

\$50b defence cut over six years

Bush announces massive tax cuts

WASHINGTON, Jan 29: President Bush on Tuesday night proposed election-year tax cuts and business incentives to revive America's economy and vowed, "We're going to lift this nation out of hard times." Bush also outlined dramatic cuts in the US nuclear arsenal, reports AP.

In his State of the Union speech, the president challenged the Democrat-controlled Congress to back his economic programs by March 20 or face a political fight. Invoking Gulf War rhetoric, he vowed the recession "will not stand."

The centerpiece of his economic plan was a 25 billion dollar program to put more money in peoples' paychecks by lowering tax withholding rates — even though it would mean smaller refunds a year from now. It would increase take-home pay by an average of \$300 dollar for more than 90 million wage-earners, the White House said.

In a nationally televised address, Bush discussed the benefits of a reduced military threat from the disintegrated Soviet Union.

"The American taxpayer bore the brunt of the (Cold War) burden, and deserves a hunk of the glory," he said.

Bush said he would ask Russian President Boris Yeltsin on Saturday to agree to eliminate all land-based multiple warhead ballistic missiles. If Yeltsin agrees, Bush said, the United States will eliminate all Mx missiles, reduce the number of warheads on Minuteman missiles to just one and cut the number of warheads on sea-based missiles by about one-third.

President Bush's Pentagon budget calls for 50 billion dollar in cuts over six years, lawmakers said Tuesday, includ-

ing curbs or cancellation on the Seawolf submarine and other major weapons designed to counter a Soviet military threat that no longer purchasing four of the new stealth aircraft, which would push the total to 20, lawmakers said.

The Pentagon had initially planned to buy 132 of the radar-evading planes capable of penetrating Soviet air defense during a nuclear war to hunt and destroy strategic nuclear forces. Cheney initially revised the planned total to 75 as the Soviet threat disintegrated.

The B-2 bomber came under attack in Congress as members questioned the wisdom of buying an aircraft then priced at about \$65 million dollar, a copy in times of economic woes.

Representative Ike Skelton, a senior member of the House Armed Services Committee, expressed concern that the

nation will return to a "hollow military."

"The whole thing just crumbles. It will be a great challenge to keep that from



happening," Skelton said. Bush's plan also would freeze federal spending on most domestic programs at current levels. The Democrats sought to

portray the tax cuts certain to come in terms of having think is right: "I am proposing what I know will help," Bush said.

The historic House chamber was standing-room-only, packed with lawmakers and members of the Bush Cabinet. In an unusual opening, Bush began with a joke about the high expectations for his speech: "I wanted to be sure it would be a big hit — but I couldn't convince Barbara to deliver it for me."

Recalling the allied victory over Iraq in the Persian Gulf War, Bush told Congress "we must stand together" to solve the problems at home.

Another report from AFP says: Republican lawmakers forced President George Bush to rewrite his health care proposal, causing a delay in the presentation of his 1993 budget, the Washington Post said Tuesday.

Americans still prefer Bush

NEW YORK, Jan 29: An instant poll taken after the State of the Union address found a majority of Americans confident President Bush can improve the economy, CBS News reported Tuesday, reports AP.

By the same margin — 56 per cent to 44 per cent — respondents said they think the tax cut proposed by Bush will help end the recession.

CBS said an innovative phone set-up allowed it to register the opinions of 1,234 pre-selected viewers within minutes after the speech. The random sample had a margin of error of plus or minus 3 percentage points, CBS said.

"No one has ever attempted to poll a nationally representative sample of Americans this quickly before," said anchorman Dan Rather.

A two-thirds majority said they didn't think the media exaggerate how bad economic conditions are.

Just 24 per cent said they are better off than they were four years ago. Thirty-two per cent said they were worse off. 44 per cent said they were about the same.

Regarding Arkansas Govt Bill Clinton's response to adultery allegations in a supermarket tabloid, 49 per cent were satisfied with his explanation, but 51 per cent weren't.

The poll was reported on a CBS News special, "America on the Line," which also featured audience participation. Hundreds of thousands of callers across the country got to take the same poll by touch-tone phone, and a few were interviewed on the air.

Though the mass call-in wasn't a scientific survey, Rather and co-host Connie Chung reported its developing results with the same suspense-tinged gravity accorded to equally meaningless early returns on election nights.

