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There was some, but not much, expectation that US President Barack Obama's second visit to Latin America might bring some sign of renewed US interest in the region. It did not. There was rhetoric about 'partnership' and pleasantries about democracy, peppered with what many have seen as evasions, omissions and *faux pas*. Even on what appeared to be the main focus of the visit — trade and economic relations — fell short of his hosts' expectations. Two months after the visit, US Secretary of State Hillary Clinton, failed to impress several former Latin American presidents with what had been billed as a prelude to a new policy towards the region.

In April 2009, six months after his investiture, at the Summit of the Americas held in Trinidad, Obama described the event as 'the opportunity for a new beginning' and committed himself to an 'era of equal partnership [and] a new chapter of engagement that will be sustained through my administration.' Instead, as put by Coletta Younger, senior fellow at the Washington Office on Latin America (WOLA), 'US policy toward the region has remained on auto-pilot.'

In a document prepared as a briefing paper for the visit, the UN's Economic Commission for Latin America and the Caribbean (Eclac) went further. It said, 'In past decades, the Alliance for Progress, the Initiative for the Americas and, later, the Free Trade Area of the Americas project were all ambitious US initiatives for regional cooperation. Today, no equivalent to those initiatives exists [...] The US has not had a comprehensive trade strategy towards the region since the abandonment of the FTAA project. It opted instead for a policy of bilateral FTA negotiations with particular countries.' This policy, said Eclac, is flawed, and 'there does not appear to be a clear US policy to engage those countries in the region which are not FTA partners.'

Moreover, it said, there are unsolved 'legacy issues': the FTAs signed with Colombia and Panama are still pending congressional approval in the US; preferential schemes of great importance to several Latin American and Caribbean countries, such as the Andean Trade Preferences Act (Atpa), the Andean Trade Promotion and Drug Eradication Act (Atpdea) and the Generalized System of Preferences (GSP), are being undermined by protectionist interests within the US Congress; and a solution to the longstanding dispute concerning access by Mexican trucks to US territory remains to be implemented.

As noted by several analysts, Obama was turning up in a Latin America in which the US does not have ambassadorial representation in three countries, Venezuela, Bolivia and Ecuador, and when aid programmes, particularly those for anti-drugs efforts, are being trimmed.

It was only in March this year that Obama turned up again in the region, in a three-day trip to Brazil, Chile and El Salvador. His aim in Brazil was clear enough: he was accompanied by his commerce, treasury and energy secretaries to attend a US–Brazil business conference intended to stimulate bilateral trade. Privately, he put in a word for the US contender in the currently suspended Brazilian tendering process for the purchase of new fighter bombers.

He did not, however, express the same kind of fulsome support for Brazil's bid to become a permanent member of an expanded UN Security Council as he had last November to India's similar bid. In a hardly diplomatic move, Obama ordered the initiation of hostilities towards Libya from President Dilma Rousseff's office (when Brazil had abstained in the Security Council vote that sanctioned that action).

An indication of the effect this had was Rousseff's very public complaint about US protectionism affecting Brazilian products and her pointed statement that Brazil does not intend to enter a bilateral trade arrangement with the US outside the framework of Mercosur.

In Chile, Obama said that his administration intended to 'move forward on trade agreements with Panama and Colombia' and to continue pursuing the Trans Pacific Partnership (TPP). This started out in 2002 as an initiative of Chilean president Ricardo Lagos and the prime ministers of New Zealand, Helen Clark, and Singapore, Goh Chok Tong. An agreement, also incorporating Brunei, was signed in 2005 and came into force the following year.

Since then five more countries have begun negotiations to join: Australia, Malaysia, Peru, the US and Vietnam. They are working towards a target completion date of November 2011, when the next summit of the Asia-Pacific Economic Cooperation (Apec) is scheduled.

Perhaps presciently, Obama did not dwell on the budding Pacific Alliance, often described as a bloc of 'US-friendly' nations (Chile, Colombia, Peru and Mexico), born of an initiative by outgoing Peruvian president Alan García. The victory of the nationalist candidate Ollanta Humala in Peru's presidential run-off casts doubt on the prospects for that group, which some had been imagining as a US-based alternative to an expanded Mercosur.

Obama said during his visit, 'Today, there are no senior partners and there are no junior partners, there are only equal partners' adding that the US side of that partnership includes providing aid so local authorities can combat drug gangs and working on stemming guns from flowing from the US to countries south.

In El Salvador, he announced that the US would be providing US\$200m for a new Central American Citizen Security Partnership, which has been described as a repackaging of the Central American Regional Security Initiative (Carsi).

In mid-May US Secretary of State Hillary Clinton hosted a private dinner with a group of six former Latin American presidents (from Mexico, Colombia, Brazil, Peru, Panama, and El Salvador), ostensibly to sound them out on new directions for the Obama administration's regional policies.

Following their distinct lack of enthusiasm, Joel Hirst, International Affairs Fellow at the Council on Foreign Relations, remarked, 'An administration so fond of "reset buttons" appears to be seeking a "reset button" of its own policies toward a region virtually abandoned over the last two years.'

