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Barbara Tobias
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CHEFE DA SECÃO CIENTÍFICA
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ESTADOS UNIDOS DA AMÉRICA
BRASÍLIA, DF

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BSB
Home 248-1561

Com os cumprimentos de
Robert F. Jordan
Diretor do USIS Brasil

November 30, 1990

MEMORANDUM

TO: DAVID DEMAREST
CHRISS WINSTON
MARK LANGE
CHRISTINA MARTIN

FROM: CAROLYN CAWLEY

RE: BRAZIL SPEECHES: PORTUGESE PRONUNCIATIONS

NOTE: Brasilia brah-SEE-lyah

I. JOINT SESSION ADDRESS

Obrigado	oh-bree-GAH-tho	Thank you
Nelson Carneiro	carrr-NAY-ee-rrro	
Paes de Andrade	pah-ess deh ahn-DRRRAH-dee	
Ronan Tito	rrrho-NAHN TEE-toe	
Ricardo Fiuza	fee-OOH-zah	
Neri da Silveira	neh-rrree dah seel-VAY-rrrah	
Dom Freire Falcao	DOME FRRRAY-reh fahl-kohm	
** Fernando Collor	caller (as in telephone caller)	
Jose Bonifacio	ZHHOH-zay bo-nee-FAW-syo	
Juscelino Kubitschek	zhhhoo-say-LEE-noh ~~koo~~-bee-shek	

II. BRAZILIAN BUSINESS LEADERS LUNCHEON

Jarbas Passarinho	ZHHHARRR-ba poss-ah-REE-nyo
Zelia Cardoso de Mello	zell-ya car-doh-zoh deh ~~mellow~~ MEH-low
Antonio Cabrera Mano Filho	awn-TOE-nyo caw-BRRRAY-rah maw-noh FEEL-yo
Ozires Silva	oh-ZEE-rehss SEEL-vah
Fernando Collor	caller (as in telephone caller)
Para	paw-RAH
Rio Grande do Sul	REE-oh GRRRAN-day doh SOOL
Sao Paulo	SAW-oh PAW-loh
Gilberto Freyre	HEEL-~~bear~~ bezrrr-toe FRRRAY-reh

III. STATE DINNER TOAST

Fernando Collor	caller (as in telephone caller)
Rosane Collor	RRRHO-zhah-nay caller
Itamar Franco	EAT-uh-marrr FRRRAHN-ko
Nelson Carneiro	carr-NAY-ee-rrro
Paes de Andrade	pah-tss deh ahn-DRRRAH-deu
Neri da Silveira	NEH-rrree dah seel-VA-T-rrrah

VOLUME 7

Civilization to Coronium

THE ENCYCLOPEDIA AMERICANA

INTERNATIONAL EDITION

COMPLETE IN THIRTY VOLUMES

FIRST PUBLISHED IN 1829

GROLIER INCORPORATED

International Headquarters: Danbury, Connecticut 06816



METROPOLITAN MUSEUM OF ART—GIFT OF J. PIERPONT MORGAN, 1900

CHRISTOPHER COLUMBUS, in a portrait painted in 1519 by the Italian artist Sebastiano del Piombo.

COLUMBUS, kə-lum'bəs, **Christopher** (c. 1451–1506), Italian navigator in the service of Spain. Columbus commanded, in 1492, the first recorded European expedition to cross the Atlantic Ocean in warm or temperate latitudes.

He was not the first European to land in the Americas: adventurers from Norway, Iceland, or Greenland, in the late 10th and early 11th centuries, had almost certainly settled briefly in Newfoundland and may have landed elsewhere on the Atlantic coast of North America. "Vinland," the Norse name for the part of America that they knew, appears in Adam von Bremen's 11th century ecclesiastical history, as well as in several works produced in the 14th and 15th centuries.

There is also some evidence to the effect that fishermen from the western part of England may have sighted some part of northern North America at about the same time as Columbus' first voyage, or possibly earlier. But there is no evidence—indeed, it is unlikely—that Columbus knew of these Bristol voyages, or of the earlier Norse discoveries.

His achievement, moreover, is distinguished from the earlier adventures not only by the latitudes in which it was made and by the much longer ocean passages that it entailed, but also by its consequences. The early northern voyages were without significant result. Columbus' discoveries in the West Indies were followed by rapid, widespread, and permanent settlement. In this sense it may be said that Columbus discovered America.

Early Years. There is little doubt, though there has been much discussion, about Columbus' nationality and origins. Attempts have been made to prove that he was a Spaniard, a Catalan, a Jew of Spanish or Catalan descent, even a Greek. But the overwhelming weight of evidence and the opinion of almost all serious scholars support the statements made by his early biographers and by contemporary commentators. He was Cristoforo Colombo, a Ligurian, born in or near Genoa, probably in 1451. He remained a loyal citizen of Genoa all his life and at his death bequeathed several legacies to families or individuals resident there. Though he and his son and biographer Fernando indulged in fantasies of remote noble ancestry, there is no doubt that members of his immediate family were comparatively humble folk. His father was a master weaver, who also seems to have kept a wineshop for a time.

Christopher received little or no formal education in his youth. So far as is known he never wrote in Italian, and probably never had occasion to do so. His native Ligurian dialect was not then, and is not now, a written language. All his surviving writing is in Castilian, just as all his major achievements were in the service of Castile, but he used many Portuguese spellings and tricks of phrase, which suggest that he learned to read and write in Portugal. (The Spanish form of his name is Cristóbal Colón.)

Columbus appears to have spent much of his youth working at his father's trade. By his own account, however, he began to follow the sea at a tender age, and his periods of work at the loom may have been interspersed with coasting voyages, possibly to collect supplies of wool or wine. In his early twenties he began to make longer voyages: one to Marseille and Tunis, at least one to Chios—then a Genoese colony—and in 1476 one, intended for Flanders and England, that got no farther than Cape St. Vincent. The ship in which Columbus sailed—presumably as a deckhand—was sunk by French privateers, and Columbus landed penniless in Portugal. From Lagos he made his way to Lisbon, where he was taken in by one of the numerous resident Genoese.

Preparation at Sea. Columbus' fortuitous arrival in Portugal was probably the chief turning point of his career. Lisbon was then the principal European center of overseas exploration. Columbus learned to read and write, picked up Portuguese, Castilian, and a smattering of Latin, gained experience in oceangoing seamanship, and acquired most of his knowledge of navigation and hydrography. He may, indeed, have been concerned, with his brother Bartholomew, in a chart-selling business in Lisbon. Fire and earthquake have destroyed records, and the outlines of his life in Portugal have to be inferred from his own allusions and his son's account.

In 1477 he shipped on a voyage to Ireland and Iceland. In 1478 he was sent by one of the Genoese merchants resident in Lisbon to Madeira to buy sugar and deliver it in Genoa. Trusted by the leaders of the Genoese community, he evidently prospered, and contracted, in about 1479, an advantageous marriage. Felipa Perestrello e Moniz was the daughter of a widow of distinguished family, who had inherited property in Madeira and an interest in the hereditary captaincy of Pôrto Santo. Columbus apparently went with his wife to live in Madeira, possibly as a merchant, and remained there for two or three years. Diego, his only legitimate son, was born there in 1480. From his wife's family he probably learned much of the recent—and continuing—story of island discovery and settlement and caught the optimistic enthusiasm for new islands that was characteristic of the time. In Madeira also he would have had the opportunity to observe some of the pecu
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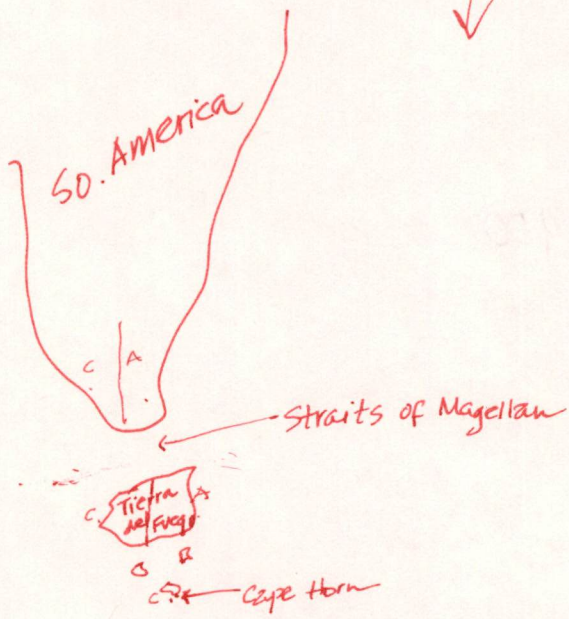
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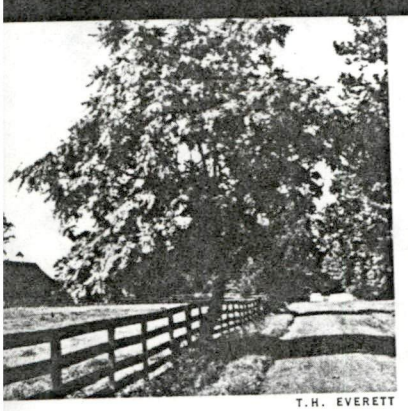
(1) GATT will be underway in Brussels.

(2) Southern most point of So. Am:
Straits of Magellan or Cape Horn

(3) Canada to Brazil:
Saskatchewan to Sao Paulo

Beth
Bennett





T.H. EVERETT



STEPHEN COLLINS FROM PHOTO RESEARCHERS

AILANTHUS (left, *A. altissima*) is a smooth-barked tree, about 21 feet tall, that commonly is cultivated in the northeastern United States. Its leaves are composed of 13 to 25 leaflets, and its greenish-white flowers have an unpleasant odor.

AILANTHUS, ā-lan'thəs, is a genus of trees, commonly known as *tree of heaven,* that is native to eastern and southern Asia and northern Australia. The trees also are naturalized in subtropical and temperate regions elsewhere.

A smooth-barked, rapidly growing tree, the ailanthus has large, ferny leaves with one dozen to three dozen leaflets identified by solitary pimplelike glands on the largest notches of the leaf margins. The flowers are borne in clusters on the upper branches. Male trees have small malodorous flowers; the flowers of the female trees ripen into grayish masses of papery wings and persist until the wind scatters their seeds widely. In hot weather, ailanthus seedlings develop rapidly. If hoed out, they sprout back. Old trees may sprout when cut down, forming thickets that are difficult to eradicate, even with herbicides. Though frequently a nuisance, ailanthus trees withstand industrial pollution and neglect, and they are valued in the parks and zoos of large cities.

The genus *Ailanthus* belongs to the quassia family, Simaroubaceae. *A. glandulosa* is the common species. A handsome variety, *erythrocarpa,* with brilliant red seed clusters, is rare in the Western Hemisphere except in parts of California.

EDGAR ANDERSON
Missouri Botanical Garden

AILLY, à-yē', **Pierre d'** (1350–1420), French cardinal, theologian, and philosopher. He was born at Compiègne, and studied at the College of Navarre, in Paris. In 1381 he became a doctor of theology, and in 1389 he was appointed chancellor of the University of Paris. Subsequently, he was named bishop of Puy (1395) and of Cambrai (1397) and in 1411 was made a cardinal.

D'Ailly took an active part in the Council of Constance (1414–1418). The council ended the Great Schism of the West, which had split the church into factions supporting rival claimants to the papacy. Cardinal d'Ailly defended the conciliar theory—the belief that an ecumenical council should be superior to the pope.

As a philosopher, d'Ailly followed the teaching of William of Occam and promoted his system at the University of Paris. As a church leader, he contributed to the Gregorian reform of the calendar. As a writer, he influenced Columbus through his teaching that the Indies could be reached by sailing west. A copy of his *Image of the World,* now in the Columbian Library at Seville, contains many marginal notes in Columbus' handwriting.

BERNARDINO M. BONANSEA
The Catholic University of America

AINTAB. See GAZIANTEP.

AINU, ī'nōō, aborigines of the North Pacific, inhabiting the Kuril (Kurile) Islands, Sakhalin Island, and Hokkaido, the northernmost island of Japan. They are probably of Caucasian stock, being fair-skinned and round-eyed. Because the men have long, wavy hair and often wear beards, the Ainu have been called hairy. In fact, they are not especially so, except in comparison with the smooth-skinned Mongoloids who inhabit nearby areas.

Little is known of their origin, but most authorities regard the Ainu as descendants of a Neolithic people who once occupied all of Japan. In past centuries, under the impact of Japanese expansion, the Ainu were greatly reduced in number and gradually pushed northward into the areas they now occupy. They now number approximately 15,000.

The life of the Ainu has been practically untouched by modern civilization. Their chief occupations are fishing and hunting, and they also use millet and wild fruits and vegetables for food. The spoken language, in several dialects, is not related to any other known tongue. There is no written language, but songs and stories have been passed orally from generation to generation.

The Ainu religion is animistic and employs many fetishes, notably whittled twigs to which the shavings are left attached. A distinctive feature of Ainu worship is the bear cult. Young bear cubs are carefully raised in the villages and sacrificed in joyful, elaborate rituals when they are two years old.

AIR, âr, is the mixture of gases that composes the atmosphere of the earth. At altitudes below 100 kilometers (62 miles) the predominant gases in the mixture are molecular nitrogen and oxygen. After water vapor has been removed from the air, nitrogen and oxygen constitute 78 and 21 percent (by volume) of the air, respectively. The remaining 1 percent of this dry air consists principally of argon. In addition, carbon dioxide and small quantities of neon, helium, krypton, xenon, hydrogen, methane, and nitrous oxide (N_2O) are found as constant components of air.

Water vapor, one of the *variable* constituents of air, constitutes less than 3 percent of even the most humid air. Nevertheless, water vapor is essential for life as we know it. Another variable component of air necessary for life is ozone (O_3). Its concentration, which is less than 0.07 part per million parts of air near sea level, rises to a maximum of only 10 parts per million in the ozone layer at 30 kilometers (18.6 miles) above sea level. This layer absorbs most of the ultraviolet radiation from the sun and thus shields the earth from harmful radiation. Other variable components of air include sulfur dioxide, nitrogen dioxide, and traces of ammonia, carbon monoxide, and iodine.

The first atmosphere of the earth consisted of water vapor, ammonia, hydrogen, and methane. Oxygen appeared later, from photolysis of water vapor, but largely from exhalations from plants. Other gases, such as helium, resulted from the decay of radioactive elements in the earth. Most of the lighter gases, such as hydrogen, in the first atmosphere escaped from the earth long ago. The first atmosphere was replaced by subsequent emissions from the earth and from plants, and by the process of photodissociation (breaking up of water molecules by sunlight).

Air constantly cycles through the earth and living organisms (the biosphere). It is estimated that the entire oxygen content of the atmosphere passes through the biosphere every 3,000 years, and the entire carbon dioxide content of the air is consumed and replaced by the biosphere every 10 years.

Oxygen, Nitrogen, and Argon. Among the first to recognize that air is a mixture of gases was John Mayow, in the 17th century, who called the part of air that supports combustion "nitro-aerial spirit" (later named oxygen) from the inert part that does not. In the 18th century, the inert part was called nephitic (poisonous) air by Daniel Rutherford; Lavoisier called it azote (lifeless), which received its present name, nitrogen, in 1787. Modern historians grant equal credit for the discovery of oxygen (1773–1774) to Carl Wilhelm Scheele and Joseph Priestley. In 1756, Mikhail Lomonosov recognized that rusting of metals was due to the action of air. In 1794, Lavoisier showed that oxygen was the responsible gas.

In 1784, Henry Cavendish published the first accurate determination of the composition of air: 79.16 percent nitrogen and 20.84 percent oxygen (by volume). These values are remarkably close to the currently accepted values (78.084 and 20.948). Later, Cavendish found that the nitrogen was left over after all the nitrogen and oxygen had been removed from the air. This was identified as argon by Lord Rayleigh and Sir William Ramsay in 1894.

Carbon Dioxide. The first atmospheric gas to be identified was carbon dioxide. It was recognized in the 17th century by Jan Baptista van Helmont and described by Joseph Black in 1755. Like water vapor, carbon dioxide is an effective absorber of infrared radiation from the earth, and thus this gas plays an important role in the atmospheric heat balance. Carbon dioxide enters the atmosphere by exhalations from animals and plants, by bacterial action on dead organic matter, and by the burning of carbon fuels. The burning of fuel may be increasing the carbon dioxide content of the atmosphere and possibly changing the climate. Carbon dioxide leaves the air largely by absorption by plants and the sea.

Radioactive Gases. Small quantities of radioactive gases are found in the air as a result of bombardment by cosmic rays and the decay of radioactive earth materials, such as radon, thoron, and actinon. These three materials have short half-lives. The earth exhales about 2 atoms of radon each second, but its effects are believed to be small. In the atmosphere, the bombardment of nitrogen by cosmic ray-produced neutrons produces radioactive carbon (the isotope carbon-14) in carbon dioxide, which results from the combination of carbon-14 and oxygen.

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VOLUME 1

A to Anjou

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DIEGO GOLDBERG—SYGMA

● BRAZIL

The Biggest Shake-Up

To save his stumbling country, Collor tries the most radical reform ever—but the hardest part is how to make it stick

By MICHAEL S. SERRILL BRASILIA

If the lesson of these times is that free markets succeed where governments fail, Brazilian President Fernando Collor de Mello is a very voguish thinker. Though his effort to revive his country's punch-drunk economy gets much less attention than the shake-ups transforming Eastern Europe, his monetary program is every bit as revolutionary. To corset the bloated public sector and turn the economy over to the entrepreneurs, Collor has adopted policies more radical than anything attempted in Brazil in decades—or perhaps ever—since taking office on March 15. His approach, says Kenneth Maxwell, senior fellow at the New York City–based Council on Foreign Relations, "is the most severe one-bullet strategy to beat inflation attempted anywhere in the world."

But can he make it stick? And will it work? While economists believe that Collor's bold program is well reasoned and long overdue, the consensus is that he overshot the mark initially, stopping inflation but nearly halting business as well. In the process, he has angered Big Business, alienated much of the middle class, and invited the risk of a major recession. He has also provoked the wrath of Big Labor, as evidenced last week by strikes at a state-run steel plant outside Rio de Janeiro and at the main Ford auto factory near São Paulo. Now Collor must scramble to reaffirm his popular mandate, while at the same time staving off public demands to push his rigorous program off track. Can he do it? Warns Brazilian political scientist Walter de Goes: "The speciality of this economic team is detonating bombs, not picking up the pieces."

No one disputes that the youngest President in Brazil's history—he is 40—has shaken up his nation as has no other recent chief executive. Hurrying to create *"O Brasil Novo,"* the new Brazil he promised during his campaign, he has reduced an 84% monthly inflation rate to less than 13%; axed some 100,000 employees from the government payroll; and begun to halt the destruction of the country's greatest resource, the Amazon rain forest.

Collor describes his goal in a phrase borrowed from the Spanish conquistador Hernán Cortés: "To win—or to win." His long-distance vision is to boost Brazil from the Third to the First World, and he is convinced he can do it with a freer market, greater industrial efficiency and a leaner bureaucracy. Certainly, Brazil's potential is enormous. It has immense rivers and forests, rich agricultural lands, huge deposits of gold, gems, petroleum, iron ore and minerals. With a gross domestic product of $350 billion and annual exports of $34 billion, it is Latin America's most developed nation.

But alongside that highly industrialized Brazil lives another, desperately poor country where 70% of the 150 million citizens live in poverty. That is the legacy of the chronic overspending that began in the 1970s when military rulers borrowed heavily from Western banks to cope with spiraling petroleum prices and to finance an ambitious industrial expansion scheme. By the time Collor took office, Brazil was saddled with a $115 billion foreign debt. Interest payments to foreign commercial banks were stopped last July. Chaos loomed as the economy zoomed into hyperinflation, with prices rising at a rate of more than 100,000% annually.

Collor's answer was a monetary "shock" that a Bank of Boston report called "the most severe program of economic stabilization ever imposed in a Latin American country, or perhaps in any country." Under its main provisions, the majority of all financial assets, including savings accounts in excess of about $1,200, were frozen for 18 months. Millions of Brazilians were affected: Collor's action took about $85 billion out of play, abruptly halted most business activity and dropped inflation to 3.29% in April. Collor also announced the immediate abolition of two dozen state agencies and said he would sell off most state-owned industries. In addition, he called for massive public-sector layoffs and higher taxes. The cruzado novo was replaced by the cruzeiro, Brazil's fourth currency in four years.

At the same time, Collor reversed

AMBITIOUS PLANS	MODEST IMPACT
Collor froze financial assets worth $1,200 or more for 18 months, removing $85 billion from circulation	The 84% monthly inflation rate was briefly reduced to single digits, but a massive slowdown of industry resulted
Abolished two dozen state agencies and axed some 100,000 employees from the government payroll	The budget deficit, 7.2% of gross domestic product, was reversed to yield a 1.2% surplus for 1990, but GDP is expected to decline
Declared that the Amazon would be protected and appointed a leading ecology critic as environment chief	The military was sent in to blow up several illegal airstrips built by gold miners trespassing on Indian lands



ANDRÉ PENNER - ABRIL IMAGENS

Strikes threaten to erode Collor's mandate

a long-standing government policy that treated the Amazon basin principally as a source of wood products and a locale for development. He declared that he would work vigorously to stop the burning of the forest by ranchers and settlers, then appointed Brazil's foremost environmental activist, José Lutzenberger, to enforce the program. In an interview with TIME, Collor was unapologetic about the abrupt turnaround. "On questions of ecology, we have made a fundamental commitment to life," he said. "We have nothing to hide and nothing to explain."

In June a "new industrial policy" was added that abolished import quotas and removed bureaucratic red tape, and aims to slash high tariffs over the next five years. The move effectively ended an indulgent era of high tariffs and import quotas, during which duties ranged up to 105% and imports of 1,200 goods were prohibited outright. Still to be tackled is the thorny issue of foreign debt. Since Brazil stopped payments, arrears of $7 billion have accumulated, taxing the patience of creditors.

Initially, both the Brazilian public and Congress applauded Collor's program, especially the asset freeze, which was perceived as a slap at the rich. After all, 9 of 10 Brazilian depositors had less than $1,200 in the bank. Then Collor and his relatively inexperienced team blinked. Fearing a full-blown recession, they made it possible for many businesses and individuals to recover frozen funds. Companies were allowed to trade impounded cruzados for negotiable cruzeiros by using them to pay taxes and debts. Exceptions were also made for retirees, unemployed workers and people needing emergency medical treatment.

By mid-May, more than half the frozen funds were back in circulation. The remainder belonged to increasingly irate middle-class Brazilians who would not gain access to their money until September 1991. "The feeling was that [Collor and his government] did something very dramatic, and then they simply blew it off through bad management," says economist Edmar Bacha of the Pontifical Catholic University in Rio. "That gave the impression that the rich got away with it again." The meltdown of the program rekindled inflation, which more than tripled to a rate of 12.9% last month. That set off new price hikes, which led workers to demand salary increases and wage indexation.

Collor has run into other problems. The Central Union of Workers, representing many government employees, has threatened work stoppages to block the privatization of state-owned industries. A plan to furlough bureaucrats has stumbled on a provision of the 1988 constitution that grants lifetime employment guarantees to all civil servants with five years' tenure. The President has tried to circumvent the law by putting employees on "reserve" status and reducing their pay, but the Supreme Court has stifled that effort.

To counter the setbacks, Collor strives to keep his personal popularity high with feats of derring-do. On weekends he can be spotted practicing karate (he has a black belt), riding his motorcycle or piloting an ultra-light aircraft. The son of a wealthy, political family, he makes no attempt to hide his affluence, favoring custom-tailored European suits and fancy watches.

But his personal style gets mixed reviews. What some call confidence others call arrogance. The one thing few dare to call him is Fernando; the President dislikes being addressed by his first name. Collor, says his chief of staff, Marcos Coimbra, "is secure, responsible, determined." Others charge that Collor is too autocratic. Says Herbert de Souza, who runs a left-wing think tank in Rio: "He's like a doctor who tells us he's going to cause us the maximum pain and suffering, but it's for our own good."

Brazil's fractious Congress has moved quickly to capitalize on the slippage in public enthusiasm. In July it approved an inflationary wage-indexation program that calls for monthly upward adjustments of salaries. The President, whose tiny National Reconstruction Party has only a handful of congressional seats, has vowed to veto the bill, a move certain to be unpopular. To avoid a backlash at the polls two months from now in congressional elections, the government will offer low-income workers a onetime wage bonus. Following through on the rest of his program will depend heavily on the returns from those elections, when as many as 70% of the current legislators may be replaced. The question is whether the infusion of fresh blood will help Collor in his drive toward the First World—or will erect new Third World roadblocks. *—With reporting by John Maier/Rio de Janeiro and Ian McCluskey/Brasília*

President Bush

Current
Policy
No. 1286

Latin America's Year of Freedom

United States Department of State
Bureau of Public Affairs
Washington, DC

Following are remarks delivered by President Bush to the Council of the Americas, Washington, DC, May 22, 1990.

[Introductory remarks deleted. . .]

I am pleased once again to speak to this most influential group—pioneers in the private-sector effort to expand trade and investment between the United States and Latin America. And I am delighted to address this gathering after what has been a remarkable year of change.

Over the past 12 months, it has sometimes seemed that the eyes of the world rest solely on Eastern Europe—on the miraculous transformation that has taken place there. Our friends in Latin America have watched these historic events unfold with inspiration and awe. But also, I know, with an unmistakable sense of anxiety [and] concern that our active involvement in Europe will mean a decline in US interest in Latin America.

I am here today to assure you, just as I have assured the many Latin American leaders I have met with, that the events of the past year have increased US interest in this region—strengthened our desire to forge a new partnership with the growing forces of freedom in Latin America. Because the fact is, the great drama of democracy is unfolding right here in our own hemisphere.

Think about the tremendous gains made for freedom this past year. When I spoke here last May, the people of Panama were preparing to go to the polls—even as the dictator of Panama was preparing to steal the election. In Nicaragua, civil war raged, the Sandinistas ruled, and the brave men and women of the Nicaraguan opposition were just beginning the long campaign that led to this year's great victory for democracy.

In Central America: Nicaragua and Panama; in South America: Paraguay and Chile, all across the Americas, today more people live under freely elected governments than ever before, and we are closer than ever before to the day when all the people of the Americas, North and South, will live in freedom.

Even in Haiti, the scene of so much human suffering and anguish and turmoil, the provisional government has now announced its intention to hold free elections. This Thursday [May 24], I will be meeting at the White House with the new leader of Haiti [Ertha Trouillot], where we are sure to discuss ways we can support democracy in Haiti. In all of Latin America, only Cuba—Castro's island—remains isolated, out of step with the democratic tide. But today we are celebrating the anniversary of Cuban independence. Let me say with certainty that even in Cuba, the dream of democracy can only be pushed back a little, only be deferred—it will never be destroyed.

As we in the United States welcome our Central and South American neighbors into the ranks of democracy, we must offer them our

help and something more; we must offer them our respect, the respect due one free nation from another, and the outstretched hand of partnership.

I have been working to strengthen our ties. Just this year alone, I have met with Presidents Barco [Colombia], Paz [Bolivia], and Garcia [Peru], at the Andean drug summit in Cartagena. . . . Here in Washington, I have hosted Presidents Perez [Venezuela], Paz Zamora, Cristiani [El Salvador] and Endara [Panama], Collor de Mello [Brazil], Calderon [Costa Rica], and Callejas [Honduras], and Prime Minister Manley [Jamaica]. In each case, I have come away from our talks with a strong sense of optimism. And I believe every one of those leaders left the White House knowing that the United States is engaged as never before in the future of this hemisphere.

Democracy and Development

While from country to country conditions differ, we know now that our challenge is to consolidate democracy and accelerate development. That means advancing the intellectual revolution now sweeping Latin America, a movement away from stale, statist doctrines; away from dictatorships of the right and left; toward democracy, free government, free enterprise; toward the true political and economic empowerment of the people.

That means encouraging, for the first time in many cases, genuine free market reform. Even in countries that claimed no kinship with communism, true free enterprise did not exist. In practice, economies were often organized to ensure the prosperity of the people in power—not to open an avenue toward upward mobility for anyone ready and willing to work.

Peruvian economist Hernando de Soto describes the maze of bureaucratic barriers that stood in the way of the entrepreneur and stifled economic growth in his country. De Soto also shows how much Lima, Peru's capital, owed its economic vitality to what he calls the "informal sector"—the thousands of independent and enterprising individuals doing business without the consent of the State.

De Soto's prescription—and mine—is to free this economic force: unleash the million sparks of energy and enterprise; let the incentive of reward inspire men and women to work to better themselves and their families.

Already, Latin America is discovering this path. In Brazil and Bolivia, in Argentina, Venezuela, Mexico, Costa Rica, and Jamaica—free market reforms are going forward, creating space for private initiative to take hold and flourish. As they succeed and as they reap the rewards that will follow this—I would say what will certainly be a painful transition—these nations will bring others in their wake.

We in the United States must do all we can to ensure the future of free markets in the Americas because our nation has a stake in the economic health of this hemisphere. We know that since the late 1970s, Latin America's share of all US trade dropped from 10% of all US exports, down to 7%. And yet last year, for the first time ever, two-way trade between the United States and Latin America topped $100 billion. As that trade continues to grow, so will the link between our prosperity and the prosperity of our Latin American partners.

Let me provide a few statistics to drive home this point: Last year, the Colombian economy grew 3%; US exports to Colombia rose 9%. Mexico's economy grew 3%, and US exports to that country climbed 21%. In Chile, with an overall growth rate of 10%, US exports increased by triple that rate—more than 30 percentage points.

The most effective way to ensure expansion of trade between the United States and Latin America is for all countries of the hemisphere to support a successful Uruguay Round. The ambitious agenda in the Uruguay Round, including proposals for significant multilateral tariff reductions, will benefit our Latin American trading partners. We are committed to the expansion of trade and investment liberalization, and we seek Latin American support for these very important objectives. In addition, the strengthened debt strategy launched last spring has reinvigorated market-oriented economies and reinvigorated the reforms in Latin America. These economies help provide the needed foundation for democracy itself.

That's why I am so pleased to report on the progress we've made this past year under the Brady plan. Mexico, Venezuela, and Costa Rica have all reached agreements with their creditors on ways to reduce their debt; ways to complement their efforts to restructure their economies along free-market lines. Because in the long term, the free market remains the only path to sustained growth.

Role of the Private Sector

We all know the private sector plays a crucial role. Taking advantage of new investment opportunities is good for business, but at this critical moment there is something beyond the bottom line; something that cannot be measured simply in terms of GNP. The role the Council of the Americas can play—expanding trade and strengthening the private

P-1 of 11-26-90 Draft for Joint Session.

sector—contributes not only just to economic growth but to the growth of democracy itself.

Now, there is an important role for government to play as well—especially during the difficult days of transition from dictatorship to democracy. That's why I have called on Congress to provide $800 million in emergency economic aid to Panama and Nicaragua. We have a big stake in this. This aid is critical. A little over a week ago, I received a letter from President [Violeta] Chamorro—just weeks into her term in office—telling me that Nicaragua was bankrupt. And yet, for more than 2 months now, this emergency aid has been bogged down on Capitol Hill. To give you an idea of the magnitude of this problem, in March, I requested $800 million for Panama and Nicaragua, asking that this bill be finished April 5. It is now May 22, and the funds for Panama and Nicaragua have been reduced by $80 million—even though $1.4 billion in extra spending has been added.

Finally, it appears the Congress may act this week on this vital measure. For the people of Nicaragua and Panama democracy hangs in the balance. So let me say to the Congress: The fate of freedom rests in your hands. Do the work of democracy—and pass this emergency aid package now.

Personal Stories of Freedom

Today, I began by speaking about the changes that have riveted world attention on Europe. Part of the power of the story is that it can be told in intensely personal terms, as the story of the dissident playwright who is now president or of the electrician who came to symbolize his people's hopes for freedom. Democracy's advance in Latin America has produced its share of heroes—and today I will close with three from one country alone, Latin America's newest democracy, Nicaragua.

• For 4 years, beginning in 1979, the year the Sandinistas took power, Enrique Dreyfus was head of Nicaragua's supreme council of private enterprise—a private-sector group in many ways similar to this one. His criticism of Sandinista rule put him on the Sandinista black list and landed him in prison. Today, with the Sandinistas swept from power, Enrique Dreyfus is not just free from persecution—he is Nicaragua's new foreign minister.

• In 1985, members of the Sandinista internal security force beat Sofonias Cisneros for criticizing the way the Sandinistas had politicized the schools. Today, Mr. Cisneros is minister of education.

• And on July 10, 1988, opposition leader Myriam Arguello was beaten, taken from her home in the middle of the night by Sandinista police, tried, and sentenced to 6 months in prison. Today, Myriam Arguello is president of Nicaragua's freely elected national assembly.

These three stories underscore in personal terms the truly revolutionary political change that has taken place not just in Nicaragua but across the Americas, change that proves beyond doubt that the day of the dictator is over and democracy's day has come.

For our part, we in the United States must do all we can to help secure for all the Americas the freedom, the peace, and prosperity we enjoy. Please keep up—more than ever—your important work in guaranteeing that democracy succeeds in this precious hemisphere of ours. ■

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The Latin 'Techno-Yuppies'

Young and American-educated, they are shaking up state-run economies across South America

What comes to mind when you think of Latin American leaders? A generation ago it would have been right-wing dictators in medal-covered military jackets, molding themselves in the images of Benito Mussolini and Francisco Franco. Or leftists who wore beards like Che Guevara and quoted Castro and Lenin. These days, members of Latin America's governing elites are more likely to wear designer suits and to tap on personal computers. And instead of quoting wild-eyed revolutionaries, they're uttering homespun American sales tips. "You don't get a second chance to make a first impression," says Jorge Quiroga, Bolivia's 30-year-old under secretary of planning.

Call them Latin America's "techno-Yuppies." Many are around 40 years old or younger and have studied economics at prestigious U.S. schools like Harvard, MIT and the University of Chicago. Returning home to key positions across the continent, they have moved aggressively to bring free-market economics to traditionally state-run countries. In Mexico, Brazil, Peru and Argentina, they have laid radical plans to smash protective barriers and sell off many major industries that were owned and managed by the state. Their invasion might almost be considered a kind of U.S. takeover of Latin America, though not in the way populists once feared. "Our U.S. education taught us that there was no such thing as a free lunch," says 42-year-old Marcos Fonseca, Brazil's national planning secretary (Yale, '78).