For example, the scientific poll found 48 per cent worried that they or an immediate family member would lose their job this year. But 64 per cent of those interested enough to call in felt that way.

The pre-selected callers in the real poll and viewer call-ins were handled by Call Interactive, a joint venture of AT-and T and American Express Information Services Corp in Omaha, Nebraska.

Bush's budget was to have been released Wednesday, a day after his State of the Union address in Congress in which he is expected to outline a plan to bring the economy out of recession.

The decision to change the health care proposal followed consultations between Office of Management and Budget Director Richard Darman and Congressional Republicans, White House Chief of Staff Samuel Skinner told the daily.

The lawmakers, headed by Representative Willis Gradison, were concerned over proposals for a new tax on health insurance benefits that affluent people receive from their employers and for an increase in medicare premiums for people with high incomes, administration officials told the paper.

But the legislators were mostly angered because they had been misled into believing the details of the government's health-care package were not complete and would not be announced until mid-February, after significant consultation with them, the officials added.

The complaints were expressly laid out Monday at a meeting between House and Senate Republicans with Darman, Health and Human Services Secretary Louis Sullivan and White House officials, the daily said.

After the meeting, Skinner got Bush's approval to order Darman to stop the press and have government agencies and departments postpone their budget briefings on Wednesday.

No date was given for the republican of the revised budgets.

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Japan-US consortium wins \$10b Russian oil deal

TOKYO, Jan 29: A Japanese-US consortium has been awarded a project worth an estimated 10 billion dollar to develop oil and gas off the Russian island of Sakhalin, the Japanese partner said Wednesday, reports AP.

The three-company group received a letter of intent from the Russian government Tuesday to conduct feasibility studies, an official of the trading firm Mitsui and Co said. Mitsui will work with two US companies — Marathon Oil Co. and McDermott International Inc, a major engineering company for oil, said the official, who spoke on condition of anonymity.

The Russians estimates reserves off the northern coast of the Far Eastern island of Sakhalin to be 100 million tons of crude oil and 400 billion cubic meters of natural gas, Mitsui said in a release.

Contract negotiations are expected to be concluded by the end of March, Mitsui said.

A statement from Mitsui President Naohiko Kumagai said the three companies will conduct feasibility studies by the end of 1992. Oil and gas production is scheduled to start in 1995 and production of liquefied natural gas would begin four years later, the release said.

Six groups of companies from the United States, Japan, South Korea and Australia participated in the bidding, officials said.

Jute strike begins in W Bengal

CALCUTTA, Jan 29: The indefinite strike in 54 jute mills in West Bengal which began yesterday was "total and peaceful", according to the state's Labour Minister, Santu Ghatak, reports PTI. Ghatak told newsmen here that of the 60 jute mills in the state, four were under lockout and six others observed only a day's token strike.

He said that the government was keeping a close watch on the situation and he had instructed officials of the labour department to collect reports of strike daily and send them to him.

Replying to a question, Ghatak said that he had not yet received any positive new formula from either the management or the trade unions to end the strike.

Russia plans 47m tonnes oil export

MOSCOW, Jan 29: Russia plans to export 47 million tonnes of oil beyond the frontiers of the former Soviet Union this year, the President of the Foreign Trade Committee Yuri Petrov has said, Interfax news agency reported, according to AFP.

Russia's exports to members of the Commonwealth of Independent States (CIS) would total 100 million tonnes. Russia is the biggest producer of oil in the former Soviet Union which as a whole in 1991 produced slightly more than 500 million tonnes, down from 569 million tonnes in 1990.

The official forecast for output in 1992 is 460 million tonnes for the whole of the former Soviet Union.

But an independent expert was quoted recently by the Izvestia daily newspaper as saying that production could fall to 400 million tonnes this year and that the CIS would have to import oil during the second half of the year.

Japanese businesses seek to turn to western rules of competition

TOKYO, Jan 29: As "Japan bashing" swells overseas, some Japanese business officials are saying it's time for their country to change fundamentally the way it competes by following more closely the ways of the West, reports AP.

Akio Morita, Chairman of Sony Corp, is among executives sparking the new debate by saying Japanese companies must pay their workers more, raise profit margins and adopt the same rules of competition followed in Europe and the United States.

"Japan is in desperate need of a new philosophy of management, a new paradigm for competitiveness," Morita said in a recent speech. In parliament Tuesday,

Koshiro Ichida, head of the Clean Government Party, said he worries that unless Japan finds a way of fitting in with the rest of the world, trade tensions will worsen.

