

# Rediscovery of the South American Waterways



Constantino Salivaras, Claims Executive

+44 20 3320 8983  
constantino.salivaras@ctplc.com

- The Paraná-Paraguay 'Hidrovia' agreement was concluded in 1992, envisaging integration and development of the region: still a work in progress
- Waterways entail exciting business opportunities
- Legal regime and infrastructure of waterways in South America are in need of an urgent update

Waterways or inland waterway transportation systems are real substitutes for other means of transportation. The Paraná-Paraguay Waterway (Hidrovia) is an ongoing project that is trying to achieve economic and environmental efficiency.

A waterway is a body of water that is deep and wide enough for ships to navigate it, providing an important commercial interconnection.

The Paraná-Paraguay Waterway (Hidrovia) is the second biggest in Latin America and the sixth biggest in the world. The Las Leñas Agreement (Acuerdo de Las Leñas) of 1992 is the fundamental instrument that gave shape to the Hidrovia, and it was jointly developed by the five countries of the La Plata basin – Argentina, Brazil, Paraguay, Uruguay and Bolivia – with support from the Inter-American Development Bank and the United Nations Development Programme. This agreement was based on the political framework of the Treaty of Brasilia of 1969.

The Hidrovia runs for approximately 3,442 km and serves as the main source of river transport to the different countries it runs through. Most of the length of the Paraná River is navigable, and it links inland cities, with their own deep-water ports, in Paraguay, Brazil, Argentina, Uruguay and Bolivia to the ocean.

It is the natural exit from the region – or entrance to the rest of the world – for the excellent production of extensive regions and provides huge possibilities for industrial development.

More than two-thirds of the grain exports from the region are made through ports connected to the Hidrovia.

River transportation lowers the cost of energy consumption and reduces the use of highways, avoiding excessive wear and damage to the region's roads, which are in poor condition and need to be improved.

## **Economic, social and political objectives of the Hidrovia**

The Hidrovia provides unique operating opportunities. Amongst other things, it aims to:

- Integrate and develop the regional economy (providing sustainable developments and poverty alleviation)
  - Improve navigational conditions (through dredging, rock removal and structural channelling)
  - Facilitate commercial relationships and communications between all five countries
  - Promote and incentivise international trade
  - Lower transportation costs and increase exports/imports of various commodities, such as soya, mineral products (iron and manganese ore) and oil.
- The region accounts for around 50% of world soya production

- Standardise the regulations of the five La Plata basin countries, giving equal rights and obligations to all of them
- Preserve the environment, with minimum ecological impact

#### **Operators**

The volume of trade, and consequently traffic, has increased exponentially during the last 10 years.

Operations are run, up to where drafts permit it, by deep sea vessels (up to *Panamax*). Further up-river, trade is done by tugs and barges, and a few companies operate convoys (i.e. tugs pushing several barges). Barges can be either dry or wet and propelled or non-propelled.

The club is committed to supporting the region and deals on a daily basis with a number of its operators.

#### **Challenges**

- Developing the infrastructure for transport and energy to alleviate the existing bottlenecks – the volume of trade has exceeded the current capacity of the ports and waterways
- Investment in dredging and installation of adequate navigational aids in order to allow safe sailing and avoid groundings
- Equipment update/modernisation
- Development of an adequate legal framework reflecting the demands of current multimodal transport
- Each country has its own liability regimes and there is an urgent need for an international regulation to override national jurisdictions
- Fostering regional integration and overcome rivalries
- Damage to the environment (water, flora and fauna)