The flow of U.S.-trained technocrats began in the mid-1970s, well before free-market ideas swept Eastern Europe. Chilean military dictator Augusto Pinochet recruited a group of University of Chicago economists—the "Chicago Boys"—to rebuild Chile's economy. Others followed. Alejandro Jadresic, 34, a policy coordinator in Chile's new democratic government, got an economics degree from Harvard in 1984. A Pinochet critic, Jadresic admits, "If you wanted to take part in the economic debate then you had to know what you were talking about." Starting in the late 1980s, other Latin politicians realized they needed skilled economists to negotiate with big U.S. banks to work off the billion-dollar debt loads that were dragging down their economies. Bolivia's technocrats took the boldest steps, devising an anti-inflation plan and buying back about half of Bolivia's then $700 million bank debt.

No country has embraced American-trained technocrats more than Mexico, a country that once stashed such experts in obscure bureaucratic corners. President Carlos Salinas de Gortari, 42, who holds three Harvard degrees, has stacked his government with U.S. graduates. Among them: trade minister Jaime Serra Puche and budget minister Ernesto Zedillo, both 39-year-old Yalies, and 40-year-old finance minister Pedro Aspe, from MIT.

New brotherhood? To the astonishment of a country accustomed to complacent bureaucrats, Mexico's technocrats have pushed through radical changes. They have torn down protective tariffs and sold off a series of nationalized enterprises. In Mexico City there's even a bumper sticker reflecting their rise: LICENCIADO EN ECONOMIA—roughly, "Economist on Board."

Critics of the new breed—mostly left-leaning politicians, intellectuals and unionists—have harsher things to say. Some compare the network of economists to the old brotherhood of military dictators and their U.S. patrons. "This is the new Pentagonism," snaps Porfirio Muñoz Ledo, an opposition Mexican senator. While Latin America's poor are giving the economic experiments a chance, some resentment is bubbling. At Argentine rallies, President Carlos Menem is getting booed because of his free-market policies and U.S. ties. The occasional arrogance of the technocrats doesn't help matters. Says Muñoz Ledo: "They don't accept dissent because their formulas tell them they're always right. In the end, it's just another elite that believes the rest of Mexico is incompetent."

The question now is whether the new policies will work before the masses turn against them. That's far from clear. Peru, with 30 percent jobless, isn't likely to turn around for several years. In Mexico the benefits of privatization haven't yet trickled down from the magnates buying state companies. The techno-Yuppies acknowledge they have only a couple of years to keep the pendulum from swinging toward leftism and government intervention. But they insist they're preaching the right gospel. And with the decay of nationalization and protectionist policies, their countries have little choice but to listen.

PETER KATEL *with* TIM PADGETT *in Mexico City,* MICHAEL KEPP *in Rio de Janeiro,* LESLIE CRAWFORD *in Santiago and bureau reports*



EL MERCURIO

Aggressive moves: *Chile's Jadresic*

Learning to Play the Market

Across Latin America, selling state firms and liberalizing trade are the order of the day.

Mexico: The Salinas government has sold off important state enterprises, such as a copper mine, torn down tariffs and started collecting taxes.

Argentina: Talks are underway for sale of the state-owned airline and phone company; the latter deal could retire $5 billion in foreign debt.

Bolivia: The government is trying to lure foreign investors, offering stakes in such politically sensitive industries as mining.

Brazil: The government froze bank accounts of more than $1,250 and is selling a handful of steel plants.

Peru: President Alberto Fujimori has ended many subsidies and price controls and vowed to cut import tariffs.

Chile: The country has become a model of an export-oriented economy, selling copper, fish meal and fruit.

Photo Copy Preservation

Ms. Reynolds is a recipient of America's Outstanding Women in Business and Labor Award from the Women's Equity Action League. She resides in Alexandria, Va., and was born June 26, 1927, in Pocatello, Idaho.

Announcement Concerning the U.S. Delegation to the United States-Nigeria Bilateral Talks

September 4, 1981

The President has asked Vice President George Bush to lead the U.S. delegation to the sixth round of U.S.-Nigeria bilateral economic talks, September 8 and 9, in Washington, D.C. Nigerian Vice President Alex Ekwueme will chair his country's delegation to the annual consultations. The talks will explore issues of mutual concern in the areas of agriculture, energy, trade and investment, health, education, and science and technology.

In addition to presiding over the talks, the two Vice Presidents will have a private meeting during Vice President Ekwueme's stay.

Announcement of the Vice President's Foreign Travel

September 4, 1981

The President has asked Vice President George Bush to represent the United States on an official visit to Brazil, Colombia, and the Dominican Republic. The Vice President has accepted the invitation of the Dominican Republic and will visit there on October 11 and 12 and has accepted the invitation of President Turbay to visit Colombia on October 13 and 14. The Vice President's trip will conclude with a visit to Brazil, at the invitation of the Brazilian Government, on October 14, 15, and 16.

[*On the same day, Deputy Press Secretary Larry M. Speakes read the following information to reporters at his daily press briefing in Room 450 of the Old Executive Office Building.*]

The purpose of the trip is to demonstrate the importance this administration places on our relationships with Latin America. In his visits to Brazil, Colombia, and the Dominican Republic, the Vice President will have an opportunity to exchange views with the heads of state and other high-level officials in these countries. The trip is being made at the invitation of the countries involved, and the times were worked out at a mutually convenient time to both countries.

Statement by Deputy Press Secretary Speakes on the Assassination of the French Ambassador to Lebanon

September 4, 1981

The President was shocked and saddened by the news this morning that the French Ambassador to Lebanon was killed as a result of an attack in Beirut. The President feels strongly that the violence and terror in many areas of the world constitutes a grave danger to the fabric of society. He would like to extend his deepest sympathies

Nomination of Eleanor Thomas Elliott To Be a Member of the National Advisory Council on Women's Educational Programs

May 11, 1982

The President today announced his intention to nominate Eleanor Thomas Elliott to be a member of the National Advisory Council on Women's Educational Programs, for a term expiring May 8, 1985. She would succeed John W. Fuller.

She has been serving as director of the Foundation for Child Development since 1970. In addition, she has been a member of the advisory board of the American Women's Economic Development Corporation in New York City since 1978. She also serves as a director of the Celanese Corp. and of Catalyst, Inc., both in New York City. She is a trustee of Barnard College and is director of the United Way of Greater New York.

Mrs. Elliott graduated from Barnard College (B.A., 1948). She is married and resides in New York City. She was born April 26, 1926.

Message to the Congress Transmitting an Exchange of Diplomatic Notes on Extension of the U.S.–U.S.S.R. Fishery Agreement

May 11, 1982

To the Congress of the United States:

In accordance with the Fishery Conservation and Management Act of 1976 (Public Law 94–265; 16 USC 1801), I transmit herewith an exchange of Diplomatic Notes, together with the present agreement, extending the governing international fishery agreement between the United States and the Soviet Union, signed at Washington on November 26, 1976, until July 1, 1983. The exchange of notes together with the present agreement constitute a governing international fishery agreement within the requirements of Section 201(c) of the Act.

I urge that the Congress give favorable consideration to this extension at an early date. Several U.S. fishing interests have urged prompt consideration of this agreement, and I therefore recommend that the Congress consider issuance of a joint resolution to bring this agreement into force, before the agreement expires on July 1, 1982.

RONALD REAGAN

The White House,
May 11, 1982.

Remarks at the Welcoming Ceremony for President João Baptista de Oliveira Figueiredo of Brazil

May 12, 1982

President Reagan. I am delighted today to welcome President Figueiredo and Mrs. Figueiredo to Washington. Over our many years of friendship with Brazil, Mr. President, your country has often been described as the nation of the future. Well, the future is here. Brazil is increasingly looked to not for its potential, but for its capabilities; not for what it will accomplish, but for what it is accomplishing.

We in the United States rejoice with the people of Brazil for the progress that you have made economically, politically, and socially, and look forward to expanding on the mature relationship we've developed. The ties that bind us are firm, with mutual respect and trust reinforced by time and shared values.

Our friendship, Mr. President, goes back to the early days of Brazilian independence, when the United States was the first country to recognize your sovereignty. Brazil was the first South American nation to have an Ambassador in Washington.

The American people will not forget, President Figueiredo, that in both the First and Second World Wars, Brazil joined with us to confront the threat to freedom. Since the war years, our two countries have collaborated on many fronts to meet diverse challenges to the security and well-being of our peoples.

Brazil is an independent force for moderation and balance in this hemisphere. And while our two countries have had disagreements, which is only natural and to be expected among friends, we have never lost that mutual respect and admiration so characteristic of our relationship.

Your leadership, Mr. President, is built upon the qualities of which I've just spoken. During a state visit to Colombia last year, you explained in extreme situations, political wisdom requires utmost levels of tolerance. We learned that tolerance and moderation don't bring bitter fruits and are uncontestable demonstrations of fidelity to the true ideal of democracy. This and other statements you've made speak well of your ideals and those of your country.

Mr. President, the motto of Brazil is "Order and Progress." And during these trying times, your country has proven that it takes these words seriously. Especially hard hit by rising energy prices, your government made an impressive commitment to do what was necessary to protect your people's standard of living and the Brazilian way of life. As a result of this commitment, your country is now a leader in the development of alternative energy resources, especially the use of alcohol as a fuel and the harnessing of hydroelectric energy.

That Brazil overcomes such obstacles is no surprise to us. We share a similar pioneer heritage. Our two peoples are also similar in that they represent a meltingpot of cultures and ethnic backgrounds. But the most significant comparison remains the respect for individual enterprise and diversity that has developed in our two countries.

The Amazon River is, to many, synonymous with Brazil. Its grandeur, enormity, and power stagger the imagination. But so too does Brazil. Let us pledge that we shall always remember, and never take for granted, the good will between us.

President Figueiredo, it has been 11 years since a Brazilian President honored the United States with a state visit. This is too long a period for nations which have so much to contribute to one another. Let us confirm that the personal bonds we develop through this visit will reinforce the friendship between our peoples.

Vice President Bush visited your country and consulted with your government in October. He reported to me the constructive and amicable approach with which he was met. So today, I look forward to our discussion. I have much to learn from you and seek your counsel on matters of mutual concern.

In your annual message to the Brazilian Congress last year, you said of Brazil: "We seek to understand and to be understood." Well, let this be the basis of our talks today. Two old friends in a period of change, honestly and with sincerity, seeking good will and understanding.

And with that said, President Figueiredo, I welcome you to the United States.

President Figueiredo. Mr. President, thank you for your words of welcome.

For over 150 years, Brazil and the United States have maintained balanced relations. Ours is a heritage of mutual esteem, understanding, and respect. My visit to this country is, therefore, only a natural development of our bilateral relations. Our relations with the United States play an important role in the framework of our foreign policy.

Brazil's progress is predicated upon the diversification and enhancement of its international presence. It is a Brazilian goal to better adapt our bilateral relations to the

world of today. To this end, the exchange of information and ideas between our governments should be intensified.

Under the present difficult circumstances, I regard the opportunity of having an open discussion with you, Mr. President, as particularly positive. The harshest of realities demonstrate repeatedly that dialog is an invaluable diplomatic tool. I arrive in Washington willing to examine together with you the problems that concern us both in the political and economic fields. I'm willing to listen and to speak frankly and objectively.

We in Brazil wish to take a lasting and creative approach to the commonality of interests and values existing between us and your great country. The breadth and range of our relations encourage us to anticipate favorable results. As our countries have their own unique characteristics and play distinct roles in international as well as regional politics, it is only natural that differences of opinion should exist. We will endeavor to smooth them out through the exchange of ideas, views, and clarifications.

Mr. President, it is a known fact that in Brazil we are going through a specially significant chapter of our political history during which democratic institutions are being consolidated. From a diplomatic standpoint, we adopt a universalistic approach. Our foreign policy is diversified. Brazil is both a Western and a Third World country. It is a Latin American country with a strong African heritage, among others. Brazilian foreign policy endeavors to reflect this wealth of historical experience.

In a world where crises multiply, diplomacy must continue to build bridges between states. Even in times of despair and conflict, agreement, however difficult, has to be found. In the international sphere, some impasses still remain, such as the issue of nuclear disarmament, of vital importance for the destiny of mankind. The North-South negotiations do not progress. Forging links of cooperation among peoples has never been so vital and so urgent.

Americans and Brazilians have built a tradition of friendship throughout history. In times of crisis, we must resort to mutual inspiration and counsel. The purpose of Brazilian diplomacy is, in essence, to strengthen the ties of mutual confidence among the countries of this continent so that the spirit of conciliation and peace may prosper.

These are the foundations for my dialog with you, Your Excellency. Our governments are accustomed to mutual understanding. Such is our tradition. May such be our future.

Note: President Reagan spoke at 10:13 a.m. on the South Lawn of the White House, where President Figueiredo was given a formal welcome with full military honors. President Figueiredo spoke in Portuguese, and his remarks were translated by an interpreter.

Following the ceremony, the two Presidents met privately in the Oval Office. They were then joined by the Vice President, Secretary of State Alexander M. Haig, Jr., Brazilian Foreign Minister Ramiro Elysio Saraiva Guerreiro, and Brig. Gen. Danilo Venturini, Chief of the Military Household of the Presidency. The Presidents, together with their delegations, then met in the Cabinet Room.

After the bilateral meetings had been completed, President Reagan and President Figueiredo met with members of the Brazil-U.S. Business Council in the Roosevelt Room.

NOTE: The President spoke in the Cabinet Room at 9:15 a.m., following the presentation to him of a plaque inscribed with the Creed of the U.S. Junior Chamber of Commerce.

339 ¶ Statement by the President on the Death of Governor William S. Beardsley of Iowa. *November* 22, 1954

I WAS SHOCKED to hear of the tragic accident which took the life of Governor William S. Beardsley of the State of Iowa. The people of Iowa have lost a devoted public servant whom they elected three times as Chief Executive of their State. Mrs. Eisenhower and I extend to Mrs. Beardsley our deep sympathy in the great personal loss she has sustained.

340 ¶ Message to the Conference of Ministers of Finance and Economy Meeting in Rio de Janeiro. *November* 22, 1954

I AM VERY PLEASED to send greetings and best wishes to the Meeting of Ministers of Finance and Economy of the American family of nations, convened in Rio de Janeiro, the capital of our great sister nation, Brazil. I am happy to send this message through our Secretary of the Treasury, Mr. George M. Humphrey who, as Chairman of the United States Delegation, speaks for our nation and will authoritatively present our policies.

I am confident that this Conference will advance still further the unique relationships which have developed among the peoples and nations of this Hemisphere. As those relationships evolved and grew, the people of the United States learned to call their own attitude toward their sister nations the policy of the Good Neighbor. Today, the bonds which unite us as sovereign equals who are working side by side for the betterment of all of us—nations and citizens—have elevated this neighborly relationship to one of genuine partnership.

197 ¶ Letter to President Kubitschek of Brazil on the Occasion of Secretary Dulles' Visit. *August* 5, 1958

[Released August 5, 1958. Dated August 2, 1958]

Dear Mr. President:

I am glad that Secretary Dulles is having this opportunity to visit Brazil and consult with you on problems of mutual interest. Close political, economic and military relations between Brazil and the United States have been our historic tradition. I have no doubt that the friendly cooperation in these fields, which has contributed so materially to the well-being, prosperity and security of both countries, will be maintained and intensified.

I have asked Secretary Dulles to assure you of my continuing personal interest in the constructive proposals you have recently made to explore, with the other American Republics, means for strengthening and further unifying the inter-American community. Your views, given at first hand to Secretary Dulles, will, I am sure, contribute notably to the definition and understanding of existing problems, as have those of other Chiefs of State obtained by Vice President Nixon in South America and Dr. Milton Eisenhower in Central America.

It is particularly gratifying to me that Secretary Dulles will be visiting with you the projected new capital, Brasilia. This project, fulfilling a long-standing aspiration of your countrymen, eloquently signifies the vigor and imagination of the Brazilian people, now on the threshold of even greater conquest of the vast interior of their happily endowed country.

With assurance of my highest consideration, and with my best wishes for the continued well-being and prosperity of the great Brazilian nation,

Sincerely,

DWIGHT D. EISENHOWER

His Excellency
Dr. Juscelino Kubitschek de Oliveira
President of the United States of Brazil

Harry S. Truman 1948

198 Rear Platform and Other Informal Remarks in Colorado. *September* 20, 1948

[1.] DENVER, COLORADO (Inter-American Conference on Conservation of Renewable Resources, State Capitol, 11:17 a.m.)

Mr. Secretary, Mr. Chairman, and members of this historic conference:

It certainly is a very great pleasure to me to have this opportunity to address the first hemispheric conference on conservation. That is a step which will make history. That is a step that I hope will thoroughly cement the friendship between the 21 Western Hemisphere Republics.

As you know, I have been exceedingly interested in the friendship and the good neighbor policy of the United States of America. It was my privilege to officially visit Mexico and Brazil and Canada, and officially to receive the President of Chile, the President of Colombia, and several other Western Hemisphere Presidents, including the President of Mexico. He paid an official return visit to Washington to me for the one I gave him.

If we can just continue that sort of feeling, there isn't any question of doubt in my mind that our natural resources will meet the population's demands, no matter what that may be. There are resources in this Western Hemisphere that have never been touched. If those resources can be properly conserved, if we can go through with a program such as you are working with here, there isn't any question in my mind but what eventually we will have peace in the world and there will be enough of the good things in life for every citizen of the world to enjoy a good living, plenty to eat, and plenty to wear, and a pleasant place to stay and call it his own.

That, my friends, is what we are working for in other nations, that is what we are working for in the Pan American conference, and that is what we are working for right here in this hemispheric conservation conference.

I want to thank you most sincerely for your kindness in asking me to come and meet with you this morning. I wish I could stay longer, and I wish I could hear some of the speeches and the lectures that will be given here. I am vitally interested, but I am here for another purpose, and if you are interested in American politics, I will tell you all about it right here on the lawn.

Thank you.

[2.] DENVER, COLORADO (Address, 12 noon, see Item 199)

[3.] DENVER, COLORADO (Luncheon given by the Colorado Truman-Barkley Club, Shirley-Savoy Hotel, 1:55 p.m.)

Mr. Chairman, Mr. Mayor, Senator Johnson:

I can't tell you how very much my family and I are in your debt for the wonderful welcome you have given us here today. We had not anticipated the turnout that you gave us. I can't tell you how very much I appreciate it. It goes to show that the people can't very well be fooled. They want to know facts, and when the people know the facts, the Government of the United States is in safe hands.

You know, in 1946 the people were tired. They had been through a long war. They had to be regimented, their sons and daughters had been in the fighting forces and they felt that they would like to have some relief.

A great many of them, of them, did not exercise t for which our forefathers to 1781, and for which t ternecine war from 1861 t free ballot. They did not ilege, and look what th what they got!

They got a change all the signs all over th Enough?" Well, they they had had enough and too much.

It is your civic duty, r feel, to go to the polls on you have been properly registration date, and vot because you are the G United States, the only I tory of the world where Government. You elect partisan mayors and co judges; and partisan con tors, and partisan Preside dents. In that way, you a

Now, I want you to t and everybody you know lican, a Mugwump, or a out and do his duty civi of November.

Now this is a wonderf springing up all over You know, back in Apr had your President out in so far as politics were c May we heard people de be best for the country sons, many of whom you be named to head the And then, along in July cans had had a convent a platform—which, in most hypocritical docu put into writing—peop stand that for 3 long

August 2, 1990

BRAZIL -- ENVIRONMENT -- US PROGRAMS

Contact: Jim Hester AID 647-8093

AID has very progressive programs in the works.

$2 million has been allocated for an AID environmental program in Brazil.

--most of the money will go to global climate change issues.
--$1.6 million will go to activities toward a policy dialogue and the development of information services on deforestation in the Amazon region.

There are three points of the Amazon under study:
the mouth
the middle (Manaus -- the heart of the Amazon
POTUS is going there)
the upper reaches

--$400 million will go to start a new Center for Energy Efficiency. This is an integral part of addressing climate change. Brazil's Secretary for Science and Technology, Goldumberg, has been lobbying heavily for this.

[will fax info today.]

Also, they feel it is important for the US to speak as one voice about Brazil's environment. For this reason, AID has brought together people from the EPA and the forest service. The latter two are not funded right now, but they will be soon and their staffs will help to manage the programs in Brazil and establish better coordination.

EPA: Edwin Johnson
Director of Int'l Cooperation
382-4025

Forest Service: David Harcharik
Dir. Int'l Forest Svc. Ofc.
453-9575

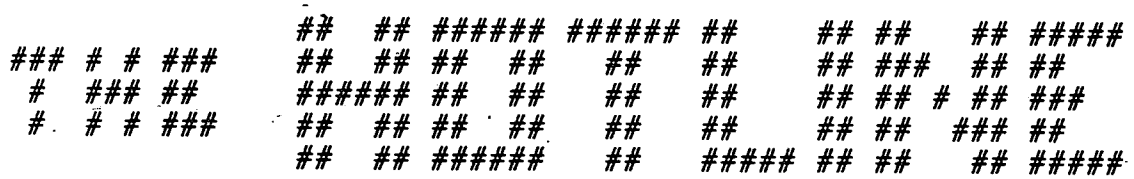
Mark Lore – Brazil Desk Officer, State – 647-9407

On 8/1, State sent a cable to US Embassy Brasilia. It proposes to GOB that POTUS & Collor make a joint declaration on the environment during the visit. The cable, unclassified, outlines the joint steps & interests of the USG & GOB already underway. He will fax this cable to us for our own FYI about our similiar interests.

Salinas' story – bids flowing of night, sky Rod to stay.
– Collor to Rio?
When EPA + Nat. Forest, working together – Progress made.

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--- Tuesday --- November 27, 1990 ---



--- THE DAILY BRIEFING ON AMERICAN POLITICS ---

Updated Each Morning At 11:30

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282 North Washington Street, Falls Church, VA (703) 237-5130

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SPOTLIGHT

SAM NUNN IN NEW HAMPSHIRE

"Nunn's people already have been quietly making telephone calls up here to find out what people think of him, and it looks as if Nunn will be the featured speaker this coming February at the state party's major fund-raiser."

So says a veteran NH Dem. Today Nunn begins chairing Gulf hearings, networks in tow, as Cuomo opposes force and Kerrey takes the stage on CBS' "America Tonight" Gulf panel Thursday.

Wilder is expected back for his second NH visit in January to help raise $ for the NH Young Democrats.

Meanwhile, the Bush '92 team is forming: Teeter at the helm, Bennett and Black aboard, and Baker absent. See #5 and #4.

========== QUOTE OF THE DAY ==========

"The special interests that contribute to a successful campaign also expect consideration. All too often they get it."
-- US Rep. Don Riegle, in his 1972 published diary "O Congress,"

as cited by Hugh McDiarmid, DETROIT FREE PRESS 11/27, #1

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? ? ? ? OVERLOOKED ? ? ? ?

"This election is not about ideology. It's about competence."
-- Michael Dukakis, Democratic convention, 7/21/88

"I think war is justified. The question's whether it's wise."
-- Sam Nunn, NBC "Today," 11/27/90

========== FOCUS ==========

*1 KEATING FIVE: THE HEADLINES BACK HOME

ARIZONA: Banner front-page headline in yesterday afternoon's PHOENIX GAZETTE: "Aide says she warned DeConcini" -- reporting on yesterday's testimony by DeConcini "key banking aide" Laurie Sedlmayr telling him a meeting with FHLBB's Gray about Keating would be "a mistake ... I didn't think it was a good idea and would be later misinterpreted by the press" (11/26). ALSO: The ARIZONA REPUBLIC reports that creditors of Keating's ACC have voted to accept a 20-cents-on-the-dollar deal which Keating, his family and top ACC ex-execs have fought "because they would be pushed to the end of the creditors line, making it unlikely they would receive any money." The last hurdle for the proposal is a court hearing Friday to consider the voting and whether to give the proposal a final OK (11/25).

MICHIGAN: This a.m.'s LANSING STATE JOURNAL headline: "Aide links Riegle to Keating," referring to Sedlmayr as the "second aide to back Bennett's assertion that Riegle was more involved than he admitted in the April 2 meeting with Gray ... Under cross-examination by Riegle attorney Thomas Green, Sedlmayr said 'I was being flip' when she wrote that the meetings were the brainchild of Riegle" (Larry Margasak, AP, LANSING STATE JOURNAL 11/27). DETROIT FREE PRESS' Hugh McDiarmid reminds Riegle of these words from his book "O Congress," a diary of his early years in Congress, which he wrote 18 years ago with Trevor Armbrister: "The special interests that contribute to a successful campaign also expect consideration. All too often they get it" (DETROIT FREE PRESS, 11/27).

CALIFORNIA: Unlike most of the national press, the SAN FRANCISCO CHRONICLE focussed much of its coverage of Edwin Gray's opening hearing statement yesterday on the internal battles over admitting it. Committee Vice-Chair Rudman (R-NH), "his voice rising and his face reddening ... tried to prevent Gray from delivering his opening statement," preferring to go directly to questioning. And after the statement was read, "when the television cameras had gone dark, Bennett and attorneys for the five accused senators got into a shouting match over Gray's remarks." DeConcini lawyer Hamilton complained that the defense was not given advance copies and accused Bennett of unfair practices. Bennett: "If you want to get down in the gutter, I'll get down in the gutter with you" (Leonard Curry, 11/27). Yesterday's CHRONICLE said sources had told it that Cranston "worked anonymously to block a crucial 1986 savings and loan bailout bill that included a strict regulation opposed by financier Charles Keating" (George Williamson, 11/26). Cartoonist Conrad sees a Senate office door with the title: "United States Senator Charlie Keating of Arizona (2), California, Ohio, Michigan" (L.A. TIMES 11/26).

OHIO: In Sunday's CLEVELAND PLAIN DEALER, Tom Diemer's "Washington Notebook" summed up Sen. Glenn's problem: "Once Glenn puts the embarrassing 'Keating Five' affair behind him, he will have a way to go in repairing his own credibility ... Why, after learning at a 1987 meeting with federal regulators that

Keating's S&L faced criminal charges, did he set up a meeting for the wheeler-dealer with Wright -- and then forget about it? ... In fairness to Sen. Glenn, it appears ... Bennett buys his explanation that the Jim Wright luncheon was insignificant" (11/25). The TOLEDO BLADE adds a new possible GOP opponent to Glenn in 1992: "Ohio Supreme Court Justice Andy Douglas, a former Toledo city councilman. Mr. Douglas would have to resign his seat before he could run for the Senate." Other GOP possibles cited were Sec/state-elect Bob Taft and LG-elect Michael DeWine. The story said that while Glenn probably will be re-nominated, "political analysts do not discount" a possible Dem primary challenge from outgoing Dem Gov. Celeste, defeated Dem Sec/State Brown, or Metzenbaum son-in-law Joel Hyatt (Jack Torry, BLADE, 11/25).

*2 KEATING FIVE: EARLY REVIEWS MOST HARSH ON DECONSEENOEVIL

In an interview in today's USA TODAY, Sen. Dennis DeConcini (D-AZ) agrees that with Cranston's decision not to run "the press has backed off" the Californian and made him the leading figure in the Keating Five case. He cited other constituent services for AZ banks and employers -- and said that "six, eight, nine" other Senators had told him they agreed the hearings are "a raw deal" (11/27). The national press reviews of the first week of the hearings seemed to single out DeConcini for the toughest reviews. Balitmore SUN's Dan Fesperman: "The first four days often made the cynical viewpoint even more alluring. How else to react when Senator Dennis DeConcini begins his defense by shouting, waving his arms and spending more than two hours saying that it is his accusers, not the five senators, who have sinned?" (11/25). Louisville COURIER-JOURNAL editorial: "Dennis DeConcini ... evidently believes that the best defense is a good offense. At any rate, the Arizona Democrat's performance Monday was certainly offensive" (11/21). Columnist HOBART ROWAN: "In a combative and at times hysterical response, Deconcini seemed confused about the proper role of a U.S. senator" (W. POST 11/22). Columnist SANDY GRADY: "DeConcini, defending his antics for Keating, shouted self-righteously, 'Somebody has to stand up for constituents.' What about 'constituents' who lost their life savings in Keating's looted Lincoln S&L? What of 'constituents' who must pay taxes to bail out gutted S&Ls?" (MIAMI HERALD, 11/23). Columnist CAL THOMAS: "Michael Milken defended himself with the excuse that he was guilty only of being overzealous in providing 'constituent services' to his junk-bond customers. He was sentenced to 10 years in prison" (WASHINGTON TIMES 11/27).

GENERAL REVIEWS: "So far, the picture isn't pretty," says the WALL STREET JOURNAL's Jill Abramson of the televised hearings (11/27). She cites three areas noted by others as well: (1) "Money talks." The hearings are leading to many comments on or calls for campaign finance reform. EXAMPLE: "Most importantly, Congress can develop a system for public financing of campaigns. Right now, we have a Congress that appears to be for sale" (USA TODAY, 11/27). EXAMPLE: Tribune cartoonist O'Brian's picture of Ethics Committee in front of giant bags of PAC $, with Bennett saying "... and then Keating essentially bribed the Senators with

huge amounts of cash ... I ask that the Committee not openly guffaw, Mr. Chairman..." (HOUSTON CHRONICLE, 11/21). (2) "Staff power." Abramson points to Cranston's "warning" that he wasn't the only Senator with fund-raisers acting as staff -- suggesting that they were all vulnerable. And she cites Riegle's Kevin Gottlieb and Glenn's James Grogan and former staffers who will play a very big role in the hearings (W.S.J., 11/27). After the testimony of McCain and DeConcini staffers, Mary McGrory wonders whether one result will by "that senators will in the future heed the good counsel of the women they hire to warn them about rocks ahead" (W. POST, 11/27). (3) "The Myth of Senatorial Courtesy." Abramson says "the only members of the five who seem to be on amicable terms" are McCain and Glenn (WSJ 11/27). They even appeared together on "CBS This Morning" today to answer questions about Iraq, as well as the hearings (See today's TV MONITOR, #26). Wm. Hershey in the AKRON BEACON JOURNAL calls it "Senate roller derby" with a McCain "elbow, right at Dennis DeConcini's integrity" -- a DeConcini "body smack into McCain's memory" -- Riegle "likes to pass the blame ... trying to hand some off" to DeConcini and Glenn -- "Glenn's skating all by himself" -- Cranston "doesn't like the referee" (11/26).

*3 GOP KNIFE FIGHTS

NEW SKIRMISH: Rep. Carl Pursell (R-MI) yesterday announced he is challenging House Republican Caucus chair, Rep. Jerry Lewis (R-CA), for his job next week. The race "is not expected to get quite as nasty -- or as potentially destructive for the Republican party itself -- as the ones that have been raging" for NRCC chair "and for ideological control of the party" (Ralph Hallow, WASH. TIMES). Pursell is "billing himself as an anti-tax conservative" against Lewis as the Californian "stirred discontent among anti-tax colleagues when he gave speaking priority to White House supporters in the GOP conference during the bloody budget battles that raged until last month. ... Pursell, meanwhile, endeared himself to many anti-tax GOP colleagues when he tangled with ... John Sununu during the same budget and tax-increase brawls" (11/27).

NRCC CHALLENGE: Rep. Don Sundquist (R-TN) "has White House backing" in his battle against 15-year NRCC chair, Rep. Guy Vander Jagt (R-MI), next week. The fight is being waged over NRCC co-chair Ed Rollins' tenure at the committee -- Rollins "angered" the White House with his famous memo instructing candidates to run from the administration's budget deal -- and the questions over NRCC administration and fund raising. Sundquist "has said he will probably drop" Rollins while Vander Jagt promises to keep him. Sundquist has also raised specific questions about NRCC fund-raiser Wyatt Stewart. Vander Jagt said yesterday that Stewart "has proved a splendid fund-raiser," adding, "The innuendo and rumors (of conflict of interest or worse) were very tragic to the 1.7 million contributors we built up over 15 years" (Hallow, W. TIMES, 11/27).

ANOTHER BLADE AIMED AT DARMAN: House Min. Whip Newt Gingrich (R-GA), on last night's "McLaughlin," reacted to Budget Director Richard Darman's recent speech which attacked White

House domestic policy adviser James Pinkerton, among others. Gingrich: "Darman is a very, very, bright man who has accumulated probably as much empowerment as anybody in Washington. ... I felt very sorry for Mr. Darman. I think it was a speech of enormous frustration. ... He lives in the world of Georgetown centers of fancy. For a man as bright as he, it was an unbelievable defensive speech. ... He's not a man who engages in the passions of how you move a nation. I think that speech was a fundamental mistake, and if he sticks by that speech, I don't see how he can make a fundamental step towards solving the problems of this nation" (CNBC, 11/26). He added that Darman "makes decisions he hopes will win approval of 'the New York Times editorial board'" (WASH. TIMES, 11/27).

WITH FRIENDS LIKE THESE: In an op-ed, ex-Nixon and Ford aide Benjamin Stein writes the GOP "is in an identity crisis. The question is: Does the party stand for anything except the wind of the moment and cradle-to-grave coddling of the rich? ... Sadly, the days when the G.O.P. stood for responsible government and protection of public finances are long gone ... Reagan openly and cheerfully said he would tax all future generations far more heavily than the 1980s taxpayer and impose upon them the burden of paying off his largesse to the electorate. This was, by any known standard, the exact opposite of responsibility, and yet it became Republican gospel." RNC chair-designate William Bennett "must think about what the nation truly needs and what the G.O.P. must become to meet those needs. Or, he can go to lavish parties and dispense patronage as the chairman of a party that used to mean something but has come to mean wine and roses to its friends, and a hard, cold pavement to those outside the elephant's tent" (N.Y. TIMES, 11/27).

