The Hispanic Review

An Honors Thesis (HONRS 499)

by

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Abstract:

*The Hispanic Review* is a series of four business newsletters covering relevant commercial issues facing Spanish-speaking Central and South American countries. These newsletters provide a brief glimpse of the common socio-economic and political conditions that affect Latin American business and the ramifications for U.S. business managers operating domestically and abroad. The newsletters themselves and the subsequent analysis offer an explanation of the growing importance of foreign business and the effects on U.S. companies.
Acknowledgements:

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I would also like to acknowledge Dr. Barb Stedman of the Honors College who worked tirelessly as my advisor for this project. Weekly meetings and countless hours spent brainstorming have certainly paid off in the final product. Without her patience, help, and creativity, it is doubtful that the project would have been successful.

Also, I would like to thank Katherine Russell and Mark Lewis for offering support and stress relief for long hours spent at the computer. Their humor and advice have kept me sane.
Author’s Analysis:

*The Hispanic Review* came about from a series of brainstorming sessions incorporating the fields of international business and Spanish. The ideas ranged from economic development to political risk to communication barriers. I quickly realized that the spectrum was far too broad to write a single paper. Rather than take the traditional thesis route of one expanded topic, I chose instead to create a more relevant, timely project that could integrate all of my ideas into a unified piece. Thus *The Hispanic Review* was born.

Right away, I saw the value of such a project. Business is becoming increasingly global and managers cannot afford to be ignorant of foreign affairs. Latin America appealed to me in particular because of its proximity to the United States and its direct effect on domestic business. Additionally, it remains a region of the world that is often overlooked as a business power. As the global economy continues to change, Central and South America are becoming increasingly important to U.S. business. *The Hispanic Review* was created to showcase this specific business region and the ways it affects the U.S. business environment.

*The Hispanic Review* is a series of four business newsletters produced with the intent of providing a one-month glimpse at the relevant commercial topics facing business leaders operating in Latin America. The newsletter was created as though it could be distributed to an unlimited number of American offices or companies that are currently working in Central or South or may
potentially expand to include these regions. Articles are written on relevant topics and problems facing business leaders in the United States working to create partnerships in Latin America. Topics ranging from political turmoil to social and cultural aspects to economic disparities are divided into News, Opinion, and Features pages and recount today's current obstacles operating abroad.

While each newsletter could be a stand-alone piece, together they represent an ongoing business analysis of the region. There is a sense of continuity through the separate issues as topics covered interrelate to form a broader picture of business in Latin America. Though the articles are kept brief in order to remain readable and fit within the confined space of a newsletter, they piece together to create something more. The dynamic environment that is Latin America becomes clearer with each issue. As one reads The Hispanic Review, he or she should gradually come to a better understanding the Latin business world and what it means to be an American operating in it. That became the goal of the project from the onset.

The key to attaining this goal was finding appropriate topics for discussion and presenting them in a way that was interesting for a reader. In order to develop topics and write articles for my project, I used a variety of research methods. After brainstorming generic topics such as “women” and “ethics,” I searched for ways to incorporate these broad concepts into articles relevant to the business audience. I scanned the internet, ran topics on search engines on
current events, scoped foreign websites, and religiously watched CNN for breaking topics that might be relevant. I flipped through my business and Spanish textbooks for key facts and figures, read blog postings, and spoke with classmates and professors to get an idea of exactly which matters were the most important. I then reworked all of these ideas into viable articles, turning topics like “women” into a piece relaying the effects demographic changes have on society and American expatriates working in Central America.

After developing topics, I needed to use more thorough research to fully acquaint myself with each subject. For this part of the process, I typically relied on academic journals such as *Hispania* and *International Affairs* or books such as *Faces of Latin America* and *Do’s and Taboos Around the World for Women in Business* to provide the necessary background information to fully understand the concepts and present valid arguments and recommendations. For more up-to-date information I used several news websites and magazines such as the CIA online World Factbook and *TIME* that contained more current articles with data I could incorporate into the broader concepts of the journals.

There was some difficulty in finding enough information on some topics or finding such an abundance that the focus needed to narrowed in order to write something concise and pertinent to the situation. In these instances, I generally had to alter the articles to fit the information available. In this way the project constantly evolved. It was this that surprised me most. As time passed, new information became available that needed to be incorporated into the articles. As
I worked, some topics became more important than others and my focus shifted to include current events. The more I worked on each article, the more they changed and developed into new ideas. Old ideas were tossed out, new ones were added in, and the direction of each article progressed. For example, I originally intended to write an opinion piece over the path the economic stability. When I had difficulty finding enough current information and realized that I was not in a position to give any reliable suggestions, I substituted a piece over the dangerous effects of biofuels on deforestation.

The most challenging part of developing *The Hispanic Review* was remembering that I was putting together this project for an audience other than myself. While I may find a topic interesting, that fact alone does not justify its inclusion. Throughout the development and writing stages, I had to constantly remind myself that the pieces were being created for someone else. Each step had to be tailored to meet the needs of the potential audience. For business professionals, this meant not only including issues facing Latin America, but also explaining how these concepts affect American business and what it means for the average American manager.

It was in this spirit that I chose specific articles. For example, a recurring Features section, entitled “Country Focus,” was designed to spotlight emerging economies that hold value for the American manager. These countries ranged from poverty-stricken to industrialized, but all present new opportunities. News pieces had to remain centered on today’s relevant problems and the issues
facing corporations. Within these I included not just typical “business” news, but also pieces covering the changing socio-economic variables and cultural terrain. Articles over environmental issues or political swings may not carry a direct threat to American offices, but in the grand scheme of commerce, these issues have an indirect effect on even the smallest companies.

