Case Number: 2006-0460-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title: South Africa - Background				
Staff Office-Individual: Speechwriting-Boorstin				
Original OA/ID Number: 415				
Row: 48	Section: 6	Shelf: 3	Position: 1	Stack: V

Trade Irony

Many African Nations Now View South Africa As an Economic Hope

With Apartheid Banished, Pretoria's Entrepreneurs Comb Continent for Deals

Royal Welcome in Uganda

A7

By KEN WELLS
Staff Reporter of THE WALL STREET JOURNAL

KAMPALA, Uganda – Into the calamitous jangle of this decayed capital where, not so long ago, dictator Idi Amin committed unspeakable atrocities, Kai Albrecht, a South African businessman, has come on what some might think a mission impossible: to sell sophisticated satellite-telephone technology, preferably in a joint venture with Ugandan partners. The country, like many African nations, is perilously short of capital. Its communications systems are in tatters; unemployment is running more than 50%; its fledgling democracy is struggling from a violent past into an uncertain future.

But if there is a future here, and in the rest of Africa, Mr. Albrecht – and many other South African businesspeople – want to be part of it. "It is our backyard," says Mr. Albrecht, a director of closely held Pertec Ltd.

For decades the continent's pariah, scorned and isolated for its racist policies, a country whose major export used to be war, South Africa now finds itself in an ironic role: as the potential commercial engine of all sub-Saharan Africa. It is a role that it is eager to fill and that may be crucial to the entire region.

A Key Role

"There is no question that South Africa is the key to the economic success of Southern Africa – indeed, in my opinion, the key to the renewal of the rest of the continent," says U.S. Commerce Secretary Ron Brown, who has been America's point man for U.S. investment in South Africa.

The entrepreneurial South Africans are wasting no time, flinging themselves into places such as Uganda, Malawi, Zimbabwe and Mozambique, where they are doing everything from seeking investment and trade opportunities to vying for huge Western-funded infrastructure projects. Meanwhile, the South African government has opened trade missions in 22 African nations -- nations that as recently as two years ago had barred even visits by South Africans because of their country's apartheid policies.

Now, many of those nations, Uganda and Namibia among them, are courting South African investors – offering low-cost land and tax holidays, for example, and treating them like long-lost brothers. While South Africa views U.S. and European investment as important to its economic salvation, much of Africa conjures up similar hopes in its relatively well-to-do neighbor to the south.

The Royal Treatment

Thus it was that, at a recent opening of an international trade fair here, Mr. Albrecht and a South African business delegation – all of them white – got the royal treatment: the best space among some 200 exhibitors, and a personal welcome by Ugandan President Yoweri Museveni. The president's first question: "I want to know when the South Africans are going to invest in Uganda."

Weeks later, the South Africans have yet to make major investments in this country of 17.5 million. But some are doing brisk business, having found Ugandan distributors for products as disparate as sugar-cane knives, television programming and designer evening wear.

"Uganda was fantastic for us," says Renate Voss, director of Allround Tooling Ltd., a closely held knife manufacturer in Kwazulu, South Africa. Not only did her company sell three cargo-container loads of knives, it also found some Ugandan distributors to represent its brand, Okapi, throughout the country. Mrs. Voss says it isn't far-fetched to envision one day setting up Ugandan-based operations.

Ugandans' Plans

Ugandans themselves consider the South African visit so successful that they soon will send their own business delegation to Johannesburg. "We are extremely happy to have them here," says Mary Mabweijano, an investment officer of the government's newly formed Ugandan Investment Authority.

No one thinks South Africa will mutate into a kind of African economic tiger – or lion, as it were – overnight, given the monumental job of rebuilding and restructuring its own domestic economy and the parlous state of much of Africa. Though President Nelson Mandela has declared the country committed to free-market reforms, its economy continues to be plagued by problems, such as protective tariffs and militant trade unionism, which has lifted its wage rates to among the highest levels on the continent. Combine that with South Africa's own poverty and unemployment, plus the poverty and anarchy engulfing entire countries – Liberia, Rwanda and Somalia, for example – and the prospects for a South African miracle look less than bright, pessimists say.