Japan "must reinvent itself to blend with the prevailing attitudes and practices of international business" or face exclusion from overseas markets, Morita argues.

Japanese companies frequently price new products as cheaply as possible to create a market or gain market share, even if it means a delay in recovering development costs.

In an example of Morita's new approach, a tiny Sony digital tape recorder announced two weeks ago will sell for a

Part of the problem, Morita says, is that Japanese firms aggressively cut prices and plow a larger share of their profits back into research and development because the Japanese market is so competitive.

Japanese companies have exported those priorities overseas along with their products, he said.

In contrast, Western companies are pressured to share a larger portion of their income with employees and shareholders, Morita said.

Japan's companies can "compete viciously on price" because they pay their employees less for longer hours, operate on slimmer profit margins, and pay smaller dividends, he said.

EC defies GATT plan demands

BRUSSELS, Jan 29: European Community (EC) farm ministers agreed here Tuesday to push ahead with farm reform without allowing themselves to be pressured by the demands of their trade partners in GATT negotiations, reports AP.

French Minister of Agriculture Louis Mermaz told journalists during a ministerial meeting that farm reforms to cut subsidised over-production had to be "a European affair."

"Progress in reforming the (EC's) Common Agricultural Policy (CAP) will allow the community to arm itself against dangerous concessions in GATT and to strengthen its

agriculture against escalating American demands," he said.

Mermaz said that, as the US presidential elections approached, the United States was making ever-increasing demands for EC concessions in the Uruguay round of negotiations under the General Agreement on Tariffs and Trade (GATT).

Diplomats said that only Britain, the Netherlands and Denmark which boast the community's more efficient farming systems — want the EC to give priority to a GATT settlement before tackling internal farm reforms.

The EC's efforts at internal farm reform are closely linked to the GATT negotiations.

Mass hunger in Russia if reform abandoned

MOSCOW, Jan 29: Russia's Deputy Prime Minister was quoted on Tuesday as saying "mass hunger" could result if the government abandoned its policy of radical economic reform, reports Reuter.

Yegor Gaidar, main architect of the reform plan, told the trade union Daily Trud that vital grain imports of around 120,000 tonnes a day might stop if western creditors doubted the Russian government's adherence to market-oriented change.

He said the government, led by President Boris Yeltsin, was under strong domestic pressure to abandon its harsh austerity plan aimed at easing inflation and cutting the budget.

"If by March we recede under the influence of social demagoguery, political intrigues and public impatience, the

credits will be stopped," Gaidar said. "And then within a month, mass hunger will start, all livestock will be slaughtered."

Hyper-inflation was a "very likely" danger facing the country of 160 million — whose daily bread supplies depend on grain imports — if reforms were abandoned, he said.

Russia launched the reform by freeing nearly all prices at the start of the year after seven decades of state control. Prices soared, leaving many goods and food items beyond the reach of ordinary citizen.

The government is under strong pressure to ease taxation and raise salaries, especially in the spheres dependent on state budget. It says such measures would lead to uncontrolled inflation and failure of the whole reform plan.



SINGAPORE: ASEAN heads of government pose for photographs before signing the Singapore Declaration and a framework for moving towards free trade Jan 28. From L to R Sultan of Brunei Hassan-al Bolkhiah, Indonesian President Suharto, Malaysian PM Mahathir Mohamad, Philippine President Corazon Aquino, Singapore PM Goh Chok Tong and Thai PM Anand Panyarachun. — AFP photo

Poverty, wealth go hand in hand in ASEAN states

SINGAPORE, Jan 29: Poverty, disease and environmental degradation are having no trouble keeping pace with the fast increasing wealth of Southeast Asia, social and economic analysts say, reports Reuter.

"We must adopt an economic development strategy that sustains and nurtures environment and ecological balance," Thai Prime Minister Anand Panyarachun told this week's summit meeting of the Association of Southeast Asian Nations in Singapore.

"The scourge of drug abuse and the spread of AIDS are problems that we cannot afford to ignore," Anand said. "We have to mobilise all efforts to tackle them."

ASEAN members — Brunei, Indonesia, Malaysia, The Philippines, Singapore and Thailand — have posted some of the fastest economic growth

rates in the world in the last decade.