Still the biggest partner, but shrinking

Just before President Obama's recent trip to three Latin American countries, the UN's Economic Commission for Latin America and the Caribbean (Eclac, better known in the region by its Spanish acronym, Cepal), released a study on the US-Latin American economic agenda. Entitled *The US and Latin America and the Caribbean: Highlights of economy and trade*, it underlined the following points:

- Latin America and the Caribbean accounts for one fifth of total US trade; the share of the US in regional trade remains high despite a marked decline in the last decade.

- Trade between the US and Latin America and the Caribbean is concentrated in a few countries; the US is a particularly important trading partner for Mexico, Central America and the Caribbean. The US occupies a prominent position as an import supplier to the region.

- Latin American exports to the US have recovered after the crisis, with the exceptions of Argentina and Uruguay. The recovery has reached all the main export sectors, but it has been stronger in the case of metals, minerals and manufactures.

- Latin America and the Caribbean's exports to the US represent a larger share of manufactured goods than the region's exports to the European Union and China.

- Of the Latin American and Caribbean countries, Mexico has the largest share of manufactures in its exports to the US (82%). If Mexico is excluded, the share of primary products in the region's exports to the US is much higher and has grown in the past decade.

- After Mexico, the Central American countries have the largest share of manufactures in their exports to the US. At the other extreme, the exports from

Andean countries are dominated by primary products.

- The US traditionally posts a deficit in its merchandise trade with Latin America and the Caribbean. The largest deficit is with Mexico and Central America.

- On average, Latin American and Caribbean exports to the US have become more concentrated in the last two decades. Nevertheless, there is great heterogeneity amongst the region's countries. The share of the top five products in total exports to the US ranges from 40% to 97% for Latin American and Caribbean countries. On average, Latin America and the Caribbean, exports more products to the US than to the European Union and Asia. Nevertheless, the highest number of products is exported to the region itself.

- Most Latin American and Caribbean countries that have free trade agreements (FTAs) with the US saw a dramatic increase in the share of their exports subject to preferences when those agreements entered into force. Unilateral preferences granted by the US have been very important for some South American countries, especially the Andean countries and Paraguay.

- The US has accounted for roughly one third of all FDI flows into Latin America and the Caribbean over the last decade, and remains the largest single foreign investor in the region. Over the last decade, US net FDI flows into the region have been more stable than those from the European Union. The relative importance of US FDI varies widely across the region.

What the US means to the region

Seen from the other side, by 2009 the region's exports to the US accounted for 39% of all of its exports and 33% of its imports. This compares with the EU's 14% of exports and 15% of imports. The US lost relative importance as an export market for all Mercosur countries, and has been overtaken as the leading export market for Chile and Peru.

In the case of Bolivia, where it had been the leading export market a decade ago, it has fallen to fourth place, in good measure because Bolivia was excluded in 2008 from the benefits of the Atpa/Atpdea preferential schemes.

Exports to the US from most of Latin America (Argentina and Uruguay were exceptions) did bounce back rapidly from the slump, growing by 27% overall between 2009 and 2010, after having shrunk by 24% the previous year. Eclac notes that the recovery has reached all the main export sectors, but it has been stronger in the case of mining and manufactures.

Another effect of the slump and recovery was the shift in the US trade balance with the region. Before the crisis the US, thanks mainly to its trade with Mexico, had been running a deficit with Latin America. This changed into a surplus with most of Latin America and the Caribbean from 2009, as the slump reduced US imports, then switched back into deficit with the recovery.

For Latin America, this latest shift helped to compensate for its growing trade deficit with China.

While the US is expected to go on accounting for the largest share of the region's foreign trade for some years to come, this share is likely to shrink in relation to those of other partners. Projections made by Eclac based on GDP growth rates show the US share of the region's exports fall to 28% by 2020, and that of its imports to 26%.

China's share is seen growing from 8% of exports to 14%, and from 9% of imports to 16%; the EU's share of exports is shown as rising from 14% to 19%, while that of imports falls from just under 15% to 14%.

Eclac predicts that before the middle of the present decade, China could replace the European Union as the region's second largest trading partner.

Varying impact

The significance of exports to the US to the region's economies varies considerably. In 2009 they were equivalent to 8% of the region's GDP in 2009. The country with the biggest proportion (27%) was Mexico; Chile's was 6%; that of Mercosur, as a whole, was only slightly more than 1%. In the Caribbean as a whole they were equivalent to 13% of GDP.

Eclac has pointed out that the Latin American and Caribbean countries most dependent on the US market were the ones that experienced the largest declines in GDP during the recent world economic crisis.

Then there is the fact that trade between the region and the US is highly concentrated in a few countries. Mexico accounts for almost two-thirds of US imports from the region; Mexico and Mercosur together account for 75%.

In 2009 the US ranked first as an export market for 10 countries in Latin America: Mexico, all of the Central American republics, and three Andean nations — Colombia, Ecuador and Venezuela. It ranked second for Brazil, Peru and Chile, third for Argentina, fourth for Bolivia, seventh for Uruguay and eleventh for Paraguay. As a source of imports, it ranked first for all but four countries: Argentina (2nd), Bolivia (3rd) Uruguay (4th) and Paraguay (6th).