However, optimists contend that, for all the gloom and doom, Africa has the potential to become a huge market. It already imports $120 billion annually in goods and services. Democracy and free-market thinking are breaking out in places, Uganda among them, that seemed hopelessly mired in poverty and war a decade

Please Turn to Page A10, Column 1

Continued From First Page

ago. South African neighbors Namibia, Botswana and Zimbabwe are basking in unprecedented political stability. And even Mozambique and Angola – resource-rich countries with vast untapped potential – are edging toward democratic resolutions of their long civil wars.

Of all African nations, South Africa is best positioned to gain from all this. It has the continent's most sophisticated infrastructure of highways, railroads and communications; a banking system ultramodern by African standards; Africa's best-developed manufacturing capabilities; and renewed access to international capital markets. It is also hungry: It exported a mere $2 billion in goods to the rest of Africa in 1993 – lagging far behind France, Germany and the U.S. as an African trading partner.

But even U.S. State Department Africa-watchers think that is about to change. "Our people run into the South Africans all over Africa now," says one State Department South African specialist, "and they are an impressive lot. They are enthusiastic and hearty – they show none of the faint-heartedness that American businesspeople do about Africa. They live here, they're tough, and they don't mind rubbing elbows and getting their hands dirty."

Trade-Promotion Body

One barometer is the South African Trade Organization, a private Johannesburg trade-promotion body. Safto's African business-development group, which had only a dozen members in 1992, now represents about 80 South African corporations, including some large conglomerates. They are seeking or have already found ventures in the rest of Africa, Safto's Andrew Maggs says.

One of them, Adcock Ingram International, a pharmaceuticals giant with about $2.8 billion in annual volume, has established sales operations in nine African countries, including strife-torn Zaire. Another is Aquazur Ltd., an engineering-consulting concern with about $15 million in revenue and specializing in water-treatment and sewage plants. The company recently landed modest public-works projects in Uganda and Zimbabwe and is plumbing for similar contracts in Kenya, Tanzania, Angola and Mozambique.

Darryl Moss, Aquazur's export manager, is typical of the new breed of South African entrepreneurs. "We're going into Africa because it's there – because it's potentially a great market for us," he says. "And think about this: Two years ago, I couldn't even step foot in these countries."

Now, Mr. Moss spends a lot of time flying around the continent and competing with long-entrenched European and American engineering concerns by promoting Aquazur's advantages. "We try to offer more African-friendly technology," he says. In Aquazur's business, that means technology less reliant on computers and easier to maintain in the often-remote and technologically stunted areas where water and sewage plants are being built.

Mr. Moss thinks this pitch – of South Africa now a brethren nation impressing the continent with its Afro-savvy technology – is working. "Africa has a lot of expectations of South Africa – perhaps inflated expectations – and they are very keen to deal with us," he says.

Advanced Technology Sought

There are skeptics of this view, but none seem to be present during the South African trade visit to Uganda. Wandering among the South African booths is Paul Masembe, a Ugandan who is managing director of Bundle Industries Ltd., a producer of high-quality ceramics clay near Kampala. Mr. Masembe had hoped to confer with officials of a South African ceramics company whom he had met previously. They weren't here – to his dismay. "The ceramics processes that they have explained to me are much more advanced that anything we have here," he said. "They are talking about a miracle as far as we're concerned."

As for the larger issue of how South African business aspirations are viewed by black Ugandan business interests, he added: "It's OK, really. It's great that they see potential in Uganda. Forget about the past – talk about the future."

Agreed William Baggya, managing director of Mirembe Consolidated Co., a Jinja, Uganda, hardware and construction concern: "We are all Africans. They are our brothers."