In this way, I hoped to create a project that would shed light on the ways governments and businesses interact to form a global economy. The inspiration behind *The Hispanic Review* was to present relevant information on an often ignored corner of the business world. Media conglomerates across the country focus their attention on European and Asian markets with little regard for smaller world economies. Humanitarian efforts in the U.S. remain focused on Africa and the Middle East, as the country ignores some of its closest neighbors. With the exception of immigration laws and communist dictators, news from Central and South America rarely finds its way into American newspapers or television reports.

Globalization is increasingly becoming a vital issue for American business. As more and more borders are erased, companies cannot afford to operate only domestically. Even small businesses are affected by foreign manufacturing and suppliers. Every level from small grocery stores to trans-national corporations is affected by the global market. For years American business has focused its energies on forming partnerships with Western European and Japanese companies and seeking cheap manufacturing in mainland China. It was generally
assumed that profitable alliances could not be formed in Central or South America. With the currency crises of the 1990s and hyperinflation the region, these thoughts were well-founded. But after the global economic recession of 2002 and 2003, Latin America has seemed to have found its footing. After several years of economic instability, Latin American is emerging as a dominant player in the global economy.

As countries in Central and South America move toward advanced industrialization, American companies are finding a new source of business opportunities. Countries in these regions are rich in natural resources and are becoming important figures in the debate over sustainability and environmental threats. A developing middle class and growing GDP in many countries are creating new markets for American consumer products and services. All of these factors play into the global economy and affect average American business managers. My project provides a means to show them how. Latin America is simply an area of the world that demands attention from U.S. business.

While I started this project with the intent to educate others of the business environment in Latin America, as time passed I became convinced that I was indeed educating myself in the process. From the onset I thought that this was familiar territory. With degrees in international business and Spanish I thought I was well equipped to write articles covering a broad range of topics over the Latin business sector. I was mistaken.
Unlike traditional lectures and text books, this project forced me to process information in a new way. I was no longer regurgitating the same concepts, but formulating my own ideas and attitudes as to what was important. The opinion pieces in particular gave me the opportunity not only to relay a topic or problem but also offer my own thoughts and propose solutions. Expressing cynical or dry thoughts behind the guise of a pen name was enjoyable. Political cartoon became a fun way to share opinions. Unlike the written articles, these forced me to convey the same poignant meaning with a simple drawing. At times I had to take a stance on political and ethical issues that I did not support. Hugo Chavez, in particular, became a point of dispute when I debated myself in a two-sided, face-off article. Playing devil’s advocate gave me a chance to see the other side and present a valid argument even when I did not agree with it. In such ways, I have had to evaluate and clarify my own opinions on current topics in order to give convincing points and counterpoints.

I also learned that business is not stagnant, nor is the news that covers it. As I had to reevaluate each article and include relevant information, I realized exactly what a dynamic environment global business is. So many revisions were frustrating and many times I was ready to give up entirely, but the endeavor was worth it. Textbooks rarely give real-life examples of the concepts they present, but applying my knowledge in a medium such as a newsletter gave me a unique experience to see the concepts in action.
Over the past four years, the values of free trade and a global economy have been ingrained into my psyche. This project let those principles loose. For the first time in my college career I was given the freedom to express the ideas I wanted in the medium I wanted. *The Hispanic Review* has allowed me to share those ideas and develop new ones as the project progressed. These ideas translate to viable information for managers. For an American business audience, this newsletter highlights the necessity of global cooperation and the opportunities that exist in Latin America for the savvy business manager. Global awareness is the first step to global success; *The Hispanic Review* illustrates the power of such awareness in the business world.
Works Consulted:


American business must change practices in Latin America if companies hope to survive

By: Margaret Leigh

While women in the United States have battled their way into the workforce for several decades, female workers in other countries are just now taking up the fight. Such is the case in much of Latin America, specifically in Central American countries such as Honduras, Guatemala, and El Salvador.

But what does this mean for U.S. companies? Little, except that it has shifted the male/female paradigm in these emerging industrial nations, thus creating entirely new business challenges and opportunities. Similar to the problems faced by American women several decades ago, problems faced by women in Central American countries include not only confronting long-standing traditional gender roles, but also doing so in a society that lacks some of the most basic infrastructure and regulation protecting women's rights.

One dominant characteristic of the landscape has been the effect on reproductive health issues. According to the 2001 Family Health National Survey, in Honduras alone, 55.6% of families have at least three living children, and 24.9% have at least five. (These figures fail to take into account numerous failed pregnancies and infant mortalities due to poor health facilities.) Statistics such as these mean women have been condemned to the home, raising children, while men worked.

Recently, the trends have shifted. As more women have joined the workforce, reproductive health issues have been called into question. Suddenly birth control and contraceptives have become hot topics. In countries where a vast majority of people are practicing Catholics (over 50% in Honduras), contraceptives are taboo.

American businesses may not care about contraception in Central America, but such seemingly small issues have much larger effects on the population and society. Historically, these countries operated under “male-centered decision-making attitudes,” which meant foreign companies had to adjust managerial attitudes to fit the cultural machismo.

For decades, men have been sent to Central American countries by U.S. companies as managerial expatriates, but as cultural values shift, U.S. businesses must shift with them. This situation provides a unique opportunity for female managers in the U.S., who may actually serve as better expatriates in these markets, functioning as a liaison between U.S. corporations and growing female businesses, typically distrustful of the male-dominated industry and foreign investment.

