

MCCAIN IS TRYING TO DEFINE OBAMA AS OUT OF TOUCH

LIKENED TO CELEBRITIES

Effort Is Coordinated by
Veterans of Bush's
Re-election Bid

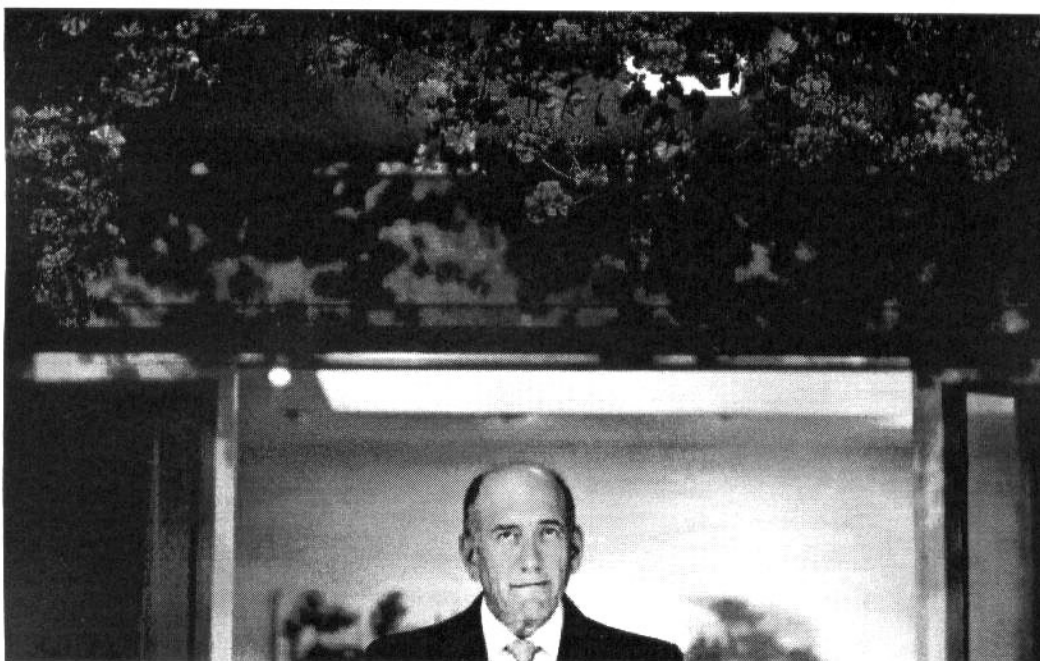
By JIM RUTENBERG

WASHINGTON — After spending much of the summer searching for an effective line of attack against Senator Barack Obama, Senator John McCain is beginning a newly aggressive campaign to define Mr. Obama as arrogant, out of touch and unprepared for the presidency.

On Wednesday alone, the McCain campaign released a new advertisement suggesting — and not in a good way — that Mr. Obama was a celebrity along the lines of Britney Spears and Paris Hilton. Republicans tried to portray Mr. Obama as a candidate who believed the race was all about him, relying on what Democrats said was a completely inaccurate quotation. The Republican National Committee began an anti-Obama Web site called "Audacity Watch," a play on the title of Mr. Obama's book "The Audacity of Hope." And, in a concerted volley of television interviews, news releases and e-mail, campaign representatives attacked him on a wide range of issues, including tax policies and energy proposals.

The moves represented the McCain campaign's most full-throttled effort to define Mr. Obama negatively, on its own terms, by creating a narrative intended to turn the public off to an opponent. Although Mr. Obama has been under an intense public spotlight for the last year, he is still relatively new on the national scene, and polls indicate that for all the enthusiasm he has generated among his supporters, many voters still have questions about him, providing Republicans an opening to shape his image in critical groups like white

Continued on Page A15



Prime Minister Ehud Olmert of Israel said Wednesday that corruption allegations made it impossible for him to continue in office.

PHOTO BY ELIANA LIPKOVITZ

OLMERT TO RESIGN AFTER PARTY VOTE THIS SEPTEMBER

EMBROILED IN INQUIRY

Uncertainty for Israeli
Politics and Mideast
Peace Talks

By ISABEL KERSHNER

JERUSALEM — Prime Minister Ehud Olmert, embroiled in a high-profile corruption investigation, announced on Wednesday that he would resign after his party chose a new leader in September elections.