Brothers or not, Uganda illustrates both the opportunities and difficulties that South African investors face in their African aspirations. Uganda is poor by South African standards; its per capita gross national product is $170 a year. But it has a growing population and a government that is stressing education and literacy. Stifled by years of political strife, the country, under Mr. Museveni, has been relatively stable since 1986, and its economy is springing to life. Imports surged more than 30% to $586 million in 1993 from 1992. And the nation's major exports, coffee, tea and cotton, are relative bargains in world markets, aided by the weakness of the Uganda shilling.

1/2

73

ellon Heir's Labor Of Love for Haitians Survives His Death

* * *

Widow Keeps Alive a Hospital Inspired by the Example Of Albert Schweitzer

A1

By JOSE DE CORDOBA
Staff Reporter of THE WALL STREET JOURNAL

DESCHAPELLES, Haiti – Peering into the enormous magnifying glass she uses to bolster her failing eyesight, Gwen Mellon, prim, slim and ramrod straight at 82, sits most mornings by a makeshift desk, writing thank-you notes to donors on whose generosity Haiti's best hospital increasingly depends.

"It's the best thing I do," says Mrs. Mellon, who with her late husband, William Larimer Mellon Jr., an heir to the Mellon oil and banking fortune, founded the Albert Schweitzer Hospital in 1956 in a rice-growing valley 2½ hours from Port-au-Prince. "I can't read any more," she says, "but I can write."

Gwen Mellon

Stoic and self-effacing, Mrs. Mellon doesn't much like the glare of publicity. For many years, she and Dr. Mellon, who died in 1989, avoided the press. Just last year, she ran off a television crew who had the temerity to arrive unannounced and declare they were going to film inside the hospital.

Still, the hospital depends more and more on donations since Dr. Mellon's death cut off funds from family trusts. So Mrs. Mellon is learning to tolerate reporters. "We've never asked for money before," she says in a fierce whisper. "It's awful."

Then, shoulders thrust back, she briskly leads a visitor through a tour of the hospital, past the entrance crowded with sick, ragged Haitians slumped in cots, through wards where naked, undersize and bloated children, IVs plugged into their noses or arms, look sadly and silently at nothing.

The suffering evident here, much of it related to Haiti's grinding poverty, is a daunting sight. About two of three admissions to the hospital are children, who are frequently weak from malnutrition. By the time many of them arrive, they are too far gone to recover. One child a day dies here.

Vast Needs

But fundamentally this is a place of hope in Haiti. The 116-bed hospital takes care of a district with a population of 185,000 and attracts top doctors from places like the Mayo Clinic and Yale and Harvard medical schools who volunteer their time. Its doctors, on average, treat about 3,300 children each month. In its district, the hospital's immunization program has eliminated infantile tetanus, a scourge that claims lives elsewhere. At times, the hospital seems about to be swamped by Haiti's ocean of need.

"I would say it's the best hospital in Haiti," says Flora Sibanda, head of health services for the Unesco mission in Port-au-Prince. The hospital's philosophy of service changes the people who work there, she says. "There is honesty. There is commitment. There is the willingness to work long hours, which is something you don't find much here."

It is a long way from the comfortable East Coast society to which Mrs. Mellon was born, or even from Arizona, where she, as a divorcee with three children, once taught riding at a dude ranch. But Haiti

Dr. Mellon's Labor of Love in Haiti Survives Through Widow's Work

Continued From First Page

has been home for 40 years now, and Mrs. Mellon takes the country in stride. "You do what you can and then you try to explain nicely why you can't do more," she says, brushing back her snow-white hair, elegantly held in a small girl's barrette.

How the Mellons arrived here, an abandoned banana plantation at the end of a cratered dirt road, and what they have done here is quite a story.

Dr. Mellon, whose father was chairman of Gulf Oil, had always been the family maverick. Uncomfortable with the immense wealth into which he was born, he dropped out of the family business after a few years and used his inheritance to buy a cattle ranch in Arizona.