Women have long been considered caregivers in Latin American societies, and this has actually translated well into successful businesses in restaurants, small retail stores, and healthcare. U.S. male managers looking to form alliances with these female enterprises find that
Continued from page 1: Women in the workforce

it is difficult to cross the gender barrier. In instances such as these, women are making far greater strides than men.

As the political and societal difficulties gradually subside in these countries, the stage will be set for American business, but only if American companies can adapt. The U.S. has notoriously exported its own male-dominated business models to foreign countries. While women have moved ahead in the workforce, they have strategically been kept out of key expatriate positions by managers using the excuse that other cultures will simply not accept them. Central America is proving these managers wrong.

Central America is moving toward industrialization, and U.S. companies have a substantial positional advantage over other foreign companies. That is, if they can effectively manage changing social values by putting the right people in the right place. As companies expand to meet these opportunities, they must remember the importance of cultural values and be aware of important societal shifts. In order to succeed, American business must adapt to meet the cultural needs of foreign markets. In the case of Central America, they must be willing to put women where they are needed, in positions of authority and influence in emerging female industries.

By: Edgar Malone

As globalization continues to dominate industry horizons, companies are looking for new opportunities to expand abroad. Foreign markets, though, can pose significant challenges to the ways American companies are used to doing business. This is nowhere more apparent than in logistics and distribution.

Global trade management has become essential for international companies. Companies have been forced to adapt by implementing high-tech supply chain systems to connect worldwide. At times, however, modern technology is not enough. South America has proven to be a difficult logistics region.

While South America stands as an attractive market for U.S. business due to its close proximity to North American distributors, several logistical problems can stand in the way. The terrain alone ranges from desert to mountain to tropical rain forest, and everything in between. This means U.S. companies must at times be creative in their approach to South American logistical management.

While dozens of metropolitan cities and regions exist throughout South America, the interior of the continent is largely unpopulated and lacking basic transportation infrastructure. Companies are often forced to bypass interior regions using coastline travel or must create transportation channels for their products. Both can be restrictively expensive.

Companies that may not export to such remote regions often times still require access to abundant natural resources found on the interior of the continent. South America is rich in petroleum, timber, natural metals, and nitrates; the problem has been obtaining these resources.

The solution to such problems lies in companies' ability to work with local governments to help develop the necessary infrastructure and transportation. New technologies in sustainable development, satellite feeds, and global connections will make this transition easier. The more input companies are willing to give, the easier these logistical challenges will be to overcome.
Socialist criticizes U.S. business model

By: Dan Thorvaldson

“Socialism seeks the scientific rationalization of the physical environment with the purpose of distributing the benefits equitably among all persons in order that the spirit of man may be liberated,” wrote American George Shepherd in 1965 article, “Socialism as Religion.”

These sentiments echo the sentiments found in his own nation’s revolution against an oppressive tyrant. Is socialism then bad? Have the United States’ prejudices blinded it from seeing the obvious benefits of a socialist regime? Take, for instance, Cuba, an island traded from country to country throughout the centuries with almost no infrastructure or centralized support. Spanish imperial rule left the country in ruins; U.S. democracy let the rich get richer while the poor lived in the streets. Ultimately, it was Fidel Castro and his socialist revolution that brought stability to the small island nation.

In his May Day 1961 speech, Castro announced the new socialist Cuba while praising the country’s workers and newfound equality: “Workers of every profession—manual laborers and intellectual workers—all were marching together, the writer, artist, actor, announcer, doctor, nurse, clinical employer.”

For the Cold-War era, it was grounds for an embargo (ironically, an anti-free-trade tactic used by the biggest proponent of capitalism the world has ever seen). Communism in our own backyard? The very thought went against every American’s Golden-Age mentality of capitalist security.

According to Shepherd, “Socialism is regarded as a method of social organization for releasing spirit from the bondage of suppressive environment, and the exploitation of man by man.”

But how do profit-driven companies exist in such an environment? Can firms succeed without the exploitation of cheap labor and poor workers? They exist quite easily, in fact. It has been proven that companies can be both socially responsible and profitable. The difference is not in the earning of profits, but in the distribution of such profits. In a socialist country the laborers would take a slice of the pie, not simply the greed-driven CEO’s and upper management. Shareholders would actually see returns, not simply a balance sheet of management’s spending.

Latin American and European economies have successfully integrated socialist policies into their governments. By nationalizing health care and other strategic industries, these countries invest not only in their companies, but in their citizens. Castro took the idea a step further and nationalized the entire country, providing for all the island’s workforce. Why has the U.S. lagged behind? The government’s fierce anti-Soviet attitude has poisoned the nation against positive social reforms under the guise of patriotism.

Socialism bad? Hardly. Rather, it has been pure capitalism that has failed to meet the needs of the world’s workers. As the wealth divide continues to grow in the United States, will the poor eventually revolt? The underprivileged can bear only so much of the burden left by the rich minority. When the U.S. government finally realizes this, it is likely to be too late. In order to avoid an inevitable social revolution, the government needs to take immediate action. Politicians and corporations must work together to undo the trappings of pure capitalism and take strides toward helping the workers whose labor they’ve relied upon for far too long. Perhaps the U.S. and the world could use more Fidel Castros.
Adaptation key to business communication

By: Hank Montgomery

According to Tony Altilia of Marketing Magazine, there are seven deadly sins of business communication. His list includes tardiness, unreturned phone calls, and interrupted meetings. Perhaps in a purely domestic context, his "deadly sins" are comprehensive, taking into account everything that is wrong within American business communication and etiquette. Put such a list in an international context, and suddenly the numbers twist, add, divide, and subtract, then they multiply exponentially.