*4 BUSH '92 CAMPAIGN GEARS UP; SIZING UP KEY PLAYERS AND ISSUES

BUSH TEAM: Germond & Witcover say "early indications" are that pollster Bob Teeter will be "the main strategist" of the '92 Bush campaign team. Nixon aide Fred Malek and DOT Sec. Sam Skinner are "being mentioned" as candidates for running the "day-to-day operations." Sununu aide Ed Rogers "appears slated" for the job of "implementing political decisions made by Teeter, Sununu and other strategists." The "possible appointment of Malek as the top inside man risks noisy criticism from the news media and the American Jewish community" for preparing "a list of Jewish employees at the Bureau of Labor Statistics after Nixon had complained that a 'Jewish cabal' there was trying to undermine his record on ... the economy." Sec/State James Baker is "absent from this lineup" as "he certainly isn't going to shed his striped pants now for what he has always seemed to consider a dirty-fingernails job" (11/21). "Bush may still pass over Malek" for Skinner, and a White House official said "I would be absolutely stunned if the president had agreed to any of this yet." The "money-raising job is expected to go to Commerce Secretary Robert Mosbacher," and incoming GOP chair William Bennett "has reportedly been assured of a seat at the planning table" (John Mashek, BOSTON GLOBE, 11/22).

AILES OR ROGICH? "Sources" said Roger Ailes will get the

media advertising job (Mashek, GLOBE, 11/22) but Germond & Witcover cite "reports that Sig Rogich, the Nevadan who now serves as the White House image-shaper, would like that job." RNC spokesperson Charles Black is "expected to work with Teeter on strategy, as will Atwater as his health permits" (11/21).

THE ECONOMY: White House chief economic advisor Michael Boskin said Sunday "the economy will rebound from its current slowdown by the middle of next year -- if oil prices decline," but he noted that a decline in oil prices depends on "resolution" of the Gulf crisis (REUTERS/L.A. TIMES, 11/26). Economist Paul Krugman: "Unless there is a spectacular policy error, Bush is safe from a Dukakis-style blowout -- and the country, while not recession-proof, is not in danger of a Massachusetts-level day of reckoning." The "U.S. economy is much larger and more diversified than that of Massachusetts. Bad luck for one region is likely to be matched by good luck for another. ... But much more important, Bush has a guardian angel that Dukakis did not: The Federal Reserve Board" (L.A. TIMES, 11/25).

MIDDLE CLASS: "The economic slide of the 1990's is hitting middle-class America after a decade in which it ran harder to stay in place." Dems "look at the numbers and see a ripening opportunity." Economist Dick Michel: "It seems to have given the Democrats a unifying theme, and it's consistent with the constituency that they are trying to regroup." Rep. Lee Hamilton (D-IN): "I am doubtful that the Democratic party could win the [1992 presidential] election on the tax-the-rich banner." HUD senior official John Weicher: "Attempts to raise the issue of fairness in the last two presidential elections did not accomplish much, as far as I can see" (PHILA. INQUIRER, 11/25).

PERSIAN GULF REAX: Germond & Witcover cite polls showing "Americans favor a more patient policy then has been implied by the huge military buildup Bush has ordered" and say his declining favorability numbers "make it clear his time to demonstrate" his "ability as a national leader" is "running out" (Balto. EVENING SUN, 11/26). BOSTON GLOBE's David Nyhan says Bush has yet to "talk turkey with the American public on why we're up to our armpits in alligators in the Gulf. Aside to the Prez: Chew less turkey, talk more turkey." Adds Nyhan, "does the White House draw any kind of conclusions about the forced resignation of the only European leader whose bellicose rhetoric matched ours? ... Thatcher was the real thing. Reagan too. Bush, patently, is not. Nowhere was this contrast more starkly drawn then on the day Bush roamed the desert in shirtsleeve, campaigning on TV to stave off political erosion back home" (11/25).

RE-ELECTION EXPERT: Min. Whip Newt Gingrich: "Barring a depression, George Bush will be renominated with ease. ... I don't know if his popularity is plummeting at all," but "76% is better than 51%. I think Bush is going to have a difficult year, but if he works his way through 1991, I think he's in a very strong position for 1992" ("McLaughlin," CNBC, 11/26).

*5 NUNN AIDES CHECK OUT NEW HAMPSHIRE; FEBRUARY VISIT EXPECTED

BOSTON HERALD's Wayne Woodlief reports on "several Democrats -- buoyed by the 1990 elections that exposed President George

Bush's weaknesses -- preparing to test themselves in the Granite State." GA Sen. Sam Nunn and VA Gov. Douglas Wilder "are likely to make the first forays, outriders of what will later become a Democratic cavalry charge before New Hampshire's first-in-the-nation presidential primary in February 1992." A veteran NH Dem said "Nunn's people already have been quietly making telephone calls up here to find out what people think of him, and it looks as if Nunn will be the featured speaker this coming February at the state party's major fund-raiser." NH Dem chair Ned Helms "declined to say if Nunn had been invited to the "Hundred-Club Dinner" but admitted "there have been some conversations, some overtures to people in Washington." Nunn aide Scott Williams said "we have a policy of not discussing [Nunn's] schedule" in advance and said Nunn "has no plans or inclination to seek the presidency" (11/25). John McLaughlin predicted, "Nunn will perform in such stellar fashion" at the Gulf hearings "that he will be re-inspired to run for president and he will be the first Democrat to throw his hat into the ring" (The "Group," 11/24).

WILDER: Wilder, "who was already took some soundings in New Hampshire in a visit up here last spring, is expected back in January to help the state's Young Democrats raise some money" (Woodlief, 11/25). Wilder announced yesterday he'll take a 2% pay cut as part of his VA austerity program (mult, 11/27). CBS' Bob Schieffer on Wilder: "There is a new, would-be Democratic candidate." CBS' Bruce Morton: "The Governor is against new taxes, and he's been saying that a lot lately. Saying it in Iowa where they have those presidential caucuses, at the Kennedy School of Government in Massachusetts, just next door to New Hampshire." VA analyst Robert Holsworth: "There's a line that he has, that in this business, if you're not moving up, then you're moving out." GA pollster Claiborne Darden on Wilder's chances: "He's black. And the country, as of yet, is not ready for a black president." Morton: "He's used to winning. A lot of people never thought he'd get elected Governor" (CBS, 11/24).

JACKSON: CHICAGO TRIBUNE's Mitchell Locin reports although the WASH. POST "reported that Jackson had drawn up a campaign strategy that had him promoting [DC] statehood nationally, drumming up public support, and challenging members of Congress to go on record in favor of it," Jackson "denied in an interview that such a strategy had been suggested." Jackson's "previous presidential runs raise questions about whether the former Chicagoan, who moved to the nation's capital last year, will mount another bid for president, aided by his efforts on behalf of statehood." Jackson said "I have no plans presently" to run in '92, but, "It is an option I will not rule in or out, nor should I" (11/25).

========== REDISTRICTING ==========

*6 IOWA: NUSSLE POTENTIAL ODD MAN OUT

"Since Iowa loses a congressman to reapportionment in 1992, insiders report the most likely target right now" is 2nd CD GOP Rep.-elect Jim Nussle (David Yepsen, DES MOINES REGISTER). He is an "unknown" with the "least seniority ... There is a good probability the computers will toss Nussle and ... Dave Nagle [D-03] or ... Jim Leach [R-01] together. ... Putting Nagle and Nussle together is also a compromise that requires each party to put one of their own on the line. ... It's hard to see Senator Charles Grassley [R] wanting to threaten Dave Nagle, however. For now, Nagle wants to stay in the House and have a nice long career ... If he's given a bad district, Nagle will have nothing to lose by running against Grassley" in 1992 (11/26).

*7 SOUTH CAROLINA: GOP BACK 'N' BLACK(S)

The "most pressing" issue in redrawing the state's districts "is whether existing lines will be redrawn to create a black-majority [House] district" (Steve Piacente, Charleston POST-COURIER). State Sen. Herbert Fielding (D) has "made it clear he would likely be a candidate for such a seat." To create the CD "would require taking heavily black counties" and combining them into one black district (11/25). Fielding: "The way I see it, we don't have any alternative" (Dan Hoover, GREENVILLE NEWS). What could be "a formidable, if somewhat unconventional, coalition" between the Legislative Black Caucus and Republican legislators is about to be formed (NEWS) and members of a state Senate panel on reapportionment have already met with U.S. Justice Dept. officials, "who will pass judgment on the eventual plan. ... Based on one plan in circulation, [Rep. Robin] Tallon (D-06) could wind up pitted against Rep. John Spratt (D-05)" in 1992. Both Spratt and Tallon were "popular enough to be re-elected without opposition this year." The state's other two Dem Members, Liz Patterson (D-04) and Butler Derrick (D-03), "do not appear overly concerned" since both "represent districts that would be geographically awkward to carve up." Also, neither the third nor fourth district possess as many black voters as do the fifth (29%) and sixth (37%). Patterson spokesperson Chuck Carr: "All the scenarios I've seen don't show a lot of change in our district." If incumbent Dems stand to lose, GOP Reps. Arthur Ravenel (R-01) and Floyd Spence (R-02) "will probably benefit." Ravenel: "It would affect me positively because it would reduce the minority population. They vote overwhelmingly Democrat." Another "map being circulated would create a horseshoe-shaped district around parts of Charleston, Dorchester, and Berkeley" leaving the heart of the 1st CD intact "while encompassing parts of the 1st, 2nd, 3rd, 5th, and 6th districts" (Hoover, NEWS). "Helping the drive for a black district is the fact that there are more blacks and more Republicans in the General Assembly today than 10 year ago. One GOP insider forecast a battle between the Black Caucus and the Republicans 'against the white Democrats.'" NAACP national board chair Dr. William Gibson "predicts legal action if a black district is not constructed."

Gibson cited the Voting Rights Act of 1982 and said, "either you're going to go about it right, or you're going to subvert the law" (P-C, 11/25). But some Dems "have suggested that black leaders might accept a tradeoff in the form of more majority black legislative districts" (Hoover, NEWS).

*8 TEXAS: HISPANICS PLOT STRATEGY

Mexican-American state lawmakers are scheduled to meet in a week to develop a redistricting battle plan" (AP/DALLAS MORNING NEWS). Political analysts "estimate that the minority community could gain as many as" four state legislative and three CDs once the lines are drawn and the Justice Dept. approves the plan. Mexican-American Legislative Caucus chair/state Rep. Eddie Cavazos (D) wants "to be sure all of (the caucus) members are up to snuff on how the redistricting process works and what the rules are" because "it's the most critical issue for us in the next decade." MALC leaders "already have demanded a recount of the U.S. Census Bureau's preliminary" count" which Cavazos said "might delay the redistricting process some": "Look at the Houston area, where there are about 800,000 Hispanics, but only two state legislators. And then there's Dallas, where there's 250,000 Hispanics, but no Hispanic representatives." AG-elect Dan Morales (D) "predicted that it will be difficult to create and defend a plan that will increase the minority community's numbers through the redistricting process": "Political careers will be ended, personal and political relationships that have existed for decades will be strained and very likely end. No one is looking forward to this" (11/25).

*9 VIRGINIA: AND STILL MORE BLACK/GOP UNITY

A RICHMOND TIMES-DISPATCH editorial says "momentum reportedly is building within Republican ranks for the party to join forces formally with the NAACP and ACLU to support gerrymandering under the Voting Rights Act that would result in the carving-out of a black-majority [CD]. Probably that would be done by combining portions of several Tidewater cities (Hampton, Portsmouth, Newport News, Norfolk) with rural Southside counties that are heavily black.. ... However, only two of those parties [ACLU, NAACP, GOP]=would be pursuing a course consistent with their past enthusiasm for proportional representation. ... For the Republicans, this would be a temporary marriage made out of sheer self-interest. ... Rep. Herbert Bateman (R-01), is one who has thought this proposition through and he rejects it unequivocally. ... Bateman's home area of Newport News apparently would be carved up in such a scheme. ... By joining the special-interest push for the crazy-quilt drawing of lines necessary to create a black-majority district, the GOP also would be yielding the high moral ground on this question to [Gov.] Wilder, who so far has opposed this kind of racial gerrymandering and whose own election proved that such schemes are unnecessary for blacks to win high office. ... Do Virginia Republicans really want to be on the other side?" (11/25).

For IL update, see IL Sen '92 story, #13.

========== CAMPAIGNS '91 ==========

*10 PHILADELPHIA MAYOR: FIRST INDEPENDENT POLL

A poll, conducted by Temple Univ. political science Professor Michael Hooper "in the first two weeks of November," surveyed 141 GOPers (margin of error +/- 7%) and 319 Dems M/E +/- 5% (PHILADELPHIA INQUIRER, 11/27). GOPers: DA Ronald Castille, ex-mayor Frank Rizzo and financial consultant Sam Katz.

DEMS

Ex-DA Edward Rendell	31%
Undecided	30
City Councilman Lucien Blackwell	12
U.S. Rep. Thomas Foglietta	10
City Councilman George Burrell	7
Ex-City Managing Dir. James White	5
Ex-Phil. Bar Assn. Chancellor Peter Hearn	3
Ex-City Controller Joseph Vignola	3

GOPers (Head-to-head)

Castille	59%	Rizzo	41%
Rizzo	25	Katz	31
Undecided	16	Undecided	29

"In both races, black Democrats are the largest bloc of undecided voters -- 31 percent -- suggesting that the black community is not yet ready to embrace either [Blackwell or Burrell], the two black city councilmen ... Among black Democrats ... Rendell led with close to 23 percent. Blackwell was second among blacks with 20 percent, more than double Burrell's support among blacks." Rizzo has "surprisingly weak support in the [GOP] primary ... in a head-to-head match with Rizzo ... Katz -- who has never run for public office -- does surprisingly well." The poll did not include City Councilman Brian O'Neill (R), who has indicated he will run if Castille doesn't, and PA House Speaker Robert O'Donnell (D), who is "considering" a run. The poll was also conducted before Hearn began his TV ads (S.A. Paolantonio, INQUIRER, 11/27).

COUNCIL BATTLES: INQUIRER headline: "Vendor bill nearly falls as Burrell does battle with fellow Democrats." The bill should pass the Council 11/29. "But intense back-room lobbying, conducted principally by Burrell's chief political antagonists within his own party, has not made it easy. ... Burrell is hoping that the adoption of his vendor bill will silence his critics who have questioned his mayoral ambitions in view of what they contend is a sparse legislative record" (Thomas Turcol, 11/27).

*11 SAN ANTONIO MAYOR: GETTING MIGHTY CROWDED

Today, former San Antonio City Councilman Van Archer "will formally join Mayor Lila Cockrell, Councilwoman Maria Berriozabal and Councilman Nelson Wolff as a 1991 mayoral candidate." Berriozabal consultant Richard Gambitta "and other observers said Archer's presence is likely to further fragment the North Side (or anglo) vote." One union activist: "I really think that he's

going to take those conservative voters away from [Cockrell]." Before Archer entered, "Cockrell had been positioned as the most philosophically conservative candidate and the contender with the strongest Republican ties." Archer now "weighs in as the most conservative and a thoroughly Republican contender. ... there is disagreement on how much impact partisanship will have on the non partisan mayoral battle." Archer's membership in the Homeowner-Taxpayer Assn is expected to give him "a built-in base support from that conservative group's members and allies. Some observers "expect to see another serious Hispanic candidate emerge and cut into Berriozabal's base." Arturo Sanchez, a grassroots organizer and Cockrell consultant "said the candidates will have to work harder at the grassroots level and on getting their likely supporters interested and to the polls" (Bruce Davidson, SAN ANTONIO EXPRESS-NEWS, 11/24).

========== CAMPAIGNS '92 ==========

*12 CALIFORNIA SENATE: MORGAN WOULDN'T TAKE JOB

State Sen. Rebecca Morgan (R), "who had been mentioned as a possible successor to Governor-elect Pete Wilson in the U.S. Senate, removed herself from consideration for the job yesterday" (Jerry Roberts, S.F. CHRONICLE). Morgan said that she did not wish to be considered for appointment to Wilson's seat and that she had no plans to run in '92 for the seat to be vacated by the retirement of Sen. Alan Cranston (D). Morgan: "I thought long and hard about it and feel very flattered, but really believe my skills and experience at this time can be most effective at the state level." Morgan joins ex-Rep. Ed Zschau, a likely '92 candidate nevertheless, as possible appointees "to drop out of the running." Speculation on others Wilson might appoint has focused on U.S. Trade Rep Carla Hills, Orange Co. Supervisor Gaddi Vasquez "and a host of GOP congressmen," including Reps. David Dreier, Jerry Lewis and Bill Lowery (11/27).

BROWN: CHRON's Roberts reports CA Dem chair Jerry Brown's "battle for control of the party [see HOTSPOTS #17] is filled with implications for the 1992 Senate races. ... Being coy about his Senate plans, Brown said in an interview that he expects to raise his political profile in coming months by speaking out regularly as the 'loyal opposition' to ... Wilson. Brown, who years ago coined the term 'paddle to the right, paddle to the left,' to describe his shifting politics, has now turned his boat sharply to the left and is pushing an unabashedly liberal agenda that includes higher taxes on rich people and 'an increased role for the public sector.'" Brown: "This turn in the election cycle allows a true liberal message to be effective. Whether it will work in '92, it may be too early to say. But in the near future, the liberal point of view will regain credibility as the exhaustion of Republican policies become clear" (11/27). N.Y. TIMES' Katherine Bishop notes the latest joke on the possibility of Brown facing Palm Springs Mayor Sonny Bono (R) in a Senate general election. "If both men win their primaries ... the voters would be faced with Sonny and Jer" (11/27).

VASQUEZ: INSIGHT Magazine's Mark Lawrence Ragan writes, "With Hispanics constituting a quarter of the state's population, some political analysts have suggested that Vasquez's candidacy could lure many Mexican-American voters away from their traditional allegiance to the Democratic Party. But few people believe Vasquez will be chosen for the seat." SACRAMENTO BEE's Dan Walters: "I don't think Gaddi has two of the needed attributes: a high probability of getting elected and access to a lot of money" (12/3 issue).

*13 ILLINOIS SENATE: GOP'S "TOUGH TASK" FINDING DIXON FOE

"Sen. Paul Simon's landslide victory over Rep. Lynn Martin compounds a difficult task for Illinois Republicans -- finding a credible challenger" for Sen. Alan Dixon (D-IL) in 1992 (Bob Estill, COPLEY NEWS SERVICE). Martin's "abysmal" showing "underscores the problem facing challengers who lack statewide recognition and a truly effective issue to employ against an

incumbent. ... It provides added evidence that a challenge to Dixon is not a viable career move for any of the seven remaining House Republicans looking to dodge the congressional remapping axe in 1992 when population losses will cost the state two of its 22 House seats." Timing factor: While Martin announced for her '90 challenge 6/89 "and still was unknown to many voters nearly a year and a half later," current House GOPers "may not know until late in 1991 if the remappers are going to draw them out of a job, especially if a Democratic-controlled state legislature and Republican Gov.-elect Jim Edgar reach a stalemate and redistricting ends up in the federal courts as it has before." On the negative side for a challenger, Simon's perceived weaknesses -- being seen as more liberal than most IL voters, and missed votes in '88 from his presidential run -- won't work on Dixon. Dixon has a 98% voting record since entering the Senate, and hasn't missed a recorded floor vote this year; and he votes "largely in the middle-of-the-road," even to the point of spurring "speculation about a primary election challenge from liberal Democrats." A "Republican state operative," saying discussions about a Dixon challenger will begin 1/91, points to some benefits a challenger would have that Martin did not: Dixon "lacks Simon's national fundraising base," the Senate candidate won't be competing for attention with Gov. and other state candidates, "and the expected re-election bid by President Bush in 1992 will bring out Republican voters." But Dixon, "with no rival in sight and more than $1 million already in his campaign warchest" -- and a $1,000-a-person DC reception scheduled for tomorrow -- is aiming to continue his "unbroken string of election victories dating back to 1949" (Springfield STATE JOURNAL-REGISTER, 11/26).

*14 INDIANA SENATE: CONGRESSMEN SAID TO GIVE GREEN LIGHT TO HILL

Contrary to recent speculation that some IN House members were likely to run for the Dem nomination to face Sen. Dan Coats (R), INDIANA LEGISLATIVE INSIGHT's Ed Feigenbaum reports, "the Hoosier congressional 'perhapses' -- the members of Congress who have been rumored to have their eyes on the 1992 Democratic Senate nomination -- told 1990 nominee Baron Hill (D) that they will not stand in his way for the 1992 nomination" (11/19 issue).

*15 NEW YORK SENATE: D'AMATO'S BROTHER FACES ILL WIND UPWIND

The government's "Ill Wind investigation of Pentagon procurement fraud, responsible so far for convictions of 39 defense executives and consultants, former government officials and corporations," has revealed a "spinoff investigation dubbed Upwind that involves" Armand D'Amato, brother of GOP Sen. Alfonse D'Amato (Ostrow/Broder, L.A. TIMES). Armand, "a Mineola, N.Y., attorney is under scrutiny for $70,000 in consulting fees paid to his law firm by Unisys, a leading corporate target of the Ill Wind investigation. Investigators suspect that the payments were compensation for Armand D'Amato's help in getting Sen. D'Amato's office to urge that Unisys be awarded a contract." Armand D'Amato did not return the L.A. TiME's phone calls, and Sen. D'Amato "heatedly denied the allegation, calling it 'a retread'

and saying the appeal from his office on behalf of Unisys was made 'in the normal course of business.' He noted that Unisys is an employer in his state and that he has been willing to fight for any constituent company" (11/22).

*16 WEST VIRGINIA GOV: TALK ABOUT CAPERTON GETS PERSONAL

CHARLESTON SUNDAY GAZETTE columnist Fanny Seiler writes, "Recent events involving Gov. Gaston Caperton [D] have led to all kinds of questions being asked by politically attuned West Virginians. Among these are: What is Caperton's state of mind? Is he depressed? Is he healthy? Will he run for re-election? Is he blissfully married, or do he and first lady Rachel Worby just put on a public display?" The questions are coming fast and furious after two recent incidents: (1) The firing of his press secretary G.C. Morse (who is, incidentally, his third cousin) after a much-reported, much-denied shoving match that had to be broken up by a state trooper; (2) Caperton's possible trip to the Cleveland Clinic after he quit a trade trip to Japan, having to turn back from San Francisco. Also, "Caperton's and Worby's public behavior is seen by some as genuine affection, but is viewed by others as an 'overplay' to project an image. Either way, people around them get embarrassed. Worby sat on Caperton's lap at a [WVU] football game, and she sat on his lap at a social event election night" at Sen. Jay Rockefeller's WV home. "One guest said both were eating scalloped potatoes from the same plate, and she would eat a bite and then give the governor a bite." The Caperton marriage faces scrutiny due to his divorce from Dee Caperton, early in his term. Dee subsequently ran for statewide office and lost. Adds Seiler, "in political circles, Worby is viewed as being very dominant, more than Dee Caperton." One pol "says Caperton is losing the independent public base that he had in 1988, and he will be forced to depend increasingly on politicians for an organized effort" in '92" (11/25). GAZETTE's William Miernyk compares events in Charleston to the old "Our Gang" movies. "So far the Caperton administration has failed to deliver on 'efficiency in government,' and other pre-election pledges. But when in the memory of any living resident of West Virginia has an administration provided such good comedy?" (11/26).

========== HOTSPOTS ==========

*17 CALIFORNIA: BROWN FENDS OFF DEMOCRATIC INSURGENCE

CA Dem chair Jerry Brown is "doing a little crowing" this week about how he "skunked the opposition in the first major test of his leadership" in the party (Jerry Roberts, S.F. CHRONICLE). At last weekend's meeting of the CDP executive board, S.F. Assemblyman John Burton (D), calling Brown "self-serving, inept and arrogant," urged "party insiders to launch an inquiry into [Brown's] two-year tenure, possibly as a prelude to a full-blown effort to oust him." Even Dem stalwart Speaker Willie Brown said, "I would support John's criticism." But "Instead, Burton found himself the target of angry criticism. ... By attacking Brown in front of the party's most dedicated volunteers, Burton rekindled long-simmering hostile feelings between grass-roots types, who are more interested in party building on the local level, and members of the elected Democratic establishment, who are more interested in preserving their own careers and who have been known to treat party members with contempt." Chairman Brown could, however, still face "an open challenge" at the 3/91 CA Dem convention in Oakland "unless he moves to assure [CA Dems] they will have an adequate field operation next time around." But for now, Brown was pleased: "Not one person agreed with him. Everybody supported my position. I secured my political base because they were the people I work with" (11/27). "At the heart of the criticism is the way Mr. Brown managed, or failed to manage, the effort to sign up new voters, register those who had dropped off the rolls and bring out absentee voters"; the GOP outspent Dems nearly 4 to 1 in registration/GOTV drives, "and their efforts paid off." Dianne Feinstein chair Duane Garrett: "This was his acid test. We were supposed to take him seriously, believe that he had grown up. And he failed on a level even his harshest critics didn't anticipate. He was a disaster." Brown, meanwhile, "said his efforts were stymied" because Dem office holders were obsessed with battling CA's term-limitation ballot measures, and he "also criticized the Feinstein campaign's reliance on television spots" (Bishop, N.Y. TIMES, 11/27).

*18 IOWA: TAUKE, TAKE TWO

DES MOINES REGISTER's Dave Yepsen reports failed outgoing Rep. Tom Tauke (R), who lost a Senate challenge to Tom Harkin, "says he is miffed at his media buyer," Dresner, Sykes (see HOTLINE 11/16 #4). "Who wouldn't be? Tauke spots are still running on some radio and TV stations" (11/26).

*19 KENTUCKY: SENATE RACE AND VOTER DISSATISFACTION

The latest Louisville COURIER-JOURNAL Bluegrass State Poll of 644 registered voters taken a week after the election (margin of error +/- 3.9%) "found that many people, especially those who voted for" Sen. candidate Harvey Sloane (D) "or who didn't vote at all in the race, said they weren't satisfied with the choice of either candidate." Among those who said they voted for Sloane, 62% wished for other choices; among those who said they voted for Sen. Mitch McConnell (R), only 42% wished for other

choices. The poll also asked if "advertising in the Senate race made [choosing] easier or more difficult." 35% thought the ads made deciding "more difficult," 20% thought they made it "easier," while 41% felt they "made no difference" (11/25).

*20 MASSACHUSETTS: THE LEADERS THAT GOVERN TOGETHER, ...

Gov.-elect Bill Weld (R) plans to allow his running mate LG-elect Paul Cellucci to move into an office in the governor's suite "where he will help ... Weld govern." Traditionally, the LG takes the office "on the second floor beneath the governor's office." Cellucci: "This office has been wasted for the last 16 years under Democratic rule ... now that is going to change ... I'll be a doorway away" (Lucas, BOSTON HERALD, 11/25).

THE AD THAT WASN'T: BOSTON HERALD gives out some campaign '90 awards, including "Best TV Ad Never Shown": "John Kerry's answer to Jim Rappaport's 'Metamorphosis' commercial. Some Kerry aides, dismayed by Rappaport's ad showing Mike Dukakis's face slowly changing into a picture of Kerry, plotted a counterattack. Their version: Dan Quayle's face changing into Rappaport's. Just as well. It might have scared the kids" (11/25).

*21 NEBRASKA: NELSON TO ORDER STUDY OF TAX FAIRNESS

Gov.-elect Ben Nelson (D) announced one of his first acts as Gov. will be to order the NE Dept. of Revenue "to study the 'fairness' of the state's income tax system ... to show state tax burdens at various income levels [and to] serve as a basis for legislation he plans to introduce to change the income tax system." Nelson said the study may also examine NE's capital gains tax exemption (Cordes, OMAHA WORLD-HERALD, 11/25).

*22 NEW JERSEY: FLORIO'S EXECUTIVE POWERS FOR AUTO INSURANCE

Gov. Jim Florio (D) announced he will use "emergency powers" to enact nine key regulations, passed as the 1990 Fair Automobile Insurance Reform Act and signed into law 3/90, to put the reforms into place more quickly by skirting normal regulatory process for such new measures. Florio will be able to put such provisions as medical cost limits and tow/storage cost limits in place by 1/91, and other provisions by 4/91; "Without the order, it could have taken until July 1 for the changes to become effective" (Motley, KNIGHT RIDDER/JOURNAL OF COMMERCE, 11/27).

*23 PENNSYLVANIA: LAWLESS FLIPS, WINS, THEN FLOPS

Nine-month Dem John Lawless, "who scored an upset victory in Montgomery County this month when he was elected state legislator ... switched his registration" back to the GOP 11/21. Lawless, a GOPer until 2/90, said the GOP "best fits my constituents' needs." His "conversion ... lowers the Democratic edge in the state House to 107-96." Joseph A. Lashinger Jr. (R), the incumbent Lawless beat 11/6, called the conversion "a disgrace" and said "it was possible he would challenge Lawless to regain his seat in 92." Norristown Area Dem leader Alice Fisher said of Lawless, "I think he's going to turn into a household joke around here" (PHILA. INQUIRER, 11/22).

*24 SOUTH CAROLINA: LOWEST VOTER REGISTRATION IN US

SC "posted the worst record in the country for registration," as "only half of the 2.7 million eligible voters" were registered for the last election. SC also "ranked 48th out of 50 states in voter participation" this year, above only VA a TN. Using unofficial commission numbers, the Palmetto Project, a Charleston organization committed to increasing voter participation, estimated that only 28.3% of residents 18 or older cast ballots, down from the 30.1% reported for the '86 governor's race. Of those registered, 56% actually cast ballots, slightly below the national average of 59%. Project Exec. Dir. Phil Noble was "encouraged by the rate of participation" but called for more effort on the state's part to increase registration (SOMERSET HERALD JOURNAL, 11/25).

*25 TEXAS: 14-1 -- PAPER ENDORSES IT, MAYOR DEFENDS IT

A DALLAS MORNING NEWS 11/24 editorial supports the passage of the 14-1 redistricting plan despite efforts by its opponents to defeat the referendum. The 14-1 battle (see HOTLINE, 11/20 #45) has revolved around race, specifically the number of African-Americans and Hispanics on the city council. "Although minorities are believed to make up more than half of the city's population, Anglos currently control nine of the eleven seats on council, [and] African Americans hold two." On 11/25 "Dallas Mayor Annette Strauss ... accused opponents ... of spreading false information and playing on racial fears." Just Say NO! to 14-1 campaign chairman Tom Pauken "denied any racial overtones in his campaign. However, he said he opposes any council structure that guarantees a certain number of seats to African-Americans and Hispanics." Pauken calls Strauss "inconsistent," citing her endorsement of the proposes 10-4-1 plan and then "asking us to abandon it" (DMN, 11/26). The DMN editorial also called the turnout for absentee balloting "depressingly small." The rest of Dallas will cast their votes on the referendum Dec. 8 (11/24).

THE BULL ON BULLOCK: Austin AMERICAN STATESMAN's Dave McNeely writes, "there will be some distinct differences in the Texas Senate with Bob Bullock instead of Bill Hobby" as LG. Hobby was "often indirect, while Bullock is very direct -- sometimes to a fault. Hobby usually is soft-spoken and agreeable, slow to anger. Bullock's short fuse has gotten longer in recent years, but he still goes ballistic upon occasion." Bullock was a "stern taskmaster as comptroller" who, as LG "will have indirect control, as gatekeeper of budget and legislative matters, over a much broader area" (11/22).

========== TV MONITOR ==========

*26 THIS MORNING: ABC and CBS led with American diplomats who "apparently have succeeded in lining up enough U.N. Security Council votes to set a January deadline for Iraq's withdrawal from Kuwait" (CBS). NBC led with fighting in S. Lebanon which caused the deaths of 5 Israeli soldiers and two Palestinian guerrillas. Martin Fletcher: "An Israeli was about to throw a hand-grenade when he was shot. The grenade dropped near his friends and blew them up. ... Now, bruised by this morning's deaths, Israel can be expected to hit back hard" (NBC). NBC interviewed Sens. Sam Nunn (D-GA) and William Cohen (R-ME). CBS interviewed Sens. John McCain (R-AZ) and John Glenn (D-OH). Nunn: "I think war is justified. The question's whether it's wise." Cohen said the Sen. Armed Forces Comm. will "be asking the question whether the liberating of Kuwait with American military force is vital to our national security [and] whether the embargo is going to work. ... War should be the last resort, not the first resort" (NBC). McCain: "Democrats have seen that it's to their advantage not to have to go on record in support of what the president is doing, and they can carp from the sidelines" (CBS). Asked how the K-5 hearings are going, McCain answered, "We are doing extremely well. The Special Counsel has basically said, explicitly, there's no evidence of any wrong-doing and clearly he has made a case that we have set the standard for ethical behavior. I am very pleased, frankly, that the American people have gotten that information, particularly the people of Arizona." And Glenn replied, "My answer is one word: Vote, vote" (CBS).

LAST NIGHT'S LINEUP: ABC, NBC and CNN led with progress towards a UN resolution authorizing force against Saddam Hussein. CBS led with Hussein's release of three more American hostages. All nets showed footage of President Bush arriving in Mexico to discuss a new trade agreement. CNN's Catherine Crier called it "the latest trip in the non-stop Bush presidency." All nets reported on the Polish elections, Washington state floods, and the "brilliant" fuel fire in Denver. CBS reported on a nationwide trend to implement curfews for teens. ABC's "Nightline" discussed the elections in Poland. CNN's "Crossfire" featured CSIS' James Blackwell and nuclear arms analyst Leonard Spector discussing a possible nuclear threat from Hussein. CNN's "Larry King Live" guest was Ex-UN ambassador Jeane Kirkpartick. CNBC's "McLaughlin" guests were Rep. Newt Gingrich (R-GA), Insight's Bill Whelen, and New Yorker's Joe Klein (for more "McLaughlin" also see today's #3 and #4).

PLEASE RELEASE ME: Saddam's latest hostage release "added a new dimension" to the crisis (Dan Rather, CBS). "Whether out of fear or friendship, Hussein can't seem to wait to release his hostages" (Richard Roth, CNN). All nets showed footage of the three ex-hostages "who bear no anger or grudges" towards Saddam. CBS' Richard Threlkeld: "What started off as a trickle of Americans going to Iraq to try and retrieve hostages may turn into a steady stream of them, because the evidence is, it works." "Hussein is hoping to convince the allies that they can achieve

more with diplomacy than with force [but] the truth is, Iraq is still holding more than 100 Americans and thousands of foreigners" (Bill Whitaker, CBS). CBS' Bill Plante: "To the State Department [the release] was just more of the same cynical manipulation." CBS, CNN and ABC focused on Saddam's claims that Iraqis have died as a result of U.S. sanctions against his nation. NBC's John Dancy: "The message to the outside world seemed to be, 'the sanctions are already working, why do you need to use force?'" Rep. Newt Gingrich (R-GA): "If you're prepared to not use force against a dictator who has used chemical weapons against his own people, what threat are you going to have?" ("McLaughlin", CNBC).