Quiet Epiphany

His transformation from rancher to doctor began with a 1947 Life magazine article on Alsatian doctor and humanitarian Albert Schweitzer, who had founded a hospital in Gabon. Reading it, Mr. Mellon experienced a quiet epiphany. A lively correspondence of 30 letters with Dr. Schweitzer ensued, in which the doctor inspired Mr. Mellon, who had dropped out of Princefon, to go to medical school.

At the age of 37, Mr. Mellon sold his ranch and enrolled in Tulane medical school in New Orleans. Gwen, whom he had met in Arizona, also went back to school, to train as a medical technician. They studied and searched for a site for a hospital, settling on Haiti when its government offered more than 100 acres and the abandoned bungalows of a United Fruit Co. plantation.

"We decided this was the place," says Mrs. Mellon, "because of the people, because of the need."

While her husband finished his studies, she oversaw the construction of the hospital. It was built at a cost of $1.5 million, paid by Mr. Mellon.

Low Profile

With the hospital open for business, the Mellons kept a low profile, away from the turbulent politics of Port-au-Prince. Neither Francois Duvalier, Haiti's longtime dictator, nor his son, Jean-Claude, ever visited the hospital, although the elder Duvalier once sent for Dr. Mellon and pinned a decoration on him. Jean-Claude would sometimes hunt doves on the Mellon property.

Dr. Mellon's death was a hard blow for the hospital, but Mrs. Mellon never thought of leaving. "It was important that I stay," she says.

Indeed, worse times were still to come. In the past three years of military government and political turmoil, soaring prices for fuel and food, mostly a result of international sanctions, threatened to shut down the hospital. Washington advised U.S. citizens to leave. Mrs. Mellon never gave it a thought. Instead, at a staff meeting, she rallied her troops.

"She announced she would keep the hospital open with oil lamps if necessary," says Renee Bergner, a Vermont pediatrician who has often volunteered at the hospital. "A burden was lifted from the shoulders of the staff."

While Mrs. Mellon is the embodiment of the hospital, its day-to-day affairs are run by three others, two Haitian doctors and an American administrator. Ultimate authority rests in Pittsburgh with the board of the Grant Foundation, of which Mrs. Mellon is the president. It had been set up by Dr. Mellon to oversee and help finance the hospital.

Cardboard Coffins

When Dr. Mellon died, the income from his family trusts stopped. In life, he had used the funds to pay the lion's share of the hospital's operating costs, with the rest paid by the foundation. After his death, as costs have risen, the hospital has been forced to seek donations, mostly from doctors and nurses who have worked at the hospital and from friends and relatives of the Mellons.

Mrs. Mellon plans to be buried in a quiet and shady corner of the grounds next to her husband. Her casket has already been picked out. And that is also a story.

Troubled that penniless Haitians often spent what they didn't have on expensive funerals, Dr. Mellon resolved, even as he lay dying from cancer, to give an example. He went with Mrs. Mellon to a nearby town where he selected two cardboard-and-wood coffins of the cheapest variety, so cheap that even poor peasants rarely would consider them. "One for you and one for me," he told Mrs. Mellon.

But Dr. Mellon's example didn't take. "People noticed," says Mrs. Mellon, swaying gently in a swing on her verandah as a light rain falls on nearby hills. "But it wasn't contagious."

THE WALL STREET JOURNAL MONDAY, JANUARY 30, 1995

72

2/2

Add the fact that wage rates in Kampala are about one-eighth those in Johannesburg, and South African investment here "seems less far-fetched than some might think," a World Bank economist says. "It would be foolish to think that South Africa won't recognize these emerging-market opportunities like Uganda and move to exploit them in a good way."

Nevertheless, nothing is easy in Uganda. The phones don't always work, and placing a call to South Africa can take hours; faxes, days. South Africa has modern freeways looping Johannesburg and Cape Town; the road from sleepy Entebbe Airport, on Lake Victoria, to Kampala is a winding, two-laned, potholed mess—though still perhaps the best road in the country.

Even the hearty South Africans aren't used to some Uganda hazards. Malaria has nearly vanished from all but South Africa's remote game parks, but it is rampant in tropical Kampala.