Where the region figures in US trade patterns
% shares in total US trade* and annual growth rate

<i>Region/country</i>	<i>1980</i>	<i>1990</i>	<i>2000</i>	<i>2010</i>	<i>Growthrate 1990-2010</i>
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Exports

L.A. & Caribbean	17.1	13.3	21.6	23.2	9.0
Asia	19.6	24.5	21.9	22.4	5.6
-China	1.7	1.2	2.1	7.2	15.9
-Japan	9.4	12.4	8.4	4.7	1.1
Canada	16.0	21.1	22.6	19.4	5.6
EU	28.7	26.6	21.6	18.8	4.2
Rest of world	18.5	14.4	12.2	16.2	6.7

Imports

Asia	21.9	31.7	31.9	34.6	7.2
-China	0.5	3.1	8.6	19.3	16.8
-Japan	13.0	18.1	12.0	6.1	1.2
L.A. & Caribbean	14.2	12.9	16.9	18.1	8.8
EU	17.2	20.2	18.7	17.9	5.7
Canada	16.6	18.1	18.5	14.2	5.6
Rest of world	30.1	17.1	14.1	15.2	5.8

Total trade

Asia	20.7	28.1	26.9	28.5	6.4
-China	1.1	2.2	5.3	13.3	16.4
-Japan	11.2	15.3	10.2	5.4	1.2
L.A. & Caribbean	15.7	13.1	19.3	20.6	8.9
EU	22.9	23.4	20.1	18.3	5.0
Canada	16.3	19.6	20.6	16.8	5.6
Rest of world	24.3	15.8	13.2	15.7	6.3

**Ranked by shares in 2010.*

Source: Eclac, based on Comtrade.

How US imports from the region have evolved
% of total imports*, 1995-2010

<i>Country/area</i>	<i>1995</i>	<i>2010</i>	<i>Country/area</i>	<i>1995</i>	<i>2010</i>
Mexico	66	63	Central America	2	6
Venezuela	10	9	Caribbean	2	4
Andean Community	7	8	Chile	2	2
Mercosur	11	8			

**Ranked by share in 2010.*

Source: Eclac, based on Comtrade & USITC.

Region's exports to the US
% of GDP, 2009

<i>Country/area</i>	<i>%</i>	<i>Country/area</i>	<i>%</i>
Mexico	27.1	Chile	6.1
Caribbean	13.2	Andean countries	3.9
Central America	8.6	Mercosur	1.2
L.A. & Caribbean	7.9		

Source: Eclac

Bouncing back from the crisis
Region's exports to the US, % annual growth rate

Category	2003-08	2009	2010
Agriculture	8.5	-1.6	14.6
Mining	18.1	-39.5	27.5
Manufactures	5.3	-17.4	28.6
Total exports	8.7	-23.9	27.1

Source: USITC.

How Latin America's trade patterns may evolve
% share of selected partners in region's exports & imports

Partner	Exports		Imports	
	2009	2020*	2009	2020*
US	38.6	28.4	33.1	26.1
EU	13.8	19.3	14.7	14.0
China	7.6	13.6	9.5	16.2

*Projections based on GDP growth rates for 2000-2010.

Source: Eclac, based on Comtrade.

Dependency: how the US ranks as a trading partner
1980-2009, Listed by rank in 2009

Exports					Imports				
Country	1980	1990	2000	2009	Country	1980	1990	2000	2009
Colombia	1	1	1	1	Brazil	1	1	1	1
Ecuador	1	1	1	1	Colombia	1	1	1	1
Venezuela	1	1	1	1	Ecuador	1	1	1	1
Costa Rica	1	1	1	1	Peru	1	1	1	1
Guatemala	1	1	1	1	Chile	1	1	1	1
Honduras	1	1	1	1	Venezuela	1	1	1	1
Mexico	1	1	1	1	Costa Rica	1	1	1	1
Panama	1	1	1	1	Guatemala	1	1	1	1
El Salvador	2	1	1	1	Honduras	1	1	1	1
Nicaragua	4	1	1	1	Nicaragua	1	1	1	1
Brazil	1	1	2	2	Mexico	1	1	1	1
Peru	1	1	2	2	Panama	1	1	1	1
Chile	3	2	1	2	El Salvador	2	1	1	1
Argentina	3	2	3	3	Argentina	1	2	2	2
Bolivia	1	2	1	4	Bolivia	1	1	1	3
Uruguay	4	2	3	7	Uruguay	4	3	3	4
Paraguay	6	6	6	11	Paraguay	3	4	4	6

Source: Comtrade.

Diversification: products exported 2008-091
Number of products and % of Harmonised System at 6-digit level

To:	US	EU	Region2	Asia	China
From:					
Mexico	4,163	2,807	3,920	2,230	1,143
%	82	56	78	44	23
Brazil	2,863	3,129	3,997	2,531	1,185
%	57	62	79	50	23

1Average. 2Latin America & Caribbean.

Source: Eclac, based on Comtrade.

Not much diversification

Latin America's exports to the US are confined to very few products. In two countries — Venezuela and Ecuador — the top five products exported to the US account for more than 90% of all their exports to that market. Concentration is particularly marked in countries whose top export product is oil. In Venezuela this one product accounts for 93% of all exports to the US; in Ecuador, for 75%; in Colombia, for 49%.

In four countries the share of their top five exports is above 60%; in another six, more than 50%. In only five countries is it below 50%. The countries in which they have the lowest share (the ones with the most diversified ranges of exports) are Mexico, with 41%, and Brazil, with just under 40%. Eclac notes that in both cases diversification has been increasing over the past two decades.