SOUND OFF: CBS reported the first Army combat reservists go on active duty Friday and CNN reported thousands of more Marines will leave the U.S. for the Gulf on Wednesday. CNN's Wolf Blitzer: "By January first, more than 400,000 U.S. forces will have amassed in the Gulf." NBC and ABC reported on Britain's new "giant viper" missile that clears a path for tanks to follow.

PUT IT IN WRITING: CNN's Frank Sesno: "Bush has gone suddenly silent on the topic [Hussein], preferring to let the attention shift to the U.N." CBS' Dan Rather: "President Bush's attention is elsewhere: on the United Nations." The resolution is "just an opening position" according to US officials (John McWethy, ABC). NBC's Dancy reported there is "little doubt" the UN will pass a resolution on Thursday that sets a 1/1 deadline for Hussein to withdraw and authorizing the use of all "necessary means" if he does not. But ex-Sec/State Richard Murphy warned, "there is a limit to which the man can be pushed into the corner. You don't push the enemy against a locked door" (CBS).

S&L BITS: CNN showed ex-FHLB chair Edwin Gray testifying before the select panel and claiming his warnings about the industry were blocked by Congress. CNN's Anthony Collings reported ex-Independent American Savings owner Thomas Gaubert's lawsuit against fed. regulators is now before the Supreme Court.

TURNING JAPANESE: All nets reported on the Japanese firm Matsushita's $6B purchase of MCA, parent owner of Universal Studios. NBC's Tom Brokaw: "This is more than money." CBS' Dan Rather: "The Japanese make their biggest deal ever in the U.S." 4 of the 7 top U.S. studios are now controlled by the Japanese.

========== TV SOUNDBITE ==========

"Clearly he has made a case that we have set the standard for ethical behavior."

-- Sen. John McCain (R-AZ), on Ethics Committee Counsel Bennett's finding that Sens. McCain and Glenn were involved in "no wrongdoing," CBS, 11/27

Speech Inserts:

A.

A decade from now we will enter the 21st century. Already, we see the outline of the new world to come. It is a world in which only those nations which can modernize, compete, and trade will enjoy the growth and prosperity on which their peoples' health and happiness depend. It is a world which will require unprecedented cooperation among nations to confront a new generation of challenges that know no borders or national identity--the scourge of drugs, new threats to the global environment, and the growing danger of the spread of nuclear or chemical weapons around the world.

Here in the Americas, we see a special vision coming to birth before our eyes: the world's first completely democratic hemisphere where trade is free from Alaska to Argentina, technology is shared, and the benefits of free enterprise and growth are harnessed for all. _____(country) is fortunate to have a leader with a vision of the 21st century who is guiding your nation soundly and wisely towards that new world whose shape we already beginning to see.

B.

The changes taking place in Latin America are every bit as profound and dramatic as the changes reshaping eastern Europe. They are the product of a democratic revolution of the people's will expressed through the ballot box. That revolution is being led by leaders with courage and vision--men like_____who grasp the meaning of a changing world and want your nation to play a part in it.

As neighbors, we look to the future together, because our destinies are one. As we stand on the threshhold of the 21st century, we see possibilities that once were only dreams but today are within our grasp. We see a future for the Americas where democracy's roots are deep--where elections are regular and each new ballot gives each citizen a deeper stake in his country's future; a hemisphere in which economic competition is viewed, not as a threat to privilege, but as the key to prosperity and where men and women who wish to launch a new enterprise view the state as an ally, not an obstacle.

THE WHITE HOUSE

WASHINGTON

OCTOBER 27,1990

MEMORANDUM

TO: DAVID DEMAREST
CHRISS WINSTON

MARK LANGE
ED MCNALLY
DAN MCGROARTY
CURT SMITH
MARY KATE GRANT
MARK DAVIS
BETH HINCHLIFFE

PEGGY DOOLEY
BOB SIMON
CAROL BLYMIRE
TED GARMEY
JENNIFER GROSSMAN

FROM: CAROLYN CAWLEY

SUBJECT: PRE-ADVANCE TO SOUTH AMERICA AND MEXICO

ATTACHED:

- Summary of speeches for the trip
- Proposed itinerary
- Preadvance notes

NOTE: Mrs. Bush will accompany POTUS on the trip. She will have her own activities, but she is expected to attend all the speeches to Congress and the State Dinners.

Secretary and Mrs. Baker will also travel with POTUS.

I. SUMMARY OF SPEECHES FOR THE PRESIDENT'S TRIP TO SOUTH AMERICA

Brasilia, Brazil
-- Address joint session of Congress;
-- American Embassy community Greeting;
-- Remarks at luncheon for Brazilian business community hosted by POTUS;
-- State Dinner toast.

Montevideo, Uruguay
-- Address joint session of Congress;
-- American Embassy community Greeting.

Buenos Aires, Argentina
-- Address joint session of Congress;
-- State Dinner - brief remarks;
-- American Embassy community Greeting.

Santiago, Chile
-- Address joint session of Congress;
-- State Dinner toast;
-- Remarks at breakfast hosted by the Chilean/ American Chamber of Commerce;
-- American Embassy community Greeting.

Caracas, Venezuela
-- State Dinner toast;
-- Remarks at luncheon hosted by the Venezuelan/ American Chamber of Commerce;
-- American Embassy community greeting.

NOTE:
Arrival and departure statements are TBD. If statements are required, they will probably be in Brasilia (first stop) and Caracas (last stop).

PROPOSED ITINERARY FOR THE TRIP OF THE PRESIDENT
TO SOUTH AMERICA

DECEMBER 2 - 8, 1990

Sunday, December 2
9:00 p.m. Depart Andrews AFB en route Brasilia, Brazil

Monday, December 3
8:15 a.m. Arrive Brasilia Int'l Airport

8:40 a.m. Arrive Planalto Palace

-- Arrival Ceremony
21-gun salute
Anthems
Review of troops

-- One on One meeting with President Collor

-- Expanded Bilateral Meeting

-- Joint Press Availability

11:15 a.m. Arrive Brazilian Congress Building

-- **Address joint session of Brazilian Congress**
TelePrompted
Simultaneous interpretation

12:35 p.m. Arrive U.S. Embassy

-- **American Embassy community Greeting**

1:25 p.m. Arrive Ambassador's Residence

-- **Luncheon for Brazilian business community hosted by POTUS. Brief remarks.**

8:30 p.m. Arrive Foreign Ministry

-- **State Dinner. Toast.**

RON Brasilia

Tuesday, December 4

8:30 a.m. Arrive Brasilia Int'l Airport

-- Departure Ceremony

12:30 p.m. Arrive Carrasco Airport, Montevideo, Uruguay

-- Arrival Ceremony
21-gun salute
Anthems
Review of troops

1:20 p.m. Arrive Edificio Libertad
(President's office building)

-- One on One meeting with President Lacalle
-- Expanded Bilateral Meeting
-- Joint Press Availability

3:30 p.m. Arrive Legislative Palace

-- **Address joint session of Uruguayan Congress**
TelePrompted
Simultaneous translation

4:40 p.m. Arrive U.S. Embassy

-- **American Embassy community Greeting**

6:15 p.m. Arrive Punte del Este

--Private Dinner hosted by President and
Mrs. Lacalle

RON Punta del Este

Wednesday, December 5

8:15 a.m. Private Breakfast with President and Mrs. Lacalle

10:00 a.m. Arrive Carrasco Int'l Airport, Montevideo

--Departure Ceremony

11:35 a.m. Arrive Ezeiza Int'l Airport
Buenos Aires, Argentina

12:00 p.m. Arrive Aeroparque ((chopper over))

-- Arrival Ceremony
21-gun salute
Anthems
Review of troops
Presentation of Key to City

12:35 p.m. Arrive Plaza de San Martin

-- Wreathlaying Ceremony

12:50 p.m. Arrive Casa de Gobierno (House of Government)

-- One on One meeting with President Menem
-- Greeting of Diplomatic Corps
-- Working luncheon with President Menem
-- Joint press availability

3:30 p.m. Depart for Palacio de Congreso
(Palace of Congress)

POTUS' limo will be escorted by Grenadiers (Argentine mounted soldiers) at a parade pace.

3:50 p.m. Arrive Palacio de Congreso

-- **Address joint session of Argentine Congress**

**** TelePrompted ** ((John Keller told me that there may some difficulty in TelePrompter space. The only place for it is a small recessed area in front of and below the podium -- but this where they want to put the press travel pool. Apparently this decision will be left to Demarest and Fitzwater.))**

Simultaneous interpretation

7:55 Arrive Sociedad Rural

-- Rodeo and cultural demonstration
-- Informal greeting of Supreme Court justices

-- **State Dinner**
Brief remarks

RON Buenos Aires

Thursday, December 6, 1990

8:50 a.m. Ambassador's Residence

-- **American Embassy Community greeting**

9:25 a.m. Arrive Aeroparque

-- Departure Ceremony

11:30 a.m. Arrive Arturo Merino Benitez Airport
Santiago, Chile

-- Arrival Ceremony
Full Honors

12:15 p.m. Arrive President Aylwin's private residence

-- Working luncheon with President Aylwin
-- Joint press availability

3:25 p.m. Arrive Chilean Congress Building
Valparaiso, Chile

-- Arrival Ceremony
Honor Guard (from the Naval Academy; will line the street outside the building)
Anthems
Review of troops

-- **Address to joint session of Chilean Congress**
TelePrompted
Simultaneous interpretation

8:40 p.m. Arrive La Moneda Palace
Santiago, Chile

-- Ceremonious Arrival
Honor Guard
Review of troops
Fanfare

-- Private meeting with President Aylwin

-- **State Dinner. Toast.**

RON Santiago, Chile

Friday, December 7

7:55 a.m. Arrive Holiday Inn Crowne Plaza Hotel

-- **Breakfast hosted by the Chilean/American Chamber of Commerce**

Brief remarks (@ 8:10 a.m.)
TelePrompted

9:25 a.m. Arrive Ambassador's Residence

-- **American Embassy community Greeting**

10:30 a.m. Arrive Airport

-- Departure Ceremony

4:10 p.m. Arrive Simon Bolivar Int'l Airport
Caracas, Venezuela

-- Arrival Ceremony
21-gun salute
Anthems

7:40 p.m. Arrive La Casona

-- Private meeting with President Perez
-- **State Dinner. Toast.**

RON Caracas, Venezuela

Saturday, December 8

9:15 a.m.	Arrive Pantheon (Tomb of Bolivar and other national heroes)
	-- Wreathlaying Ceremony
9:55 a.m.	Arrive Miraflores Palaces
	-- One on One meeting with President Perez -- Expanded Bilateral Meeting -- Joint press availability
12:30 p.m.	Arrive Hilton Hotel
	-- **Luncheon hosted by the Venezuelan/ American Chamber of Commerce (VENAMCHAM)** Remarks TelePrompted
2:20 p.m.	Arrive Ambassador's Residence
	-- **American Embassy community Greeting**
3:35 p.m.	Arrive Simon Bolivar Int'l Airport
	-- Departure Ceremony
4:00 p.m.	Depart en route Andrews
7:05 p.m.	Arrive Andrews AFB

PREADVANCE NOTES -- BRAZIL

Address Joint Session of Congress

-- Monday, December 3 @ 11:35 a.m.

-- TelePrompted

-- Simultaneous Interpretation

-- 1200 attendees: Senators, Deputies, Cabinet ministers, Supreme Court justices, Governors of the Districts, military commanders, members of the diplomatic corps, religious leaders, university presidents, etc.

-- The session will open while POTUS is in the holding room (National anthem of Brazil, 1 speech by a Senator, 1 speech by a Deputy). POTUS will enter and there will be 6 minutes of hymns followed by three speeches:

Senator -- 15 minutes
Deputy -- 15 minutes
POTUS -- 15 - 18 minutes allotted

Session will close by the President of the Congress.

-- See photos of the building exterior the domes are very symbolic. The inverted dome atop the Deputies Chamber means that everything starts in the House and the cup is open to the ideas of the people. Laws begin there.

The dome atop the Senators Chambers means that the Senate is the final cap, laws become final -- the "lid".

-- Check Kubiscek quote chiseled in marble at entrance. (in Portuguese)

-- The bicameral National Congress consists of 78 Senators (three for each state and the Federal District) elected to 8 year terms. 495 Deputies elected at large in each state to 4 year terms. The elections are based on proportional representation weighted to favor less populous states. The next elections are scheduled for November, however the newly elected members will not take their seats until January, after POTUS' visit. Suffrage is compulsory for ages 18 - 70.

State Dinner -- Toast

-- Monday, December 3 @ 8:30 p.m.
-- The Foreign Ministry Building, Brasilia Room. See photos.
-- 260 guests
-- The Brazilian Chief of Protocol asked that we keep the President's remarks under 8 minutes. (I told him not to worry!)
-- The main entrance to the building will be flanked with honor guards. Then POTUS will ascend the "floating staircase" (see photos) and be ceremoniously greeted by the President and Mrs. Collor. Cocktails in the anteroom (see photos)-- the "Dortinari Room" (named for a famous modern artist. State dinner in the Brasilia Room; one wall is covered with a mammoth textile/ macrame piece of art. The artist, Roberto Burle (BOOR lay) Marx, is well known for his designs, particularly in gardening and landscapes. He did the gardens at the Palace and at the US Embassy. -- I'll try to find out more about him.

Embassy Greetings

-- Monday, December at 12:35 p.m.
-- US Embassy - Brasilia, small auditorium
-- 450 attendees: embassy personnel, Brazilian staffers, families, Americans from the area

-- Brasilia is really an artificial capital, carved out of the land 30 years ago when the government decided the nation's capital should be centrally located. (It had been on the southeastern coast, in Rio.) The city has quite an "outpost" feel about it, and I'm told this is a pervasive feeling, especially for the embassy people. Brasilia is far from everything and to "go anywhere, you have to go through Rio"! There could be a joke there, like the infamous Atlanta anecdote: You have to go through Hartsfield (Atlanta's big airport) to get to heaven!

-- The US as first country to establish an Embassy in Brasilia. The site, donated by the government of Brazil was officially selected by Secretary of State John Foster Dulles when he visited in 1958 with President Kubiscek. The site was first occupied in 1960 by a portable house trailer. President Eisenhower laid the symbolic cornerstone of the Chancery during his visit.

The inside patio was designed by the famous Brazilian landscape artist Roberto Burle Marx -- also the artist of the hanging textile work at the State Dinner site.

Luncheon for Brazilian Business Community Hosted by POTUS:

-- Monday, December 3 @ 1:25 p.m.
-- Ambassador Melton's residence -- back patio by pool or the indoor dining room
-- Brief remarks
-- Approximately 100 attendees

-- I have copies of 3 proposed guest lists, TBD by the Embassy. They are pretty much the same. Guests will include various Ministers of the Brazilian government -- Infrastructure, Economy, Foreign Affairs, Justice, Environment; some Congressional leadership; and leaders in the business community such as the US-Brazil Business Council, Citibank, General Motors, American Express, McDonalds, Union Carbide. Also well as representatives from such international organizations as the World Bank and the InterAmerican Development Bank.

-- Contact: Kevin Brennan
Embassy Commercial Counselor

Planalto Palace -- Arrival Ceremony, Meetings -- No Remarks

--Candangos is the nickname of the hardy pioneers who built the city; sort of like our Pilgrims. In front of Planalto Palace (site of arrival, one on one meeting and bilaterals; located on 3 Powers Plaza along with the Congress building) is a "Candangos" statue. The statue of two figures is officially called "the Two Warriors" but is more commonly referred to by the nickname. It's the work of famed sculptor Bruno Giorgi.

-- Across the street from the Palace is the "Pantheon of the Fatherland" also known as the Pantheon to Liberty and Democracy, with an eternal flame. See photos. of inverted triangles.

Tancredo Neves was elected in 1985 but died before taking office and the Pantheon was erected in his honor. His entire life embodied the struggle for democracy. Neves is a hero figure today, known as the man who restored democracy in Brazil after twenty years of military rule.

-- The area is known as "3 Powers Square"... Planalto Palace, the Supreme Court, the Congress Building plus the Pantheon.

Other Notes on Brazil:
-- Brazil gave birth to the Lambada, the forbidden dance.

-- Stay away from calling Collor "Indiana Jones". POTUS already called him this once -- it was cute for awhile, but it's a sensitive subject now. President Collor has eased back on his weekend daredeviling, in large part because his mother launched a national campaign to get him to stop. The weekend that we were there however, he drove Ferrari at 140 mph down the highway. In sum, Collor still does all the stuff but in low profile. It's OK to jest him about it, but don't refer to him as Indiana Jones.

--HISTORY:
Brazil has been independent since September 7,1822. It is a Federative Republic with broad powers granted to the federal government. Collor is the first popularly elected President in almost 30 years. (coincidentally, Brasilia is about 30 years old as well.) Collor succeeded Jose Sarney, the first civilian President after 21 years of military rule.

-- Brasilia:
Situated roughly in the center of Brazil, high on the inland plateau termed the "planalto", Brasilia was officially inaugurated on April 21, 1960. However as an idea it dates back three centuries to the dreams of the new world empire by the Italian monk, Dom Bosco (after whom many places in Brasilia are named).

Brasilia is also the product of the early Portuguese settlers for a safe inland capital away from the poor climate and military invasions so prevalent on the coast. The Portuguese Court in Lisbon ordered that studies be conducted concerning the capital location, but nothing was done until 1955. Former President Juscelino Kubiscek promised in a now famous campaign speech that, if elected, he would build the new capital within his 5 year term.

He was elected and kept his promise. Actual construction was begun in 1957 around the clock and the city was completed in 1960.

The men responsible for the rising of Brasilia are the architect Oscar Niemeyer and engineer Lucio Costa. Niemeyer designed all of the principal buildings and still holds veto power over new construction. Costa planned the layout of the city itself, the "Plano Piloto", choosing to make it look from the air like an airplane, a symbol of progress. The city is laid out like a plane, with a main body, wings, etc.

At the intersection of the main axes is the bus station,called the "rodoviaria", truly the center of the city in its early years, as workers and their families arrived from all parts of Brazil seeking opportunity in the fledgling capital.

In the cockpit of the plane is the Praca dos Tres Poderes (3 powers plaza).

--Sights

- o President Medici Sports Center A sports stadium which holds 42,000 spectators, plus a gym for 25,000. Maybe there's a joke in here.

- o Rogerio Pithon Farias Park Reputed to be the largest city park of any capital in Latin America. Covers 4 million meters square.

- o The Cathedral The shape of the Cathedral represents Christ's crown of thorns. The pillars symbolize the states of Brazil supporting the crown, which is set into the ceiling disk. The main entrance leads under ground through a shadowy tunnel, meant to prepare churchgoers by meditation and self-examination for emergence into the sunny circular church.

-- The Brazilian flag has the words "Ordem y Progreso" on it -- "order and progress" in accordance with the positivist philosophy of its fathers.

-- Brazil got a new constitution in 1988.

-- On the economy and other issues:

- o Avoid comparisons between Brazil and Mexico.

- o The US hopes for Brazil and Argentina to become signatories of the Treaty of Tlatelolco, a nuclear limitation agreement. POTUS has telephoned Collor several times on this issue. See Collor's recent UN speech.

- o Debt: A few weeks ago, Brazil had a major proposal to restructure their debt payments. In overview, they'll issue 3 kinds of bonds in exchange for their debt commitment. They'll sell these back to the governments and banks they owe at various auctions. They'll be paying the principal ahead of the interest.

CONTACTS:

-- John Keane, Political Counselor (**)

-- Cultural Section: Luzia and Marcillo

-- Gordon Jones, Economic Counselor

-- Bob Jordan, PAO

PREADVANCE NOTES -- URUGUAY

Contacts:

Kate Jarvis -- Embassy Information Officer
John Jurecky -- Charge d'Affaires; Control Officer for Joint Session event

Notes of interest:

-- Eisenhower visited Uruguay on his big South America trip.
-- Johnson also visited in 1967.
-- On the outskirts of Punta del Este is a large park popular for camping named "FDR Park".

-- The Foreign Service Institute in Rosslyn has a good library where you can find books on Uruguayan history and culture in English.

-- Uruguay is known for her friendly people and the pervasive air of tranquility.

-- The Uruguay Round of GATT began here in 1987 at Punta del Este. The current GATT round will be underway beginning December 3 in Geneva.

-- JOSE ARTIGAS
National hero of Uruguay -- their George Washington.

His statues are located all over the city of Montevideo; the main one is his tomb at Independence Plaza downtown. His statue also stands outside the Edificio Libertad, the site of meetings and bilats on this trip. See photos of both.

-- The Pope visited Uruguay in 1987 or 1988. A giant crucifix was erected in his honor and he held a Mass for thousands there. I was told that Uruguay is a Catholic country in name only.

-- Uruguayans are big fans of basketball and soccer (futebol). They have fielded many World Cup players and have several citizens playing in the professional European leagues.

-- Jose Rodo was a major literary figure. The park near the Embassy bears his name. Most of the streets in Montevideo are named for famous figures in their history. George Washington an important figure -- and his statue stands near the Embassy on a main thoroughfare.

Embassy Greetings

- Tuesday, December 4 @ 4:40 p.m.
- The main entrance hall of the Embassy
- Approximately 300 attendees -- Embassy personnel, Uruguayan staff, families, possibly Americans from the area.

- They have been waiting for several months for their Ambassador-designate to be confirmed (since April?). It's hoped that he'll be on post by the time of POTUS' visit. If he's not, this has definite joke potential. If he is, you could still use it.

- The Embassy was designed by I.M. Pei (the famed architect who also did the East Wing of the Nat'l Gallery and the glass pyramid at the Louvre). It's one of the few embassies in the world done by a renowned architect -- but the embassy personnel have many complaints about it and claim that it was designed before "user friendly" became a popular term. (Humor potential?)

- Humor?: their mail is often ripped off before it gets to the country. Chances are few that they ever receive any mail orders.

- POTUS will arrive in Montevideo during the last week that anybody stays in the city -- everyone escapes to Punta del Este.

Address to Joint Session of Uruguayan Congress

- Tuesday, December 4 @ 3:30 p.m.
- Legislative Palace -- Chamber of Deputies
- Approximately 300 attendees; 132 Senators and Deputies.
- Embassy Control Officer: John Jurecky
  Charge d'Affaires
- TelePrompted

Above the podium is a huge mural (see brochure and photos). Unfortunately, I couldn't locate anyone who could tell me what it represents -- it's probably worth looking into.

Also above the podium is an inscription chiseled in marble. It's in Spanish, but I was told it says: "My authority emanates from you and that authority seizes through with your sovereign presence."

The Legislative Palace is absolutely beautiful. The interior is all Uruguayan marble of different colors. See photos and brochure.

Punta del Este

- No remarks in PDE. POTUS will there for a private dinner with President and Mrs. Lacalle at a small seaside restaurant. The next day, a private breakfast with them at a small inn in town. Mostly an R&R stop. The Bushes will stay at a huge home on the water (it should be in Architectural Digest!!) -- it's owned by a wealthy Argentine who has lent it to the Uruguayan on several occasions, most recently for the visit of French President Mitterand.

- Punta del Este is a seaside resort town that has practically no full time residents. It became well known in 1967 after its film festival and has since hosted many international meetings and conferencesas well as art and entertainment.The entire town is made of (magnificent) summer homes of the Uruguayan and Argentine elite. When we were there, the place was all but deserted. At the time of POTUS' visit, the throngs of vacationers will be just arriving for their summer vacations which last through February.

- Darwin came to Punta del Este in 1833 to study the species of Goriti Island, off the coast of Punta del Este. He live in Uruguay for three months. He told his friend Signor Marconi, an Italian engineer, that the area had a "good magnetic field" and Marconi later developed the telegraph in Punta del Este.

PREADVANCE NOTES -- ARGENTINA

Good Contact:

Stephen Thompson -- US Embassy
A very friendly man who is a good source of info for both the Embassy Greeting as well as business/trade info for the Joint Session speech. I gave him the heads up that you'd call him.

Michael Canning -- US Embassy, Cultural Officer

Benny Giron -- Very helpful and eager to please. He should be sending you some brochures that we didn't have time to get on the preadvance. Also at the Embassy.

NOTE: Upon arrival at the Aeroparque (municipal airport), POTUS will be presented with a key to the city. No remarks are planned, but check on this again.

Sites of interest in the city:

-- "July 9 Boulevard" is claimed to be world's largest; the main thoroughfare of "B.A." (Why is July 9 an important date for Buenos Aires?)
-- At one circle of "July 9" stands a monument that is exactly like the Washington monument here in D.C. -- only slightly smaller. It's dedicated to Don Pedro Mendoza. (check him out)
-- B.A. is the second city in the formation of the country of Argentina.

-- Recoleta Cemetery is their equivalent of Arlington, though the people buried there are not solely servicemembers. Many famous Argentines, writers, artists, political figures, etc, have been laid to rest there.

Wreath laying ceremony at the Plaza of San Martin

--POTUS will lay a wreath at the monument of San Martin, the George Washington of Argentina. No remarks are required, though you will want to use San Martin in your other speeches. He is a very important figure to the Argentines.

San Martin is actually buried in the Main Cathedral of Buenos Aires, which is down the street about 1/2 a block from the Casa Gobierno (joint session speech site). Both the Casa Gobierno and the Cathedral line the Plaza of May 25th (why is this date important?) The Plaza is a big site for rallies and other public gatherings.

Suggested Reading:

"The History of Argentina" by David Rock.

This book covers the history of the country, from its earliest beginnings through the Falklands War. It's supposed to be an extremely easy read and a good source for you. Should be available at the OAS library or the Library of Congress.

Note from LCDR Justice from the Mil Office:

An Argentine Navy sailing vessel and training ship is the sister ship of the Coast Guard training vessel Barque Eagle. Both were war reparations from Germany.

QUOTES FOR SPEECHES

"Sarmiento" is supposedly the most quotable Argentine. He was a civilian President at the time of Lincoln and is known as the "Abraham Lincoln of Argentina".

**Mike Butler at the Embassy is known by his colleagues as "Mr. Quote". Call him.

Address to the Joint Session of the Argentine Congress

- Wednesday, December 5 @ 3:50 p.m.
- In the Chamber of Deputies
- The address is scheduled to the Prompted, however check with Dave on this. The only available space for the Prompter is also where they want to put the press pool. Keller told me that Dave and Marlin will have to work this out.
- Approximately 500 attendees -- 300 Senators and Deputies; 70 member of diplomatic corps; the Cabinet; Supreme Court justices; etc.
- Two speakers -- the President of the Senate who will open the session and introduce the President, and POTUS. POTUS introduced by Argentine Vice President Duhalde.

See photos of chamber interior as well as pamphlets. Though they are in Spanish, you can probably figure them out.

The National Seal It is dominant all over the government buildings. In the Chambers in particular, it appears on the front of the podium, above the podium, and in the stained glass ceiling. See the brochure for a picture.

The stripes in it are the blue sky and the white sky of the flag.

The hands are the union of the Argentine people

The staff holding the cup symbolizes Freedom; adapted from symbols of the French Revolution.

The sun symbolizes the birth of a new country.

The laurels mean Glory.

State Dinner

- Wednesday, December 5 @ 9:00 p.m.
- Informal, as they will just have viewed a rodeo and cultural demonstration. (Riding, roping, throwing bolos, precision horse drill team of the federal police, traditional costumes)
- 500 attendees

American Embassy Community Greeting

- Thursday, December 6 @ 8:50 a.m.
- The U.S. Ambassador's Residence Ballroom
- 500 attendees -- embassy personnel, Argentine staff, families

The Residence is the largest in the world -- it's even larger than the WH residence. Vice President Quayle stayed there on his Latin American trips; the Bushes will RON there as well. Check on Bush as VP stays.

Other Presidents who stayed there:

-- A plaque at the Main Entrance commemorates the February 26, 1960 visit of Eisenhower (a private visit after his Presidency)

-- A plaque at the top of the stairs commemorates the November 30 - December 2, 1936 visit of FDR.

PREADVANCE NOTES -- CHILE

Embassy Greeting

- Friday, December 7 @ 9:25 a.m.
- Ambassador's Residence, back patio
- 300 - 400 attendees; Embassy personnel, Chilean staff, families.
- Contacts: Dan Johnson Embassy Admin Officer
  Dave Lugers Site Control Officer

- We spent only a few minutes at the Residence and none of the Embassy personnel had much to offer by way of humor and color. I told both Dan and Dave to be thinking of such things in case you call them. Ambassador Gillispie is quite the dashing figure and I was told that there is humor there. Call his wife for more on that.

AMCHAM Breakfast

- Friday, December 7 @ 7:55 a.m.
- Holiday Inn Crowne Plaza Hotel Ballroom -- a ballroom is a ballroom is a ballroom. Totally nondescript. Could have been Toledo.
- Both Presidents will attend. JB III TBD. Mrs. Bush TBD.
- 1000 attendees
- TelePrompted
- POTUS introduced by AMCHAM President Ed Tillman, CEO of Exxon in Chile
- 2 speeches precede POTUS (one is Tillman). 55 minutes total time there. POTUS doesn't eat.
- 7 people at head table (8 if Mrs. B. attends): President Aylwin [AIL win], 4 AMCHAM directors, Ambassador Gillispie, JB III.
- Elementary school choir will sing the anthems.

- Contacts:

  Embassy: ** Rick Villalobos, Econ Section **
  Nancy Mason, Political Section

  AMCHAM: M. Isabel Jaramillo
  Paulina Dellafiori

  Phone: 486 830

NOTES:

-- Chileans think they'll be the first Latin American country to sign a Free Trade Agreement with the US through the Enterprise for the Americas Initiative. Mexico is slated to be first, but the Chileans are optimistic.

-- Stay Away From: 1. The Kennedy Amendment prohibiting Chile from purchasing any military apparatus from the US. Senator Kennedy sponsored the bill after the Letalier bombing in D.C.-- the US asked Chile to locate and charge the perpetrators and to date they have not done so. Major source of tension in US-C relations.

2. The Generalized System of Preferences. The privilege was taken away from Chile in 1987 due to labor abuses. They say they have corrected this and want the GSP back, but the US refuses.

3. Chilean grapes.

-- Nancy Mason and Rick Villalobos will send you examples of recent cooperative ventures and examples of cooperation in business; a story on early US-C business; humor. Probably should give them a call to remind them.

-- GOOD NEWS: Chile is now back in OPIC. OPIC is again insuring US firms in Chile.

Also, Chile has been returned a clean bill of health after hoof and mouth disease problems in their cattle. They can now export to the US. Whoopee...

State Dinner

- La Moneda Palace, Plaza de Naranjas (Plaza of Oranges -- courtyard filled with orange trees)
- Thursday, December 6 @ 9:15 p.m.
- Toast
- Will just have participated in a ceremonious arrival at the palace with honor guards, review of troops, and fanfare. The Palace Guards are units of the National Police (Carabineros). The square outside the Palace will be lined with US and Chilean flags.
- Attendees TBD

The Palace was designed by the Italian Tosca in 1786. It's been restored but is still essentially the same...except for

one room that has been removed. The palace was bombed during many coups. Pinochet was holed up there and committed suicide
in the Palace -- that room has since been removed.

The national slogan of Chile appears ALL OVER the place; from the wrought iron work of the Palace courtyards to the marble over the podium at the joint session speech. It reads,
translated: "If not by reason, then by force". Yikes.

Gustavo Delgado is a young Foreign Service Officer at the Embassy who tried to get me some brochures on the history etc
of the Palace. He was unsuccessful but left a message at our hotel that he'd try again and send it up. You may want to give him a call.

See photos of the Palace and the courtyard.

Address to Joint Session of Congress

- Valparaiso -- Congreso Nacional, Salon de Honor
- Approximately 900 attendees -- 47 Senators, 120 Deputies, plus various members of the diplomatic corps, Cabinet Ministers, etc.

This will be a special session of the Congress. The President of the Senate will open the session with 5 minutes of rituals and will introduce POTUS with the ringing of the bell. (President of the Senate is Gabriel Valdes, the highest ranking legislator.)

On dais: Rafael Eyzaguirre, Secretary of the Senate
Carlos Loyola, Secretary of the Chamber of Dep's
Jose Antonio Viera Gauo, President of Chamber of Deputies
Gabriel Valdes, President of the Senate

The Congress building is brand spanking new -- in fact, they were still laying carpet when we visited. It is a huge, gigantor monument of marble columns that seems extremely out of place in poverty-stricken Valparaiso. Even across the street, the building is surrounded by ordinary shops and slums coming down from the hills. See photos. It had an eerie feeling about it, as most government buildings of this sort are surrounded by others like it. See photos.

POTUS will get out of the limo about 1/2 a block from the building and walk a route lined with honor guardsmen from the Naval Academy. He'll review the troops and be greeted on the steps by the Senators and Deputies.

Again, their national slogan reads : "If not by reason, then by force." It is emblazoned in marble above the podium. In this instance it appears under a seal of sorts with a condor and a huemol (deer like animal). The condor represents the aggressive side, while the huemol represents the tranquil and peaceful side.

POTUS will chopper over to Valparaiso from Santiago. It might be worth it to mention the truly beautiful Chilean countryside. It's really quite remarkable -- greenery like you've never seen; rolling meadows filled with wildflowers; farmland; beautiful mountain ranges. Save for a few billboards here and there, it's virtually unmarred. The Andes Mountain Range is visible in the far distance, with snow capped peaks.

Other notes on Chile:

-- King Juan Carlos of Spain just completed a state visit to Santiago the day we arrived. The papers applauded the success of the visit -- on the issues of trade, etc. Apparently the two countries have just recently reestablished good relations -- last time Juan Carlos visited, he was snubbed by Pinochet who left the city to visit his troops in the hills and never met with the King.

-- North of Santiago begins a desert which continues to the border. Some spots are said to have never seen rain -- ever. No life can exist there. Some areas get 1/16th inch of moisture per year, mostly from mist coming off the ocean.

-- La Iglesia de San Francisco de Assisi is the best known church in Santiago. We drove by it, but unfortunately I wasn't able to catch a photo for you. It's the oldest church in the country and also houses a museum of the monks. Nancy Mason said she would send a brochure on its significance; again, you may want to call her to remind her if you're interested.