Among the South African business delegation here, Karien Coetzler is taking no chances. Mrs. Coetzler is a sales representative for Rulin Creations, a white-owned Pretoria dressmaker that has prospered by selling designer evening dresses—some of them costing $600—to South Africa's growing black middle class. Rulin sent her here to assess the Ugandan market, and her sales astonished her. She says she came with about 50 gowns, and, in just two days, virtually all were sold. Ugandan distributors have been lining up to handle future sales.

Yet Mrs. Coetzler, who works on commission, also confides her worries about malaria. A bout of that wouldn't be worth the money she is making, she says. So she is taking antimalaria tablets — and sleeping under a mosquito net in the four-star Kampala Sheraton Hotel.

Mr. Albrecht, the satellite-phone executive, has frustrations of his own. Though hundreds of lookers have streamed by his booth each day, few are serious. His systems sell for about $4,000, and the embassy and government people who might buy them simply aren't here. Nor are the rich farmers.

Curious schoolchildren are in abundance, however. And a man who stops by seeking a demonstration himself shows the lack of sophistication in the Ugandan consumer market. Mr. Albrecht has a small, paper sign that reads "Sat Phones Here." The man picks up the sign and looks under it. He says: "I don't see the phone. Where is it?"

Later, Mr. Albrecht, combing through a small list of prospects, says: "Ask me about Uganda in a few months."

The Outlook

Private-Capital Flows Can Hurt Poor Nations

A1

WASHINGTON

Hot money is the double-edged sword of economic development.

For five years, international investment managers ventured beyond established industrial economies in search of higher returns, transforming many of the world's poorer states, Cinderella-like, from bedraggled less-developed countries into sizzling emerging markets. But for the past five weeks, with Mexico in crisis, those managers have been taking their money home.

The dizzying reversal leaves the Cinderellas badly shaken and raises new questions about whether unfettered private-capital flows really facilitate long-term economic development. Testifying in Congress last week, Federal Reserve Chairman Alan Greenspan conceded that while global flows have underwritten economic gains around the world, "they also have some potential negative consequences."

Similarly, Ernest Stern, managing director of the World Bank—soon to leave for a job at J.P. Morgan & Co.—sees a "downside" to the rush of private money, adding, "the outflows can be very disruptive." At the minimum, countries are seeking ways to avoid the trauma afflicting Mexico.

What's emerging is an amended view of global finance that may change the way that Brazil and others approach reform. Before Mexico's meltdown, and the world-wide plunge in emerging markets, the World Bank and International Monetary Fund held that private capital reinforced economic development. Investment managers, it was said, rewarded reform-minded privatizers and punished laggards who clung to statist policies and bureaucratic controls.

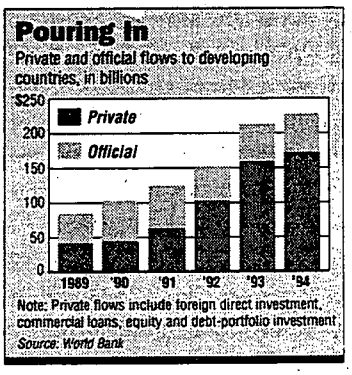
In fact, it's not so simple. Investment money speeds in and out of developing countries for reasons not always related to their policies. Jorge Mariscal, manager of Latin American equity research for Goldman, Sachs & Co., studied volatility in Mexico's financial markets in 1994 and found that 80% of the turbulence wasn't caused by economic or political events inside the country but by "a retrenchment in liquidity that was taking place around the world." Often, a rise of interest rates in New York sparked a sell-off in Mexico City.

The December devaluation and ensuing crisis proved contagious, with investors dumping securities not just in Mexico but in markets as distant as Poland and Morocco for no other reason than that they, too, were called emerging markets. Today's hot money, according to Robert Hormats, vice chairman of Goldman Sachs International, is "less informed and more nervous" than the last decade's bank loans to developing countries. So, it whips in and out at the first sign of trouble—with no prospect of negotiation or rescheduling obligations.