Another way of looking at diversification is by comparing the number of products exported. The region exports more products to the US than to the EU or Asia, but it is to other countries in Latin America and the Caribbean that it exports the greatest number of products. The region's exports to China are very highly concentrated in few products (4% of the Harmonised System's universe [customs code], at six-digit level, as against 24% in its exports to the US).

Here again Brazil and Mexico appear as the most diversified exporters. Mexico leads the diversification league in its exports to the US, with 4,163 headings to Brazil's 2,863, both are at par in their exports to China, but Brazil is more diversified in its exports to Latin America and the Caribbean, the EU and Asia as a whole.

What the region is exporting

There is a sharp divide in the region as regards the type of products countries export to the US. The countries in which manufactures are most prominent, amongst the top five countries are: Mexico and the DR-Cafta members (Central America and the Caribbean). In Mexico's case, manufactures — dominated by auto parts, electrical and electronic appliances — account for 82% of all exports. The Cafta-DR countries follow, with textiles and apparel figuring prominently. In most of these cases, it is *maquila* or assembly industries that predominate.

Three countries: Mexico, the Dominican Republic and Brazil display relatively high levels of intra-industry transactions in their trade with the US. Eclac notes that there is potential to increase intra-industry trade in much of the bilateral trade between the region and the US.

Mexico apart, primary products are more important in the region's exports to the US; in the Andean countries, they are dominant. This said, it must be noted that Mexico's top export to the US is crude oil, which accounts for 16% of all exports, while Brazil's third most important export to the US is airplanes (4% of the total), and the fifth is chemical wood pulp (2%). Two of Argentina's top products are manufactures: chemicals (7%) and aluminium (6%).

FTAs and other preferences

Free-trade agreements (FTAs) have led to substantial increases in the exports granted preferences. This represents about 50-60% of all exports from the countries with the oldest FTAs, Mexico (in Nafta) and Chile, and a similar pattern is emerging in the DR-Cafta countries. However, as Eclac notes, Honduras and El Salvador show above-average utilisation rate of the DR-Cafta preferences, whereas Costa Rica's utilisation rate is below average.

The US has signed FTAs with 11 countries in Latin America and the Caribbean, all but two of them since the collapse of the Free Trade Area of the Americas (FTAA) initiative in 2005.

**Dependency: weight of region's top exports to the US
% share of total exports to the US, 2007-09, ranked by share of top 5
products**

<i>Country</i>	<i>Top product</i>	<i>Top 5 products</i>	<i>Country</i>	<i>Top product</i>	<i>Top 5 products</i>
Venezuela	93	96.8	El Salvador	23	58.1
Ecuador	75	90.3	Nicaragua	19	58.0
Colombia	49	79.9	Guatemala	17	55.5
Bolivia	20	67.6	Honduras	20	53.1
Paraguay	34	63.9	Peru	18	49.4
Uruguay	43	63.3	Argentina	23	46.8
Panama	25	62.3	Dominican R	13	41.9
Costa Rica	25	59.6	Mexico	16	41.4
Chile	29	59.0	Brazil	24	39.7

Source: Eclac, Comtrade.

US free-trade agreements with Latin America

<i>Country</i>	<i>Date</i>	<i>Country</i>	<i>Date</i>
In force			
Mexico ¹	1994	Guatemala ²	2004
Chile	2004	Honduras ²	2004
Costa Rica ²	2004	Nicaragua ²	2004
Dominican R ²	2004	Peru ³	2009
El Salvador ²	2004		
Signed, awaiting US ratification			
Colombia	2006	Panama ³	2007

¹Nafta. ²DR-Cafta. ³'Trade Promotion Agreement'.

**Region's share in US trade in services
%, 2005-09**

<i>Country/area</i>	<i>Exports</i>	<i>Imports</i>
Argentina	0.6	0.4
Brazil	2.1	1.2
Chile	0.4	0.3
Mexico	4.9	4.5
Venezuela	0.9	0.2
Caribbean*	5.8	10.1
Latin America & Caribbean*	18.0	19.9

*Including dependencies.

Source: BEA.

**Sources of region's FDI
% of total, 1999-2009***

<i>Country/area</i>	<i>1999-2003</i>	<i>2004-08</i>	<i>2009</i>	<i>Cumulative 1999-2009</i>
US	37	32	38	35
EU	45	43	29	42
Latin America & Caribbean	4	7	10	6
Canada	3	6	7	5
Japan	2	2	5	2
Other	9	10	11	10

*Ranked by shares in 2009.

Source: Eclac.

Of the 11 FTAs, nine have been ratified: Mexico (in Nafta, 1994), Chile (2004), the DR-Cafta (2004, embracing Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), and Peru (2009). Two have been awaiting ratification by the US Congress for some time: Colombia, signed in 2007, and Panama, signed in 2007.

Eclac says that one drawback of the post-FTAA emphasis by the US on bilateral FTAs is that these 'remain of the "hub and spokes" type, with the US as the hub and the Latin American and Caribbean partners as the spokes [which] means that the benefits of "connecting" the several FTAs, for example by allowing cumulation of origin between the US and all its Latin American and Caribbean partners, are not exploited.'