The televised announcement injected new uncertainty into Israeli politics and the Middle East peace effort, coming just as Mr. Olmert has been intensifying negotiations with the Palestinian Authority as well as Syria.

It also raises questions about the political legacies of both President Bush and Mr. Olmert, who have hoped to burnish their reputations by achieving breakthroughs in Middle East peace talks before leaving office.

Mr. Olmert's domestic credibility has sunk so low that it is unclear whether he still has the legitimacy or political traction to make historic concessions to Arab adversaries at all.

His political weakness may also undermine his ability to work in partnership with the Americans in pursuit of Middle East peace.

The prime minister, speaking live on Wednesday on Israeli television, passionately reiterated his commitment to peace but acknowledged that the corruption allegations made it impossible for him to continue in his office.

"The current slander campaign," Mr. Olmert said, "including by people who truthfully believe in the virtue of the state and its image, raises a question I cannot and will not ignore: What is more important? Is it my own personal justice, or the public good?"

Many commentators described his speech as statesmanlike, allowing him to leave office with a modicum of dignity and the air of a man who — belatedly in the eyes of his many critics — had finally done the right thing.

Previously, Mr. Olmert had pledged to resign only if charged. On Wednesday, he vowed that he would continue to fight the legal battle and prove his "innocence

Continued on Page A11

Strong Economy Propels Brazil to World Stage

By ALEXEI BARRIONUEVO

FORTALEZA, Brazil — Desperate to escape her hand-to-mouth existence in one of Brazil's poorest regions, Maria Benedita Sousa used a small loan five years ago to buy two sewing machines and start her own business making women's underwear.

Today Ms. Sousa, a mother of three who started out working in a jeans factory making minimum wage, employs 25 people in a modest two-room factory that produces 55,000 pairs of cotton underwear a month. She bought and renovated a house for her family and is now thinking of buying a second car. Her daughter, who is studying to be a pharmacist, could be the first family member ever to finish college.

"You can't imagine the happiness I am feeling," Ms. Sousa, 43, said from the floor of her business, Big Mateus, named after a son. "I am someone who came

A Giant in Latin America Picks Up a New Swagger

from the countryside to the city. I battled and battled, and today my children are studying, with one in college and two others in school. It's a gift from God."

Today her country is lifting itself up in much the same way. Brazil, South America's largest economy, is finally poised to realize its long-anticipated potential as a global player, economists say, as the country rides its biggest economic expansion in three decades.

That growth is being felt in nearly all parts of the economy, creating a new class of super rich even as people like Ms. Sousa lift themselves into an expanding middle class.

It has also given Brazil new

swagger, providing it, for instance, with greater leverage to push for a tougher bargain with the United States and Europe in global trade talks. After seven years, those negotiations finally broke down this week over demands by India and China for safeguards for their farmers, a clear sign of the rising clout of these emerging economies.

Despite investor fears about the leftist bent of President Luiz Inácio Lula da Silva when he was elected to lead Brazil in 2002, he has demonstrated a light touch when it comes to economic stewardship, avoiding the populist impulses of leaders in Venezuela and Bolivia.

Instead, he has fueled Brazil's growth through a deft combination of respect for financial markets and targeted social programs, which are lifting millions out of poverty, said David Fleischer, a political analyst and emeritus professor at the Uni-

Continued on Page A12

Beijing Games Denying Media Full Use of Web

By ANDREW JACOBS

BEIJING — The International Olympic Committee failed to press China to allow fully unfettered access to the Internet for the thousands of journalists arriving here to cover the Olympics, despite promising repeatedly that the foreign news media could "report freely" during the Games, Olympic officials acknowledged Wednesday.

Since the Olympic Village press center opened Friday, reporters have been unable to access scores of Web pages — among them those that discuss Tibetan issues, Taiwanese independence, the violent crackdown on the protests in Tiananmen Square and the Web sites of Amnesty International, the BBC's Chinese-language news, Radio Free Asia and several Hong Kong newspapers known for their free-wheeling political discourse.

