



Inter-American Dialogue

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Featured Q&A With Our Board of Advisors

Q US lawmakers say they plan to investigate allegations of slave labor that may be used to produce steel purchased from Brazil by US companies. What is the significance of the allegations for US-Brazil relations and US-Brazil trade? Is Brazil's government doing enough to tackle the problem of forced labor? What about Latin American governments in general?

A **Guest Comment: Melvyn Levitsky**
"Slave labor, among other problems like child labor in the sugar cane and shoe industries, has plagued Brazil for a number of years. In the current case, the issue is slave and child labor in the Amazon, where charcoal is produced from felled trees for the steel industry. Several US manufacturers, including Ford here in Michigan only last month, are refusing to buy from middlemen who market Brazilian steel. Several congressmen, who have in the past complained about Brazil dumping rolled steel on the US market at below world market prices, now seem to have jumped on the issue of slave labor as a way to protect US manufacturers. In fact, this is a very real problem in Brazil along with numerous other labor issues. Brazil has strong legislation prohibiting slave labor and has a governmental agency which has taken action to stem it. But clearly the government has not done enough, since the practice continues, particularly in remote areas of the Amazon which are outside government

control and where local officials can be bribed or threatened into looking the other way. In this instance, the Brazilians will view congressional action as a means to diminish their exports of steel to the US and will claim that they are vigorously acting against the practice. We will probably have yet another case before the WTO. As indicated in the question raised, slave labor is but the tip of the iceberg in Latin America. Any number of labor issues could be raised to hinder exports from the region. This could trigger a retaliatory cycle, with US exports affected as well."

A **Guest Comment: Alexandre Fortes:** "The persistent, or resurgent, problem of working conditions analogous to slavery today
Continued on page 4

PHOTO OF THE DAY



Former Chilean dictator Augusto Pinochet died Sunday at the age of 91. See story on page 2.

Photo: BBC.

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NEWS BRIEFS

Haiti's Rene Preval Undergoing Tests for Possible Cancer Return

Haitian President Rene Preval said Sunday he may have a recurrence of cancer, the Associated Press reported. Preval, who was diagnosed with prostate cancer in 2001, the last year of his previous, first term in office, went to neighboring Cuba for tests on Wednesday and plans to return on December 26. "They [doctors] are unable to say right now at what stage this is," Preval said. "I have to go back for more tests." Preval was elected president earlier this year, two years after ex-President Jean-Bertrand Aristide was ousted in a nationwide revolt.

Guatemalan Cement Firm to Build \$350 Million Plant

Guatemalan cement maker **Cementos Progreso** said Friday it plans to build a \$350 million cement plant in Guatemala with Switzerland's **Holcim** to meet growing demand, Reuters reported. Construction of the two million ton-per-year plant is scheduled to be completed by the first half of 2009, Cementos Progreso's director, Jorge Lemcke, said. The company's current capacity is three million tons annually. Cementos Progreso will pay for 80 percent of the new plant and Holcim the remaining 20 percent.

Annual Inflation in Brazil Falls to Eight-Year Low of 3 Percent

Annual inflation in Brazil fell to 3.02 percent in November, the lowest rate in eight years, the government's IBGE statistics agency said Friday, according to Bloomberg News. Slowing inflation in Brazil comes amid a strengthening of the country's currency, the real, which has appreciated 65 percent versus the dollar over the last four years.

Political News

Former Chilean Strongman Augusto Pinochet Dies at 91

Augusto Pinochet, who ruled Chile as a dictator for 17 years and spent the last several years fighting charges of human rights abuses and corruption, died Sunday at the age of 91. Pinochet passed away at a military hospital in Santiago a week after suffering a heart attack. His death appeared to reopen wounds over his 1973-90 rule—during which more than 3,000 government opponents are estimated to have been killed—as Pinochet opponents took to the streets and fought violent battles with police in the capital of Santiago. Police said 23 officers, including a major and a captain, were injured, while several people were arrested, according to the Associated Press. Meanwhile, hundreds of Pinochet supporters gathered outside the hospital, weeping and trading insults with people in passing cars, the AP reported. The government of President Michelle Bachelet, who was arrested during the Pinochet regime, said in a statement posted on its Web site that the former dictator would be given funeral honors due a commander-in-chief of the Chilean army, and authorized flags to be flown at half-mast at army facilities. However, Pinochet's son, Marco Antonio Pinochet, criticized the