But the gleaming concrete and glass towers springing up in their cities have been more than matched by population increases and the spread of teeming slums and grubby squatter areas where crime, drug abuse and hopelessness are rampant.

Trinidad Osterio, a fellow at the Institute of Southeast Asian Studies (ISEAS), in Singapore, said lack of recent data made it difficult to accurately assess the size of ASEAN's social problems, since the 1980 census has not been updated.

But she added: "It is documented that a quarter of Jakarta's households lived in slum or squatter areas and this percentage persisted to the 1980s."

"Extrapolating this proportion to the year 2,000 about four million people will be

slum dwellers".

Thailand's national economic and social development board said that in 1988 about a quarter of the country's 55 million people lived below the poverty level, set at an annual income of 6,324 baht (252 US dollar) for cities and 4,141 baht (165 US dollar) for rural areas.

Per capita incomes in ASEAN range widely. Brunei and Singapore, with fewer than four million people between them, are above 10,000 US dollar a year. But Indonesia's 180 million people have an average income of just 555 US dollar per year while 56 million Filipinos have an average of 713 US dollar.

Osterio said a survey of Jakarta slum dwellers indicated 65 per cent had no private toilet facilities and 90 per cent no piped water.

"Most of the city's uncollected garbage ends up in canals and rivers and alongside the roadside where it clogs drainage channels and causes extensive flooding during the rainy season," she said.

The picture is similar in other regional cities.

The environment in general has been another victim of growth. Commercial logging and agricultural rainforests in Thailand, Indonesia, Malaysia and the Philippines.

The dangers of deforestation were tragically highlighted last year when flash floods hammered through the town of Ormoc on the Philippine island of Leyte, killing 7,000 people.

The government cited illegal logging as contributing to the scale of the devastation.

Despite tough laws, including mandatory death sentences in Singapore and Malaysia, the

region remains a growing source of heroin for North America, Europe and Australia, diplomats said.

More than 50 per cent of the heroin seized in the United States comes from the golden triangle, a region straddling the borders of Burma, Thailand and Laos, a US embassy official said.

Bumper harvests of opium, the raw material for heroin, along with the rising popularity of amphetamine derivatives, have fuelled ASEAN's continuing problem of domestic drug addiction.

As if all of this wasn't enough, United Nations officials have warned the region's people that AIDS was ready to erupt like a volcano among them.

Tens of millions of people could die of the disease by the year 2,000 if governments and people did not finally wake up

to the threat, they told a conference earlier this month in Manila.

Thailand has up to 400,000 people infected with the HIV virus which causes Acquired Immune Deficiency Syndrome and this could rise to two million by the end of the decade, UN officials have said.

Prostitution, widespread and cheap in most ASEAN countries, is a staple of the Thai tourism industry.

The Philippines, also well-marked on the sex tourists maps, has at least 277 HIV-positive and full blown AIDS cases.

"We think it's just the tip of the iceberg. We don't know how big the iceberg is. We believe AIDS cases in the country are 50 times more than what we recorded," said Enrique Hernandez, AIDS programme director in the Philippines.

India's trade gap halved

CALCUTTA, Jan 29: India's foreign trade gap has shrunk by over fifty per cent in the first eight months of the current financial year (1991-92) as compared to the same period in 1990-91, reports PTI.

Official sources said that while the foreign trade gap in merchandise stood at Rs 7260.43 crore between April and November 1990-91, it was reduced to Rs 3397.94 crore in the same period this year.

Provisional figures of exports show an increase of over Rs 5000 crore in the current year with exports touching Rs 26,012.44 crore against that of Rs 20,324.30 crore in the April to November period of 1990-91.

Imports have risen at a smaller rate touching Rs 29,410.38 crore between April and November 1991-92 as compared to an import bill of Rs 27,544.73 crore in the same period last year.

Sacrifice

Another report from Delhi

The Union Minister of State for Food, Tarun Gogoi, says he would not draw his wheat and rice from next month and wants the well-to-do to do the same.

People below the poverty line should get priority in the Public Distribution System (PDS) and those who can afford to buy in the open market should be voluntarily give up their rations, he told PTI here.

Gogoi who has been regularly getting his rice and wheat from the ration shop here for the last 21 years said such a gesture would help government's efforts to bring the needy under PDS network.

According to the Union Minister of State for Civil Supplies and Public Distribution, Kamaluddin Ahmed, government is working on a proposal to exclude 55 per cent of the population from the PDS network to make the essential items available at subsidised rates to the needy.