Moreover, reforms—even bold ones—take time. After eight years of change, Mexico's transition still had enough holes in it to give fretful investors reason to flee.

In addition, the flows, and their ability to disrupt, far outstrip the capacity of the institutions established to guard stability. "The IMF was created with capital and instruments that weren't designed for the current world," says Ricardo Hausmann, chief economist at the Inter-American Development Bank. Hence, the only real safety net for Mexico's high-wire act is the one that the U.S. Treasury hopes to put up.

Stanley Fischer, the IMF's first deputy managing director, recently raised the prospect that the world "needs some international facility available that's much larger than what we've got." He notes that if Mexico's crisis were to occur in nearly any other country, the U.S. wouldn't step in.



Meanwhile, developing nations have ways to make themselves less vulnerable to sudden shifts of hot money:

—Establish credible restraints on capital flows, such as reserve requirements for short-term investments. Portfolio flows face various restraints in Chile, and the country doesn't "seem to have suffered for it," says Lawrence Brainard, head of global-markets research at Chase Manhattan Bank. But he warns that countries shouldn't slide back into questionable capital controls.

—Keep current accounts—trade in goods and services, plus certain financial transfers — in line. Economists put too much emphasis on Mexico's federal budget, which was in balance, and not enough on its current account, which had spiraled into a $28 billion deficit. The current account could be financed only by foreign capital, which obviously can be fickle.

—Build domestic savings. Like the U.S., most Latin American countries have relatively meager domestic savings, a shortfall that leaves them more dependent on foreign capital. The high-growth economies of East Asia were built mostly on high rates of domestic savings.

—When using foreign money, encourage long-term commitments, such as foreign direct investment in productive facilities. Overall, as one economist puts it, a country's foreign capital should be a blend of hot and cool, averaging out as lukewarm.

—TIM CARRINGTON

74

U.S. Lawmakers Remain Unconvinced Of Need to Back Rescue Plan for Mexico

By TIM CARRINGTON
And PAUL B. CARROLL
Staff Reporters of THE WALL STREET JOURNAL

A week of high-level testimony in Congress hasn't persuaded U.S. lawmakers to back an increasingly unpopular plan to rescue Mexico with $40 billion in loan guarantees.

"I think it's going to fail because of lack of presidential leadership," said Sen. Phil Gramm (R., Texas), on NBC's "Face the Nation" yesterday. Sen. Gramm, who plans to run for president himself, slammed President Clinton, as have other Republicans, for not winning over congressional Democrats, many of whom either oppose the rescue or want to load it down with so many conditions that the Mexican government might find it unacceptable.

Sen. Sam Nunn, (D., Ga.), appearing on the same program, said the administration must communicate "what will happen if we don't do it." Unconvinced that a failure to intervene will matter greatly, many lawmakers will be guided by negative public sentiment toward the rescue. "It's not what the public wants," conceded Sen. Nunn.

The financial markets, already unhinged by Mexico's economic crisis, which was set off by the Dec. 20 devaluation of the peso, would be hard hit if Congress ultimately balks at supplying Mexico a backstop. Jorge Mariscal, head of Latin equity research at Goldman, Sachs & Co., believes markets expect the plan to go through. "It's a done deal," he said at a conference Friday put on by the Inter-American Dialogue. "Why? Because the implications of not doing it are so costly."

Though the administration emphasized that Mexico's economic trauma will cost the U.S. thousands of jobs, there has been a lingering perception it chiefly will bail out elite investors, who gambled in Mexican securities and lost. Sen. Nunn called on the administration to explain just "who gets bailed out." He added: "Are we bailing out Wall Street bankers or are we bailing out pension funds?"

But although the White House unveiled the plan with the congressional leaders from both parties on board, the necessary support hasn't materialized. Senate Majority Leader Bob Dole (R., Kan.) told reporters Friday, "Support for the present procedure is eroding. Something dramatic's got to happen." Even Republicans who support a rescue disagree with the current plan. Some want to require Mexico to return the peso to a pre-devaluation exchange rate of 3.5 pesos to the dollar; other are demanding a new currency-board to guard the peso. The Mexican government opposes both proposals.