government's decision not to render full state honors to his father, and asked that the government not send representatives to the funeral. Augusto Pinochet took power after a September 11, 1973 coup, which occurred just 19 days after Socialist President Salvador Allende appointed him commander of the army. He has been widely condemned for human rights abuses that took place during his regime, including the arrest, torture, and "disappearance" of thousands of leftist political opponents. However, he is also credited by many with helping Chile to enjoy one of the most prosperous and stable economies in Latin America via a series of pro-market reforms. Chile has grown 5-7 percent since 1984, according to the AP. In 1988, Pinochet finally lost a referendum to extend his rule and in 1990 was defeated in an election by Patricio Aylwin, whose center-left Concertacion coalition has ruled Chile ever since. There have been several attempts in recent years to try Pinochet on human rights charges, but he escaped trial on grounds of his poor health and the argument that he suffered from "mild dementia." He was under house arrest related to another human rights case at the time of his death. Two weeks ago, on the occasion of his 91st birthday, Pinochet said for the first time that he accepted full responsibility for the actions of his regime. However, the former dictator also defended his rule, saying it left "a vigorous,

Tony Smith, Former *Latin America Advisor* Board Member, Dies

J. Anthony "Tony" Smith, an attorney and former *Advisor* board member, died Friday after a battle with cancer.



Smith was a partner, and later senior counsel, in Washington, DC for **Schmeltzer, Aptaker & Shepard**, which completed a merger with **Saul Ewing LLP** in October. Smith dedicated much of his work to trade issues, playing an active role in the congressional approval of CAFTA, and the CBTPA and ATPDEA preference programs.

"Tony Smith cared about opening trade opportunities because he knew they are a route out of poverty for both countries and people," said Inter-American Dialogue President Peter Hakim.

"He worked hard and persistently, and forced himself to learn all of the excruciatingly boring details about trade law and politics. All this explains why he was able to accomplish so much."

modern, admired country." [Editor's note: look for Q&A on Pinochet's legacy in Chile in tomorrow's issue of the *Advisor*.]

South American Leaders Agree to Study European Union-Style Unity

South American leaders agreed Saturday to create a high-level commission to study the formation of a continent-wide community similar to the European Union, the Associated Press reported. On the last day of a two-day summit in Cochabamba, Bolivia, heads of state and envoys from 12 South American nations agreed to form a study group in Rio de Janeiro to look at the possibility of creating a union, including a South American parliament. "We seek that South America be forever a region of peace that works to solve the economic problems of its historically abandoned majority," the summit's host, Bolivian President Evo Morales, was quoted as saying. Venezuelan President Hugo Chavez expressed impatience with current efforts to integrate the continent. "We need a political Viagra," Chavez said. "Look, we make decisions and we don't have the power to execute them. They're stuck in these pyramids of paper." Brazilian President Luiz Inacio Lula da Silva, however, said such an ambitious project would take time. "We must have patience, and try to solve these issues with delicacy," Lula said. "The solutions are difficult. We're not just simple workers talking about a strike at the factory." Leaders are currently pursuing several efforts to integrate the region's infrastructure, including a possible natural gas pipeline linking several countries. Peruvian President Alan Garcia called for efforts to



Peruvian President Alan Garcia and Venezuelan President Hugo Chavez, who exchanged insults earlier this year, appeared to make peace at the weekend summit in Bolivia.

Source: ABL.

Special Announcement

Jane Eddy Has Joined the Latin America Advisor Board



The *Latin America Advisor* is pleased to announce that Jane Eddy, managing director in the Corporate & Government Ratings Group at **Standard & Poor's**, has joined the Board of Advisors. At Standard & Poor's, Eddy heads the group responsible for sovereign and local and regional government ratings in Latin America, managing a team of analysts located in Mexico, Argentina, Brazil, and New York. She has been involved in crafting the criteria used to evaluate governments throughout the world.

Eddy joined Standard & Poor's in 1982 and has extensive experience in the analysis of government and of infrastructure and project financing. She has participated in the ratings of most of the countries and subsovereign governments in Latin America and Canada. She has also reviewed many infrastructure financings and projects worldwide, including several Argentine, Brazilian, Chilean, and Canadian water, gas, and electric utilities. She was also a senior analyst with a municipal bond insurer.

Eddy holds a BA from the University of California at Los Angeles and an MA from the John F. Kennedy School of Government at Harvard University.

improve education in the region as a means of building support for integration. "If we don't teach a faith in this integration, all is lost," Garcia stated. He said that education reforms would "cost much less [than] building an aqueduct or a great big highway to integrate our countries.