BCCI settlement worldwide soon

LONDON, Jan 29: Negotiators are likely to reach an agreement within weeks on a worldwide settlement which would give BCCI's depositors one-third of their money back, a source close to the negotiations said Tuesday, reports AP.

The way the deal is shaping up between the Abu Dhabi majority shareholders and liquidators would put dir 2.2 billion in cash into a compensation pool, the source said.

In return, the depositors would have to waive the right to sue source said.

A spokesman for BCCI's main liquidators, Touche Ross and Co, said, "We are expecting some kind of agreement by the end of this month." He declined to provide details, and declined to be identified by name.

Touche Ross on Nov. 22 announced a proposed deal similar to the one outlined by the source Tuesday, but it said then such a deal would give

creditors between 30 to 40 cents on the dollar and called for a dir 2 billion cash injection by the shareholders.

The bank's liabilities are estimated at dir 10 billion, the source said.

A total of 1.1 million depositors with dir 19.5 billion on deposit were affected by the July 5 seizure of BCCI, following allegations of widespread fraud.

Seventy per cent of the creditors would have to agree for the deal to go forward, and it also would require the approval of courts in Britain, Luxembourg and the Cayman Islands, the source said.

"This is an international settlement. It is the only agreement in the pipeline. It's very close to being agreed," the source said.

If all goes according to plan, the creditors might get their first payment of 10 per cent within a year, the source said.

British business confidence dips

LONDON, Jan 29: British business confidence declined sharply in the last four months as output and orders failed to match producers' expectations, according to the Confederation of British Industry (CBI)'s quarterly survey of industrial trends, reports AP.

And in the runup to the general election, anticipated on April 9, manufacturers expect output and investment to continue falling and a further 73,000 jobs to disappear.

The survey was seized on by the opposition Labour Party. "It is when we get reports like this that we realise we are still deep in the recession — a recession which is the result of Conservative incompetence", said shadow Chancellor of the

Exchequer John Smith.

Only 10 per cent of firms said they were more confident about the general business situation than four months ago, against 34 per cent who said they were less optimistic. The negative balance of 24 per cent compared with a positive balance of two per cent in October.

After "the first glimpse of light in October, the uncertain international situation has once more clouded the horizon," Andrew Sentance, the survey's author said.

Manufacturers expect only a modest improvement in orders over the next four months and capital investment, down 20 per cent from a year earlier, is expected to fall further in the year to come.

Business briefs

**Indian rupee devalued again:** The Reserve Bank of India (RBI) Wednesday announced a sharp downward revision of the rupee by 1.11 per cent in relation to the pound sterling, making the British unit costlier by 52 paise, reports PTI from Bombay.

The new middle rate now works out to Rs 46.64 per per sterling as against Rs 46.12 previously.

**India to raise vanilla production:** Vanilla, a highly priced spice in the world market, would be cultivated on a large-scale in the union territory of Lakshadweep, where 100 hectares of land would be brought under cultivation over a period of three years, the Spices Board Chairman, T Nandakumar, and the Board's Executive Director, C K George, said Wednesday, reports PTI from Kochin.

They told newsmen that to begin with vanilla vines would be planted in five hectares of land. In Androth Island next June under a Rs 50 lakh scheme.

**PTA meet in Lusaka today:** Heads of state of the 16-member Preferential Trade Area (PTA), for east, central and southern Africa meet in Lusaka on Thursday to map out the future of the organisation, reports AFP from Lusaka.

Formed to promote regional trade 10 years ago, the organisation face questions over its relevance in the light of political changes in the region and its failure so far to realise most of its basic goals.

**Coke gets go ahead in India:** The Coca-Cola Co's bid to re-enter the soft drink market in India has received an initial-go-ahead from the government, reports AP from Atlanta.

Atlanta-based Coke has formed an offshore investment firm with a non-resident Indian businessman. That company, JMRPCO Ltd, was given clearance to form a joint venture that would export snack foods and supply ingredients needed by Indian bottlers to make Coke products.

**UN won't relax ban on Iraq:** The UN Security Council is not expected to loosen its economic sanctions against Iraq when it meets Tuesday to review the policy, diplomats said, reports AP from UN.

Western and Iraq officials, speaking on condition of anonymity, said Monday that relations between Iraq and the Security Council has not changed enough to make the council shift its stance.