The restrictions, which closely resemble the blocks that China places on the Internet for its citizens, undermine sweeping claims by Jacques Rogge, the International Olympic Committee president, that China had agreed

Continued on Page A10

On the Bus, and Off It: The Initiation of a Young Rock Impresario

By MELENA RYZIK

"Where's the bus, where's the bus, where's the bus?" Sean Carlson fretted last month as he paced around a block in Williamsburg, Brooklyn, his BlackBerry buzzing a message a minute. He peered anxiously down the street, waiting. An hour later, he spotted it: an old Blue Bird school bus, painted white and powered by vegetable oil. On its wheels rode one farfetched idea, months of work and, perhaps, a blueprint for his future.

A nascent music promoter, with a wardrobe of cut-offs and three well-worn T-shirts, Mr.



Mangled Ear a Badge of Honor For the New Breed of Fighter

By MICHAEL BRICK

Is your son into mixed martial arts? Check his ears.

Once an outlaw sport derided





Microloans have helped people like Maria Auxiliadora Sampaio, left, start businesses and feed Brazil's growing economy. Ms. Sampaio runs a salon in her home.

Strong Economy Propels Brazil Into Long-Anticipated Global Role

From Page A1

versity of Brasília. Ms. Sousa is one long beneficiary.

Long famous for its unequal distribution of wealth, Brazil has shrunk its income gap by 6 percentage points since 2001, more than any other country in South America this decade, said Francisco Ferreira, a lead economist at the World Bank.

While the top 10 percent of Brazil's earners saw their cumulative income rise by 7 percent from 2001 to 2006, the bottom 10 percent shot up by 58 percent, according to Marcelo Côrtes Neri, the director of the Center for Social Policies at the Getúlio Vargas Foundation in Rio de Janeiro.

But Brazil is also outpacing most of its neighbors on social programs, and overall public spending continues to be nearly four times as high as what Mexico spends as a percentage of its gross national product, Mr. Ferreira said.

The momentum of its economic expansion is expected to last. As the United States and parts of Europe struggle with recession and the fallout from housing crises, Brazil's economy shows few

ONLINE: **BOOM TIMES IN BRAZIL**

More photographs of Brazilians who are benefiting from their country's robust economic growth: nytimes.com/world

less dependent on them, economists say, having the advantage of a huge domestic market — 185 million people — that has grown wealthier with the success of people like Ms. Sousa.

In fact, with a stronger currency and inflation mostly in check, Brazilians are on a spending spree that has become a prime motor for the economy, which grew 5.4 percent last year.

They are buying both Brazilian goods and a rising flood of imported products. Many businesses have relaxed credit terms to allow Brazilians to pay for refrigerators, cars and even plastic surgery over years instead of months, despite some of the highest interest rates in the world. In June the country reached 100 million credit cards issued, a 17 percent jump over last year.

At Casas Bahia, a modestly priced Brazilian furniture-store chain, the number of customers buying items on installments nearly tripled to 29.3 million from 2002 to 2007, said Sônia Mitani, a company spokeswoman.

Other signs of new wealth abound. In Macaé, an oil boomtown near Rio de Janeiro, contractors are racing to finish new shopping malls and luxury housing to keep up with demand from oil-service firms. At a port in Angra dos Reis, a town known for its spectacular islands, some 25,000 workers have found jobs building oil platforms.

Petrobras, Brazil's national oil company, shocked the oil world in November when it announced that its Tupi deepwater field offshore of Rio de Janeiro could hold five to eight billion barrels of oil. Analysts think there could be billions of barrels more in surrounding areas.

While the oil will be expensive and complicated to extract, Petrobras has said it expects to be producing up to 100,000 barrels a day from Tupi by 2010, and hopes to produce up to a million barrels a day in about a decade.

The new oil plays are setting off an investment boom in Rio de Janeiro, with an estimated \$67.6 billion expected to flow into the state by 2010, according to the Rio de Janeiro State Federation of Industries, an industry group. Petrobras alone expects to invest \$40.5 billion by 2012. Some economists say a slow-



Maria Benedita Sousa, center, began her underwear business with just two sewing machines. Today she has 25 employees.