Yesterday, President Clinton was "working the phones," calling congressional leaders in an effort to move the rescue plan ahead, a White House official said. Specifically, the president wants to hammer out a bill — something they haven't yet produced—and bring it up for a vote as soon as possible.

"I know this is not the most popular issue in America today, but it's important," Mr. Clinton told a group of 200 mayors Friday. He said the package "is

Please Turn to Page A8, Column 1

U.S. Lawmakers Unconvinced Of Need for Mexico Rescue Plan

Continued From Page A2

not a gift, it's not a loan, it's cosigning a note with collateral. It's in our interest." He is expected to seek other opportunities to stump for the plan this week. No one is sure just when it might come up for a vote.

Meanwhile, WEFA Group, a Philadelphia-based economic research firm, said that if the peso doesn't strengthen, U.S. exports to Mexico could fall by half this year, to $27.5 billion. The weak peso makes foreign goods more expensive for Mexicans to buy. The group estimated that Mexico's problems would cut $24.7 billion out of the U.S. economy this year.

The lack of congressional support for the loan guarantees is worsening Mexico's current cash crunch. Friday, the peso fell 1.79% to 5.70 to the dollar, from 5.60 Thursday; it has fallen more than 39% since the devaluation. In addition, stocks tumbled 3%, or 60.96 points, on Friday, to close at 1,957.65.

Outside of the financial barometers, there has been a drumbeat of bad news from Mexican industry. There were reports that Volkswagen AG's Mexican subsidiary plans to lay off 1,400 workers. A Volkswagen spokesman couldn't be reached over the weekend for comment. Cemex SA, Mexico's biggest cement maker, said it expects Mexico's cement market to decline 10% this year, within an overall economy that it thinks will shrink 1.1%. Vitro SA, a large glass maker, said it will report a charge of 996.5 million pesos ($175 million) for the fourth quarter because the devaluation effectively increased the size of its foreign debt.

Some encouragement came from Mexico's neighbors. Brazil, Argentina, Colombia and Chile are discussing providing as much as a $1 billion credit line to Mexico. A spokesman for Brazilian President Fernando Henrique Cardoso said that all of the countries in the region have a stake in the Mexican crisis.

Amid the crisis, the administration of President Ernest Zedillo is contending with embarrassing distractions. The newspaper Reforma reported Friday — and this newspaper confirmed—that the labor minister, Santiago Onate, doesn't have the doctoral degree from the University of Wisconsin that he lists in his official biography. As the main negotiator of the government agreement with labor and business on its economic and social program, Mr. Onate has been a major figure in the new administration.

Reforma also reported that the tourism minister and three cabinet undersecretaries don't have the advanced degrees they have claimed. Recently, the education minister quit after claiming a doctorate from Harvard University; he lacked even a bachelor's degree.

FBI Seizes Records, Data In Stop & Shop Cos. Raid

By a WALL STREET JOURNAL *Staff Reporter*

QUINCY, Mass. — The FBI staged a surprise raid on the headquarters of Stop & Shop Cos., seizing records and computer data, a spokeswoman for the supermarket company said.

No arrests were made in the Thursday morning raid, which involved about 60 agents. An FBI spokesman declined to comment, but Terry Vandewater, a Stop & Shop spokeswoman, said, "We have not been told that we are a target." She said company officials cooperated fully with the agents.

Ms. Vandewater said the company believes the raid may be connected to a previous FBI investigation that led to the firing of two Stop & Shop managers last March. She said the two men were dismissed for "misuse of promotional funds," money food manufacturers pay supermarkets to promote products through sales and coupons. She declined to comment further on the firings.

"We have been cooperating with the FBI on an ongoing basis since April 1993," she said. She said the FBI told the company the raid was part of "a broader investigation into the food industry."

25