

Military aid cut will not affect Egypt, Israel

Bush declares \$ 1.52 trillion budget

WASHINGTON, Jan 30: President Bush sent Congress Wednesday a 1.52 trillion dollar spending plan that offered a grab bag of tax breaks for workers, home buyers and corporations in an effort to resuscitate a lifeless economy, reports AP.

In a brief message beginning the 2,000-page budget, Bush called on lawmakers to "lay aside partisanship and to join with me in enacting this growth agenda promptly."

The president, in his State of the Union speech Tuesday, told Congress that if it failed to enact his economic growth package by March 20, lawmakers could expect a "good fair fight."

The budget message added detail to the tax breaks for individuals and corporations that are at the heart of the president's plan to end what many economists fear could become the longest recession since the Great Depression.

While Bush tried to frame his economic program in rhetoric harkening to America's Gulf War victory, critics charged the package offered at best only a modest fiscal stimulus.

The president said he would abide by the 1990 budget agreement with Congress, which requires that tax cuts and spending increases be offset so that the deficit won't grow.

Although saying the budget meets that goal, the administration conceded that its program would cause the deficit this fiscal year to swell to an all-time high of 399.4 billion dollar.

That increase was blamed primarily on the item with the biggest price tag in the budget, an effort to pump 25 billion dollar into the economy by lowering individual withholding rates.

Here, at a glance, are President Bush's fiscal 1993 budget proposals for some key federal agencies and programs:

Defense: President Bush proposed a 286 billion dollar post-Cold War defence budget for fiscal year 1993 that ends production of the B-2 bomber, the Seawolf submarine and the nation's most powerful nuclear warhead.

It represents a 10 billion dollar cut in planned spending from fiscal 1992, and it envisions saving 50 billion dollar over five years by curbing several weapons systems. But it rejects Capitol Hill demands for deeper manpower cuts, holding to plans to strip 530,000 from the two million-strong military force.

However, the administration seeks to boost funding for the Strategic Defense Initiative to 5.4 billion dollar, more than one billion dollar over the level Congress approved last year.

Foreign Aid: Bush's 1993 foreign aid budget proposal makes modest steps toward adapting to a radically changing world, including a request for 820 million dollar in new aid to republics of the former Soviet Union.

The 22 billion dollar foreign affairs budget, including State Department operations, seeks increases in spending in the current year for aid to the Commonwealth of Independent States and for United Nations peacekeeping, then freezes that spending level for fiscal 1993.

Military aid overseas, long based on the Soviet threat, would be reduced slightly under the proposed budget from 4.6 billion dollar this year to 4.1 billion dollar next year.

The budget does not mention loan guarantees for Israel, the most contentious item in the foreign aid debate. Israel has asked the United States to

coaching 10 billion dollar in loans over the next five years, but the administration has resisted because of Israel's expansion of settlements in the occupied territories.

Food and Farm: The Bush administration sought to put farm subsidies out of the reach of wealthy producers while making school lunches more accessible to low-income children.

The proposal for Department of Agriculture spending for the year beginning Oct. 1 is 59.37 billion dollar, a drop from this year's estimate of 61.79 billion dollar.

Some of the cuts come in the farmers Home Administration, which makes rural housing and farm ownership and operating loans. The agency's spending would be slashed by 1.8 billion dollar, to 3.15 billion dollar.

The department also expects to save 65 million dollar by cutting subsidies to farmers with off-farm income of more than 100,000 dollar.

Space: The National Space Agency would get five percent more funds, or 14.9 billion dollar, under the administration's budget. The proposal gives a boost to plans for the U.S. space station, but cuts other programs, including operation of the space shuttle.

Space station funding would be increased to 2,250 million dollar, a 10 percent increase over 1992 levels.

Planetary research, however, is reduced to 487 million dollar, a drop of 49 million dollar or nine per cent below the 1992 level. Among the cuts would be termination of a plan to send a robot craft to a rendezvous with an asteroid.

Research and Development: The administration's budget proposal calls for 650 million dollar, an increase of 166 million dollar or 34 per cent, for

the super-conducting super collider, the massive project designed to uncover fundamental new knowledge about subatomic particles and the nature of matter.

The SSC, now under construction near Dallas, is expected to cost about 8 billion eventually, with one third of the money coming from Texas and international partners.

The Bush administration proposes to give the National Science Foundation three billion dollar, an increase of 454 million dollar, or 18 per cent, over 1992. The proposal continues administration plans to double the NSF budget by 1994.

Another report from AFP says: President George Bush's Administration is proposing drastic cuts in foreign military aid for fiscal 1993 with the exception of the main recipients Israel and Egypt, the State Department said Wednesday.

Total cuts excluding those two countries would reduce funds for military equipment and technical assistance by 31 percent, according to the State Department expert Kevin Sheehan.

With the two figures into the calculations, about 11 per cent of the program will be cut under the budget proposal.

As in 1992, Israel and Egypt will receive the lion's share of US global assistance under the 1993 budget.

Under the budget plan, Israel's aid package for 1993 is three billion dollar, with 1.8 billion dollar going to military spending. Egypt will receive 2.26 billion dollar, of which 1.3 billion dollar will be earmarked for military needs.

Sheehan said the "most significant reductions" would be in funds for the Philippines, El Salvador and Pakistan. No aid request was made

for Pakistan as the Bush Administration was unable to certify to Congress that Pakistan does not have nuclear weapons.

A Reuters report adds: Economic outlook of Bush's 1.52 trillion dollar budget is, the economy will expand by a modest 2.2 per cent from the end of 1991 through the end of 1992.

Trade deficit of 45 billion dollar, in 1992 will increase to 65 billion dollar, in Calendar 1993. The 1991 deficit was 83 billion dollar.