There are not seven deadly sins in international business communication; there are thousands. And the sins aren't the same everywhere. There is no centralized theocracy determining which sins make the cut; there are hundreds of businesses, cities and towns, centuries of historical context, and millions of mindsets thrown in the mix to effectively muddle up any clear idea of what business etiquette should be. While such an abundance of information makes it difficult to navigate business communication and etiquette, it does not make it impossible. Years of research have produced some useful tidbits in the vast array of business etiquette. We can now say with accuracy that different cultures communicate and operate differently. It took only about 50 years and millions in R&D to produce that statement.

So what is an American business to do? While generalities exist, they do not provide all the answers. Tardiness is rarely an issue in South America where circular time concepts dominate thought (as opposed to the North American linear time-space continuum). Of course, tell that to a newspaper editor in Bogota facing a deadline and you may be offended by the response.

Businesses can and should invest in research to determine the best way to communicate and behave in foreign societies. Scientific analysis, though, goes only so far. The best way to navigate the mass of what is commonly called communication has been and always will be through observation, and most importantly experience. There is a learning curve to international business, and Latin America continues to surprise American companies.

Companies must be willing to take the necessary time and effort to effectively communicate in foreign cultures, especially those throughout Latin America, where the vast array of cultures differ greatly between borders. Immediate success is rare, and companies often times have to stick it out for several years before returns are significant.

If companies can successfully sort through the mounds of information, they may find it well worth their while. Expanding economies and increased industrialization present new opportunities for foreign export and operations in the Western Hemisphere. American corporations are in a position to take full advantage of the opportunities if they can bring their business models out of the domestic communication dark ages.

And if they don’t? Well, it wouldn’t be the first time civilization was ravaged by filth and pestilence brought on by the deadly sins of westerners. But the plague only lasted a few centuries anyway.

Country Focus: The United Mexican States

Capital: Mexico City
Size: 1,972,550 square km
Population: 108,700,891
Languages: Spanish, Nahuatl, various Mayan
GDP per capita (PPP): $10,600

Labor Force: 38.09 million
Unemployment: 3.2%
Sectors: agriculture (3.9%), industry (25.7%), services (70.5%)
Natural Resources: Petroleum, silver, copper, gold, lead, zinc, natural gas, timber
Major Industries: food and beverages, tobacco, chemicals, iron and steel, petroleum, mining, textiles, clothing, motor vehicles, consumer durables, tourism

Information courtesy of www.cia.gov
Cultural awareness key to business

By: Alejandro Suarez

While the United States prides itself on cultural awareness and ethnic diversity, it rarely recognizes the variety of ethnicities in other countries. Oftentimes anyone from Central or South America is grouped into a generic “Latin” or “Hispanic” category. These names, often used incorrectly, do not take into account the rich diversity throughout the Americas.

Much like the United States, countries in Hispanic America have a spectrum ranging from native indigenous groups to pure European bloodlines to the descendants of African slaves, with just about every shade in between. Dominant ethnic categories include indigenous, white, and black, and also mestizo and mulato (see sidebar for more information).

Even these fail to accurately portray the ethnic spectrum of Hispanic America, however. There are literally hundreds of distinct indigenous tribes throughout the Americas, and these categories do not recognize the waves of recent Asian and European immigrants. Argentina boasts significant German, Italian, and Chinese minority groups while Chile has a large Japanese demographic segment.

Broad categories may be convenient for government census bureaus or checkmarks on a customs certificate, but they offer little to cultural awareness in the business world. Cultural awareness has, of course, its own inherent benefits, but these benefits can be translated easily to cross-cultural product development and marketing.

Primary attitudes formed early in life are almost always influenced by the cultural identity of parents and close relatives. Ethnic norms (Continued, see page 2)
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Ethnic diversity vital

are incorporated into basic beliefs and lifestyles ranging from food choices to clothing styles. Ethnic self-identification has been proven to influence consumer behavior in both private and public situations.

For companies wishing to operate and/or export to Hispanic countries, diversity means they must take into consideration the varying ethnic perceptions of their brand and product. This can affect everything from size, color, and packaging used to the ways companies must advertise and distribute these products.

Indigenous peoples living in relative remoteness may frequent traditional selling outlets only a few times each year. Some may not visit at all. Small towns of mestizos have very different consumption patterns than big-city dwellers of various ethnic backgrounds.

In order to accommodate the growing ethnic diversity throughout the Hispanic world, business leaders must be creative in developing their marketing mix. Products themselves must be altered or adapted to fit the lifestyle of consumers. Refrigeration may be a key issue for food companies while the availability of electricity in rural areas may prove a difficulty for home products.

Promotion is another key element of the marketing mix that must be tailored to the specific market. Certain colors or designs may mean significantly different concepts among various ethnic groups. For example, red can mean love and passion to some, but violence and war to others. Making potential consumers aware of a product can be extremely difficult in rural areas without traditional promotion mediums.

Distribution can be one of the most difficult functions of marketing even in the most ideal circumstances. When products must reach consumers across broad spectrums of urban and rural areas, distribution can become increasingly challenging. Marketers must work to make products accessible to the most densely populated city barrios as well as rural villages that still require the use of such goods. Transportation through these regions can range from trucks to bicycle carts to mule packs.

When ethnic diversity is taken into account, both companies and consumers come out ahead. Companies can sell more products to the right people who gain the benefit of using these goods and services. It is up to marketers to reach these groups and develop strategies that will aid the company and its final consumers in hard-to-reach markets.
Reader argues against Fidel Castro, Cuba

Dear Editor,

I would like to take this opportunity to respond to Dan Thorvaldson's article in the latest issue of *The Hispanic Review*. While Mr. Thorvaldson included all of the benefits of socialism in his editorial, he failed to mention the negative effects of a socialist regime gone awry, as is the case of modern-day Cuba.