Morales Says Military Would Put Down Any Provincial "Secession"

Bolivian President Evo Morales said Saturday that provincial governments demanding more autonomy from the central government are really looking to secede and that the military would put down any attempts to break away from the rest of the country. Reuters reported. "These enemies of Bolivia are understanding autonomy as secession, as the separation of Bolivia, and there won't be any division, any separation of our homeland, the armed forces are there," Morales was quoted as saying. Last week, leaders in Santa Cruz, Bolivia's wealthiest province, stepped up their calls for greater autonomy, and some anti-government protests reportedly turned violent. Leaders of the pro-autonomy Santa Cruz Committee have called for a public meeting this

Friday to decide their next step. "There are many reasons for this meeting, but one is to declare a *de facto* autonomy, or even independence," Jaime Santa Cruz, the Committee's vice president, was quoted as saying. Leaders of Pando, Tarija, and Beni provinces are planning similar meetings this week, according to Reuters.

Economic News

US House Approves Expanding Trade Preferences for Haiti

The US House of Representatives voted Friday to expand trade preferences for Haiti, Reuters reported. In a 212-184 vote on a wider trade package that included normalizing US trade relations with Vietnam, lawmakers in the House approved expanding textile preferences for Haiti, allowing the impoverished Caribbean nation to increase duty-free exports to the US of clothes that are not made with US yarn and fabric. The legislation now goes to the Senate, where senators from southern textile states have vowed to oppose the expanded preferences for Haiti.

Featured Q&A*Continued from page 1*

unfortunately afflicts a large part of the world. It is the extreme expression of a trend of hazardous labor relations imposed since the 1990s, the result of a new cycle of concentration of capital and the weakening of the notion of social rights that had gradually been expanding, particularly after World War II. In Brazil, clearly the situation became worse as a result of two decades of economic stagnation. But to a great extent the visibility of the problem has increased because the federal government, particularly in the last four years, has been making a broad and courageous effort to fight slave labor via actions that have been called exemplary by the International Labor Organization. Other Latin American countries have adopted similar programs, in large part inspired by Brazil, but they are generally initiatives of much less capacity. The use of complaints of slave labor in Brazilian steel mills as justification for protectionist measures is clearly groundless. Steel production is concentrated in the south-central states of the country, where cases of this type of human rights violations are sporadic and, when they occur, take place in the agriculture sector or in clandestine sweatshops. Steel mills in Maranhão, in the state of Para and in other states of the northern half of the country where—thanks for the oversight of the labor ministry, this practice has been condemned or stopped—are an insignificant part of this important segment of US-Brazil trade."

A **Guest Comment: John D. French:** "Worker entrapment and forced immobilization exists in charcoal making for the Brazilian pig iron industry, which exports to the United States. Over the last three years, a Brazilian government led by a former labor leader has campaigned effectively to enforce Article 149 of the Brazilian Penal Code that 'prohibits the abasement of a person to conditions analogous to those of slavery.' The number freed increased from 2,306 in 2002 to 4,779 in 2003, which led to the

tragic murder of three government employees on January 28, 2004 as they conducted a surprise inspection on a soybean farm. This is a war, the president of Brazil's Supreme Labor Court declared, that 'we Brazilians must win.' Fernando Lopes, a director of the National Metalworkers Confederation of the Brazilian CUT, said 'society and markets need to take a clear position about slave labor' and called on 'the iron companies to know from whom they are buying charcoal.' Lopes said that 'in today's globalized market, any pretext can be used to bar a product or apply sanctions, which would be very bad for the country,' but still no excuse to sweep the problem under the carpet. The solution, declared the Brazilian Social Observatory in its 2004 report 'Slaves of Steel,' lies in 'prevention, repression, rehabilitation, a struggle against impunity, social investments, international trade with fair rules, and social pressure and responsible attitudes from companies.' Slave labor in the Brazilian pig iron production, says US congressman Dennis Kucinich, is 'globalization at its worst' but the congressional hearings he promises should explore how globalization has damaged the lives of the poor and weak worldwide. We don't need trade wars but rather hemispheric, North-South, and business-labor cooperation to promote freedom of association so working people can stand up to those who would oppress them."

Melvyn Levitsky is Senior Fellow of the *International Policy Center at the University of Michigan's Gerald R. Ford School of Public Policy and a former US Ambassador to Brazil.*

Alexandre Fortes is an Adjunct Professor at the *Multidisciplinary Institute of the Rio de Janeiro Federal Rural University in Brazil.*

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