Unilateral preferences granted by the US under the: Generalised Preference System (GSP) introduced in 1976; the Andean Trade Preference Act (Atpa) of 1991 and the Andean Trade Promotion and Drug Eradication Act (Atpdea) have had a similar export boosting effect. However, they have all expired, the GSP in December, the others in February. [In April this year US Trade Representative Ron Kirk and Secretary of State Hillary Clinton sent a letter to leaders of Congress urging their re-authorisation, but this had not happened up to the time of writing.] The scope of the Atpdea had already been whittled down by the exclusion of Bolivia in 2008 and of Ecuador earlier this year, and by the FTA with Peru, in force since 2009.

The US was the source of 35% of the foreign direct investment (FDI) accumulated in Latin America between 1999 and 2009 — the second largest share, after the EU's 42%. In the last five years of that period, though, FDI from the US was rising, reaching 38% in 2009, while the flow from the EU was falling, to end at 29%. An interesting development has been the increase in FDI flow coming from within the region itself: its share of the total more than doubled, from 4% in 1999 to 10% in 2009.

Looked at from the other side, Latin America and the Caribbean's share of all FDI from the US has remained fairly constant, averaging 7.6% an year from 2005 to 2009.

Requisites of a 'new partnership'

During his recent tour Obama spoke more than once about the 'partnership' between the US and the region. In its pre-tour study Eclac listed what it believes is necessary for a 'new partnership':

- A pledge to refrain from imposing new trade barriers, along the lines of the commitment first adopted by the members of the G20 in December 2008.
- A pledge to conclude in 2011 the Doha Development Round.
- The reincorporation of Bolivia to the benefits of the Atpa and the Atpdea.
- Prompt renewal of the Atpa, Atpdea and GSP preferential schemes, for a period sufficiently long to provide a stable timeframe for beneficiary countries.
- Prompt approval (during 2011) by the US Congress of the pending FTAs with Colombia and Panama.
- Resolution of longstanding disputes within Nafta, such as that concerning the access of Mexican trucks to US territory.
- Substantial reduction or elimination of the US tariff on ethanol in the context of the Doha Round.

'US-friendly' Pacific Alliance runs into a snag

In late April, less than a month after Obama set forth on his brief Latin American tour, two new regional groupings emerged which seemed likely to influence Latin America's future relations with the US. One was decidedly US-friendly, the other, despite protestations to the contrary, represents a trend towards establishing a regional, rather than a US-dominated, hemispheric identity. Just under a month and a half after these developments, political events seemed to bode ill for the survival of the US-friendly grouping. Presidents Juan Manuel Santos of Colombia and Hugo Chávez of Venezuela have figured prominently among those promoting these developments, the former, in his bid to pull Colombia out of its long period of isolation, the latter, seeking to prevent further deterioration of his country's regional influence.

The less-than-US-friendly grouping is the Comunidad de Estados Latinoamericanos y Caribeños (Celac; Community of Latin American and Caribbean States) which includes all countries in the hemisphere save the US and Canada.

On 26 April, Chávez hosted a meeting of foreign ministers of the Summit of Latin America and the Caribbean on Integration and Development (Calc in the Spanish acronym), an informal forum established in 2008. The Caracas meeting was a follow-up of the February 2010 joint gathering in Cancún of the Rio Group and Calc leaders, where it was agreed to set in motion the preparations to merge both entities into a single one, provisionally named Comunidad de Estados Latinoamericanos y el Caribe (Celac).

The 30 participants in the Caracas meeting began to outline the procedural, operational and logistical features of Celac, which are scheduled to be endorsed by the third Calc summit in Caracas next July, when Celac will be formally launched. Back in February 2010 Chávez and his Alba allies celebrated the outcome of the Cancún summit as a victory for their call to create an OAS-like body without the US. They proposed (unsuccessfully) that the new body should be called Organisation of Latin American and Caribbean States, to drive home the point. Mexico plumped for calling it Union, but the South American proposal of Community carried the day.

Despite many disclaimers it is a fact that the particular process that led to the Cancún summit did begin as a Latin American alternative to US policy towards the region. It started in 1983 with the Contadora Group (Colombia, Mexico and Panama), which sought a negotiated solution to the conflicts in Central America, as against US emphasis on a military solution. These three were joined in 1985 by the Contadora Support Group (Argentina, Brazil, Peru and Uruguay).

In 1986 both of these merged in the Rio Group, which began to grow as a regional political forum, now comprising 23 members — the whole of Latin America plus two countries of the English-speaking Caribbean, Belize and Jamaica. Still, Chávez tried hard at the 'pre-foundational' meeting of Celac to present himself as its chief promoter, saying, 'This is the political event of the greatest importance and greatest potential transcendence in our America in the past 100 years or more [...] We're on our way and let no-one try to derail us.'

The Pacific Alliance

The US-friendly grouping was the Alianza del Pacífico (AP; Pacific Alliance), formed by four countries committed to free trade and enterprise — the latest

form assumed by an initiative launched in 2006 by Peruvian president Alan García, who called it 'Frente del Pacífico' (Pacific Front), a label quickly replaced by the one coined by the media, 'Arco del Pacífico' (Pacific Arc). Initially promoted most vigorously by García and Mexican foreign minister, it received a boost in late 2007 when it was endorsed by Chilean president Michelle Bachelet.