-- The national hero of Chile, believe it or not, is named Bernardo O'Higgins. (His father was Irish!) He is considered to be the equivalent of Bolivar, Artigas, San Martin, etc. -- the George Washington of Chile. In fact, he fought with San Martin (of Argentina). Definitely check into this man.

PREADVANCE NOTES -- VENEZUELA

Contacts:

- Bill Millen
  Political Counselor at the US Embassy. This man is an expert on the country and can answer just about any question you may have.

- Helen Clare Hudson (Phone ext. 425)
  Economic Counselor at the US Embassy. Call her for info on cooperative efforts in trade and business.

- Paula Thiede (Phone ext. 330)
  Also at the Embassy. A very nice woman who maintains files of newspaper clippings.

Color and Things to Check on:

-- Bill Millen thought that POTUS may have visited Venezuela in the 1960's when he was an oilman in Texas. He supposedly visited the city of Maracaibo, in western Venezuela near Colombia.

-- Jeb Bush once lived in Venezuela. Were any of his kids born there?

-- POTUS visited V. in 1981 (?) for Bettencourt's funeral.

-- Bettancourt [BET anne coor] is a good man to quote

--POTUS and President Perez met when both were President-elect's. State visit of Perez in spring '89. POTUS calls Perez often -- they have a good relationship.

NOTE: Avoid mentioning Perez's relationship with his wife. He is married, but pretty openly has a mistress. She travels with him in his entourage. Mrs. Perez has does not hide her displeasure.

--Embassy Greeting

- Ambassador's residence -- on large patio overlooking the city
- Saturday, December 8 @ 2:20 p.m.
- Approximately 300 attendees -- embassy personnel, Venezuelan employees, families; possibly some Americans from the area.

- Contact Bill Millen for inside humor. I was told that jokes about the erratic water supply and telephone service would be appreciated. Also, they have been waiting for several months (since May?) for their Ambassador-designate to be confirmed. It's become a running joke of sorts --it's hoped that he'll be on post by the time of POTUS' visit. If not, this has definite joke potential. If he is there, you could still use it.

-- Caracas is surrounded by huge, green, lush mountains. They really are quite beautiful and it's difficult to escape a grand view of them. Avila National Park is a big deal to the people of Caracas; it's a landmark. It's a huge park high up in the hills and mountains with trails, waterfalls, and eating spots -- also a preserve of sorts, with birds and butterflies which are protected "El Avila" Nat'l Park separates Caracas from the Caribbean Sea. (Note: Venezuela has a heavy Caribbean influence, from the people to the reggae music. It's often said the V. is more a part of the Caribbean region than Latin America.)

The Ambassador's residence (RON Site and site of Embassy Greeting) is just below the park

--Business Luncheon

- Caracas Hilton Ballroom -- a ballroom is a ballroom is a ballroom. Totally nondescript.
- Saturday, December 8 @ 12:35 p.m.
- 1,000 attendees
- 14 on the dais
- Brief Remarks; TelePrompted

-- Teresa Careño was a major opera diva from Venezuela. She toured the world and was very popular internationally. Across the street from the Hilton (Luncheon site) is a huge theater and arts complex in her honor. It is one of the best known buildings in Caracas.

-- State Dinner

- Friday, December 7 @ 7:40 p.m.
- Site: La Casona, President Perez' private home. It's still undecided whether it will be outdoors on the large patio (tented) or the indoor dining room.

--Pantheon -- Tomb of Bolivar and other liberators

No remarks, but this would be great to use in business luncheon or embassy greetings, as POTUS will have just participated in a wreathlaying ceremony there. Note that a statue of Bolivar stands in D.C. down the street from State.

Other liberators at the Pantheon include: Garantia, Jose Gregorio Monegas, Francisco Miranda. It is a beautiful monument with splendid murals and frescoes; high vaulted ceilings and stained glass windows. The paintings represent scenes of the liberation of Venezuela.

CARACAS:

-- Capital of Venezuela
-- Birthplace of "Libertador Simon Bolivar"
-- Founded on July 25, 1567 by the Conqueror Diego de Losada. He named it Santiago de Leon de Caracas. The Lion (de leon) is quasi-official symbol of the city.
-- The city of Caracas was mapped 9 years after founding. It was exactly 24 square blocks with the 25th as it's center plaza. Today this area is the colonial section of the city.

VENEZUELA:

-- Discovered by Columbus (just like the US) in 1498 on his third voyage to the New World. First explored by Alonso de Ojeda in 1499 -- according to legend, he named it "Venezuela" or "Little Venice".
-- Achieved independence in 1821. Begun by Francisco de Miranda and completed by Simon Bolivar.

SITES YOU MAY WANT TO MENTION:

-- Iglesia de San Francisco: (Church of S.F.) Church and convent built in 1575. Simon Bolivar prayed here often. It was in this church that he was given the title "liber-tador" (liberator) and made Captain General of the V. armies. His state funeral took place here in 1813. It's open to public tours.

-- El Capitolio Nacional: (The Nat'l Capital). Next to the legislative palace. Topped by a gleaming dome. Built in 1877. Now used only for the inauguration of the President.
Inside are 52 paintings depicting historical V. events. The most magnificent is on the ceiling of the dome; it shows Bolivar winning the V. Battle of Independence at Carabobo. The Declaration of Independence is housed here.

-- Consejo de Municipal: Old seminary built in 1641. In the center are fountains with the symbol of the city, the lion. The Declaration of Independence was signed here in July 5, 1811.

-- Casa Natal: Bolivar's birthplace.

-- La Catedral: (the Cathedral) Mirrors the tumultous history of Caracas. It was destroyed by earthquakes in 1641, 1766, and 1812 and rebuilt each time. In the Cathedral are the crypts of the Bolivar family.

Famous Artists:

Marisol
Jacobo Borges
Jesus Soto
Mateo Manaure
Alejandro Otero
Carlos Cruz Dias

All are internationally known.

JOINT SESSION, BRAZILIAN CONGRESS
BRASILIA
MONDAY, DECEMBER 3, 1990
11:15 A.M.

*Add: Governor of the Federal District

OBRIGADO [OH-BREE-GAH-THO]. MR. PRESIDENT OF THE NATIONAL CONGRESS [SENATOR NELSON CARNEIRO]; MR. PRESIDENT OF THE CHAMBER OF DEPUTIES [DEPUTY PAES DE ANDRADE]; SENATOR RONAN TITO; DEPUTY RICARDO FIUZA; MR. PRESIDENT OF THE SUPREME COURT [DR. NERI DA SILVEIRA]; ESTEEMED PAPAL NUNCIO, AND MEMBERS OF THE DIPLOMATIC CORPS; MR. ARCHBISHOP [DOM FREIRE FALCAO]; HONORABLE MINISTERS OF STATE; HONORABLE DEPUTIES AND SENATORS. IT IS A PRIVILEGE TO JOIN YOU IN THIS GREAT HALL OF DEMOCRACY.

ACTING

MY THOUGHTS TODAY COULD HAVE NO BETTER FORUM THAN YOUR NATIONAL CONGRESS -- MY WORDS, NO BETTER AUDIENCE THAN THE PEOPLE OF BRAZIL. WE MEET AT AN EXTRAORDINARY MOMENT IN OUR SHARED HISTORY. A TIME OF SERIOUS CHALLENGES AND IMPORTANT CHOICES, THAT CALLS FOR MUTUAL RESPECT, CANDOR, AND COLLECTIVE WILL.

I HAVE MET WITH MANY LATIN AND CARIBBEAN LEADERS. AND BEYOND ANY SINGLE ISSUE WE'VE DISCUSSED, ALL OF US HAVE BEEN GALVANIZED BY A NEW ERA OF HOPE AND OPPORTUNITY THROUGHOUT THE AMERICAS -- ESPECIALLY HERE IN BRAZIL.

BRAZIL TODAY IS POISED TO ENTER THE 21ST CENTURY AS A LEADER AMONG NATIONS -- PIONEERING BOLD NEW ECONOMIC REFORMS, AND CONSOLIDATING ITS DEMOCRACY. THAT IS A TRIBUTE TO YOUR DYNAMIC NEW PRESIDENT, FERNANDO COLLOR DE MELLO [CALL-ER DE MELLOW] -- A LEADER WHOSE FRIENDSHIP AND VISION I VALUE AND RESPECT -- A MAN WHO REPRESENTS A NEW GENERATION OF DEMOCRATIC LEADERSHIP NOW SWEEPING ACROSS LATIN AMERICA.

PRESIDENT COLLOR [CALL-ER] HAS SPOKEN ELOQUENTLY OF BRAZIL'S RIGHTFUL PLACE AT THE TABLE OF THE FIRST WORLD -- AND I AGREE. I BELIEVE IT IS TIME, IN FACT, TO END THE FALSE DISTINCTIONS BETWEEN THE FIRST WORLD AND THE THIRD WORLD THAT HAVE TOO LONG LIMITED POLITICAL AND ECONOMIC RELATIONS IN THE AMERICAS. LET US INSTEAD SPEAK OF THE NEW WORLD.

THIS HEMISPHERE HAS ALWAYS FOUND STRENGTH IN DIVERSITY. AFTER ALL, HERE I STAND, ADDRESSING PORTUGUESE-SPEAKERS IN ENGLISH, BECAUSE OF AN ITALIAN SAILING ON BEHALF OF SPAIN, GUIDED BY THE THEORIES OF A THEOLOGIAN IN FRANCE, FIVE CENTURIES AGO.

WHAT WE HOLD IN COMMON TRANSCENDS BORDERS AND TRANSLATES INTO ANY LANGUAGE. THE NATIONS OF THE AMERICAS ALL STRUGGLED AND GAINED INDEPENDENCE FROM THE OLD WAYS OF THE OLD WORLD -- ENDED THE INJUSTICE OF SLAVERY AND COLONIALISM -- AND BUILT REPUBLICS OF PROMISE AND RENEWAL AROUND THE DIGNITY AND POWER OF THE INDIVIDUAL, AND THE RULE OF LAW.

NOW, AS WE APPROACH THE 500TH ANNIVERSARY OF COLUMBUS' DISCOVERY OF THE AMERICAS -- AND THE ARRIVAL OF CABRAL'S PORTUGUESE FLEET IN BRAZIL -- THIS IS OUR MOMENT TO CHART THE COURSE FOR THE NEW WORLD -- A COURSE OF FREEDOM, DEMOCRACY, AND PROSPERITY. WE HAVE ALL WITNESSED IN WONDER THE DAWN OF DEMOCRACY IN EASTERN EUROPE -- BUT IN THE AMERICAS, WE TOO HAVE SEEN EXTRAORDINARY POLITICAL AND ECONOMIC CHANGE THAT IS TRANSFORMING THE FACE OF THIS HEMISPHERE -- NOWHERE MORE SO THAN IN THIS GREAT NATION OF BRAZIL. SOME MAY CLAIM OUR FRONTIERS HAVE ALL BEEN EXPLORED. I SAY TO YOU TODAY: WE HAVE JUST BEGUN TO PRESS FORWARD, TOWARD THE REAL PROMISE OF THE AMERICAS.

TERRITORIES MAY END AT BORDERS, BUT MANKIND'S CAPACITY FOR PROGRESS KNOWS NO BOUNDS. CONTINENTS MAY END AT THE WATER'S EDGE, BUT HUMAN POTENTIAL KNOWS ONLY THOSE LIMITS SET BY HUMAN IMAGINATION. THE AMERICAS' ROLE IN THE WORLD IS NOT DEFINED BY GEOGRAPHY. IT IS DEFINED BY ITS PEOPLES AND ITS IDEALS. I BELIEVE WE ARE APPROACHING A NEW DAWN IN THE NEW WORLD.

OUR THINKING MUST BE BOLD -- OUR WILL, RESOLUTE. OUR CHALLENGE NOW, IS TO HEW OUT OF A WILDERNESS OF COMPETING INTERESTS, A NEW KIND OF OPPORTUNITY IN THE AMERICAS. TO FULFILL THE NEW WORLD'S DESTINY, ALL OF THE AMERICAS AND THE CARIBBEAN MUST EMBARK ON A VENTURE FOR THE COMING CENTURY: TO CREATE THE FIRST FULLY DEMOCRATIC HEMISPHERE IN THE HISTORY OF MANKIND. THE FIRST HEMISPHERE DEVOTED TO THE DEMOCRATIC IDEAL -- TO UNLEASH THE POWER OF FREE PEOPLES, FREE ELECTIONS, AND FREE MARKETS.

TWO WEEKS AGO IN PRAGUE, I SPOKE TO A PEOPLE THAT HAS PAID DEARLY FOR ITS FREEDOMS. I TALKED ABOUT A NEW COMMONWEALTH OF FREEDOM, BASED ON FOUR KEY PRINCIPLES. THIS HEMISPHERE ALREADY SHARES THESE CONVICTIONS: AN UNSHAKABLE BELIEF IN THE DIGNITY AND RIGHTS OF MAN; THE CONVICTION THAT JUST GOVERNMENT DERIVES ITS POWER FROM THE PEOPLE; THE BELIEF THAT MEN AND WOMEN EVERYWHERE MUST BE FREE TO ENJOY THE FRUITS OF THEIR LABOR; AND THAT THE RULE OF LAW MUST GOVERN THE CONDUCT OF NATIONS. EVERY NATION THAT JOINS THIS COMMONWEALTH OF FREEDOM ADVANCES US ONE STEP CLOSER TO A NEW WORLD ORDER. WE MUST PERSIST UNTIL THIS VICTORY FOR FREEDOM AND DEMOCRACY IS WON COMPLETELY.

IT IS ALSO WITHIN OUR POWER TO MAKE THIS HEMISPHERE THE LARGEST FREE-TRADING PARTNERSHIP OF SOVEREIGN NATIONS IN THE WORLD. FROM THE NORTHERN-MOST REACHES OF CANADA TO THE TIP OF CAPE HORN, WE SEE A FUTURE WHERE GROWING OPPORTUNITY, THE POWER OF TECHNOLOGY AND THE BENEFITS OF PROSPERITY ARE DEVELOPED AND SHARED BY ALL.

IN MANY CASES, CHANGE WILL NOT COME EASILY. ECONOMIES NOW DEPENDENT ON PROTECTION AND STATE REGULATION MUST OPEN TO COMPETITION. THE TRANSITION, FOR A TIME, WILL BE PAINFUL. MANY IN THE AMERICAS WILL HAVE TO MAKE SERIOUS ADJUSTMENTS TO COMPETE WITH SOUTHEAST ASIA, AND TO TAKE ADVANTAGE OF THE EUROPEAN MARKET AFTER 1992. BUT WE'RE CONFIDENT THAT SOLUTIONS WILL BE FOUND -- BY BRAZILIANS, BY CHILEANS, BY VENEZUELANS -- BY ALL OF THE AMERICAS. AND THE RESULTS -- GROWING ECONOMIES AND SOUND CURRENCIES -- WILL BRING UNPRECEDENTED PROSPERITY AND GROWTH FOR ALL OUR CITIZENS TO SHARE.

THAT WAS THE VISION OF THE ENTERPRISE FOR THE AMERICAS INITIATIVE WE ANNOUNCED LAST JUNE. IT CALLS FOR A MAJOR HEMISPHERIC EFFORT TO UNIFY THE NEW WORLD IN THE THREE KEY AREAS OF TRADE, INVESTMENT, AND DEBT.

IN TRADE, OUR FIRST PRIORITY SHOULD BE TO PROMOTE LONG-TERM GROWTH -- AND THE MOST EFFECTIVE FIRST STEP IS THE SUCCESSFUL CONCLUSION OF THE URUGUAY ROUND, NOW IN ITS FINAL STAGES IN BRUSSELS. AN END TO EXPORT SUBSIDIES ON AGRICULTURAL GOODS AND NEW OPENINGS FOR DEVELOPING COUNTRY EXPORTS MEAN NEW MARKET OPPORTUNITIES -- AND A HIGHER STANDARD OF LIVING -- FOR THE FARMER IN PARA [PA-RAH], THE TEXTILE WORKER IN SANTA CATARINA, AND THE ENGINEER IN SAO PAULO.

BUT THE URUGUAY ROUND AND BILATERAL TRADE AGREEMENTS ARE ONLY FIRST STEPS. THE SOUTHERN CONE COMMON MARKET, NOW DEVELOPING UNDER THE LEADERSHIP OF PRESIDENT COLLOR [CALL-ER] AND HIS COLLEAGUES IN NEIGHBORING COUNTRIES, IS ANOTHER MAJOR STEP TOWARD <u>THE WORLD'S FIRST HEMISPHERIC FREE TRADE ZONE</u>.

TO PROMOTE NEW INVESTMENT IN THE AMERICAS, THE DEAD HAND OF STATE CONTROL MUST BE LIFTED. WE MUST ALLOW ENTREPRENEURS THE FLEXIBILITY TO ADAPT, CREATE, AND PRODUCE. SO, AS WE CHART A COURSE FOR THE FUTURE OF THE NEW WORLD, LET US HOLD FIRMLY IN OUR MINDS AN UNSHAKABLE CONVICTION IN THE IMPORTANCE AND BENEFIT OF FREE ENTERPRISE. LET US WORK TOGETHER SO THAT ANY MAN OR WOMAN WHO WANTS TO LAUNCH A NEW ENTERPRISE VIEWS THE STATE AS AN ALLY, NOT AS AN OBSTACLE -- AND ALL WHO PURSUE THE FRUITS OF THE FREE MARKET SEE OTHER NATIONS NOT AS THREATS TO SOVEREIGNTY, BUT AS OPPORTUNITIES FOR MUTUAL PROSPERITY.

INDIVIDUALS CANNOT SUCCEED IF GOVERNMENT IS BURDENED BY DEBT. SO THE THIRD LEG OF OUR ENTERPRISE FOR THE AMERICAS INITIATIVE IS A COMPREHENSIVE COMMITMENT TO WORK WITH BRAZIL AND OTHERS IN LATIN AMERICA TO RESTRUCTURE U.S. OFFICIAL DEBT. OUR NEW APPROACH TO OFFICIAL DEBT WILL COMPLEMENT COMMERCIAL DEBT RESTRUCTURING THROUGH THE BRADY PLAN. I UNDERSTAND THE IMPORTANCE TO BRAZIL, AND TO THE INTERNATIONAL FINANCIAL COMMUNITY, OF REACHING A NEW AND EFFECTIVE AGREEMENT ON COMMERCIAL DEBT. GLOBAL CAPITAL FLOWS WILL BE VITAL TO YOUR DEVELOPMENT -- AND WE ARE READY TO ASSIST WHEREVER POSSIBLE.

WE'VE SUBMITTED A REQUEST TO OUR CONGRESS FOR THE AUTHORITY TO IMPLEMENT OUR PROPOSALS. BUT WE KNOW THAT REAL SOLUTIONS MUST INVOLVE ALL OF US IN THE AMERICAS. THAT'S WHY WE ENVISION A PERMANENT PARTNERSHIP BETWEEN ALL THE NATIONS OF THE AMERICAS, TO CONFRONT CHALLENGES THAT KNOW NO BORDERS.

WE ENVISION A HEMISPHERE WHERE A COLLABORATIVE COMMITMENT IS SHARED TO PROTECT OUR ENVIRONMENTAL LEGACY. THERE CAN BE NO SUSTAINED ECONOMIC GROWTH WITHOUT RESPECT FOR THE ENVIRONMENT.

THAT'S WHY THE ENTERPRISE FOR THE AMERICAS INITIATIVE JOINS ENVIRONMENTAL PROTECTION WITH BILATERAL DEBT RELIEF -- NOT AS A CHALLENGE TO NATIONAL SOVEREIGNTY, BUT AS AN AFFIRMATION OF SHARED INTERNATIONAL INTERESTS. I ENCOURAGE BRAZIL AND OTHER CREDITOR NATIONS TO CONVERT DEBT INTO FUNDS FOR THE ENVIRONMENT.

THE ENTIRE WORLD STANDS IN AWE OF BRAZIL'S UNIQUE ENDOWMENT OF WILDLIFE, TREES, AND PLANTS IN THE AMAZON AND THE ATLANTIC RAIN FORESTS. NO NATION ON EARTH IS AS RICH IN FLORA AND FAUNA, WITH ALL OF THEIR POTENTIAL TO PROVIDE FUTURE MEDICINES AND FOODS, CROPS AND FIBERS.

YOUR HOSTING OF THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT IN 1992 PLACES BRAZIL IN A POSITION OF TRUE GLOBAL LEADERSHIP. WE HOPE THAT CONFERENCE WILL MARK THE CULMINATION OF A NUMBER OF INITIATIVES TO PROTECT AND WISELY UTILIZE THE WORLD'S RESOURCES.

WE ALSO HOPE THAT A FRAMEWORK CONVENTION ON CLIMATE CHANGE WILL BE READY FOR SIGNING IN BRAZIL IN 1992. BUT A FOREST CONVENTION WILL BE MORE REALISTIC AND COMMAND MORE SUPPORT IF ALL THE BENEFITS OF SUSTAINABLE FOREST MANAGEMENT AND CONSERVATION ARE RECOGNIZED -- NOT JUST THEIR CONTRIBUTION TO CLIMATE, BUT ALSO FACTORS LIKE BIODIVERSITY, SOIL EROSION, CLEAN AIR AND CLEAN WATER. FOR THAT REASON, WE SUPPORT A FREESTANDING CONVENTION RECOGNIZING FORESTS' MANY BENEFITS, NEGOTIATED SEPARATELY.

WE ALSO ARE CHALLENGED TO MAKE OURS A HEMISPHERE WHERE SOVEREIGN NATIONS ARE JOINED IN COLLECTIVE DETERMINATION TO ERADICATE THE DISEASE OF DRUGS. THE TIME FOR BLAME IS LONG OVER. WE IN THE U.S. RECOGNIZE WE MUST DO MORE TO REDUCE DEMAND. AND YOU UNDERSTAND THAT THE SPREADING TENTACLES OF THE DRUG TRADE THREATEN DEMOCRATIC SOCIETY.

PRESIDENT COLLOR [CALL-ER] HAS TAKEN A STRONG POSITION AGAINST DRUGS FOR THE SAKE OF YOUTH HERE IN BRAZIL I KNOW FULL WELL IT IS A DEMAND PROBLEM AS WELL AS A SUPPLY PROBLEM FOR MY COUNTRY -- AND I PLEDGE THE FULL EFFORTS OF MY GOVERNMENT TO CONTINUE TO DAMPEN DEMAND. THERE IS ONLY ONE ANSWER TO THE DRUG PROBLEM IN THIS HEMISPHERE -- THAT IS TO DEFEAT THESE NARCO-TRAFFICKERS WHO PREY ON OUR CHILDREN -- ONCE AND FOR ALL.

AND FINALLY, IN THIS ERA OF GREAT CHALLENGES AROUND THE WORLD, WE WANT THE WESTERN HEMISPHERE TO BE A MODEL TO THE WORLD FOR SECURITY, STABILITY, AND PEACE. TOGETHER, LET US ENSURE THAT THIS HEMISPHERE STANDS UNITED TO PREVENT THE SPREAD OF NUCLEAR WEAPONS OR NEW, MORE DANGEROUS BALLISTIC MISSILES ANYWHERE IN THE WORLD. WE CONTINUE TO URGE ALL COUNTRIES IN THIS HEMISPHERE TO BRING THE NON-PROLIFERATION TREATY OF TLATELOLCO [TUH-LA-TE-LOCO] INTO FORCE. I WANT TO APPLAUD, AS MANY OTHER NATIONS HAVE DONE, THE RECENT ANNOUNCEMENT BY BRAZIL AND ARGENTINA THAT TOGETHER THEY WILL ENSURE THAT NO NUCLEAR PROGRAM IN THEIR COUNTRIES IS USED FOR ANYTHING BUT PEACEFUL PURPOSES. WE APPLAUD YOUR DECISION TO MOVE FORWARD ON FULL-SCOPE NUCLEAR SAFEGUARDS.

EQUALLY, JUST AS BRAZIL MADE VALIANT CONTRIBUTIONS TO THE CAUSE OF FREEDOM IN WORLD WAR II, YOU WERE AMONG THE FIRST TO IMPLEMENT SANCTIONS AGAINST IRAQ. I SALUTE YOUR ROLE IN THE WORLD COMMUNITY'S ALMOST UNIVERSAL CONDEMNATION OF IRAQ'S AGGRESSION.

THE MESSAGE I BRING YOU TODAY IS A HOPEFUL ONE -- A VISION OF A FREE, DEMOCRATIC, AND PROSPEROUS HEMISPHERE, NOW WITHIN OUR REACH. OUR NATIONS LONG AGO ACHIEVED INDEPENDENCE FROM THE OLD WORLD. NOW LET US WORK TOWARD A NEW DECLARATION OF INTERDEPENDENCE AMONG THE AMERICAN NATIONS OF THE NEW WORLD.

IF, AS JOSE BONIFACIO ONCE SAID, "BRAZILIANS ARE ENTHUSIASTS OF A BEAUTIFUL IDEAL," LET US NOT LIMIT THE NEW WORLD'S POTENTIAL WITH OLD THINKING. AFTER THE HALF MILLENNIUM WE HAVE HAD IN THIS HEMISPHERE TO FORM OUR NATIONS AND FIND OUR WAY, LET THE NATIONS OF THE AMERICAS NOW FULFILL THEIR COMMON POTENTIAL.

STANDING ON THIS CENTRAL PLATEAU, SOON TO BE THE SEAT OF GREAT DECISIONS, PRESIDENT JUSCELINO KUBITSCHEK SAID, "I LOOK ONCE AGAIN AT THE FUTURE OF MY COUNTRY, AND SEE THIS DAWN WITH UNYIELDING FAITH AND UNLIMITED CONFIDENCE IN ITS GREAT DESTINY."

MY FRIENDS, MY NEIGHBORS -- LET THE NEW DAWN COME TO BRAZIL AND TO THE NEW WORLD. LET US FULFILL THE PROMISE OF THESE GREAT LANDS.

THANK YOU VERY MUCH. AND MAY GOD BLESS THE BRAZILIAN PEOPLE.

# # #

FACTCHECK COPY #1
11.26.90

= get translations

Bouquet
Marcel (Translations)
301 986-9568

(Lange/Cawley)
November 26, 1990
5:15 p.m.
[BRAZIL.DOC]

PRESIDENTIAL REMARKS: JOINT SESSION, BRAZILIAN CONGRESS
BRASILIA
MONDAY, DECEMBER 3, 1990
11:15 A.M.

[[Obrigado [oh-bree-GAH-tho]. Mr. President of the National Congress [Senator Nelson Carneiro]; Mr. President of the Chamber of Deputies [Deputy Paes de Andrade]; Senator [welcome speech]; Deputy [welcome speech]; Mr. President of the Supreme Court [Dr. Neri da Silveira]; esteemed Papal Nuncio, and members of the diplomatic corps; Mr. Archbishop [Dom Freire Falcao]; Honorable Ministers of State; Honorable Deputies and Senators.]] It is a privilege to join you in this great hall of democracy -- and an honor that so many members could be here today. I deeply appreciate your presence.

Robert Blau USE-B

Mark Lore ARA-Brazil State 647-9407

My thoughts today could have no better forum -- my words, no better audience -- than here, in Brasilia. A city that so aptly symbolizes the energy and aspirations of a great people -- the bold and expansive spirit of a great nation -- and the promise of a bright future for **all** of the Americas.

We meet at an extraordinary moment in our shared history. A time of serious challenges and important choices, that calls for mutual respect, candor, and collective will.

Council of the Americas remarks 5-22-90

I have met with many Latin and Caribbean leaders. And throughout the range of issues we've discussed, all of us, I think, have been seeking for a way to express what we see as a new, more mature relationship among the Americas.

President Collor, who represents a new breed of leadership now sweeping across Latin America, is Brazil's first popularly-elected President in almost three decades. Your gubernatorial and legislative elections are another brilliant achievement in Brazilian democracy -- and **I congratulate you and all Brazilians.**

President Collor has spoken eloquently of Brazil's rightful place at the table of the First World -- and I agree.

I believe it is time, in fact, to end the false distinctions between First World and Third World that have too long compromised political and economic relations in the Americas. **Let us instead speak of the New World.**

This hemisphere has always found strength in diversity. After all, here I stand, addressing Portuguese-speakers in English, because of an Italian sailing on behalf of Spain, guided by the theories of theologian in France, five centuries ago.

What we hold in common transcends borders and translates into any language. The nations of the Americas all struggled and gained independence from the old ways of the Old World -- ended the injustice of slavery -- and built republics of promise and renewal around the dignity and power of the individual, the rule of law, and the rights of man.

Now, as we approach the 500th anniversary of Columbus' discovery of the Americas -- and the arrival of Cabral's Portuguese fleet in Brazil -- this is a moment to look to the future of the New World. For while we have all witnessed in wonder the dawn of democracy in Eastern Europe, in the Americas,

too, we have heard the rolling thunder of political and economic revolution. And while some may claim our frontiers have all been explored, **I contend we have just begun to press forward, toward the real promise of the Americas.**

Ideals endure. Territories may end at borders, continents may end at the water's edge, but human potential knows only those limits set by human imagination. The Americas' role in the world is not defined by geography. **The sun is not setting in the West. I believe we are approaching a new dawn in the New World.**

To be true to our forefather's legacy -- to be worthy of these continents' cost in sweat, blood and courage -- our thinking must be as bold -- our dreams, as brave -- our will, as resolute. Our challenge now, is to hew out of a wilderness of competing interests a new kind of opportunity in the Americas.

To truly fulfill the New World's freedoms, all of the Americas and the Caribbean must now embark on a venture for the coming century: **to create the first fully free, fully democratic hemisphere in the history of mankind.** The first hemisphere wholly devoted to freedom -- to free speech, free trade, free elections, and free markets unfettered by the state.

It is within our power to make this hemisphere the largest trading center of sovereign nations in the world. From the northern-most reaches of Canada to the tip of Argentina, we see a future where growing opportunity, the power of technology and the benefits of prosperity are developed and shared by all.

Such a vision will often mean redefining institutions -- rethinking their relationship with the people they exist to serve. In many cases, change will not come easily. Economies now dependent on protection and state regulation must open to competition. The transition, for a time, will be painful. But the results -- growing economies and sound currencies -- will **bring unprecedented prosperity and stability.**

Latin America's economic adjustment is already in motion. Exports are rising. Fiscal reform is underway. In eight months, President Collor and this Congress have driven down inflation, started to free the private sector from government control and subsidy, and begun to open the economy to greater competition and vitality -- the unparalleled prosperity of the open market.

This new model of Latin American development presents a challenge to traditional political culture. Many of the Americas will have to make serious adjustments to compete with Southeast Asia, and to take advantage of the European Market after 1992. But we're confident that solutions will be found -- by Brazilians, by Chileans, by Peruvians --- **by all of the Americas.**

That was the spirit of the Enterprise for the Americas Initiative we announced last June. It calls for a major hemispheric effort to unify the New World in the three key areas of trade, investment, and debt.

In **trade**, our first priority should be to promote long-term growth -- and the most effective first step is the successful conclusion of the Uruguay Round, now in its final stages in

Geneva. An end to export subsidies and new openings for developing country exports mean new market opportunities -- and a higher standard of living -- for the farmer in Mato Grosso, the textile worker in Parana, and the engineer in Sao Paulo.

But the Uruguay Round and Bilateral Trade Agreements are only first steps. The Southern Cone Common Market, now developing under the leadership of President Collor and his colleagues in neighboring countries, is a major step toward the world's first hemispheric free trade zone.

For **investment in the Americas**, the dead hand of state control must be lifted. We must allow entrepreneurs the flexibility to adapt, create, and produce -- to provide meaningful and well-paying jobs for your workers -- and to lift Latin America's peoples out of poverty. Brazilians know what foreign investment can do -- just witness its role in the dynamism of Sao Paulo, and the $10 billion of U.S. investment already in this country.

Free markets work. They create widespread prosperity. And the reason is as simple as it is profound. Every man and woman is capable of success. By promoting the potential of the individual over the power of government -- by giving people the means to chart their own destiny -- the frontiers of the Americas will stretch on forever. Like Brazil's mythical bandeirantes, who opened "new paths never trod, never known," **we, too must be willing to move in new directions.**

But individuals cannot succeed if government is burdened by

debt. That's why **the third leg of our Enterprise for the Americas** Initiative is a comprehensive commitment to work with Brazil and others in Latin America to restructure U.S. official debts on concessionary terms. These swaps can free up substantial resources for use in environmental projects.

Our new approach to official debt will complement commercial debt restructuring through the Brady plan. I understand the importance to Brazil, and to the international financial community, of reaching a new and effective agreement on commercial debt. Global capital flows will be vital to your development -- and we are ready to assist wherever possible.

We've submitted a request to our Congress for the authority to implement our proposals. But we know that **real solutions must be collective**. That's why, for every shared concern, we envision a permanent partnership between all the nations of the Americas, to confront challenges that know no borders.

We envision a hemisphere where a genuinely collaborative commitment is shared to protect our environmental legacy. There can be no sustained economic growth without respect for the environment -- and there may be no greater impediment to protecting the environment than poverty. The linkage is crucial.

That's why the Enterprise for the Americas Initiative links bilateral debt relief with environmental protection -- not as a challenge to national sovereignty, but as an affirmation of shared international interests. Here in Brazil, a consortium of organizations has presented a proposal to the government for such

a debt-for-nature swap. I encourage other creditor nations to convert debt into funds for the environment.

Barbara Tobias US Embassy Brasilia Officer for Environ't Sci

The Declaration of Brasilia in 1989 reflected the wisdom and dedication of this region to wise stewardship of your unique natural resources. And your hosting of the United Nations Conference on Environment and Development in 1992 places Brazil in a position of true global leadership.

[We hope an agreement to protect the world's forests will be ready for signing at that Conference. We believe more progress will be made if the forest agreement is negotiated apart from the Climate Change convention -- which, in focusing on carbon sequestration, only relates to one of the many benefits forests have for the planet.]

The wise management of the Americas' rich endowment of forests and wildlife will be an important test. For the sake of present and future generations, we have an opportunity to make the Western hemisphere a model for sustainable development.

We also are challenged to make ours a hemisphere where sovereign nations are joined in collective determination to eradicate the disease of drugs. The time for blame is long over. We in the U.S. recognize we must do more to reduce demand. And you understand that the spreading tentacles of the drug trade threaten democratic society.