Fidel Castro's ideals of social equality faded almost immediately after the revolution. As with other socialist revolutionaries such as Vladimir Lenin, the power and prestige of leadership transformed him into nothing more than a communist dictator. Within years free press was abolished, books were banned, and his own people fled the country.

Initial heroic ideals hardly make him worthy of praise. His political relationship to Soviet dictators, anti-free trade notions and continued oppression of his people make Fidel Castro one of the most infamous characters of the twentieth century.

Only when Fidel Castro's regime is abolished will Cuba ever have a chance of social and economic recovery. Only when people are free to live in democracy will equality ever exist.

Sincerely,
Derek Washington

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U.S. trade embargo fails horribly

By: Scarlett Wyman

With the recent press given to Cuba, one must wonder about the current state of the island nation and its relationship to the United States. For half a century the United States has sought to punish the communist regime through the use of a trade embargo, forbidding any trade or travel. Just how effective is such an embargo?

In truth, not very effective at all. While the U.S. would like to believe its own economic force, the reality is that sanctions against Cuba have been less than successful in crushing the communist regime. Cuba has diplomatic relations with more than 160 of the world's countries and open trade relations with many of the United States' allies. Cubans' average life expectancy is higher than in the U.S. while the infant mortality rate is lower. It has an annual economic growth rate of 7.5%, much higher than current growth in the United States' recessed economy.

So why is the ban still in place? Why is the United States still attempting to make a point? Fierce anti-communism sentiment exists throughout the U.S., and memories of the Cuban Missile Crisis still linger, but communism has not kept the U.S. from trading with other foreign partners. China seems to be the most obvious example, but in recent years the U.S. has lifted bans on former Soviet states and Vietnam, countries with far bloodier communist pasts than Cuba.

Cuban goods still find their way in the U.S. economy and U.S. goods still make it to Cuba. The embargo does not keep goods out; it simply makes them more expensive by forcing the use of middlemen in Mexico and Canada. Ultimately the United States is hurting itself. If the country opened doors to Cuba, goods would become cheaper for both parties and the government could benefit from tariffs rather than allowing the profits to go directly to the black market. When the U.S. is finished trying to make a point, it may actually make a profit.
Language barriers pose problems

By: Arnold Havens

As globalization increases contact and business dealings throughout the world, business leaders face more and more language barriers. Throughout Hispanic America, most managers assume that Spanish will be the language of choice, but they fail to take into account the dozens of other languages and dialects found throughout Central and South America.

The distribution of these languages ranges widely from small areas to national borders. For example, in the Andean region of Peru and Bolivia in the Lake Titicaca region, Aymara is the language of the indigenous tribes and remains typically isolated within tribal communities. Its close relative, Quechua, has a slightly broader spread, but is mainly limited to rural communities and is rarely used in business settings.

Other languages, however, have a much greater impact on the day-to-day lives of business professionals. In Mexico, Nahuahtl, the ancient language of the Aztecs, is still spoken in large communities and has had a direct influence on the modern Spanish dialect. Words like chocolate, tomato, and chili have even found their way into English.

While most Mexican people also speak fluent Spanish, American business people may be more effective if they can at least understand the Nahuahtl references and incorporate them into their business dealings.

While Spanish will work in most situations, at times even it will not suffice. The most extreme example would probably be Guarani, the co-official language of Paraguay. The indigenous language is spoken widely throughout Paraguay and the Rio de la Plata region of Argentina and Uruguay.

Guarani is not only the popular language of the masses but is also accepted by educated classes and professionals as the preferred language. Business managers looking to negotiate, transport goods, advertise, or accomplish almost any business dealing in the region would need to have a working knowledge of Guarani.

Spanish is indeed the most widely used language, but even it is not constant throughout Latin America. Dialects, indigenous influence, and slang differ from country to country and sometimes even within regions of the same country. Much like English, Spanish has limitless varieties.

A basic understanding of Spanish will suffice in many instances, but it is important for managers to remember that is not the sole language of Central and South America. In order to successfully run a business and gain a foothold, American business must take into account the particular brand of Spanish in a region and incorporate other languages effectively into its business portfolio.

Country Focus: Paraguay

Capital: Asuncion
Size: 406,750 square km

Population: 6,669,086
Languages: Spanish, Guarani
GDP per Capita (PPP): $4,700
Labor Force: 2.742 million
Unemployment: 9.4%
Sectors: agriculture (22.4%), industry (18.4%), services (59.2%)
Natural Resources: hydropower, timber, iron ore, manganese, limestone

Major Industries: sugar, cement, textiles, beverages, wood products, steel, metallurgical, electric power

Environmental Current Issues: deforestation, water pollution, inadequate waste disposal, loss of wetlands

Natural Hazards: local flooding in southeast, poorly drained plains may become boggy

Information courtesy of www.cia.gov
Free Trade Zone of the Americas?

Negotiations increase possibility of FTAA

By: Melvin Sims

In the last century, individual countries have lost economic pull to regional trade blocs. Economic trade blocs, or zones of free trade and/or reduced tariffs, have come to dominate global trade. While most people in the United States are fully aware of the NAFTA treaty and the formation of the European Union, many are not aware of the various other trade blocs around the globe, specifically those in Latin America.

Those who do not operate in Central or South America generally know little of the economic framework of Latin American free trade agreements. Trade blocs such as MERCOSUR and CAN (see sidebar for more information) dominate foreign trade in South America while U.S.-implemented arrangements such as NAFTA and DR-CAFTA dominate North and Central American trading.