The Pacific Arc group held two meetings a year of trade ministers in 2007 and 2008, attracting the participation of Ecuador and Central America. The original momentum, however, waned, and the number of annual ministerial meetings shrank to one in 2009 and 2010.

In October last year García tried to refloat it as an 'in-depth integration agreement' with Chile, Colombia, Ecuador and Panama, but this did not gel. The latest push came from Santos and García when they met in Bogotá in March this year: they invited their peers Sebastián Piñera of Chile and Felipe Calderón of Mexico to meet in May in Lima. The summit was eventually brought forward to 28 April, three weeks after the signing of a free-trade agreement between Peru and Mexico.

The summiteers not only issued a 'Declaration of Lima' proclaiming their commitment to 'advance progressively towards the free circulation of goods, services, capital and people' but set up a tight initial work schedule. They agreed to instruct their deputy foreign relations and trade ministers to draw up a 'framework agreement based on the harmonisation of the existing free-trade agreements', to be presented to a new summit scheduled to take place in December.

Four-sided 'technical groups' will be set up to monitor progress in each area singled out for special attention: movement of persons, facilitation of migration, trade and integration, police cooperation, services and capital, and possible integration of stockmarkets.

Calderón highlighted the economic weight of the AP members by comparing their joint two-way trade volume of US\$872bn, with that of Mercosur (US\$543bn). Some analysts read this as a signal that Mexico envisaged the AP as setting itself up 'against' Mercosur, but it must be kept in mind that in March 2010 Lula and his Mexican peer Felipe Calderón signed a memorandum of understanding to move forward with a bilateral free-trade agreement, building on the existing tariff-reduction agreement.

This was initially opposed by Mexican business associations such as the Consejo Coordinador Empresarial and the Consejo Nacional Agropecuario, but in November the two governments announced the official launch of negotiations for what was described as a Strategic Economic Integration Agreement, to start in early 2011.

Also, on 13 April this year the foreign ministers of Mexico and Argentina chaired the second meeting of the Consejo de Asociación Estratégica México-Argentina, the body set up to guide the implementation of the bilateral 'strategic association' agreement signed in 2007. At the April meeting the ministers reviewed progress reports from the commissions on political affairs, economic, trade and investment relations, and bilateral cooperation. Since the agreement was signed, bilateral trade increased rapidly: in 2010 it reached US\$2.9bn, 30% up on the previous year, making Argentina Mexico's fourth-biggest trading partner in Latin America.

On 5 June the Peruvian voters elected the nationalist candidate Ollanta Humala as their next president. His rival, Keiko Fujimori, would have been an enthusiastic supporter of the AP. Humala, in his new 'moderate' persona, has chosen former Brazilian president Lula da Silva as his model.

A problem that continues to grow

For all the talk about success in Colombia and the reduction of drug consumption in the US, the drugs trade in Latin America has been growing, and the violence caused by inter-cartel turf wars in Mexico has been spreading outwards, most visibly to Central America but also further afield. The drive launched in 2006 by Mexican president Felipe Calderón has been accompanied by a sharp escalation of violence, and the Mexican cartels have been setting up shop in the US.

Aggravating the situation is the fact that governments seeking to curb the drugs trade have been operating with less than comprehensive or accurate information. Two recent policy-shaping updates released in early March, the annual report of the International Narcotics Control Board (INCB) and the US State Department's annual International Narcotics Control Strategy Report (INCSR) are clear illustrations of this.

On the traffic in cocaine – the headline item in the western hemisphere – neither report has any information about coca cultivation beyond 2009. The INCSR does reproduce what governments have reported on three developments in 2010: the eradication of coca plantations, the number of cocaine-processing laboratories destroyed, and the amount of cocaine seized. Without the coca cultivation data, however, neither body has been able to issue estimates of potential cocaine production nor, consequently, of how much cocaine may be reaching the markets.

To take only the latest three years (2007-2009), UN estimates of coca cultivation are lower than those of the US for Bolivia (by 3% to 11%) and Colombia (by 32% to 41%), and higher for Peru (by 28% to 50%). The divergence is greatest regarding the two countries the two reports agree on identifying as the world's two biggest producers of cocaine. The INCSR attributes the difference to two main causes: different methodologies and the fact that monitoring is confined to areas where coca cultivation is deemed 'likely'. Shifting attention to areas previously considered 'unlikely' can produce startling results: in 2005 it led the US to increase its estimate of cultivation in Colombia by 25%.

Different cultivation estimates lead inevitably to different estimates of potential cocaine production, but the surprise is that the latter do not correlate directly to the former. UN production estimates for Colombia in 2007-09 were substantially higher than those of the US, by 23% to 54%, when its cultivation estimates, as noted above, were lower.

For Peru, UN production estimates for 2007-08 are higher, but not by as much as cultivation estimates. For Bolivia, UN production estimates, again for 2007-08, were much lower than those of the US (by 17 to 39 percentage points), that is, a greater gap than that of the cultivation estimates.

The difference in timespans is attributed by the INCB to the 'ongoing review of conversion factors' in these countries, which led it to omit any 2009 figures for them — but did not prevent it from venturing 'an estimate of global potential manufacture of cocaine': between 842 and 1,111 tonnes.