K by David Tell, Asst Chief of Staff - INDCP 467-9600 for John Walters)

President Collor has taken a strong position against drugs for the sake of youth here in Brazil -- and I pledge the full efforts of my government to continue to dampen demand. There is

K by David Tell, Asst chief of Staff, ONDCP 467-9600 for John Walters)

only one answer to the drug problem in this hemisphere. It is the answer we reach together.

And finally, in this era of great challenges around the world, **we want the Western hemisphere to be a model to the world for security and stability** -- in regional arms control, in nuclear and chemical non-proliferation, and in collective commitment to facing down aggression. (1) Just as Brazil made valiant contributions to the cause of freedom in World War II, (2) you were among the first to implement sanctions against Iraq. I applaud your role in the world community's universal condemnation of Iraq's aggression.

(1) State's Country Report, P-301

(2) Mark Lore - Brazil desk officer, State 647-9407 + Don Johnson NSC x4572

But underlying all of the issues we face together is a more fundamental challenge, whose success will affect them all.

We must usher in an economic revolution the equal of the political revolutions we've witnessed. We must make ours a hemisphere where economic competition is embraced -- not as a threat to privilege, but as the key to prosperity.

Where neighbors prosper, neighborhoods flourish. And just as all of the American nations struggled to avoid the interventions of Old World government in their affairs, so should we give that spirit rein in every individual.

Let us hold firmly in our minds an unshakable conviction in the importance and benefit of free enterprise. From Boston to Minneapolis to Manaus? Buenos Aires, from Labrador to Lima, **let us together enact the unwritten equivalent of an economic Bill of Rights** -- so that any man or woman who wants to launch a new enterprise views the state

as an ally, not an obstacle -- and all who pursue the fruits of the free market see other nations not as threats to sovereignty, but as opportunities for mutual prosperity.

We long ago achieved independence from the Old World. Now let us work toward **a new declaration of interdependence among the American nations of the New World.**

This vision of a completely free, completely democratic hemisphere -- the promise of the New World -- is now within our reach. If, as Jose Bonifacio once said, "Brazilians are enthusiasts of a beautiful ideal," let us not limit the New World's potential with old thinking. After the half millenium we have had in this hemisphere to form our nations and find our way, **let us now make our relations the world's inspiration.**

With our hearts and minds and hands, let us meet a challenge worthy of our heritage -- worthy of this land of boundless frontiers and limitless opportunity.

Standing on this central plateau, soon to be the seat of great decisions, President Juscelino Kubitschek said, "I look once again at the future of my country, and see this dawn with unyielding faith and unlimited confidence in its great destiny."

My friends, my neighbors -- **let the new dawn come to the New World. Let us fulfill the promise of these great lands.**

Thank you very much. And may God bless the Brazilian people.

# # #

C. Yeutter
C. Dole

Ag Stabilization & Conservation Service

rep's from 4H groups
ag groups

CABLE FROM ~~ROGER~~ LARRY FERRIS @ COMMERCE (Brazil desk, 377-3871)

OUTLINES THE COLLOR GOVT'S ANNOUNCEMENT OF ECONOMIC RESTRUCTURING

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TAGS: ECON, ETRD, BR
SUBJECT: "NEW BRAZILIAN INDUSTRIAL AND FOREIGN TRADE DIRECTIVES" -- EMBASSY'S INFORMAL SUMMARY OF GOB DOCUMENTS

REF: BRASILIA 07010

1. INTRODUCTION -- THE COLLOR GOVERNMENT BEGAN ITS TERM IN OFFICE WITH THE IMPLEMENTATION OF A RADICAL STABILIZATION PROGRAM, AIMED AT ARRESTING THE HYPERINFLATIONARY PROCESS AND CREATING STABLE CONDITIONS FOR A RESUMPTION OF GROWTH.

THE INITIAL ADJUSTMENT PHASE SHOULD NOT BE SEEN AS AN END IN ITSELF, BUT AS A PROCESS FOR THE EXECUTION OF DEVELOPMENT POLICY, REDEFINING THE ROLE OF GOVERNMENT, DECREASING ECONOMIC/REGIONAL/SOCIAL DIFFERENCES, IMPROVING WAGES, AND PROTECTING THE ENVIRONMENT.

THE IMPLEMENTATION OF A POLICY FOR INDUSTRY AND FOREIGN TRADE -- THE CENTRAL COMPONENT OF RENEWED DEVELOPMENT ON A NEW FOUNDATION -- CONSTITUTES AN INDISPENSABLE TOOL TO CONSOLIDATE AND LEND A SENSE OF CONTINUITY TO THE ONGOING ECONOMIC STABILIZATION PROCESS.

2. OBJECTIVES -- THE NEW INDUSTRIAL AND TRADE POLICY AIMS AT INCREASING PRODUCTIVITY. INDUSTRIAL AND COMMERCIAL MODERNIZATION ALSO INVOLVES IMPLANTING MODERN STRUCTURES FOR PRODUCTION AND CONSUMPTION OF GOODS/SERVICES THROUGHOUT THE NATION VIA THE SPREAD OF NEW TECHNOLOGIES.

3. STRATEGY -- THE NEW INDUSTRIAL AND TRADE POLICY WILL REQUIRE GOVERNMENT INVOLVEMENT WHICH WILL BE FUNDAMENTALLY DIFFERENT FROM THAT OF THE LONG-STANDING IMPORT SUBSTITUTION MODEL. STARTING NOW, WE MUST INCREASE OUR RELIANCE ON MARKET FORCES. THIS STRATEGY INCLUDES:

-- REDUCING TARIFF PROTECTION AND LIMITING THE INDISCRIMINATE AND NON-TRANSPARENT USE OF GOVERNMENT INCENTIVES AND SUBSIDIES.

-- INDUCING THE COMPETITIVE RESTRUCTURING OF INDUSTRY THROUGH IMPROVED USE OF CREDIT AND INFRASTRUCTURE TECHNOLOGY.

-- STRENTHENING SECTORS WITH COMPETITIVE POTENTIAL AND DEVELOPING NEW SECTORS BY MEANS OF INDUSTRIAL SPECIALIZATION.

-- EXPOSURE OF BRAZILIAN INDUSTRY TO INTERNATIONAL COMPETITION, ALLOWING A MORE FAVORABLE POSITIONING OF BRAZIL IN FOREIGN MARKETS VIA IMPROVED QUALITY AND PRICES AND BY BOOSTING COMPETITION WITHIN SECTORS CHARACTERIZED BY OLIGOPOLY.

-- INCREASING FIRMS' CAPACITY TO DEVELOP TECHNICAL CAPACITY THROUGH SELECTIVE TARIFF PROTECTION AND THE SPREADING OF INNOVATIVE TECHNOLOGY.

4. THE ROLES OF GOVERNMENT AND OF DOMESTIC AND FOREIGN INVESTMENT:

THE MAIN ROLE OF GOVERNMENT IS PROMOTING MACROECONOMIC STABILITY AND RESTORING AN INVESTMENT CLIMATE WITH CLEAR AND STABLE RULES. THE GOB SHOULD DEDICATE ITSELF EXCLUSIVELY TO BASIC FUNCTIONS. IT SHOULD STOP ABSORBING NATIONAL SAVINGS AND FREE UP PRIVATE CAPITAL TO FULFILL THE MAIN ROLE IN PRODUCTION. THE INCREASING CAPACITY OF THE PRIVATE SECTOR TO PRODUCE GOODS/SERVICES SUCH AS ENERGY, TRANSPORTATION, PORTS, WAREHOUSING, STEEL, PETROCHEMICALS, FERTILIZERS, ETC. WILL REDUCE THE ROLE OF GOVERNMENT IN THESE AREAS. THE GOB WILL CONCENTRATE ON BASIC EDUCATION AND SCIENTIFIC DEVELOPMENT.

DOMESTIC PRIVATE CAPITAL WILL BE STIMULATED IN OUR NEW DEVELOPMENT PHASE, IN WHICH THE DEMANDS OF COMPETITION WILL GROW WITH INTERNATIONALIZATION AND LOWER PROTECTION. LARGE INDUSTRIAL GROUPS WILL ASSOCIATE WITH SMALLER, TECHNOLOGICALLY-ADVANCED FIRMS AND WITH FOREIGN FIRMS. WITH MACROECONOMIC STABILITY AND RENEWED GROWTH, BRAZIL WILL ATTRACT FOREIGN INVESTMENT. OBSOLETE SECTORAL RESTRICTIONS WILL BE ELIMINATED. PREJUDICE AGAINST FOREIGN CAPITAL WILL BE ELIMINATED AND FOREIGN FIRMS WILL ENJOY THE LEGAL TREATMENT THEY HAVE ENJOYED FOR THE PAST 30 YEARS -- A TREATMENT WHICH IS STABLE, LIBERAL, AND COOPERATIVE. FOREIGN DIRECT INVESTMENT WILL SERVE AS AN IMPORTANT FACTOR IN BOOSTING THE RATE OF OVERALL INVESTMENT, IN INCREASING INTERNATIONAL TRADE, AND IN IMPROVING ACCESS TO TECHNOLOGY.

5. MECHANISMS: THE NEW POLICY WILL DEMAND MUTUAL PLANNING BETWEEN GOVERNMENT AND INDUSTRY -- WITH SPECIAL EMPHASIS ON SCIENCE AND TECHNOLOGY. THE MAIN MECHANISMS EMPLOYED WILL BE:

-- AN INDUSTRIAL COMPETITIVENESS PROGRAM, AND

-- A BRAZILIAN PROGRAM OF QUALITY AND PRODUCTIVITY

THE INDUSTRIAL COMPETITIVENESS PROGRAM WILL HAVE TWO BASIC AIMS. THEY INCLUDE THE DEVELOPMENT OF HIGH-TECH -- INFORMATICS, FINE CHEMICALS, BIOTECHNOLOGY, PRECISION INSTRUMENTS, AND NEW MATERIALS. ALSO, INDUSTRIAL AND SERVICE SECTORS MUST BE RESTRUCTURED SO AS TO MEET INTERNATIONAL PRICE AND QUALITY STANDARDS.

MERGERS WILL BE ENCOURAGED IN THOSE SECTORS CHARACTERIZED BY RAPID TECHNOLOGICAL DEVELOPMENT, HIGH LEVELS OF TECHNOLOGY, AND HIGH CAPITAL CONCENTRATION IN ORDER TO EFFECT ECONOMIES OF SCALE AND TO BOOST INTERNATIONAL COMPETITIVENESS. CAPITAL GOODS WILL MERIT SPECIAL ATTENTION AND SPECIALIZATION WILL BE ENCOURAGED SO AS TO BE COMPATIBLE WITH BRAZIL'S GLOBAL

INTEGRATION. BY 1994, THE PROGRAM SHOULD RESULT IN SUFFICIENTLY INCREASED COMPETITIVENESS SO THAT SPECIAL TARIFF PROTECTION CAN BE DROPPED. ENVIRONMENTAL CONCERNS WILL BE TAKEN INTO ACCOUNT IN THE IMPLEMENTATION OF THE INDUSTRIAL COMPETITIVENESS PROGRAM.

BRAZILIAN PROGRAM FOR QUALITY AND PRODUCTIVITY: THIS PROGRAM AIMS AT SUPPORTING THE MODERNIZATION OF BRAZILIAN FIRMS BY INCREASING THE COMPETITIVENESS OF GOODS/SERVICES, INCLUDING IMPROVED MANAGEMENT METHODS, BETTER USE OF HUMAN RESOURCES, ETC.

INSTRUMENTS: GENERAL POLICY INSTRUMENTS WILL BE USED PRIMARILY, THUS ELIMINATING THE NEED FOR PROJECT-BY-PROJECT ANALYSES. IN APPLYING SELECTIVE INSTRUMENTS, TOTAL TRANSPARENCY WILL BE THE RULE.

FINANCING POLICY: GOVERNMENT FINANCING WILL ONLY BE USED SELECTIVELY, AND DIRECTED EXCLUSIVELY FOR INVESTMENTS NEEDED TO RESTRUCTURE THE ECONOMY, TO DEVELOP TECHNOLOGY, AND EXPAND FOREIGN COMMERCE. THE PRIVATE SECTOR MUST ADAPT TO FILL THE ROLE PREVIOUSLY OCCUPIED BY THE GOB.

FINANCING FIXED CAPITAL INVESTMENTS: GOVERNMENT FINANCIAL AGENCIES WILL SELECTIVELY SUPPORT THOSE SECTORS WHICH REQUIRE A PRO-COMPETITIVE REORGANIZATION, RESTRUCTURING, OR PRODUCTIVE MODERNIZATION. MECHANISMS MUST BE ADOPTED TO OBTAIN PRIVATE RESOURCES TO PROVIDE THE NEEDED RESTRUCTURING OF THE BRAZILIAN ECONOMY. FOR FINANCING INDUSTRIAL MODERNIZATION, CREDIT, SECURITIES SALES, AND GUARANTEES WILL BE MADE AVAILABLE ON A PREFERENTIAL BASIS.

AS REGARDS MACHINERY/EQUIPMENT, IT WILL BE NECESSARY TO:

-- REVISE THE PROCEDURES OF FINAME TO MODIFY THE REGISTRATION CRITERIA FOR PRODUCTS AND SUPPLIES. LOWER LEVELS OF NATIONAL CONTENT WILL BE REQUIRED, BUT SATISFACTORY LEVELS OF DOMESTIC VALUE-ADDED WILL STILL BE NECESSARY.

-- SPECIFIC FORMS OF SUPPORT WILL BE PROVIDED FOR THE CONSOLIDATION OF SMALL AND MEDIUM FIRMS WHICH ARE SPECIALISTS IN PARTS/COMPONENTS SUPPLY AND ARE TECHNOLOGICALLY DYNAMIC.

FINANCING TECHNOLOGICAL CAPABILITY: FOR INVESTMENTS IN TECHNOLOGICAL DEVELOPMENT, OFFICIAL AGENCIES WILL FURNISH THE FOLLOWING FORMS OF RESOURCES:

A) RISK CAPITAL -- FOR INFANT HIGH-TECH INDUSTRIES, INCLUDING PROJECTS ON THE DRAWING BOARDS;

B) SHARED RISK FUNDS -- TO SUPPORT THE PROCESS OF INNOVATION, INCLUDING EXPENDITURES PRIOR TO MARKETING OF AN INNOVATION;

C) FUNDS TO SUPPORT TECHNICAL RESEARCH -- TO FACILITATE THE CREATION OF A NATIONAL R&D POLICY; AND

D) FUNDS TO SUPPORT THE FORMATION AND DEVELOPMENT OF HUMAN RESOURCES.

FOREIGN TRADE FINANCING: WITH THE GOAL OF INCREASING COMPETITION FOR NATIONAL COMPANIES THROUGH INCREASED TRANSACTIONS WITH FOREIGN MARKETS, A MIXED COMMISSION WILL PRESENT WITHIN 60 DAYS A PROPOSAL FOR THE CREATION OF A FOREIGN TRADE BANK OF PRIVATE CONTROL, WITH THE GOAL OF FINANCING IMPORTS AND EXPORTS.

EXPORT POLICY: EXPORT POLICY IS AN EXTREMELY IMPORTANT ELEMENT OF THE INDUSTRIAL AND FOREIGN TRADE POLICY OF THE NEW BRAZIL, FOCUSING ON PRODUCTS OF GREATER VALUE AND THE IDENTIFICATION OF NEW MARKETS FOR BRAZILIAN PRODUCTS:

1) A FINANCING MECHANISM FOR LONG-CYCLE PRODUCTS, SUCH AS CAPITAL GOODS INCLUDING A FOREIGN TRADE BANK;

2) SIMPLIFICATION OF EXPORT PROCEDURES;

3) MODERNIZATION OF THE EXPORT SECTOR INFRASTRUCTURE (PORTS, RAILROADS, SILOS, ETC.);

4) REVISION OF THE TAX STRUCTURE.

IMPORT POLICY: ON MARCH 15, 1990, THE GOVERNMENT TOOK DECISIVE MEASURES WITH RESPECT TO BRAZILIAN IMPORT POLICY. QUANTITATIVE CONTROLS IN THE FORM OF COMPANY IMPORT PROGRAMS WERE ELIMINATED. STARTING JULY 1, A NEW IMPORT POLICY WILL EMPLOY TARIFFS AS THE SOLE BARRIER.

CURRENT TARIFFS -- WHICH NOW AVERAGE 35 PERCENT, WITH LEVELS FROM 0 PERCENT TO 105 PERCENT -- ARE ADMITTEDLY HIGH. WE PLAN THEREFORE TO ATTAIN BY 1994 TARIFFS BETWEEN 0 PERCENT AND 40 PERCENT, WITH AN AVERAGE TARIFF OF 20 PERCENT. THE TARIFF LEVEL OF 40 PERCENT WILL BE USED FOR PRODUCTS WHICH REQUIRE TEMPORARY PROTECTION. FOR NEW PRODUCTS FROM HIGH-TECH INFANT INDUSTRIES, THERE CAN BE ESTABLISHED HIGHER TARIFF LEVELS OF AN EXCEPTIONAL CHARACTER, BUT THESE WILL ALWAYS BE TEMPORARY.

-- MACHINES, EQUIPMENT, PARTS, COMPONENTS, AS WELL AS RAW MATERIALS AND INTERMEDIATE PRODUCTS, NOT PRODUCED IN BRAZIL, WITH TARIFFS LESS THAN 20 PERCENT, WILL BE LOWERED TO ZERO BEGINNING JULY 1, 1990.

-- IN THE SECOND HALF OF 1990, THE CURRENT TARIFF STRUCTURE WILL CONTINUE IN EFFECT. CHANGES WILL BE LIMITED TO CORRECTING TARIFFS WHICH CONFER EXCESSIVE PROTECTION.

-- NEW SECTOR STUDIES, WHICH WILL SERVE AS A BASE FOR ESTABLISHING TARIFF REDUCTIONS FOR THE PERIOD 1991-1994, WILL BE ANNOUNCED AT THE END OF THE YEAR.

-- THERE WILL BE LEGISLATION TO PROTECT NATIONAL INDUSTRY FROM UNFAIR TRADE PRACTICES, SUCH AS "DUMPING".

RAISING THE TECHNOLOGICAL CAPABILITY OF INDUSTRY: ONE OF THE PREREQUISITES FOR INCREASING THE CAPABILITY OF INDUSTRY IS AN INFRASTRUCTURE OF SUPPORT FOR SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT WHICH INCLUDES:

A) CREATING AND STRENGTHENING NETWORKS OF TECHNOLOGICAL INFORMATION TO INTEGRATE DIVERSE LOCAL INSTITUTIONS AND ALSO TO DEVELOP A PERMANENT AWARENESS OF FOREIGN TECHNOLOGICAL INFORMATION;

B) MODERNIZATION OF RESEARCH INSTITUTES, LABORATORIES, UNIVERSITY RESEARCH CENTERS, AND THE EVENTUAL CREATION OF NEW INSTITUTES IN EMERGING FIELDS;

C) TRAINING ACTIVITIES, INCLUDING: (I) THE

EDUCATION OF TECHNICIANS AND WORKERS OF A QUALITY AND QUANTITY CONSISTENT WITH THE GOALS OF THE INDUSTRIAL AND FOREIGN TRADE POLICY; (II) RETRAINING OF RESEARCHERS; (III) THE RETRAINING OF SPECIALIZED WORKERS;

D) SIMPLIFYING TECHNOLOGY-LICENSING PROCEDURES AND REVISING QUANTITATIVE LIMITS ON ROYALTIES.

THE VARIABLES INVOLVED IN THE PROCESS OF TECHNOLOGICAL INNOVATION BY BUSINESSES -- THE COSTS, RISKS, TIME, AND COMPLEXITY -- REQUIRE SPECIAL TREATMENT. THE OBJECTIVE IS TO SUBSTANTIALLY INCREASE THE PRIVATE-SECTOR PARTICIPATION R AND D EXPENDITURES; INCLUDING:

A) INCREASE THE USE OF SUBCONTRACTING BY BIG FIRMS TO COMBAT THE EXCESSIVE VERTICAL INTEGRATION OBSERVED NOWADAYS;

B) INCREASE R AND D EXPENDITURES BY COMPANIES, ESPECIALLY IN NEW TECHNOLOGY SECTORS;

C) PROMOTE THE USE OF UNIVERSITIES AND RESEARCH INSTITUTES FOR APPLIED RESEARCH;

D) CREATE NATIONAL CONSORTIA AND PARTICIPATION IN INTERNATIONAL CONSORTIA FOR COOPERATIVE RESEARCH.

FOLLOWING THE EXAMPLE OF THE DEVELOPED COUNTRIES, GOVERNMENT PURCHASING POWER WILL BE USED TO IMPLEMENT THIS POLICY VIA SPECIFICATIONS FOR MATERIALS AND EQUIPMENT. DEMAND FOR SECTORS OF HIGH TECHNOLOGY WILL LIKEWISE BE GENERATED, INCLUDING THE PROMOTION OF RESEARCH PROJECTS WITH PUBLIC AND PRIVATE PARTICIPATION.

UNIFORM TECHNICAL AND BUSINESS CRITERIA FOR SUPPLIERS WILL BE PROMOTED. RESULTS OF TECHNICAL EVALUATIONS WILL BE SHARED, AS WILL THE RESULTS OF TESTS AND QUALITY CERTIFICATIONS AFFECTING PERSONNEL, PROCESSES, AND PRODUCTS.

THE NATIONAL SYSTEM OF CATALOGING MATERIAL AND SERVICES WILL DEVELOP A METHODOLOGY FOR CLASSIFYING GOODS AND SERVICES, AND DEFINE CODES AND STANDARDIZED DESCRIPTIONS FOR EACH MATERIAL AND SERVICE AVAILABLE IN THE COUNTRY.

ADMINISTRATION: SECTORAL POLICY EXECUTIVE GROUPS WILL BE CREATED TO COORDINATE THE POLICY'S IMPLEMENTATION WITH INDUSTRY AND OTHER NON-GOB INTEREST GROUPS. THEY WILL USE THE FOLLOWING GUIDELINES:

A) SEEK CONSISLTENCY IN APPLICATION AT THE INDUSTRIAL LEVEL;

B) MAKE THE GOALS AND ACTIONS IN THE SECTORAL PROGRAM OF INDUSTRIAL COMPETITIVENESS AND THE SECTORAL PROGRAM OF QUALITY AND PRODUCTIVITY; AND

C) MONITOR THE EXECUTION OF THE PROGRAMS AND THE APPLICATION OF THE INSTRUMENTS OF THE POLICY.

THE RESULTS OF THE INDUSTRIAL AND FOREIGN TRADE POLICY DEPEND ON THE COORDINATION OF THE FOLLOWING GOVERNMENT DIRECTIVES:

I) TO AFFORD FLEXIBILITY AND COHERENCE IN APPLYING THE POLICY;

II) TO ESTABLISH SYSTEMIC COORDINATION OF THE POLICY;

III) TO NEGOTIATE CHANGES IN SPECIFIC RULES AND EVALUATE THE STRATEGY EVOLVING UNDER THE POLICY;

IV) TO UTILIZE THE PURCHASING POWER OF STATE COMPANIES AND OTHER ECONOMIC ACTORS OF GREAT INFLUENCE; AND

V) TO MAKE COMPATIBLE THE ACTIONS OF THE VARIOUS GOVERNMENT AGENCIES IN INDUSTRIAL DEVELOPMENT.

DEFENSE OF COMPETITION: WITH THE OBJECTIVE OF PROMOTING AMPLE DEREGULATION OF ECONOMIC ACTIVITY, LEGAL AND ADMINISTRATIVE INSTRUMENTS WILL BE CREATED TO RESTRAIN PRACTICES CONTRARY TO THE FREE FUNCTIONING OF THE MARKET.

THE ANTITRUST LEGISLATION (LAW 4,137/62) -- WHICH ALSO INSTITUTED THE ADMINISTRATIVE COUNCIL OF ECONOMIC DEFENSE -- IS INSUFFICIENT AND ANACHRONISTIC IN THE FACE OF THE CURRENT BRAZILIAN SITUATION.

THE MINISTRY OF JUSTICE WILL PRESENT IN THE NEXT FEW DAYS A PROPOSAL FOR REVISING CURRENT LEGISLATION, INCLUDING THE ESTABLISHMENT OF THE DUTIES OF THE NATIONAL DEPARTMENT OF ECONOMIC DEFENSE AND PROTECTION, TO PROMOTE FREE COMPETITION.

WE SHALL SEEK TO AVOID:

1) BARRIERS TO ENTRY OR OBSTACLES TO FREE COMPETITION IN LOCAL, REGIONAL, OR NATIONAL MARKETS, BY MEANS OF:

A) FIXING THE PRICE OF MERCHANDISE LOWER THAN ITS COST;

B) DIFFERENTIAL TREATMENT OF BUYERS, CONTROLLING THE SYSTEM OF DELIVERY TO CONSUMERS THROUGH DISTRIBUTORS AND MIDDLEMEN;

C) IMPEDING COMPETITIVE ACCESS TO IMPUTS, RAW MATERIALS, OR EQUIPMENT, AS WELL AS DISTRIBUTION CHANNELS.

2) THE FORMATION OF AGREEMENTS, CONTRACTS, OR ALLIANCES BETWEEN SELLERS, AIMED AT:

A) ARTIFICIALLY FIXING PRICES OR QUANTITIES SOLD OR PRODUCED;

B) ESTABLISHING CONTROL OF REGIONAL MARKETS BY FIRMS OR GROUPS OF FIRMS;

C) CONTROLLING, IN DETRIMENT TO COMPETITION, DISTRIBUTION OR SUPPLY NETWORKS.

3) THE FORMATION OF TRUSTS, THROUGH DIRECT OR INDIRECT STOCKHOLDER CONTROL, AS WELL AS THE ESTABLISHMENT OF COMMON ADMINISTRATION BETWEEN COMPANIES, SEEKING TO INHIBIT FREE COMPETITION.

4) THE PROMOTION OF AGREEMENTS BETWEEN BUSINESSES OR PERSONS WITH AN INTEREST IN THE ACTIVITIES OF THE BUSINESSES, UNDERCUTTING FREE COMPETITION.

LEGISLATION: DECREE 2,433 OF MAY 19, 1988, STILL IN EFFECT, INSTITUTED THE INDUSTRIAL POLICY OF THE

PREVIOUS GOVERNMENT. THE DECREE UTILIZED FISCAL BENEFITS AND INCENTIVES AND CREATED INADEQUATE SPECIAL REGIMES.

PROVISIONAL MEASURE 158, TRANSFORMED INTO LAW 8,032 OF APRIL 12, 1990, ELIMINATES THE APPLICABLE EXEMPTIONS AND REDUCTIONS ON IMPORT TAXES AND ON INDUSTRIALIZED PRODUCTS, WHICH WERE THE PRINCIPAL INSTRUMENTS INCLUDED IN DECREE 2,433.

IN 1984, LAW 7,232 WAS APPROVED, LAYING OUT THE NATIONAL INFORMATICS POLICY, WHICH REGULATES THE PRODUCTIONS AND IMPORTATION OF COMPUTER GOODS, IN NORMATIVE ACTS OF THE SEI (THE NATIONAL INFORMATICS SECRETARIAT). IN 1987 LAW 7,646 WAS APPROVED, GOVERNING THE SPECIFIC AREA OF "SOFTWARE".

BECAUSE OF COMMON INPUTS AS WELL AS COMMON TECHNICAL BACKGROUND, COMPUTER GOODS (INCLUDING EQUIPMENT FOR INDUSTRIAL AUTOMATION), TELECOMMUNICATIONS PRODUCTS, AND CONSUMER ELECTRONIC GOODS FORM THE SO-CALLED ELECTRONIC COMPLEX (EC), WHICH MUST BE TREATED TOGETHER. SEPARATE POLICIES FOR EACH OF THE EC SEGMENTS IS NO LONGER FEASIBLE, AS OCCURRED IN THE PAST WITH THE INDEPENDENT AND CONFLICTING ACTION OF SEI, SUFRAMA, AND MINICOM.

EC IS TODAY THE MOST IMPORTANT SECTOR IN THE AREA OF HIGH TECHNOLOGY. IT AFFECTS EVERY SECTOR OF THE ECONOMY, PROVING THAT THE CURRENT INFORMATICS POLICY HAS TOTALLY RUN ITS COURSE. SIMPLY MAKING THE EXISTING CONTROLS MORE FLEXIBLE -- BESIDES BEING INSUFFICIENT TO DEAL WITH CURRENT INDUSTRIAL DEVELOPMENT -- COULD HAVE THE OPPOSITE EFFECT FROM THAT DESIRED.

FOR ALL OF THESE REASONS, EC -- INCLUDING INFORMATICS -- SHOULD BE TREATED IN THE CONTEXT OF THE INDUSTRIAL AND FOREIGN TRADE POLICY AS PROPOSED FOR HIGH-TECH SECTORS. THUS, THE LEGAL INSTRUMENTS TO BE FORMULATED AND PROPOSED WITHIN 60 DAYS BY THE MINISTRY OF ECONOMY, SEEKING THE IMPLEMENTATION OF THE INDUSTRIAL AND FOREIGN TRADE POLICY, SHOULD REPLACE NOT ONLY DECREE 2,433, BUT ALSO LAWS 7,322 AND 7,646, AND WILL PROVIDE THE PROCEDURES AND TIMETABLES WHICH WILL ASSURE THE ORGANIZED TRANSITION FROM THE OLD TO THE NEW LEGAL REGIME.

THE CODE OF INTELLECTUAL PROPERTY INSTITUTED BY LAW 5,772/71 ALSO SHOULD BE REVISED IN ACCORDANCE WITH THESE DIRECTIVES. IN THIS SENSE, THE GOVERNMENT SHOULD PROPOSE BY MID-1991 BEFORE A BILL WITH THE PROPOSED CHANGES.

AMONG THE CHANGES IN THE CODE OF INTELLECTUAL PROPERTY, WHICH SHOULD REFORM THE PROCESS OF CONTRACTING, PROTECTING, AND TRANSFERRING TECHNOLOGY, THE MOST NOTABLE IS THE EXTENSION OF PATENT PROTECTION TO PHARMACEUTICAL PRODUCTS AND PROCESSES, WHICH BEFITS THE OBJECTIVES OF THE NEW INDUSTRIAL AND FOREIGN TRADE POLICY.

MELTON

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July 23, 1990, Monday

SECTION: THE WORLD; Pg. 4

LENGTH: 784 words

HEADLINE: Brazil Recession Follows Attack On Inflation

BYLINE: Julia Michaels, Special to The Christian Science Monitor

DATELINE: SAO PAULO, BRAZIL

KEYWORD:
Stats

BODY:

A RECESSION predicted here since last March has begun, economists say, as the government begins another round in its battle against Brazil's stubborn inflation.

The downturn is most noticeable in Sao Paulo state, responsible for half the country's gross national product of about $350 billion. Companies there laid off about 171,000 workers in the first half of 1990, the most in 10 years. Retail sales fell in the region by 17 percent between January and June, compared with the same period last year.

Economists say a wage squeeze, a more liberal import policy, and the government's new attempts to keep down monetary growth have started a recession and will bring inflation down over the next few months.

''Recession has come to be part of the government's policy logic,'' Cesar Maia, a federal deputy and economist, recently told the daily Jornal do Brasil. That logic has meant: boosting banks' reserve requirements, hiking capital-gains taxes, stretching out terms of investment funds, and reducing wages, to name a few measures. ''All this together produces results,'' Mr. Maia says.

Brazil has lived with inflation for most of the last decade, and the country's new president, Fernando Collor de Mello, has made the problem his No. 1 policy target. Mr. Collor's success as the first directly elected president in 29 years rests largely on his ability to stop inflation, to bring hope for better times back to the poor who make up most of the country's 140 million people.

Still, inflation has bobbed down and up again in the past few months. Just before Collor took office March 15, prices were rising at a rate of about 80 percent a month. In the first months after his economic shock plan, inflation dropped to less than 5 percent a month. But in June, prices rose about 12 percent; July is expected to be 13 percent.

The biggest threat to the success of the new policy comes from workers demanding wage hikes to keep up with inflation. Last week, 27,000 steelworkers struck for a 166 percent pay increase.

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Wages have traditionally been indexed to inflation in Brazil. But the Collor government did away with this artifice. Congress, with an eye toward reelection Oct. 3, earlier this month passed a bill providing cost-of-living increases. But the president has vowed to veto it when it crosses his desk.

''The current policy is to say strictly 'no' to everyone, until inflation gets to a level of 2 or 3 percent and stabilizes at this level,'' says Central Bank President Ibrahim Eris. ''I believe in Collor, in his sincerity, and we will even risk losing some votes in the (congressional) elections.''

Sounds like here in U.S.

But losing votes in Congress means risking legislative support for future presidential initiatives.

Saying ''no'' has also included cuts in the government budget. Economy Minister Zelia Cardoso de Mello said July 13 that federal workers will get no pay increases this year, and that government will cut its investments in such areas as electrification, petroleum production, and mining by 39 percent to about $6 billion. That $36 billion cut, plus revenues, should help produce a small budget surplus, the first in years.

Tightfistedness also applies to Brazil's $115 billion foreign debt and interest arrears of $7 billion. Officials say Brazil this year will pay only the $4 billion it owes to international organizations, including the Inter-American Development Bank, the World Bank, the International Monetary Fund (IMF), and the Club of Paris. Private banks are to get nothing on long-term credits.

Last week, Economy Policy Secretary Antonio Kandir met in Washington with IMF officials, to begin negotiating a standby loan. Meanwhile, Ms. Cardoso de Mello is explaining the Brazilian economic situation to European government officials, to begin paving the way for debt negotiations and to attract new foreign investment.

Just after Collor imposed his first drastic liquidity squeeze, economists were predicting a near-instant depression in Brazil. Many companies, strapped for cash, halted production. But as the Central Bank began allowing more money back into the economy, activity started up again. The downturn has put the brakes on industries that require long-term planning and investment, such as capital goods. But it appears to have begun spreading.

''It was always thought that Brazil could fight inflation without recession,'' Maia told the Jornal do Brasil. ''And what that got us was near hyperinflation, poverty, terribly low salaries.

''I know that we are investing much less in social needs than Brazil must have,'' he says. ''But the moment comes when you have to choose. Our choice is to end inflation. Then, we'll see.''