As these communities grow larger and incorporate more member countries, the lingering question becomes whether or not a full continental or hemispheric trade block will emerge. While NAFTA has successfully integrated North American countries and DR-CAFTA has removed barriers between many of the North and Central American countries, talks between the heads of MERCOSUR and CAN have already laid the foundations for a similar South American accord. Even more important, perhaps, may be the eventual formation of a complete hemispheric trading bloc that would include the entire Western Hemisphere.

The Free Trade Agreement of the Americas, or FTAA, which would incorporate North, Central and South America, has been in negotiations since the 1970s. The successful integration of the European Union has put increased pressure on the Americas in the last decade. President George H. W. Bush promoted the initiative in 1990, and current President George W. Bush has moved forward with the development of DR-CAFTA to further expand U.S. involve-

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ment in American trade.

The benefits of such an arrangement are obvious: increased economic unity, freedom of trade, economies of scale, greater pull in the global arena. The economic pact could even transform into a full economic community such as that of the European Union with the free trade of goods and labor and a single American currency. Through the process of dollarization, several Latin American countries, including El Salvador, Panama, and Ecuador, already use the U.S. dollar.

The challenges are equally daunting, however. Fiscal policies would need to be closely maintained; inflation and interest rates would need to be managed; political stability is a must. A common currency would need to be created (the U.S. dollar would be unlikely due to political reasons) and valued, while foreign policies toward non-members would need to be put in place.

Additionally, plans for economic infrastructure and expansion would need to be created to aid countries through the process and provide a framework for future growth.

Political turmoil, though, has stalled the plan throughout much of South America as governments move away from U.S. democratic standards. ALBA, or the Alternativa Bolivariana para las Américas (Bolivian Alternative for the Americas), proposed by the Venezuelan government in opposition to the FTAA, has found support with more socialistic countries such as Cuba, Nicaragua, and Bolivia. ALBA, as opposed to the FTAA, focuses more on cooperation and resource sharing rather than free trade. President Hugo Chávez of Venezuela and Fidel Castro of Cuba have already signed an agreement for petroleum and medical supply exchange.

While arrangements such as this would not necessarily inhibit the formation of a free trade pact among other American countries, it could potentially create problems. Growing U.S. unpopularity abroad, especially in certain areas of Central and South America, may halt the formation of an FTAA or any other hemispheric agreement.

The key to a successful economic pact or community lies in the willingness of countries to participate and fully integrate the new system as well as cooperate with foreign countries. No single country (even the U.S.) can demand concessions or run the entire operation. As the European Union continues to grow, successfully integrating former Soviet states into the framework, hope remains for a united American market as well. Political turmoil can be overcome, economic policies can be implemented, and free trade can be accomplished.
The Hispanic Review’s Special Edition Face-Off:
President Hugo Chávez: Political savior or power-hungry dictator?

By: Ophelia Brown

The United States has a long-standing tradition of hating foreign brands of democracy. The country as a whole, however, fails to take into account the differing needs of citizens in other countries for whom the U.S. democratic model would never work. Such is the case of Venezuela and its revolutionary President Hugo Chávez.

Before Chávez, the democratic model rested on an antiquated constitution hastily assembled in 1961 by the two dominating political parties that offered little except a mutual agreement to abide by election results. It neglected the rights of the people and allowed corruption to settle into government, leaving Venezuela with a staggering economy and declining morale.

The 1998 elections saw an overturn of the former way with the victory of President Chávez. While his views may seem radical, they reflect the wishes of the people to dramatically turn around their governmental and legal systems that failed them so miserably. Chávez presents an opportunity for Venezuelans to see a new form of democracy that gives power to the people as they participate in government.

Within months of taking over the presidency, Chávez implemented change. He had overwhelming congressional support to rewrite the constitution, amend outdated reforms and include an outstanding section on human rights.

Citizens of Venezuela had grown tired of the traditional elite institutions and rallied for change; Chávez understood this desire and captured votes to make it happen. While the United States is preoccupied with the semantics of politics, Chávez is achieving the goals of democracy by incorporating the people into a participatory government and eliminating the corrupt elite. The U.S. would be better equipped to handle its own political problems if it too took its actions from the will of the people with a leader like Chávez.

By: Henry Carlton

Chávez is indeed charismatic. He has captured the hearts and the votes of the people. But what will he do with those votes? So far he has overturned several decades’ worth of democratic progress to implement the radical ideas of his failed coup in 1992.

The people follow him because they do not know of the true dealings of his corrupt government or the conspiracies that placed him in office. His rap sheet reads like a felon’s. His confrontational style has driven away his opponents, and the so-called riddance of corruption of the old government has been issued with little regard for judicial standards.

The newly formed constitution stripped power away from the “corrupt” branches and handed it directly to the executive branch. He has even managed to enact enabling laws that permit executive decrees with the force of law on any subject. The military is no longer charged with upholding the constitution, but rather obedience to the president, effectively weakening the armed forces to nothing but a totalitarian arm of the government.

By nationalizing the country’s petroleum reserves and operations, Chávez has created his own source of government funds, scraping off the top to finance his grand regime and leaving citizens with a false sense of security of the nation’s greatest cash flow.

The last item on Chávez’s agenda is democracy. His reformist ideas are based on a historical revolutionary, Simon Bolivar, whose principles included allowing only free landowners the right to vote. His speeches lack any real direction as he cites war metaphors and revolutionary prose to gain attention and leaves the public with nothing but empty dreams.