The extremes of this range are apart by 279t, which makes it hard to discern whether in 2009 the global interception benchmark of 40% of estimated production would have been met. According to the INCB, it was surpassed in 2005-08. The only really 'hard' information related to the international flow of cocaine from producer to consumer countries is the volume of cocaine seized.

Coca & cocaine: main producers

	2007	2008	2009	2010
COLOMBIA				
<u>Coca cultivation (000ha)</u>				
US (INCSR)	167	119	116	na
UN (INCB)	99	81	68	na
<u>Coca eradication (000ha)</u>				
US (INCSR)	219	229	166	147
UN (INCB)	220	230	165	na
<u>Potential cocaine production (t)</u>				
US (INCSR)	485	280	270	na
UN (INCB)	597	430	410	na
PERU				
<u>Coca cultivation (000ha)</u>				
US (INCSR)	36	41	40	na
UN (INCB)	54	56	60	na
<u>Coca eradication (000ha)</u>				
US (INCSR)	11	10	10	12
UN (INCB)	12	10	10	na
<u>Potential cocaine production (t)</u>				
US (INCSR)	210-35	215-35	225-45	na
UN (INCB)	290	302	na	na
BOLIVIA				
<u>Coca cultivation (000ha)</u>				
US (INCSR)	30	32	35	na
UN (INCB)	29	31	31	na
<u>Coca eradication (000ha)</u>				
US (INCSR)	6	5	6	8
UN (INCB)	12	5	6	na
<u>Potential cocaine production (t)</u>				
US (INCSR)	130	195	195	na
UN (INCB)	104	113	na	na

Cocaine seizures 2010, INCSR

Country	Tonnes	Country	Tonnes
Colombia	160.1	Dominican R	4.8
US	108.31	Bolivia	3.4
Panama	49.5	Belize	2.6
Venezuela	24.0	Chile	2.3
Brazil	22.2	Guatemala	1.4
Nicaragua	17.5	Paraguay	1.4
Peru	15.5	El Salvador	0.7
Costa Rica	14.8	Bahamas	0.3
Ecuador	14.8	Suriname	0.3
Argentina	12.7	Uruguay	0.3
Mexico	9.4	Guyana	0.1
Honduras	6.1	Total2	472.5

12009 (INCB); FY2009: 154.2t; FY2010: 201.8t (CBP + USCG). 2 23 Western Hemisphere countries reporting seizures of 100 kilos or more.

Cocaine seizure data compared 2007-2010 Tonnes

	2007	2008	2009	2010
<u>Colombia</u>				
US (INCSR)	131	183	156	160
UN (INCB)	181	126	200	na
<u>Peru</u>				
US (INCSR)	8	16	10	15
UN (INCB)	8	17	11	na
<u>Bolivia</u>				
US (INCSR)	3	7	5	3
UN (INCB)	3	7	5	na

Cocaine labs destroyed Most recent data

Country	Year	No	Country	Year	No
Colombia	2010	2,586	Peru	2010	18
Venezuela	2009	26	Brazil	2010	11
Bolivia	2010	24	Chile	2008	4
Argentina	2008	20	Ecuador	2008	3

Sources: INCSR for 2010, INCB for previous years.

In 2010 the total seized by Latin American and Caribbean countries reporting seizures of 100 kilos or more, plus the US (the latter on the strength of FY2010 data), was 571 tonnes. However, there are as yet ways to gauge what this means in terms of supply reduction.

The INCSR claims that the supply of cocaine to the US has been declining. This conclusion is based chiefly on data showing that the street price for cocaine has been rising while its purity has been falling. The data in question come from the DEA's System to Retrieve Information from Drug Evidence (Stride), which indeed shows both developments in recent years. Stride is a database built up from samples sent in for analysis by the DEA, FBI, CBO, ICE, USCG and the Washington police. The DEA notes quite explicitly, though, that 'Stride is not a representative sample of drugs available in the United States [...] Stride data are not collected to reflect national market trends.'

Moreover, longer-term statistics show two things: first, that set against earlier declines in prices and higher purity rates, the most recent trend looks much less significant, and second, that both prices and purity rates have fluctuated, sometimes quite, markedly, all the way back to the early 1990s.

Statistics compiled by the UNODC show street prices of cocaine in most of the period 1991-2008, adjusted for inflation and purity, at levels higher than those cited nowadays as indicating a decline in supply.

Asymmetry of efforts

It is interesting to note that there has been no direct match between the resources available to countries and their record of cocaine seizures. Colombia has regularly intercepted more than the US, and far less affluent Panama ranks third in volume of seizures, followed by Venezuela, which has again been slated in the INCSR for failing to 'cooperate' with US anti-drugs efforts. Mexico, beneficiary of the Mérida Initiative, ranks 11th, after such far worse endowed countries as Nicaragua, Costa Rica and Ecuador.

The INCB had already concluded, on the strength of 2009 data, that cocaine trafficking in North America had been declining 'as a result of various factors, including less cocaine abuse, decreased illicit cocaine manufacture in Colombia and sustained pressure on drug trafficking organizations in Mexico', and that this had translated into lower cocaine seizure volumes on both the US and Mexico.

It also claimed that 2009 was the second consecutive year in which coca cultivation decreased in South America, as a result of a significant reduction in Colombia — while in both Peru and Bolivia cultivation increased for the fourth consecutive year. The INCB notes that small areas under cultivation were reported in Ecuador.