GRAPHIC: PHOTO: RIO DE JANEIRO: Brazil's government is trying to stifle inflationary price increases on goods and food - including fish, at this outdoor market., ROBERT HARBISON - STAFF

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February 11, 1990, Sunday, Late Edition - Final

SECTION: Section 1; Part 1, Page 11, Column 1; Foreign Desk

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HEADLINE: In Brazil, Chaos Is Rising With the Inflation Rate

BYLINE: By JAMES BROOKE, Special to The New York Times

DATELINE: RIO DE JANEIRO, Feb. 10

BODY:

Poor people have started looting food stores as Brazil's monthly inflation rate soars.

With food prices expected to rise 70 percent this month, about 800 impoverished Brazilians broke into Rio's largest wholesale fruit and vegetable market on Thursday, and the market, Ceasa, briefly became a tableau of Brazil's sharpening economic chaos.

Security guards stood by, arms folded, because they are striking for inflation-adjusted salaries. A platoon of military police officers arrived, firing guns in the air. Newspapers reported on Friday that several then started stealing food from the looters.

By the end of the day, two people were under arrest and 15 tons of food were missing.

Reminiscent of Argentina

The scenes of looting reminded many Brazilians of the sackings of food markets that erupted after soaring inflation hit Argentina last May. Because of the looting there, President Raul Alfonsin agreed to step down five months early to allow the newly elected leader, Carlos Saul Menem, to take office. In Brazil, Fernando Collor de Mello is to be inaugurated as President on March 15. Elected last December, Mr. Collor has declined to take office early.

Mr. Collor has predicted that Brazil's inflation will be running at 80 to 90 percent a month by the time he takes office. A limited amount of social chaos would help Mr. Collor push through a tough anti-inflation program through Congress, several Brazilian business leaders have speculated in interviews here.

Currently on a world tour, Mr. Collor has often said that a sharp attack on inflation will be a top priority of his new government. Zelia Cardoso de Mello, his closest economic adviser, has set a goal of 5 percent a month by mid-June.

''Inflation is the primary enemy and will be fought with implacable vigor,'' Mr. Collor told British businessmen in London on Thursday, hours after the food sackings started here.

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''The Brazilian population can be absolutely sure that we are going to liquidate inflation, and this will be in the first 100 days of the government,'' said the President-elect, who is scheduled to return here on Tuesday.

In Brazil, where money shrinks in value by 2 percent a day, the economy takes on an increasingly surreal quality.

On Wednesday, savings accounts started offering pre-tax interest rates of 100 percent, and the Government put into circulation a new 500-cruzado denomination bill. The 200-cruzado note, dethroned from a fleeting reign as Brazil's highest denomination bill, is now worth $4.50 on the street.

No Meat and Rented Costumes

Although some companies have resorted to raising wages weekly, many people find they cannot keep up.

''I haven't bought meat in six months, and for recreation it's just the beach, which is free,'' said Antonia Ferreira, a mother of three whose husband is a doorman in Leblon, a beachfront neighborhood here.

Prices for the same goods often vary wildly from store to store. A recent magazine survey found one clothier selling a man's suit for a higher price than the combined price of a blender, a small oven, a fan, a toaster and an electric juicer. With Rio's pre-Lenten Carnaval approaching in two weeks, many middle-class Brazilians are cutting back at a time when they often let loose.

At an auction last week, Rio's state tourism agency was able to find takers for only 15 of 66 boxes that offer views of the samba school parade.

Scared by high prices, many make-believe pirates, Indian princes, ballarinas and Polynesian maidens are also reduced to renting their costumes for this year's Carnaval balls.

SUBJECT: ECONOMIC CONDITIONS AND TRENDS; PRICES; LOOT AND LOOTING

NAME: BROOKE, JAMES; COLLOR DE MELLO, FERNANDO

GEOGRAPHIC: BRAZIL

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68TH STORY of Level 1 printed in FULL format.

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February 13, 1990, Tuesday, BC cycle

LENGTH: 453 words

HEADLINE: PRESIDENT -ELECT COLLOR RETURNS TO BRAZIL AFTER WORLD TOUR

BYLINE: By Stephen Powell

DATELINE: SAO PAULO, Feb 13

KEYWORD:
BRAZIL -COLLOR

BODY:

President -elect Fernando Collor de Mellor returned to Brazil on Tuesday after a 19-day world tour which he used to drive home the message that he wants Brazil to join the club of rich nations.

During the 1964-85 military dictatorship Brazil cultivated relations with Third World countries in Latin America and Africa and projected itself as a Third World leader.

Collor, 40, takes a radically different tack and says he wants Brazil to sit at the same table as the Group of Seven rich industrialised countries.

He has left no one in doubt about his priorities. He visited three Latin American countries -- Argentina, Uruguay and Paraguay -- in just one day last month and then flew off for the countries with economic and political clout.

Brazil is the eighth largest non-communist economy but it faces serious problems of mass poverty and runaway inflation.

The Brazilian press has acclaimed Collor's trip to the United States, Japan and Europe as a success but newspapers also highlight the distance between the Brazil of Collor's dreams and Brazil as it is today.

The business newspaper Gazeta Mercantil said in an editorial on Tuesday that Collor "returns to a Brazil worse than he left a month ago: prices soar in incomprehensible fashion, alcohol fuel is lacking in several states, hospitals do not accept the sick and misrule was never so flagrant."

Inflation in 1989 was 1,764 per cent, but is so far running at even higher levels this year. In February alone prices are expected to rise about 70 per cent and in March 80 per cent. Brazilians no longer have a clue what anything costs.

Some hospitals have refused to admit patients receiving government-paid treatment because by the time the government pays the hospitals the currency is devalued.

On arrival in Brasilia, Collor called on the outgoing administration of President Jose Sarney to take urgent measures to combat inflation. Collor,

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who takes office on March 15, three months after his election, has promised to bring inflation down to 10 per cent a month within 100 days.

Collor's planned reforms include cutting the huge state sector which accounts for about two-thirds of the economy.

Collor during his trip met with leaders including U.S. President George Bush, Soviet leader Mikhail Gorbachev and the heads of government of Japan and West European nations.

He conveyed the message that Brazil would not allow payments on its 115 billion dollar foreign debt to harm its economic growth and was told by the other leaders that they are looking to Brazil to play its part in environmental protection.

Brazil has a third of the world's rainforests and there is continuing concern over the country's rapid destruction of the forests.

SUBJECT:
POLITICS

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58TH STORY of Level 1 printed in FULL format.

Copyright (c) 1990 Latin American Newsletters, Ltd.;
Latin America Regional Reports: Brazil

February 15, 1990

SECTION: WASHINGTON LETTER; Capitol Hill; RB-90-02; Pg. 7

LENGTH: 348 words

HEADLINE: COLLOR'S MESSAGE PLEASES WASHINGTON

BODY:

Billed as a 'get-acquainted' visit, President -elect Fernando Collor de Mello spent 26-27 January on a crash course on US concerns with regard to Brazil. In meetings timed at 45-minute intervals, he met President George Bush, Vice President Dan Quayle, and Secretaries James Baker (State), Robert Mosbacher (Commerce), Nicholas Brady (Treasury), US Trade Representative Carla Hills, as well as Environmental Protection Agency (EPA) Administrator William Reilly.

Collor's message was music to Washington's ears. Emphasising his personal interest in Washington's economic and trade concerns, he said that:

* Brazil will abandon the highly interventionist' state model now in place.
* Import restrictions on US computers and informatics technology will be lowered.
* Protectionism will be a 'political instrument to be placed on the shelf.
* Joint ventures with foreign companies that import technology will be welcome.

Washington policymakers are awaiting with interest the Collor government's debt negotiation strategy. Collor refused to give details, although he noted that, while he had no intention of imposing terms for debt negotiations, he would not accept conditions that would impede economic development and condemn Brazilians to 'backwardsness and misery'. Collor -- who also met top IMF, World Bank and IDB officials during his visit -- promised to send an economic team to Washington and New York to renegotiate Brazil's foreign debt in the first week of his government.

On the question of the US invasion of Panama, Collor changed gear in midsentence, telling reporters on 26 January there was 'no great adversity' to the US action and ending with a defence of sovereignty and only 'interventions of reason' between countries.

Brazil expert Riordan Roett, professor at the School of Advanced International Studies, has called Collor's visit 'symbolic of change', but has cautioned that US bankers 'have learnt that glamour is not a replacement for performance' and that it will be difficult to spark US investor confidence in Brazil in the short run.

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The Independent

February 16, 1990, Friday

SECTION: FOREIGN NEWS PAGE; Page 11

LENGTH: 371 words

HEADLINE: Collor rallies 'barefoot warriors'

BYLINE: From RICHARD HOUSE in Sao Paulo

BODY:

BRAZIL'S president -elect, Fernando Collor de Mello, has declared the country to be in a ''state of war'' against runaway inflation, promising to mobilise millions of ''workers for national reconstruction'' and to put speculators behind bars.

At a press conference in Brasilia, on his return from a three-week international tour designed to improve Brazil's inflation-battered image, Mr Collor promised to be implacable in the struggle to control a situation he said was ''on the brink of hyperinflation''. The cost of living will rise by more than 72 per cent this month and by around 80 per cent next month when he takes office. Annual inflation is forecast to exceed 2,500 per cent.

Though Mr Collor ruled out a price freeze and refused to give details of the economic measures he intends to announce next month, he said the sudden increase in inflation was in line with the ''worst-case scenario'' envisaged by his economic team. It would force only minor changes in his strategy of cutting at the roots of the problem with gradual measures.

The ''workers for national reconstruction'' are to be Mr Collor's shock troops in the battle to fulfil his pledge to bring inflation down to 10 per cent in three months. Mr Collor made an emotional public appeal to those who voted for him last December - ''the discamisados, the barefoot ones, and those who suffer'' - to form the new army.

Mr Collor's ''war effort'' already has its public enemy: the elite establishment that gave the 39-year-old leader his first political opportunities and also financed his costly election campaign, in which he narrowly defeated a left-wing rival, Luis Inacio ''Lula'' da Silva.

''The speculators, the tax dodgers and the privileged will pay the bill for my economic plan,'' he said, warning inflation was a police matter. He promised to lock away ''Brazilian elites who carry on increasing prices abusively''.

The new leader also signalled a U-turn in Brazil's non-aligned foreign policy, promising to tear down trade barriers as Brazil hungrily competes for investments that might otherwise go to Eastern Europe. He said the country must abandon ''xenophobic Third World dreams'' and pursue integration with the developed world.

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29TH STORY of Level 1 printed in FULL format.

The Xinhua General Overseas News Service

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FEBRUARY 21, 1990, WEDNESDAY

LENGTH: 109 words

HEADLINE: brazil -argentina free trade urged

DATELINE: brazilia, february 21; ITEM NO: 0221189

BODY:

the brazil -argentina chamber of commerce presented a proposal to president -elect fernando collor de mello on tuesday for free trade between the two countries. chamber president pery sommer pereira said the plan would signal the beginning of integration along their common border, stretching from urucuaiana city to the mouth of the iguazu river. pereira said he will urge the president-elect to sign a recommended commercial line to remove bureaucracy in trade with argentina. the chamber is also expected to discuss the establishment of stock exchanges in some cities where buying and selling will be done with argentine currency, pereira said.

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February 25, 1990, Sunday, BC cycle

LENGTH: 721 words

HEADLINE: BRAZIL'S POOR SUFFER WITH INFLATION WHILE RICH PROFIT

BYLINE: By Tova Chapoval

DATELINE: RIO DE JANEIRO, Feb 25

KEYWORD:
BRAZIL -INFLATION

BODY:

It has been four years since Alexandre Gomes Oliveira has been able to take his family to a restaurant or treat his children to ice cream.

Gomes, a building superintendent in Rio, earns two and a half times the minimum wage -- 5,000 cruzados (about 92 dollars) a month. But his family goes without meat or fish. They eat mainly eggs, rice and beans.

"For us it is not a question of how we live with inflation," he said. "It is a question of how we survive."

There are various investment opportunities in Brazil that offer returns that outpace the rate of inflation, but even opening a bank account is beyond the means of the majority of Brazil's poor.

"It is not even a dream," Gomes said.

"I do not have enough money to eat properly," said Almerida da Silva, a widow with eight children who works as a cleaning lady in a Rio office building. She makes 3,000 cruzados (55 dollars) a month.

Inflation in Brazil hit 56 per cent in January and is expected to reach 70 per cent in February and 80 per cent in March.

President -elect Fernando Collor de Mello, who takes office on March 15, has declared "a state of war against inflation".

Although salaries are indexed to inflation, Gomes noted that his salary, to be paid at the end of February, will rise only at the rate of January's inflation.

Prices of many goods rise far more than the government's inflation indicator.

Anita Nettesheim went one morning to buy cement for some home repairs. She paid 20 cruzados (35 cents) for one package but found it was not enough. Two hours later she went to buy more, only to find the price had doubled.

However, she and her husband, Jorge, a computer programmer, have found ways to stay ahead of inflation. They invest in the stock market and "overnight"

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accounts.

The Sao Paulo stock exchange index has risen nearly 45 per cent so far in February. The overnight interest rate, which banks pay for overnight deposits, is now over 105 per cent a month.

Gold, property and the dollar are other favourite investments among the middle and upper classes.

Ordinary savings accounts pay half a percentage point above the inflation rate. In a move to make savings accounts more accessible to the poor, some banks now will accept any amount to open an account. Previously, they required a 10,000-cruzado (184 dollar) minimum.

But even for those who manage to stay ahead of inflation, living with day-to-day price changes has taken its toll.

"Inflation is creating a state of neurosis in Brazil, " said Silvio Zibenberg, a transport engineer.

Except for necessities such as food, Zibenberg said, he buys nothing without doing extensive research because prices vary from place to place.

One Rio merchant, who asked not to be named, said the same bicycle can sell for 3,000 cruzados (55 dollars) in one store and 9,000 (165 dollars)in another.

"But in the time it takes to do the research prices often go up," he added.

He told the story of a woman who came to his store to buy a child's swimming pool. She then did some comparative shopping and returned a few hours later to buy the pool. But the price in those few hours had risen by some 1,500 cruzados (27 dollars).

One way Brazilians try to beat inflation is by using credit cards, thus delaying payments by as much as 35 days. However, many stores no longer accept credit cards for just that reason.

The Nettesheims said they do all their food shopping in the Freeway supermarket, even though it is a 40-minute trip from their home in Rio. The prices are more expensive but it is the only Rio supermarket that still accepts credit cards.

Many stores offer discounts of 50 per cent or more on items bought with cash. But Brazilians have discovered it is better to buy on credit and pay a month later. The money made in an overnight account during that time more than makes up for the higher prices, they said.

Some, like Zibenberg, travel even greater distances to make their purchases.

Zibenberg said he goes to the United States twice a year to make major purchases, such as electronics. The money saved is more than the airfare, he said.

Others are not so lucky.

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"When our refrigerator breaks or our television burns out, we can't afford to replace them," said Gomes. "We used to pay for these items in instalments, but now the payments are readjusted every day."

TYPE:
GENERAL FEATURES

SUBJECT:
LIFESTYLE; ECONOMIC AFFAIRS

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5TH STORY of Level 1 printed in FULL format.

Copyright (c) 1990 The Times Mirror Company;
Los Angeles Times

February 27, 1990, Tuesday, Home Edition

SECTION: Business; Part D; Page 21; Column 1; Financial Desk

LENGTH: 431 words

HEADLINE: PRESIDENT-ELECT OF BRAZIL READIES PLAN ON INFLATION;
ECONOMICS: EXPERTS SAY FERNANDO COLLOR DE MELLO MUST CONTROL RUNAWAY INFLATION QUICKLY OR LOSE CREDIBILITY.

BYLINE: By WILLIAM R. LONG, TIMES STAFF WRITER

DATELINE: RIO DE JANEIRO

BODY:

While other Brazilians reveled in the traditional Carnival holidays, President -elect Fernando Collor de Mello worked Monday on plans for taming inflation of more than 70% a month.

Collor, 40, takes office March 15, succeeding President Jose Sarney. During Sarney's five years in office, inflation has totaled more than 1 million percent.

Over the weekend, the official Brian Institute of Geography and Statistics announced that inflation from mid-January to mid-February reached a record monthly rate of 72.78%. If compounded for 12 months, that would produce an annual rate of 70,682%.

"I have confessed several times -- and I confess with absolute humility -- that I was not successful in my plans for fighting inflation," Sarney said last week.

Collor, elected in a Dec. 17 runoff vote, has likened Brazil's inflation to a charging tiger and himself to a hunter with only one bullet in his rifle. He and many economists say he must control inflation in the first months of his administration or lose essential public credibility.

While recent public opinion polls have shown a high rate of public confidence in Collor, Brazilians look nervously at neighboring Argentina, where a new president last year appeared to be dominating inflation but has since lost control of the economy.

"The next president cannot err because any initial failure will cost him a tremendous loss in public opinion, dragging the country down the same tragic road as Argentina," warned Marcos Cintra de Albuquerque, director of the Getulio Vargas Foundation School of Business Administration.

Collor has promised to reduce official spending and increase government efficiency, selling or closing many money-losing state enterprises and renegotiating Brazil's $112-billion foreign debt. He has said he will take his first anti-inflationary measures immediately after his inauguration, vowing to reduce the monthly rate to 10% within 100 days.

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(c) 1990 Los Angeles Times, February 27, 1990

Collor's press adviser denied reports during the weekend that a possible freeze on the prices of food staples was being studied. The president-elect has said a price freeze does not mesh with his free-market policies.

On Monday, after Brazilians in many cities celebrated the pre-Lenten Carnival with a night of marathon parades and parties, Collor met all morning in Brasilia, the capital, with his economic team, headed by Zelia Cardoso de Mello.

"Collor and his team are taking advantage of the last Carnival days, Monday and Tuesday, to put the final touches on plans for economic and administrative reform," the official news agency Radiobras said.

GRAPHIC: Photo, (Southland Edition) Jose Sarney

SUBJECT:

BRAZIL -- ECONOMY; BRAZIL -- GOVERNMENT OFFICIALS; INFLATION; COLLOR DE MELLO, FERNANDO; BRAZIL -- GOVERNMENT

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The Independent

April 11, 1990, Wednesday

SECTION: LIVING PAGE; Page 13

LENGTH: 1071 words

HEADLINE: Where therapy now costs a fruit cake; Brazil's shock economic reforms mean its yuppies must learn to live in a world without cash, reports Richard House

BYLINE: By RICHARD HOUSE

BODY:

IMPECCABLE in his English suit and gleaming shoes, Renato Marques is grimly proud of having discovered the cheapest hot-dog stand on a low-rent corner of Sao Paulo's business district, where he now lunches daily.

''While office boys eat in restaurants, the boss must make do at the lunch counter,'' he smiles wryly. Just three weeks ago, 36- year-old Mr Marques had almost within his grasp the kind of lifestyle that cigarette ads used to feature - scuba-diving holidays on paradise islands, beach weekends and langorous Saturday barbecues topped with choice armagnac. As a partner in an insurance firm, his prosperity seemed assured.

But on 16 March everything changed: Brazil's new president announced a radical economic plan aimed at killing the country's 2,000 per cent hyperinflation. Overnight a world of gracious, if wasteful, living for the lucky few vanished, to be replaced by a climate not unlike that of Britain in the blitz.

To stop consumer demand, three-quarters of private and company savings have simply been frozen. President Fernando Collor de Mello has promised that his ''war economy'' will punish the privileged elites whom he accuses of bleeding the country white.

Yet his principal victims are young, thirtysomething professionals such as Renato Marques, who invested everything in their companies and are now struggling to survive in the face of recession.

The reform has stopped almost all insurance business activities - yet the bills keep coming in. After paying the wages at the office Mr Marques had pounds 120 left over to last his family a month. ''The cleaning lady offered to lend me some money when I told her I couldn't pay her,'' he says. His sons Joaquim and Francisco dare not ask for pocket money.

To help cover their school fees, Mr Marques has offered the school an insurance deal. ''We took the boys out of swimming classes and I wanted to stop their music lessons, too. But the teacher told my wife Monica one customer was paying in pizzas: now she brings pot-plants and does the garden while they have their lessons indoors.

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(c) 1990 The Independent, April 11, 1990

''The first discovery is that you can live on much less than you thought - I realised in the past I'd been an idiot and that 90 per cent of people were stealing from me. There's much more understanding and goodwill now.''

Marta and Marcelo Aflalo's graphic design and architecture studio was low down the list when customers such as Johnson & Johnson reluctantly came to pay their bills after the economic shock.

''We're living on fresh air; we couldn't take a penny from the company this month,'' says Mrs Aflalo, who has scrapped weekend trips and no longer shops in the expensive vegetable market.

The couple tried to sack their assistant architect, but she prefers to work for nothing, rather than get depressed at home. Now new commissions are slowly appearing: instead of luxury homes or lush corporate brochures, the Aflalos are designing fast-food outlets for down-market suburban shopping centres.

''The reality is different now;there's been a major change in social habits,'' says Mr Aflalo. ''The A and B classes are now consuming what had before been left for the C and D groups - when they can afford it. And the D and C groups are buying up top-quality consumer goods in the sales.''

A week ago Eliana Cesar was in despair. Weekend tourists had deserted Campos de Jordao, a hill resort near Sao Paulo where her small factory turns out stylish fruit cakes and chutneys. ''My analyst said everyone was being negative, I had to think positive. And after five minutes' positive thinking the first client appeared.'' With the prospect of export sales, she has avoided laying off her 15 workers, who she says are now enthusiastically ''playing for the team - now sales are their problem, too. People are much more united.'' Ms Cesar is still living off the vegetable garden and plans to kill a duck for Easter, but she has turned the corner.

There is no spare cash yet for the analyst, who is receiving payment in fruit cakes. Sao Paulo's young professionals are finding ingenious solutions to maintain their counselling in a world without cash: psychotherapists are being paid in frozen food, art works, embroidered cushions and even live pigs.

Mario Gallo's company organised art exhibitions and cultural events that benefited from one of the corporate tax incentives. The incentives were scrapped by the Collor plan, and the day after it was announced all his clients cancelled their contracts.

He kept the office going. ''I'm not earning anything, but I tell clients I prefer to build up credit because someone will pay me eventually. I'm backing the integrity of people, much more than the technical merits of this plan,'' he says. ''The bourgeoisie is starting to learn the true value of things.''

Life has changed at home: instead of shopping locally, fastidious Mr Gallo gets up at 6am to drive out to the municipally subsidised fruit and vegetable market in a grim and grimy suburb.

''You stand in a queue with 800 poor people. When they give you a plastic bag everyone goes crazy, cramming in vegetables. I now feel like someone living in a communist country - but everyone has their price. I know my price today is buying two big sacks of fruit and vegetables for half what it costs in the

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supermarket.''

Exporter Marcos Croce escaped a more serious financial upset, when pounds 90,000 of his working capital was briefly frozen by the Central Bank. He remains enthusiastic about the plan, even though it has produced violent exchange rate fluctuations that have temporarily grounded his business.

''No one is exporting a thing, so my private life has changed a lot. I negotiate everything with everyone - and pay them in installments,'' he says.

Compared with the 700,000 salaried workers in Sao Paulo who received less than a full pay- packet this month, or the 300,000 industrial workers on paid leave that could soon turn into dismissal, these professionals' problems may seem trivial.

Tens of thousands of casual farm and construction workers have nowhere to sleep and politicians are pressing for the formation of work gangs to help the hungry and jobless.

But with Renato Marques, Marcelo Aflalo and Mario Gallo rests the success or failure of Mr Collor's ambitious plan: to wrest Brazil from the ancient langour of its Iberian roots and make it look northward to the work-oriented Anglo-Saxon world.

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Copyright (c) 1990 Reuters;
The Reuter Business Report

April 12, 1990, Thursday, BC cycle

LENGTH: 468 words

HEADLINE: BRAZIL CONGRESS APPROVES ANTI-INFLATION PLAN

BYLINE: By Rene Villegas

DATELINE: BRASILIA, Brazil

KEYWORD:
BRAZIL -CONGRESS

BODY:

The Brazilian congress approved Thursday the central measures of President Fernando Collor de Mello's anti-inflation plan, one of the most draconian monetary reforms in history.

The measure created a new currency, the cruzeiro, and fixed strict limits on how much money Brazilians can withdraw from bank and savings accounts over the next 18 months.

According to government calculations, the measure freezes about $115 billion of the $150 billion in individual and company accounts.

The official news agency Radiobas said the government proposal had been approved without changes.

Renan Calheiros, leader of the government in the Chamber of Deputies, described the congressional approval as "a formidable victory."

The freezing of bank accounts is the key to the whole government plan, which is designed to beat an inflation rate of 4,854 per cent over the past year.

Since Collor introduced his severe austerity plan on March 16, the second day of his government, prices have been stable. But the freezing of most money in Brazilian accounts has been extremely controversial. Not only has it interfered with individual lives, it has made it difficult for companies to pay wages and has prompted fears of a serious depression.

The Bank of Boston's Newsletter Brazil called it "The most radical economic stabilization program ever imposed on a Latin-American country, if not on any country."

The plan establishes that Brazilians cannot withdraw more than fifty thousand cruzeiros, a little more than $1,000, from current and savings accounts over the next 18 months. They can take out 25,000 cruzeiros, or 20 percent of the total, whichever is greater, from money market accounts.

Collor has dubbed the austerity program the "New Brazil" plan.

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"Let us hope that Brazil succeeds," said senator Fernando Henrique Cardoso, leader of the Social Democrats in the senate.

The social democrats had supported an easing of the tight restrictions on bank withdrawals, as had the Brazilian Democratic Movement Party (PMDB), the biggest party in the 570-member congress.

But a PMDB amendment proposing higher withdrawal limits was defeated Wednesday night.

Other ammendments were later withdrawn and congressmen said the government's measure was automatically approved.

The congressional approval was a major victory for Collor, at 40, the youngest president in Brazilian history.

Collor has vowed to liquidate inflation, which he described in his inaugural address as a "social cancer," in his first year in office.

"This is an historic day for the national congress," said Calheiros. Brazilians are conscious that their country is passing through a critical period and that success or failure of the government's plan will have enormous repercussions for the southern hemisphere's biggest economy.

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April 20, 1990, Friday, BC cycle

SECTION: Financial Report. Money Report. Domestic Money.

LENGTH: 377 words

HEADLINE: BRAZIL NATIONAL STEEL COMPANY TO BE PRIVATIZED

BYLINE: By Tova Chapoval

DATELINE: RIO DE JANEIRO, APRIL 20, REUTER

BODY:

Brazil's National Steel Company (CSN) will be privatized within a year, Roberto Procopio Lima Neto, the new president of the company, said.

Lima Neto, who was sworn in as president on Thursday, said at the ceremony that the new government of President Fernando Collor de Mello had approved the privatization.

"It is an irreversible decision," Lima Neto said.

A spokesman for the ministry of Infrastructure said Friday that there was no time limit for the privatization, which will be preceded by "a program of financial recuperation."

CSN's debt totals 2.5 billion dlrs.

Within the next 60 days "a reasonable number" of the company's 23,000 employees will be laid off, Lima Neto said.

The company has a history of stormy relations with its employees. Three people were killed during a 1988 sit-in at a steel plant in Volta Redonda in Rio state.

The leader of the union of steel workers of Volta Redonda, Luis Albano, told reporters that workers would fight the privatization, saying they might occupy the Volta Redonda steel plant again.

Infrastructure Minister Ozires Silva said government funds would not be used for the company's operations but that 600 mln dlrs of foreign debt on deposit at the Central Bank could be re-lent to CSN.

Silva said the government may allow new curzados frozen in bank accounts to be used for the purchase of shares in CSN.

President Collor, who took office on March 15, announced that several state-owned companies would be privatized as part of a new economic programme to halt inflation and reduce the government's deficit. The plan froze over 100 billion dlrs worth of local currency in company and private bank accounts.

Collor told the Jornal do Brasil newspaper on Friday that he would not use government money to help heavily indebted state-owned companies. He said he

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recently refused a request from CSN for 20 billion cruzeiros (about 400 mln dlrs) in aid.

Lima Neto said the government would not "create obstacles" to foreign participation in the privatization of CSN. Foreign investment will be limited to 40 pct of CSN's capital.

The first step in CSN's restructuring will be to sell off sectors not directly related to steel production, such as its coal operations, Lima Neto said.

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Institutional Investor

April, 1990

SECTION: PEOPLE; Pg. 12

LENGTH: 292 words

HEADLINE: The woman behind Brazil's economic shock treatment

BYLINE: EDITED BY KENNETH KLEE, Contributors: Stephen Clark, Saul Hansell, Fran Hawthorne, Richard House, Janet Lewis, John W. Milligan, Ida Picker, Fiammetta Rocco, Julie Rohrer

BODY:

The new president, 40-year-old Fernando Collor de Mello, calls her "the professor." But members of his administration now obliged to live beneath their means angrily dismiss her as "that girl." She is Zelia Cardoso de Mello, 37, Brazil's youngest-ever economy minister, and she is fighting her country's dire economic problems with the simple but powerful idea that where there is no money, there can be no inflation. It works: Just 30 days after she began her program -- which freezes $ 115 billion in corporate and private savings in the central bank for the next eighteen months and imposes an additional $ 30 billion tax bite on the private sector -- inflation had fallen from 80 percent a month to just 10 percent. But most other economic indicators had likewise plunged, and the country is now preparing for recession as the price of escaping hyperinflation. Some say her plan is a rerun of Germany's 1948 creation of the deutsche mark and pray it fares similarly.

Cardoso is a policeman's daughter whose only previous federal experience was in 1986, when she was a junior architect of the disastrous cruzado plan that led Brazil into debt moratorium. A former Sao Paulo University professor and advisor to Collor when he was a provincial governor, she's a woman of austere habits who often wears a single strand of pearls and prefers the works of Keynes as bedside reading. Her remedies are a bewildering mixture of free enterprise and statist intervention. But despite her youth and inexperience, she has held her own with dissatisfied domestic bankers -- and is not afraid of calling the police to back her up. Her next challenge: selling foreign bankers on the idea that Brazil should henceforth halve its interest payments.

GRAPHIC: Photo, Brazil's Cardoso: Where there's no money, there's no inflation Abril Imagens/Nellie Solit Renick

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The Xinhua General Overseas News Service

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APRIL 28, 1990, SATURDAY

LENGTH: 213 words

HEADLINE: brazil to save 14 billion dollars by reducing real interest rate

DATELINE: brazilia, april 28; ITEM NO: 0428187

BODY:

brazil will be able to save nearly 14 billion u.s. dollars this year as a result of a reduction in the national debt's real interest rate, national treasury department director roberto guimaraes said friday. the figure will be equal to four percent of the country's estimated 350 billion-dollar gross domestic product (gdp), guimaraes said. the country's national debt real interest rate stood at 30 to 40 percent a year. the government of president fernando collor de mello froze 30 percent of the national debt and reduced the real interest rate to six percent a year. the term of expiration was prolonged to 18 months after march 19 and the payment will be made in 12 equal parts, a move which signifies a 30-month term for payments. with the new system, guimaraes said, the government has transformed a large debt with rapid payments to a much smaller debt that can be paid over a longer period of time. thus, the government also need not issue more money to keep up with payments and spending, he said. guimaraes said the new system, which has slashed government spending on the national debt to one percent of the gdp, along with other austerity measures, will allow the government to meet its goal of having a financial surplus equal to two percent of the gdp.

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April 28, 1990, Saturday

SECTION: INTERNATIONAL; Pg. 11

LENGTH: 613 words

HEADLINE: £95m Collor plan to save Brazil's street children

BYLINE: By William Vanvolsem in Rio de Janeiro

BODY:

IN A MAJOR policy shift, President Collor of Brazil has ordered a radical change in official attitudes to the country's estimated eight million abandoned street children by announcing a state-subsidised £95 million foster parents scheme.

In doing so, he has effectively banned the regular and controversial rounding up of children by armed police and their virtual imprisonment in doubtful detention centres which go under the name of "social care institutions" and where many minors claim they are beaten and tortured.

The measures are of such magnitude and drastic social impact that observers have commented that they have seemingly emerged as the Collor government's number two priority after the fight against inflation, already met with a draconian economic austerity package.

The apparent seriousness with which President Collor seeks to tackle the problem is shown not only by the sheer size of the funding - a 500 per cent increase compared with child welfare budgets of previous years - but also its classification as an "emergency programme", which has to be started within 45 days.

The main suggestions and outlines of the project were presented to the President by Senhora Maria de Fatima Borges, 36, who has one child and was selected by Senhor Collor as the head of the recently created Brazilian Foundation Centre for the Child and the Adolescent.

The plan was inspired by a Unicef experiment in the poor interior of the north-eastern states of Bahia and Alagoas, the President's home state, under the title: "A House - A Home." The idea is to place children with foster families, preferably with those of their little friends who still have some family ties.

In turn the families concerned will enjoy tax rebates and receive government assistance, including finance, for the moral and physical well-being and proper education of the children. Rigorous checks will be applied. "The detention of abandoned children will be a thing of the past," said Senhora Borges. "It only leads to the marginalisation and prostituting of innocent minors."

The round-up of children caused an outcry in Brazil two weeks ago when a Rio de Janeiro judge withdrew his order to have the city's estimated 20,000 street children under the age of six taken to detention centres, after he learned of "horrendous conditions" at these shelters.

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(c) 1990 The Daily Telegraph plc, April 28, 1990

"In that case they are still better off in the streets," said Judge Liborni Siqueira.

Under the Collor initiative, these centres will not be abolished but their maximum intake will be limited to 30 at a time, instead of the current 300, and instead of being merely "detention centres" they will be turned into medical and pedagogical centres.

The scheme will be launched first in Rio, where the problem is most acute. An estimated 250,000 children are abandoned in the city, tens of thousands of them making a living in the streets begging, shining shoes and committing petty crimes such as theft and pick-pocketing. They sleep on cardboard in building entrances and telephone booths. Mr John Donohue, Unicef representative in Brazil, is hopeful for the next 10 years. "Social attitudes in Brazil are changing. At the beginning of the Eighties most people were considering street children merely as little criminals. This is no longer the case."

The National Movement for Street Children has calculated that the number of children in need in the whole of Brazil is much higher than officially acknowledged.

