form the world's longest and highest mountain range, dividing Colombia, Venezuela, Ecuador, Peru, Bolivia and Chile into high peaks and low valleys. Some railways top out at 15,000 feet, less than 100 miles from the coast. In Bolivia, conductors pass out oxygen canisters to passengers.

The only sections of Latin America favorable to the construction of transportation facilities are the Great Plains of southern Brazil, Argentina, Uruguay, Paraguay and the relatively level section of land in some Caribbean countries.

The Pan-American Highway along the Pacific is the only link between Central American nations. It stops temporarily at the Darien Gap in Panama, which is fine with locals since it is a former breakaway province of Colombia. For these reasons, a large number of port facilities are needed. This is problematic when most of the productive agricultural areas are on the Pacific littoral, with the bulk of the region's population and its manufacturing capability in adjacent highlands.

The swampy, tropical Atlantic side is dedicated to banana cultivation. A few narrow-gauge railroads — built in the 19th century for banana plantations — connect the countries and run to the east coast.

A few railroads connect the capital cities and ports on the east coast. Many have steep grades and are subject to disruptions from earthquakes.

None of these railroads are used much to transfer cargoes from overburdened highways. One exception is the Salvadoran railway, which carries up to 25 percent of the country's exports to the Pacific Port of Acajutla.

Given shippers' tendencies to run from the highlands to the coast by the shortest route, many port facilities are needed. Some years ago during the creation of the Central American Common Market, Puerto Cortes was expected to become a load center port for the region, providing efficiencies in transport and reducing overall costs. But with the outbreak of the soccer war between Honduras and El Salvador, that plan never developed. Thus, upgrading the transportation infrastructure to handle increased trade flows will be a monumental undertaking and the question arises as to its cost-benefit ratio.

Would future generations be impoverished by white elephants? Can sufficient trade be generated to make this a going proposition?

*This is Part II of a two-part opinion series on CAFTA. Part I ran in the Feb. 7 issue. John T. Hyatt is vice president of the Irwin Brown Co. of New Orleans, chair of the Latin America Committee of the International Freight Forwarders & Customs Brokers Association of New Orleans and secretary of the board of directors of the National Customs Brokers & Forwarders Association of America. He can be contacted via e-mail at: [johnthyatt@ibrown.com](mailto:johnthyatt@ibrown.com).*



John Hyatt

## Projects • Breakbulk • Heavy-Lifts

EUROPE • ASIA • SOUTH AMERICA • MIDDLE EAST • INDIA

WORLDWIDE PROJECT SERVICE

Contact:

**SEABRIDGE  
PROJECTS, INC.**

Partners for Performance

[www.seabridgeprojects.com](http://www.seabridgeprojects.com)

[sbi@seabridgeprojects.com](mailto:sbi@seabridgeprojects.com)

Toll Free: 888-831-8772 Fax: 504-831-8036