It can only be hoped that Venezuelans will become aware of their own disenchantment of the political leader and realize that as long as Chávez remains in office, democracy is dead in Venezuela.
Machismo can be effective managerial tool

As traditional cultural characteristics shift, machismo translates into more acceptable norm business leaders can use to motivate their employees, gain potential customers

By: Rebecca Castleton

Machismo is one aspect of Hispanic culture that is often known but rarely understood by the American. Its roots can be traced back to the Spanish conquest of Central and South America when many claim it began with Spanish conquistadors sacking cities and violating Indian women. From this initial violent act machismo has trickled down and transformed into a dominant characteristic of much of Latin culture.

Machismo is seen as the ultimate expression of manhood, encasing all that is masculine and virile. Traditionally this has been interpreted as exaggerated bravado, lack of fear, and a general ambivalence toward women. As sexual revolutions have come and gone and women have become their own force in many Hispanic societies, machismo has transformed into a new idea. Today, machismo is generally looked upon as a valiant code of past heroes and national legends, something to aspire to.

Almost every country has its national heroes. Just as America has its founding fathers, its frontiersmen, and its solitary cowboy, Latin countries have their own legends. Immortalized in folklore and traditions, these heroes have come to stand for unmatched courage, valor, and spirit: Mexico with its revolutionaries, Central America with its reformists, and Argentina with its gaucho.

For the average business professional, this may be a nice sentiment but little more. For the more adept professional, however, the concept of machismo can be a useful tool. Managers can use it as a motivating concept and ethical discussion point, advertisers can utilize the sentiment and hero worship aspects to create marketing campaigns, and negotiators can play upon ingrained notions to be more effective.

As with any other cultural characteristic, machismo's influence can be seen in almost every facet of Latin culture. The key is to know the specific connotation of machismo in specific settings. In some instances it has been used as an excuse for spousal abuse, dominance, and violence, in others, and show of respect and gallantry. When using machismo as a business tool, its positive aspects should be taken and exploited for the benefit of the company and its stakeholders.

Country Focus: The Dominican Republic

Capital: Santo Domingo

Size: 48,730 square km
Population: 9,365,818
Languages: Spanish
GDP per Capita (PPP): $8,000
Labor Force: 3.896 million
Unemployment: 16%
Sectors: agriculture (11.2%), industry (24.3%), services (58.7%)
Natural Resources: nickel, bauxite, gold, silver
Major Industries: tourism, sugar processing, ferronickel and gold mining, textiles, cement, tobacco

Information courtesy of www.cia.gov
Managers face new, challenging ethical dilemmas in Latin America

By: Horatio Sanders

Ethics and business seem to have a love/hate relationship. While many companies and managers preach ethical behavior, the reality is that sometimes managers turn a blind eye to unethical behavior. This can be especially true in foreign markets, where ethical standards and business norms differ from those in the United States and a sense of ethical relativism takes hold.

In the case of Latin America, factors ranging from family ties to traditional underhanded business dealings affect the ways managers must make decisions. In some areas companies may operate with racial and gender discrimination. In other regions, bribes are not only used but accepted among men and women as business norms.

Increasing globalization and contact among nations are gradually shifting ethical attitudes and behaviors. Convergence theories suggest that eventually all industrialized nations will share a set of understood global business ethics. To date, however, none has emerged.

Cultural factors, stage of industrialization, and business infrastructure all affect the ways companies and countries view ethics and ethical dilemmas, and no singular global ethical theory exists. Instead, global managers are forced to make ethical decisions based on a combination of their own experience, company culture and policy, and foreign practices. When these practices do not mesh well, conflicts can be created and foreign business can come to a screeching halt.

A 1996 study examined attitudes and questionable business practices among MBAs in the United States, Spain, and Mexico and found significant cultural differences. While issues of working conditions, pollution, and unsafe products consistently ranked highly across the board as matters of importance, problems such as bribery, human rights, and sex discrimination all ranked significantly higher in Mexico than in the U.S.

Such statistics present no easy problem for managers operating in Mexico and other Latin countries with similar perceptions. Lines of ethical behavior become increasingly blurred as more and more participants enter the picture. There are, however, options for global managers to ease the burden of ethical dilemmas. Most U.S. companies already have in place a set of ethical standards for domestic business dealings; these policies must be expanded to include foreign practices as well.

The Foreign Corrupt Practices Act of 1977 requires companies to maintain records of foreign business practices and outlaws the use of business dealings abroad that are illegal in the United States. An amendment in 1998 specifically outlawed the use of bribes. The act does, however, distinguish between bribes and "grease payments," which are used to speed up the process, allowing them where such payments are legal.

Continued, see page 2
Continued from page 1: Ethical issues in business

Such laws leave wiggle room for companies operating abroad, and so the responsibility falls on the company itself and management to uphold ethical standards. Policies must not only be set but also implemented. Managers should know how to respond to ethical situations and at the very least have reference material in the form of policies or goals of what the company expects.

Corporate culture must also grow to match the ethical standards in place. It does little to create policies if the company culture repeatedly ignores ethical standards or fails to reward employees for ethical behavior. Incentive programs have traditionally been based on performance numbers and meeting specific quotas. Increasingly ethics are becoming a consideration. Incentives based not only on final outcomes but also on the steps taken to achieve such outcomes are being put in place by upper management.

It is possible to operate ethically around the globe and in Latin America; companies must simply take the initiative and operate proactively to guide employees to ethical behavior and business practices. Companies must set guidelines and managers must implement them effectively in order to navigate the complex ethical world of Latin America and

Drug trafficking continues in Andes

By: Maureen O'Toole

U.S. policies have long denounced the trafficking of drugs, specifically cocaine, from Latin American countries by not only illegalizing the drugs themselves, but also increasing penalties and fines for importers and dealers. This approach, however, has failed to find and punish the source of cocaine: the growers, producers, and exporters in Andean countries.