According to the organisation, there are 45 million children living in "sub-human conditions": 25 million in "high risk situations", 12 million abandoned or orphaned and seven million physically or mentally handicapped.

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18TH STORY of Level 1 printed in FULL format.

The Associated Press

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April 28, 1990, Saturday, AM cycle

SECTION: International News

LENGTH: 893 words

HEADLINE: Brazilians Split Over Economic 'Shock' Plan

BYLINE: By KEN SILVERSTEIN, Associated Press Writer

DATELINE: RIO DE JANEIRO, Brazil

KEYWORD: Brazil

BODY:

Business and organized labor say Brazil's economic "shock plan" is driving the nation toward recession, but the poor think President Fernando Collor de Mello has the right idea.

"I hadn't eaten meat in so long, I'd forgotten what it tasted like," said Derly Rosa Perreira dos Santos, 25, who works as a maid and lives in a shantytown of Rio's poor North Zone. "Now I can afford it twice a week."

Record annualized inflation of 4,854 percent has fallen dramatically since Collor announced his "New Brazil" plan March 16, one day after taking office as the country's first democratically elected president in 29 years.

It put an 18-month freeze on savings deposits of more than $$1,200 and limited withdrawals from money market funds to $$600 or 20 percent of the value, whichever was greater.

About $$115 billion was frozen, 80 percent of all bank deposits in Latin America's largest economy.

Collor also cut spending, imposed new taxes and promised to sell many of the 188 state-owned companies to eliminate the $$31 billion federal budget deficit.

There is disagreement over the inflation rate for April - the government says zero and several independent institutions estimate 25 percent - but all agree the threat of hyperinflation is gone.

"Food and medicine are cheaper and the bus fare has stopped rising every week," said Mrs. dos Santos, who has two children and rides the bus to work. "I've even been able to save a little money the past month."

Spending on cheap housewares and appliances has surged.

"Our stores in poor areas are selling about 10 to 15 percent more," said Fernando Martinho of the TeleRio chain of appliance stores. "Our outlets in

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middle class and wealthy areas report stagnant sales, or even a small drop."

Mrs. dos Santos said that, if inflation remained low, she hoped to buy a mattress for her children, who sleep on blankets on the floor of the family's concrete hut.

Poor Brazilians have little sympathy for wealthy people with frozen bank accounts, now referred to in the press as "nouveau poor."

More than half the workers in Brazil earn $$150 a month or less, while the richest 10 percent of the country's 150 million people live in luxury.

Nilda Modena da Silva praised Collor for freezing the accounts and said: "While I had no money to buy bread, the rich threw food in the trash."

She is not happy about zero inflation, however, because that means pay will not go up, and "how can he (Collor) freeze a mother's salary?"

Mrs. da Silva works as a janitor and supports her two children on the minimum wage of about $$75 a month.

Opinion about the economic plan seems evenly divided in the middle class, but Collor gets low marks from the rich.

A survey by the respected firm Research International found a sense among the upper 10 percent of reduced social standing, "loss and humiliation."

Antonio Ermirio de Moraes, president of the Votorantin group, Brazil's biggest private company, said on a television talk show he considered emigrating after having $$500 million caught in the freeze.

Many businessmen feel betrayed because they supported Collor against socialist Luis Inacio Lula da Silva in the December election. They accuse the president of reneging on promises of free-market reform.

"We are living in an economic dictatorship," said business consultant Alexandre Barros. "Never in the history of this country has there been so little economic freedom.

"The name of the game is no longer to be an effcient entrepeneur, but to be a political operator who can pressure the government into releasing your money. There are no market criteria at all."

Organized labor agrees with management in this case.

Official figures say unemployment has grown from 3.5 percent to more than 9 percent since March 15.

The huge, foreign-owned auto plants that ring Sao Paulo, Brazil's largest city, have put 80 percent of their employees on furlough and about 300,000 construction workers have been laid off.

"This plan will lead to a depression far worse than the hyperinflationary spiral which it was supposedly going to save us from," said Jose Olivio Miranda of the Central Workers Union, the largest labor federation, which represents

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about 12 million workers.

Layoffs have led thousands of people who migrated to the industrialized south to return home. In mid-April, buses from Sao Paulo to the poor northeast carried 1,700 passengers a day, twice the usual number.

Gustavo Franco, an economist at Rio's Pontifical Catholic University, said a downturn was necessary to curb inflation.

"Once the cost of living comes down, it is relatively simple to restart growth," he said. "We have a very strong economy with a solid industrial base."

Luiz Carlos Bresser Pereira, a former finance minister, said: "The government has taken necessary steps to permanently bring down inflation. First we need to stabilize the economy, then the government should implement ... policies to help the poor."

Herbert de Souza, director of the Brazilian Institute of Social and Economic Analysis, is less sanguine.

"With the poverty we've got, Brazil can't take a deep recession," he said.

"The first impact of the plan may have helped the poor, but that is temporary and will be erased with a recession. The measures are now popular because people are looking at the immediate impact and not consequences."

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17TH STORY of Level 1 printed in FULL format.

The Associated Press

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April 28, 1990, Saturday, BC cycle

ADVANCED-DATE: April 29, 1990, Sunday, BC cycle

SECTION: Business News

LENGTH: 873 words

HEADLINE: Brazilian Economic Upheaval Hurting Profits at U.S. Companies

BYLINE: By BART ZIEGLER, AP Business Writer

DATELINE: NEW YORK

KEYWORD: Week's Business

BODY:

The anti-inflation austerity plan that has slowed Brazil's economy to a near standstill is reaching into the balance sheets of U.S. companies thousands of miles away.

This past week, Whirlpool Corp. reported its first-quarter profit fell 27.5 percent due to the impact of the economic plan on its Brazilian affiliates.

Whirlpool Chairman David R. Whitwam predicted the Brazilian problems would hurt the appliance maker's operating results into the second quarter before things gradually improve.

Ford Motor Co. also warned this past week that its earnings could be hurt if current conditions continue in Brazil, where it makes cars through a joint venture with Volkswagen AG.

Earlier, Caterpillar Inc. blamed lower first-quarter earnings in part on slower sales in the South American nation. Also, J.P. Morgan & Co., BankAmerica Corp. and Chemical Banking Corp. said they received lower interest payments or no interest payments at all on Brazilian loans in recent months.

Some of the revenue softness felt by U.S. companies can't be traced directly to the Brazilian austerity plan, since it only was launched last month. But economists warn that many foreign companies operating in Brazil soon will feel the crimp unless they take steps to export products they make in the nation.

Brazilian President Fernando Collor de Mello initiated his inflation-fighting plan a day after taking office March 15. Its main feature is an 18-month freeze on bank accounts with more than the equivalent of $$1,200, and a limit on money market withdrawals to $$600 or 20 percent of the account, whichever is greater.

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The plan took an an estimated $$115 billion out of circulation overnight. It has cut inflation sharply, but also sent the Brazilian economy into a tailspin, with the automobile, construction and other industries virtually paralyzed.

Many Amercian companies have extensive operations in Brazil, the most industrialized nation in South America and eighth-largest economy in the world. Among them are Ford, Caterpillar, General Motors Corp., Johnson & Johnson, Union Carbide Corp., Champion International Corp., Philip Morris Cos., Alcoa and Quaker Oats Co.

Javier Murcio, an economist with the economic research firm DRI-McGraw-Hill, said the short-term impact of the anti-inflation plan could be severe on Brazilian operations of these companies.

"It will take lots of strong nerves. In the short term it's going to be very bumpy," he said.

But over a longer period, U.S. companies may decide to export more goods from their Brazilian operations, avoiding the troubled domestic market as much as possible, he said.

"Using Brazil as an export launching pad is something companies have discovered in the past few years and will continue to do," he said.

However, Mike Sherman, chief investment strategist for Shearson Lehman Hutton Inc., said it may not be so easy to export manufactured goods that are made specifically for the Brazilian market.

Johnson & Johnson, for one, says it doesn't have the option of exporting its Brazilian goods because "we tend to manufacture in individual countries for sale in that country," said spokesman Robert Kniffin.

Johnson & Johnson makes the same array of hospital and consumer products in Brazil as it does in the United States and elsewhere, he said.

"Our plants are operating but there has been a noticeable decline in sales of products," he said.

Johnson & Johnson said Thursday its first-quarter earnings dropped 23 percent due mainly to a $$125 million charge. The charge primarily was due to paying off an Argentinian subsidiary's loan, but part of it came from problems in Brazil, Kniffin said.

Murcio said the Brazilian operations of foreign companies have been a bright spot and should continue to do well once the short-term trouble from the economic plan eases. In the long run, he said, all companies operating in Brazil should benefit from lower inflation.

"Even despite the economic problems in Brazil in the recent past, the Brazilian operations tended to be the ones that have been the fastest growing and most profitable," he said.

In other business and economic news this past week:

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-Junk bond pioneer Michael Milken pleaded guilty to six felony charges and agreed to pay $$600 million in fines and penalties stemming from the biggest securities fraud case ever against an individual.

-Financier James Goldsmith scrapped his $$22 billion takeover attempt of BAT Industries PLC, which would have been one of the largest acquisitions in history. In addition the British conglomerate agreed to sell its Saks Fifth Avenue upscale fashion store chain to Investcorp International Inc., a multinational investment group, for about $$1.5 billion.

-Ames Department Stores, an Eastern discount chain, filed for protection from creditors under Chapter 11 of the bankruptcy laws.

-President Bush removed Japan from a "hit list" of countries judged to have erected the most offensive trade barriers against American products, rewarding Japanese efforts to ease trade tensions between the two economic superpowers.

-Donald Trump said he is considering selling or refinancing virtually every major asset he owns, including the Trump Shuttle, his Northeastern airline.

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Business Week

April 30, 1990

SECTION: INTERNATIONAL BUSINESS; Number 3157; Pg. 44

LENGTH: 608 words

HEADLINE: COLLOR KICKS OFF THE GREAT BRAZILIAN SELL-OFF

BYLINE: Jeffrey Ryser in Sao Paulo

HIGHLIGHT:

And first on the block is Petrobras, the sprawling, state-owned oil giant

BODY:

They're everywhere in Brazil, the green and yellow BR logos of the state oil monopoly, Petrobras. On filling stations, chemical plants, fertilizer factories, and even mines in the Amazon, the colors of Petrobras show the long reach of the state economy.

Now, the oil giant is squarely in the sights of Brazil's new President Fernando Collor de Mello. He wants to cut Petrobras down from a sprawling industrial conglomerate to a company that concentrates on its core oil businesses. The downsizing would be the model for a multibillion-dollar privatization program. Thousands of jobs will be lost.

But Collor, who only took office on Mar. 16, is already in such hot water that some observers doubt he'll be able to close a single gas station. Middle- and upper-class Brazilians have been hurt by his double whammy of a freeze on bank accounts and drastic tax hikes. While silent now, they could become a formidable opposition if the current recession deepens and unemployment surges.

Collor seems to be hoping quick moves will keep him ahead of the mob. On Apr. 11, Brazil's National Congress cleared his monetary and fiscal plans, which have brought raging inflation to a screeching halt. Collor now wants to raise funds and slash government spending further to reduce a federal deficit that hit almost $ 25 billion last year. One way to raise money quickly is to sell off state industries. Collor might be able to get $ 3.5 billion for Petrobras assets. The company's nonoil operations accounted for one-third of its $ 13 billion in sales last year and almost half of its $ 160 million in profits.

Collor has already begun the job by dissolving Petrobras' $ 2 billion international trading arm, Interbras, which dealt in everything from chickens to weapons. Brazil's Congress is supporting this plan, but it wants final approval of all future privatizations.

As Collor slashes away at the oil conglomerate, his chief allies will be the company's new president, Luiz Otavio da Motta Veiga, 39, and Veiga's boss, Infrastructure Minister Ozira Silva, 59, who headed up Petrobras two years ago. They may lead off by selling the two biggest Petrobras subsidiaries, its Petroquisa petrochemical and Petrofertil fertilizer operations. Foreign chemical concerns such as France's Rhone-Poulenc have expressed some interest.

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SUGAR SHOCK. Collor wants to sell off as much as $ 7 billion worth of the government's prime assets over the next 40 months. Besides Petrobras, auction candidates include the mining operation Companhia Vale do Rio Doce and several of the big steel units once controlled by Siderbras. To give the sales a push, Collor's economic team is concocting a novel financing scheme that would require banks and other financial institutions operating in Brazil to put 3% to 4% of their assets into nontradable ''participation certificates,'' or scrip, that could only be used for privatizations.

Even a stripped-down Petrobras will not be a manager's dream. Collor's austerity measures may drive gasoline sales through the floor this year, slashing the company's revenues. Collor may not be able to cut the $ 350 million Petrobras is losing each year blending sugar cane alcohol into gasohol because the program benefits the impoverished northeast, his stronghold.

Still, the odds are that big chunks of Petrobras will be sold. That would be a big step for Brazil and Latin America, where state companies are usually sacrosanct. ''There is no turning back,'' says Collor, borrowing a phrase from Britain's privatization leader, Margaret Thatcher. If he's right, lots of green and yellow signs will become souvenirs.

GRAPHIC: Photograph, FILL 'ER UP WITH FIREWATER, PETROBRAS' ALCOHOL FUEL PROGRAM LOSES $ 350 MILLION A YEAR PAULO FRIDMAN

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International Trade Reporter

June 27, 1990

Vol. 7, No. 26; Pg. 963

LENGTH: 592 words

SECTION: GENERAL DEVELOPMENTS: Latin America.

TITLE: MOSBACHER URGES BRAZIL TO ALLOW INVESTMENT IN TELECOMMUNICATIONS, INFORMATICS SECTORS.

TEXT:

SAO PAULO -- (By a BNA Special Correspondent) -- U.S. Secretary of Commerce Robert Mosbacher has asked that Brazil permit foreign investment in telecommunications, informatics, mining, and aviation sectors and suggested that Brazil loosen restrictions and allow foreign purchase of 51 percent or more of state-owned companies now scheduled for privatization.

Under the new economic plan announced by President Fernando Collor de Mello shortly after he took office on March 15, many government enterprises such as steel and port services holding companies are scheduled to be sold to private investors.

During his visit to Brazil June 19-20, Mosbacher met with President Collor and numerous Cabinet ministers. Mosbacher's trip was described as "exploratory." The secretary was accompanied by CEOs from U.S. telecommunications, computer, aircraft, aerospace, and wind-power generation industries.

Brazil's economics minister, Zelia Cardoso de Mello, said she would study the proposal for foreign participation in companies slated for privatization, Mosbacher reported.

U.S. Ambassador Richard Melton acknowledged that such equity participation could require changes in Brazilian legislation and the constitution. Investment in the mining and aviation sectors and most utilities is reserved for Brazilian nationals. Foreigners may own a maximum of 30 percent of non-participating stock in informatics companies.

In a speech before the American Chamber of Commerce, Mosbacher said that the United States was "encouraged that the Collor administration plans to remove barriers to acquisition of foreign technology." Brazil's access to modern technology has been hampered by policies that require government approval of all contracts for transfer of technology, and limitations on royalties and remittances.

Brazil views transfer of technology as a grant/sale and not as a license. The typically permitted period of a transfer of technology contract is five years, and the government prohibits restrictions against sale of know-how by the licensee after the term of the contract. The government has acknowledged that the policy has retarded modernization of its industries and is studying changes to its industrial laws and policies, with a report and possible legal changes

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to be issued this week.

No Agreements Yet

Mosbacher said that discussions between representatives of U.S. telecommunications companies and Brazil had not concluded with actual agreements, but that both sides were interested in continuing discussions. The Brazilian telephone system badly needs to be modernized, according to industry experts. Telephone callers from the commercial prefixes of downtown Sao Paulo and Rio de Janeiro often must wait 10 minutes or more to get a dial tone.

Pointing at perhaps the most pervasive problem of the Brazilian economy, Mosbacher said that a successful economy "must have relatively little interference by government . . . It must have rules that are clear, predictable, and non-intrusive . . ." A number of American business people at the luncheon said that they were hopeful that the reforms initiated by the Collor administration would truly open the economy to foreign products and added that they were waiting to see concrete results from the promised changes.

Mosbacher was accompanied by corporate representatives from Ameritech International, Bell Atlantic Mobile Systems, Cray Research, the Ferro Corp., Hughes Aircraft Systems International, Textron Inc., General Datacom Industries Inc., and U.S. Windpower Inc.

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Latin Squeeze: Brazil's Moves to Reduce Inflation Trigger Recession and Hurt U.S. Companies There

Continued From First Page

company hired workers to stand in the long lines at Sao Paulo banks. They would take money given them by another Molex employee, deposit it and go to the end of the line to wait for the next transaction.

For now, the game plans of most U.S. companies are simple: Stem the bleeding and try to devise a strategy for the future. That's easier said than done. "Forecasting down here is absolutely impossible," says Robert Frey, president of Whirlpool do Brasil. At Molex, managers now must update their three-year Brazil plan every three months to keep pace with changes. "I took my dartboard" to develop the latest plan, jokes James Cummings, whose job at Molex is to stem the red ink from Brazil.

The effects of the Collor plan on Autolatina, the giant auto maker owned by Ford Motor Co. and Volkswagen AG, have been harsh. Near the end of March, its parking lots bulged with nearly 20,000 unsold vehicles. Soon afterwards, it shut its plants for five weeks and laid off 28,000 workers.

When customers resumed buying cars, Autolatina, like Tokheim, discovered that their tastes had changed. Suddenly, they shunned luxury and snapped up economy cars such as the basic version of the Gol, a two-door hatchback. Autolatina had to scramble to get the parts to meet the shift in demand, and it took two months to change the model mix, says Miguel Jorge, vice president for corporate affairs.

A Wave of Strikes

Then, the strikes began. Because the Collor plan abruptly ended automatic indexing of wages to inflation, unions demanded wage increases to make up for lost buying power. Monthlong strikes at Autolatina cost production of 35,000 cars and 2,700 trucks, the company estimates. All but one of the strikes has ended, but the company says that turned violent last Friday as workers damaged cars and vandalized buildings. Companies that avoided walkouts had trouble getting parts: Their suppliers had been struck.

At Whirlpool's three Brazilian affiliates, strikes were settled by relatively modest wage increases—of about 30%. But labor peace is hardly guaranteed. "A settlement here may be good until the next month, when the latest inflation rate is announced," Mr. Frey says.

Another challenge is to explain all this to corporate headquarters back home. When Mr. Cummings is asked the seemingly innocuous question, "How's business?" he replies: "Do you want to talk dollars or volume?"

In dollars, Molex's business in Brazil is down to 60% of its level before the Collor plan was announced. But unit volume looks better, at 80% to 85% of the earlier level. The difference: With inflation at a relatively tame monthly rate of 10% in June, the company no longer has to charge customers a huge markup between shipment and payment.

Even while grappling with disruptions caused by the Collor plan, foreign manufacturers in Brazil are scrambling to meet the threat of import competition, which promises to be the biggest challenge of all. For years, Brazil's strict curbs on imports and rules requiring that products be made with Brazilian components protected domestic companies. But as a result, their factories were very inefficient. Molex found the quality of some made-in-Brazil components so poor that it had to inspect every piece of metal and plastic entering its plant. That improved its products, but the company's productivity in Brazil was half that of its other foreign operations.

Many New Decisions

Now that the government is lifting such barriers as outright bans on some imports and quotas on others, manufacturers have to decide what to make in Brazil and whether to use Brazilian or foreign-made parts. Last week, Xerox officials huddled at their Stamford, Conn., headquarters to develop a five-year strategy on just that. Failure to do so could leave the company's Brazilian office products vulnerable to better-made or less-expensive imports, says David R. Myerscough, president of Xerox's Americas Operations.

With appliance imports permitted for the first time in years, Whirlpool confronts a similar problem. The company found, for example, that 15 key refrigerator components are up to six times more expensive in Brazil than in the U.S. Even with a hefty import tariff of 60%, that makes imported appliances attractive.

Or consider what Whirlpool touts as its "world washer." David R. Whitwam, its chief executive, says the machine sells for $500 to $600 in Brazil but would cost just $250 in the U.S. One reason: The company's engineers in Benton Harbor spent years designing such gizmos as electronic controls that fine-tune the spin and timing of wash cycles. But the local-content rules forced the company to spend twice as much for Brazil-made controls as it would pay in the U.S. or Far East.

Not surprisingly, Whirlpool now is considering importing components such as electronic instruments or motors from its suppliers around the world. It also might brave the tariff to offer Brazilians a luxury item not made by its affiliates in Brazil: a side-by-side refrigerator-freezer with through-the-door ice dispenser.

Like many other companies that have done business in Brazil for years, Whirlpool says it intends to remain in the country. But with other options for multinationals opening up in places such as Eastern Europe and Mexico, Chairman Whitwam warns: "If Brazil doesn't present stability as well as growth opportunities, all the companies have alternatives."

Tokheim, meanwhile, already is chasing business elsewhere: the Soviet Union. After spending about $4 million in Brazil, "we're probably not going to put as much money in," says John E. Overmyer, the chief executive. "In fact, we probably won't put any money in."

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50 CENTS

WSJ 1-25-90 P.A1

Latin Squeeze

Brazil's Moves to Curb Its Inflation Also Curb U.S. Concerns' Profits

Collor's Freezing of Money Brings On Business Slump And Intermittent Strikes

'Wishing We Weren't There'

By Robert L. Rose
Staff Reporter of The Wall Street Journal

Three years ago, expansion-minded executives at Whirlpool Corp.'s headquarters in Benton Harbor, Mich., summed up the world on a single sheet of paper. Using the colors of a traffic light, they graded each area of the globe on qualities such as business climate and market potential.

In what was dubbed the "stoplight chart," Brazil and South America as a whole mostly earned stoplights. Business climate? Red. Barriers to entry? Red. Financial stability? Red. And so on.

Now, Brazilian President Fernando Collor de Mello's sweeping, four-month-old anti-inflation and economic-reform plan has U.S. companies seeing red for other reasons. The plan, among other things, froze much of the country's money, replaced the cruzado with the cruzeiro, caused foreign-exchange translation losses for companies and triggered a recession.

Some Corporate Victims

Caterpillar Inc., which earned about $100 million last year in Brazil, now expects a 1990 loss there. Whirlpool's overall earnings are expected by analysts to plunge at least 30% in the second quarter because of a sharp swing to a loss at its Brazilian operation; the company declines to comment. And Aluminum Co. of America says its share of its Brazilian affiliate's first-half profit skidded 90% to $6 million. Many companies expect the trouble to persist into 1991.

"We're wishing we weren't there," says Frederick A. Krehbiel, chief executive of Molex Inc. The Lisle, Ill., maker of electrical connectors has made money in just two of its eight years in Brazil.

For manufacturers that thought only banks lost bundles in Brazil, the economic upheaval illustrates the risks of going global. Executives often portray international expansion as the key to growth. But although they rarely expect it to be easy, the Brazilian surprises show that even the biggest and most patient global investors can be clobbered by a volatile local economy and a government desperate to control it. Last month, when Caterpillar hinted at the extent of its problems there, its stock promptly lost more than $1 billion of market value in two days.

Money Locked In

"The risk associated with this kind of operation is that you've got your money tied up until stability is reached," says James F. Swallow, a manufacturing specialist at A.T. Kearney, a consulting firm.

In Brazil, U.S. companies are being beset by intermittent strikes, supply shortages and overnight shifts in demand for their products. Whirlpool had been accustomed to labor harmony at its Embraco S.A. affiliate, which makes refrigerator compressors, but it recently found strikers in the plant using bullhorns to urge others to join them. Embraco managers grabbed their own bullhorns and tried to out-shout the strikers. That strike, and walkouts at two other Whirlpool affiliates, have now been settled.

For Tokheim Corp., of Fort Wayne, Ind., sales of its gasoline pumps made in the Amazon region suddenly evaporated after the Collor plan was unveiled March 16. Today, orders are trickling back, but there's a hitch: Customers want electronic gas pumps, which facilitate changing prices, now that the government has eased controls. The company had designed mechanical pumps especially for Brazil. Tokheim is rushing to produce electronic pumps at the plant later this year.

Many Attractions

It's easy to understand why U.S. manufacturers have long eyed Brazil. The country accounts for half of South America and is bigger than the continental U.S. It has abundant mineral resources. And with a population of 150 million, more than double that in 1960, it has an ample labor supply. In addition, marketers such as Whirlpool, which notes that only about one in four of Brazilian homes with electricity has a washing machine, drool over the potential of a growing middle class.

Consequently, more and more U.S. companies have been drawn to Brazil, and many of their operations have grown quite large. At the end of 1988, U.S. corporations had $11.8 billion invested, representing nearly a third of overall foreign investment in Brazil. Xerox Corp., with 4,000 employees at three locations in the country, has raised sales of its office products to some $600 million to $700 million in Brazil. Caterpillar employs about 5,000 workers in the country.

For all their troubles, many U.S. executives still see the Collor plan as the best chance to curb runaway inflation and pry open the Western world's eighth-largest economy. Roiled by hyperinflation, Brazil has had little economic stability in recent years. U.S. managers have had to spend more time managing money than manufacturing.

Last year, for instance, as inflation ran at a 1,765% annual rate, Molex didn't ship products for the first 10 days each month; it took that long to haggle over price increases with customers and suppliers. And in a frantic dance to beat inflation, the

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To: Mark Lange
Carolyn Cawley

From: Jaylene Hobrecht

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draft for Joint Session

Brazil

Facts and Information:

- The Federative Republic of Brazil is the fifth largest country in the world. It's 3.3 million square miles.
- Brazil was discovered in 1500, by Pedro Alares Cabral, just eight years after America.
- Brazil has had three capitals- Salvador, Rio de Janeiro, and, since 1960, the new city of Brasilia. US ⇒ NY, Philadelphia, D.C.
- The Portuguese referred to the new colony as "The Island of Santa Cruz" (holy cross)
- Independence Day is September 7
- The national hero is Jose Bonifacio de Andrada Silva.
- Brazil is often called "the land of the future."
- The national flag is green with a yellow diamond is in the center, containing 23 stars representing the Southern Cross, the states, and the Federal District. Across the sphere is a white band that says; "Orden e Progresso." (order and Progress)
- Industry consists of coffee, sugar, airplanes, and automobiles
- Brazil has the largest coastline. It is like both of ours put together.
- They consider themselves the fathers of aviation.
- This is the 100th year anniversary of the Inter-American System.
- Brazil's most popular soccer team is called, Flamengo.
- A sport that is found no where else in the world is called Capoeira. It is a fight, a dance and a bit of judo all rolled into one.

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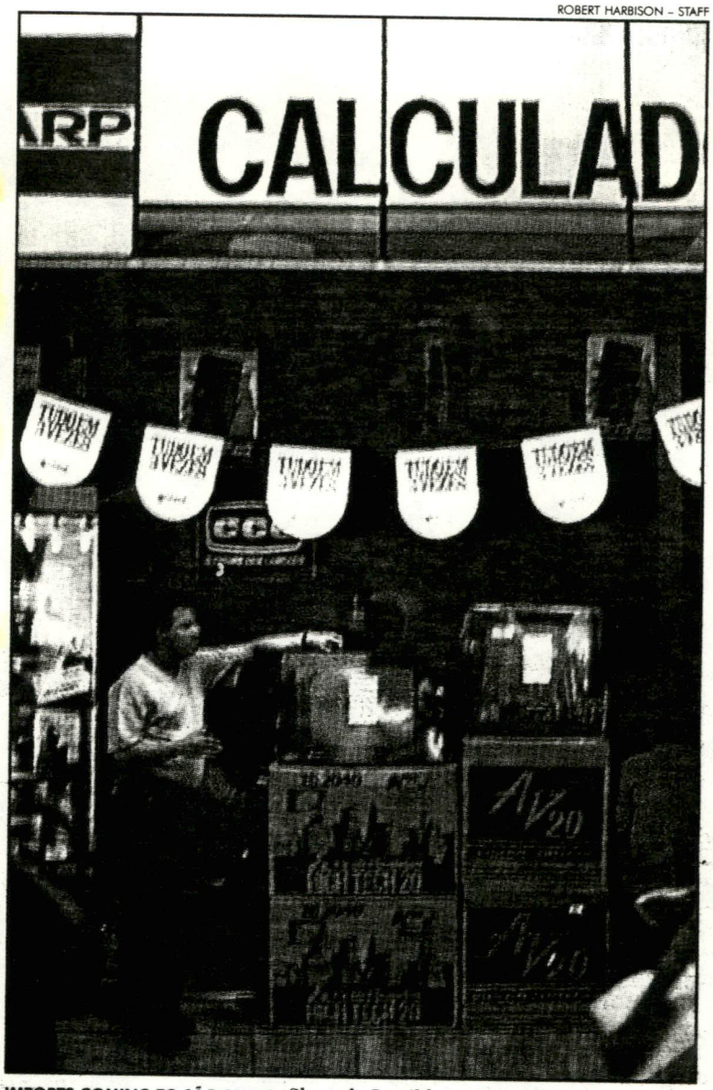
IMPORTS WELCOME

Brazil Beckons Businesses Abroad

Foreign companies find new opportunities as Collor government dismantles trade barriers

By Julia Michaels
Special to The Christian Science Monitor
SÃO PAULO, BRAZIL

ROBERT HARBISON – STAFF



IMPORTS COMING TO SÃO PAULO: *Sharp do Brasil has said it will import computers, electronic diaries, and miniature televisions beginning in October.*

AS Brazil's new president, Fernando Collor de Mello, opens up South America's largest market to trade, United States and other foreign businesses are discovering a growing number of opportunities.

As part of Mr. Collor's plan to revitalize Brazil's hyperinflated economy, a 15-year-old prohibition on the import of thousands of products – cars, toys, appliances – was lifted in May.

These and other products bear high tariffs that are to be lowered under a four-year program announced in June.

Tariffs on some products, like textiles and related machinery, have already been reduced. A law banning import of many computer products is under review.

"In the whole world, we market other products besides our cameras and film," says Polaroid do Brasil president George Niemeyer. "But we haven't done so here because of import quotas. As the government eliminates these restrictions, we intend to market the whole Polaroid line."

With additional sales of sunglasses, videotapes, and computer diskettes, Mr. Niemeyer expects 1990 revenues to jump to $15 million, from last year's $10 million. Eventually, the Brazilian market could equal that of Spain, he says, where Polaroid sells $40 million a year.

Brazil has long been touted as "the country of the future." But burdened for the last decade by inflation and the third world's largest foreign debt, most of the potential consumer market in the country of 145 million remains hidden. On top of that, Collor's efforts to bring down inflation, which include tight fiscal and monetary policies, have greatly slowed spending and pushed the economy into a recession.

Vested interests

Some analysts, skeptical about the new trade policy, say vested business interests may keep out newcomers, especially in highly government-controlled sectors such as computer equipment.

But officials promise that their policies to free up trade and the economy in general will at last bring Brazilian buyers and foreign sellers face to face.

"The environment hasn't been very propitious for investment," says Luiz Paulo Velloso Lucas, director of the industry and trade department of the economy ministry. But now, "the economic environment is turning around and we are fixing clear rules for the development of trade and investment and the insertion of Brazil into the international economy."

Mr. Velloso expects imports to grow by 15 percent this year from $18 billion in 1989. The US and the European Community are the two biggest sources of Brazil's imports.

A lunch time look at Rua Oscar Freire, Brazil's most chic thoroughfare, gives some idea of the gap that officials hope imports will help to fill.

The street is choked with cars manufactured on local assembly lines by Volkswagen, Ford, General Motors, and Fiat. Top boutique windows boast stylish winter clothing, made in Brazil. Inside fashionable restaurants, rock music pours out from locally made sound systems. Patrons' steaming lunches have been prepared with the aid of microwave ovens and food processers, also produced in Brazil. The maitre d' takes a telephone reservation. A computer tallies up each table's bill.

The scene appears not much different from one in Los Angeles or New York, except for the fact that it's summer in the northern hemisphere.

But look closer: Unlike those US metropolises, the cars in São Paulo have no cellular phones or fuel injection. The designer clothing is mostly made of synthetics.

The rotary dial telephone often gives a busy signal even when no one is talking because circuits are overloaded. And cars, clothes, phone service, appliances, and computers all cost significantly more than what Americans would have to pay.

Targeting the rich

For now, foreign goods will be targeted mostly at Brazilians rich enough to feel at home on Rua Oscar Freire, although some imported foodstuffs and textiles are supplementing local supplies to help keep prices down.

This strategy also applies to the market for automobiles. For instance, the government is allowing the importation of the Soviet-made Lada automobile. Lada's Samara-brand hatchback will retail in September at $7,500 new, the price of a used Brazilian-made 1985 station wagon. Luxury cars, such as Rolls Royce, Mercedes Benz, and Jaguar, may also now be imported at a lower cost.

And Japan's Toyota, which now makes only jeep-type vehicles in Brazil, is thinking of importing passenger cars. "Brazil was never totally discarded," says a company source. "We need to be sure about a return [on investment]. The reduction in the local content requirement and the removal of price controls [in the Collor plan] are an improvement."

Asian companies stand to gain much from Brazil's opening. Many that did not exist when Brazil first began to allow in multinationals already do business in neighboring countries such as Chile and Argentina. Japan's minority-owned Sharp do Brasil has said it will import programmable computers, electronic diaries, and miniature televisions beginning in October.

Areas of high-technology, including telecommunications and computer equipment, offer the biggest potential markets to foreign manufacturers. A US government market assessment put the 1990 Brazilian telecommunications market at $3.2 billion. American companies, including American Telephone & Telegraph and Motorola, are already preparing to help Brazil modernize and privatize much of its telecommunications network.

"This is a country that's riddled with old technology," said Charles Johnson, chairman of General Datacomm Industries Inc., on a recent mission to Brazil led by US Commerce Secretary Robert Mosbacher.

Mr. Johnson's telecommunications company does business worth only about $200,000 a year in Brazil, but hopes the opening to foreign suppliers will one day increase revenues a thousand fold.

Despite such high hopes, businessmen with Brazilian experience counsel caution and patience. The government, they say, has good intentions. But officials face the challenge of carefully taking apart an old social, bureaucratic, and business structure favoring local manufacture, before it can build a new one.

"The Taiwanese manufacturers are very interested," says Alberto Alexander, US commercial officer in São Paulo. "They were going to come down here with suitcases full of [circuit] boards, and open them up on the street and sell them. I told them, 'Not yet.'"