Recent oil discoveries off the coast of Rio de Janeiro State have led to a construction boom in the port town of Angra dos Reis.

down in the rest of the world's economy, especially in Asia, which is soaking up much of Brazil's exports of soybeans and iron ore, could crimp growth here. "But that probability is small," said Alfredo Coutinho, the senior economist for Latin America for Moody's Economy.com.

In fact, because Brazil's economy has become so diversified in recent years, the country is less susceptible to a hangover from the struggling United States economy.

Brazil's exports to the United States represent just 2.5 percent of Brazil's gross national product, compared with 25 percent of G.N.P. for Mexican exports, according to Moody's.

"What makes Brazil more resilient is that the rest of the world matters less," said Don Hanna, the head of emerging market economics at Citibank.

The rest of the world certainly has helped. Soaring prices for minerals and other commodities have created a new class of su-

per-rich. The number of Brazilians with liquid fortunes exceeding \$1 million grew by 19 percent last year, third behind China and India, according to a survey by Merrill Lynch and Capgemini.

At the same time, Mr. da Silva has deepened many of the social programs begun 10 years ago under then-president Fernando Henrique Cardoso, who ushered in many of the structural reforms that laid the foundations of Brazil's stable growth today.

In Ms. Sousa's case, for instance, she owes much of the success of her underwear business to loans she has received from the Bank of the Northeast, a government-financed bank that has awarded microloans to 330,000 people to develop businesses in this fast-growing region.

Other programs, like Bolsa Família, give small subsidies to millions of poor Brazilians to buy food and other essentials. Bolsa Família, which benefits 45 million people nationwide in distributing an annual budget of about \$5.6

billion, has been far more effective at raising per-capita incomes than recent increases in the minimum wage, which has risen 36 percent since 2003.

The bottom-up nature of such social programs has helped expand formal and informal employment as well as the Brazilian middle class. The number of people under the poverty line — defined as those earning less than \$80 a month — fell by 32 percent from 2004 to 2006, Mr. Neri said.

The programs have been particularly effective here in Brazil's northeast, historically one of poorest parts of the country. Residents here have received more than half the \$15.6 billion doled out in social programs from 2003 to 2006, according to Empresa de Pesquisa Energética, an arm of the Energy Ministry.

People here are using that new wealth to buy items like televisions and refrigerators at a faster rate than the rest of the country. The northeast, in fact, passed the country's south in electricity use this year for the first time, the energy agency said.

Many families have bridged the gap to the middle class by using Bolsa Família to meet basic needs, and then applying for small loans to start businesses and escape the informal economy. That is what Maria Auxiliadora Sampaio and her husband did in Fortaleza, a coastal city of 2.4 million people. They were receiving Bolsa Família payments of about \$30 a month, which they used to support their three children. Then, two years ago, Ms. Sampaio used a microloan of about \$190 to buy nail polish and kick-start her manicure business, which she runs from home.

Today she is making around \$70 a day — about four minimum salaries per month, she said. With her next loan she plans to put about \$140 toward a stove to sterilize nail clippers, which today she does with hot water.

The fruits of her new business have allowed the couple to retile their house and buy a television and a cellphone. This month her husband, who works at a Cachaca factory, was able to realize a dream: to buy a drum set.

He plans to use it in a band that plays forró, a traditional music in the northeast. "We always ate and paid bills, but he waited and waited," and finally bought the set for about \$780, she said.

"I feel like we are part of this group of people that are coming up in the world," said Ms. Sampaio, 28. "When you don't have anything, when you don't have a profession, don't have the means to live, you are no one, you are a mosquito. I was nothing. Today, I am in heaven."



Residents of Fortaleza have gained in the economic boom.

of the vulnerabilities of other emerging powers.

It has greatly diversified its industrial base, has massive potential to expand a booming agricultural sector into virgin fields and holds a tremendous pool of untapped natural resources. New oil discoveries will thrust Brazil into the ranks of the global oil powers within the next decade.

Yet while exports of commodities like oil and agricultural goods have driven much of its recent growth, Brazil is less and

Mery Galanterick contributed reporting from Rio de Janeiro.