In these countries, namely Colombia, Ecuador, and Bolivia, the growth of coca plants and production of cocaine are economically and historically part of the culture. Indigenous tribes grew and chewed coca leaves as a stimulant in high altitudes over a thousand years ago. As the narcotic benefits became apparent, modern cartels capitalized on the plant’s qualities. These same cartels now control much of the economies of small rural towns by using indigenous labor to grow and harvest the plants, employing salaried workers to produce cocaine, and maintaining a complex transport system to export the drug.

The problem with governments’ approach to the cocaine trade is that the drug problem itself is fundamentally economic within these Andean communities. Governments must not only reduce demand and addiction in develop countries but also look toward economic alternatives for poor areas dependent on cocaine as source of income.

While demand remains high in developed countries, alternative industries lack the appeal or money of cocaine for these historically impoverished areas.

If governments work to simultaneously curb the demand for illegal drugs and provide economic alternatives for workers in the trade, significant improvements are possible.

Workers in these small towns and provinces can put their skills and labor toward more productive economic activity, increasing their own standards of living and helping to grow nations’ economies in the Andean region.

The key to success in combating the drug trafficking trade lies in developing multi-faceted strategies to end the demand and, more importantly, the supply of cocaine by creating better economic alternatives for growers and workers in the Andes.
Biofuels present problems in Latin America

By: Winston Peyton

Deforestation has long been considered a negative effect of industrialization and the desire of countries to be part of the global economy. Such is the case in much of Central and South America as thousands of acres of tropical rainforest have been cleared for profitable agriculture and ranching.

As the demand for products such as sugar cane, tobacco, coffee, and beef increase, more land is being cleared. But recently there has been a new threat to deforestation: biofuels. Originally created to combat global warming and the use of fossil fuels, biofuels require large amounts of soybeans and corn to produce, putting pressure on local growers to increase production.

As demand grows for both food and fuel, producers of agricultural biofuel inputs must find ways to create more. The easiest way to increase production is simply increase the amount of land.

There are several resulting consequences to using traditional agricultural products as fuel. Replacing just 10% of the world’s petroleum use would require 30% of the grain, oilseed, and sugar produced in the United States, Canada, European Union, and Brazil.

Undesired consequences of biofuels go beyond continued deforestation. From an economic perspective, the increased demand will drive up food prices and thus inflation, resulting in higher prices for most consumers. The scarcity may in turn result in a shortage of food supply for the weaker economies in Latin America as food is sold off as fuel to higher bidders in developed economies.

Biofuels are, in theory, good for the environment. They cut the use of fossil fuels, have fewer emissions and can significantly decrease the effects of global warming. The problems is that in the craze to produce them, companies are getting carried away.

When the European Union mandated the use of biofuels and did not have sufficient land, companies looked to countries like Malaysia and its palm oil production. South East Asian rainforests were cleared, chemical fertilizers were overused, and peatland was burned. In just a few years, Indonesia became the world’s third largest producer of carbon emissions due to biofuel production.

As the United States and Western countries move toward the use of biofuels, similar consequences could occur in Latin America.

It is possible to produce biofuels in sustainable ways that do not require increased deforestation. Better growing methods and irrigation systems can significantly increase production without using more land. Scientists have even explored the possibility of producing ethanol from biomass growths such as algae. The bottom line is that governments cannot act rashly in their desire to use biofuels, but must consider all the environmental outcomes of their consumption decisions.
La familia continues to be important aspect of Latin culture in modern day

By: Aurelia Morocco

Unlike nuclear family relationships commonly found in the United States, Latin American families tend to include a much broader spectrum of extended family and close community bonds. Latin American family ties developed hundreds of years ago in traditional Aztec and Incan tribal communities and continued throughout colonialism and liberation well into modern day.

These extended family connections and kinship ties have been reinforced rather than weakened as countries move toward industrialization. For U.S. companies seeking to sell or manufacturer in these regions, this sense of community is vital for success.

Companies producing goods in Latin America must strive to achieve that same sense in their plants, creating a feeling of mutual obligation and respect between employer and employee. If workers feel no familial bond with managers, it is probable that they will be less productive than if said communal ties were in place.

In the marketing and sales sector, businesses need to create that same sense of community. U.S. companies must effectively advertise their products to meet the needs of the entire family unit, bringing some benefit and cohesion into the process.

Unlike advertising in the United States where many commercials target children, in Latin America advertising must target parents and extended relations in order to reach children. Companies must manage these differences effectively to communicate the intended message.

Though the process is different in Latin America, it is quite possible for U.S. brands to be successful. It requires a change in attitude and perception on the part of U.S. companies to think and act like their Latin counterparts. By bringing a sense of family and extended community into their business models, U.S. companies can find long-term success in Latin markets.

Country Focus: Bolivarian Republic of Venezuela

Capital: Caracas
Size: 812,050 square km
Population: 26,023,528
Languages: Spanish, numerous indigenous dialects
GDP per Capita (PPP): $6,900
Labor Force: 12.5 million
Unemployment: 8.9%
Sectors: agriculture (3.7%), industry (41%), services (55.3%)
Natural Resources: petroleum, natural gas, iron ore, gold, bauxite, minerals, hydropower, diamonds
Major Industries: petroleum, construction materials, food processing, textiles, iron ore mining, steel, aluminum, motor vehicle assembly

Information courtesy of www.cia.gov