The INCSR concludes that Bolivia's anti-drugs performance was a 'manifest failure' and that Venezuela's was 'inadequate' (it was been classifying Venezuela as a 'manifest failure' for the past five years). Peru also came in for criticism for having assigned a lower priority to anti-drugs efforts and devoted insufficient resources for that purpose. Ecuador is classified as a country free from illicit drug cultivation but as vulnerable to organised crime due to its weak public institutions, corruption and weak and frequently breached border controls.

Latin American governments, starting with Mexico and Colombia, have responded to this kind of assessment with a demand for the US to assume 'co-responsibility'. They say that they, with relatively scant resources, have been carrying the brunt of the supply containment and interdiction effort which the US has put at the core of the anti-drugs effort, while the US has failed to curb the consumption that attracts the flow of drugs, and has not done enough to curb the flow of arms from its territory into Mexico. Moreover, the US has not fully disbursed the funds it had pledged to Mexico under the Mérida Initiative (a scaled-down counterpart of Plan Colombia) and has cut back anti-drugs aid to Colombia and others.

The drug war toll in Mexico

From December 2006, when President Calderón took office, to end-April this year, the inter-cartel drug war claimed 39,353 lives. The official death toll has been increasing by leaps and bounds: 2,826 in 2007, 6,837 in 2008, 9,614 in 2009, 15,273 in 2010, and 4,741 in the first four months of 2011.

According to the official Comisión Nacional de Derechos Humanos (CNDH), in 2010 there were 111 deaths of civilians, apparently uninvolved in the fighting, as a result of drug-war confrontations (which includes clashes between the government forces and the drug-gang gunmen).

Figures released by the defence and navy ministries and the federal police show 398 fatalities among the government forces from the beginning of the Calderón administration to late March 2011. Of these, 318 were federal police officers, 138 members of the army and 14 marines. In the seven years prior to Calderón taking office there had been 72 government fatalities.

Call for a pact with the narcos

Mexico was shaken in May by a wave of demonstrations led by the well-known poet and columnist Javier Sicilia, father of one of the victims of a multiple killing that had taken place in March. Sicilia's campaign included marches and rallies in at least 24 cities across the country and culminated on 8 May in the Zócalo square in front of the presidential palace. The police estimated the crowd at 24,000; the organisers talked about more than 50,000, and some estimates went as high as 100,000. The participants drew up a document calling for a broad 'pact' to refocus the anti-drugs policy. The 'pact' outlined by the demonstrators was a far-reaching one, but the proposal that has attracted most attention has been Sicilia's call for a deal with the drug cartels. His main argument is that it is up to the US, not to Mexico, to deal with its problem of drug consumption. For Mexico, allow-

ing the passage of drugs to the US is opting for the lesser evil. 'We put the war, the deaths and the anguish and [the US] goes on introducing weapons without reducing the drug indicators. The drugs trade continues. The US doesn't care; it is not helping us at all. The mafias are here, so we should strike a pact. There are their corridors; let them flood the US with drugs. Why should we be covering their backs.'

At the very least, says Sicilia, a 'pact of honour' must be struck, under which Mexico legalises drugs and deals with them as a public health problem and leaves the cartels free to operate according to the laws of the market and to go on supplying the US. In exchange, 'they don't touch the civilian population, they don't murder innocent people and the prisoners of the warring parties should be treated respecting their human rights.' An eloquent sign of the impact made by this movement was the fact that President Calderón felt compelled to hold two personal meetings with Sicilia, one shortly after the massacre, the other the day after the mass rally in the Zócalo

Spread of cocaine production

On 9 March Honduran security minister Óscar Álvarez announced that for the first time ever a cocaine processing lab had been found in the country. He said that it was a sophisticated installation 'which had nothing to envy similar establishments in Colombia', and ventured that it might be capable of turning out 200 to 400 kilos of cocaine a week (equivalent to 10-20 tonnes a year if operated continuously).

The INCB said in its recent report that in 2008 cocaine laboratories had been dismantled in Argentina (20), Venezuela (10), Chile (4) and Ecuador (3). More recently, in Venezuela in 2009, authorities detected and destroyed 26 labs. Also, 'Ecuadorean law enforcement authorities destroyed several large-scale drug laboratories in 2009 and 2010. In October 2009, they dismantled one of the largest cocaine manufacturing laboratories in the country; it was estimated that the laboratory could manufacture 20t of cocaine per month.'

This comes on top of a sharp increase in processing facilities in Bolivia and Peru; in 2009 about 4,900 were found and destroyed in the former, and 1,200 in the latter. The INCB notes, 'Over the past four years, the size of coca processing laboratories in South America has decreased while their number has increased.'

This comes on top of the spread of violence by Mexican cartels (chiefly Sinaloa/Pacífico and Los Zetas) into Guatemala, where the government has resorted twice in the past six months to imposing states of siege in northern departments where these cartels had established a strong presence. Confrontation between the two cartels and between Los Zetas and local traffickers, has spread into Honduras. Guatemala and Honduras, which are conduits for drugs from South America, bound for the US via Mexico.

Though not on the same scale, the presence of Mexican traffickers has been reported in Argentina and Peru, while Colombian traffickers have been detected in Ecuador, Peru and Bolivia.

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