Tax cut proposals: Immediate cut in the amount of income tax withheld from Americans paychecks, which needs no congressional approval and would give the average worker 345 dollar a year.

An increase in the personal exemption, now 2,300 dollar, by 500 dollar per child;

Lower tax on capital gains of 15.4 per cent from 28 per cent;

5,000 dollar tax credit and penalty-free withdrawal from Individual Retirement Accounts (IRAs) for first-time home buyers. IRAs could also be used to pay for medical and educational expenses;

Repeal of luxury tax on airplane and boats;

Tax deductibility on interest paid on student loans;

A package of tax breaks for business including a 15 per cent investment tax allowance;

Permanent extension of the temporary 20 per cent research and development tax credit;

WB loan of \$265m for Indian power sector

WASHINGTON, Jan 30: The World Bank will extend a 265-million-Dollar loan to India to help it improve the efficiency of its power utilities, a Bank communique said Wednesday, reports AFP.

It said the loan is repayable over 20 years, with five years of grace at the Bank's standard variable interest rate, currently 7.23 per cent.

The communique said the funds would be used specifically to support a project to promote the development of India's power finance corporation as well as finance a five component work programme.

UN embargo costs Iraq \$ 32b loss in oil export

BAHGDAD, Jan 30: Iraq has incurred losses worth 26.5 to 32 billion dollar in oil revenues since August 1990 as a result of a trade embargo, Oil Minister Osama Abdul Razzak al-Hiti disclosed here, reports AFP.

He told Iraqi television the losses were calculated on the basis of crude oil prices fixed by the Organisation of Petroleum Exporting Countries at between 18 and 21 dollar.

Hiti said Iraq was ready to export some 1.5 million barrels of oil per day once it obtains the go-ahead from the United Nations, which imposed trade sanctions days after Baghdad's troops invaded Kuwait in August 1990.

The Iraqi oil tanker Kirkuk was currently at Themina al-Baor Port.

The port was damaged during the Gulf War but Iraqi authorities recently repaired one of its loading docks, with a capacity to export 400,000 barrels per day.

Tokyo to build special investment cell in India

NEW DELHI, Jan 30: A visiting Japanese business mission Wednesday praised Indian moves to open its economy to the world and announced it will set up a special cell here to promote Japanese investment, reports AFP.

"Needless to say, Japanese industry is extremely pleased with your country's new industrial and export-import policies, which promise to further deregulate the Indian economy," said Rokuro Mishikawa, leader of the mission.

Mishikawa told a meeting of the India-Japan Business Cooperation Committee that the special investment cell will be linked to the Japanese External Trade Organisation (JETRO) office in New Delhi.

It would be manned by a specialist whose job will be to keep Japanese businessmen informed about potential investment opportunities in India, said Mishikawa, Chairman of the Japan and Tokyo Chambers of Commerce and Industry.

His remarks came a day after he told a business symposium what India should do to attract Japanese investment.

Mishikawa said Tuesday New Delhi should abolish restrictions on foreign equity participation now limited to

51 per cent, delink profit repatriation from export earnings and remove restrictions on capital goods imports for new ventures.

He also urged the removal of a ban on foreign corporations acquiring real estate, easing of import tariffs and improvement of infrastructural facilities such as power and telecommunications.

Indian Minister of State for Finance Rameshwar Thakur said Wednesday India was considering more changes to attract greater investment flows, and called the process of liberalisation "unequivocal and irreversible."

India has been desperately trying to woo additional Japanese investment, citing structural reforms introduced recently to unshackle trade and business from stifling state controls, as well as new incentives offered to foreign investors.

Limits on foreign equity participation have been eased and India is allowing overseas investors to hold a majority stake in joint ventures.

A survey recently showed positive Japanese response, with 11 companies saying they were contemplating investment in India and 25 others showing interest.

IDB announces \$123m loan for members

MANAMA (Bahrain), Jan 30: The Jeddah-based Islamic Development Bank (IDB) has agreed loans worth 123 million dollar to finance trade and development in member states, reports Reuters.

An IDB statement after a three-day meeting in Saudi Arabia announced help for Turkey, Lebanon, Morocco, Tunisia, Egypt, Algeria, Indonesia, Pakistan, Mali and Jordan. The loans are:

Turkey—25 million dollar to import petrochemical and other products and 14.8 million dollar to import equipment for a copper and zinc mining project.

Lebanon—12 million dollar to import crude oil from Saudi Arabia and Syria.

Morocco—15 million dollar to buy crude oil from an IDB member.

Tunisia—10.2 million dollar to finance imports of lead,

zinc, coal, steel and other products.

Egypt—two million dollar to buy paper from an IDB member.

Algeria—seven million dollar to import Tunisian tyres and two million to import paper bags from Morocco.

Indonesia—eight million dollar to buy fertilizers from Jordan.

Pakistan—10 million dollar to pay for fertilizers from Saudi Arabia, Turkey and Jordan and two million for imports of equipment.

Mali—5.09 million dollar to expand a power plant.

Jordan—10 million dollar for a navigation firm to buy a ship.

The IDB was set up to promote trade among Islamic states. In compliance with Islamic law it does not charge interest.

Japanese experts ambivalent over ASEAN trade pact

TOKYO, Jan 30: Some in Japan doubt an Association of Southeast Asian Nations (ASEAN) single free trade market will materialise but others see it as a force for stability, reports Reuters.

Leaders of ASEAN—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—on Tuesday signed a pact pledging to create an ASEAN Free Trade Area (AFTA) by 2008.

"The AFTA tariff cut plans left out agricultural products, which account for a large part of ASEAN's exports, leaving outsiders dubious of the effectiveness of the AFTA," said Jiro Otsuka, Manager of Longterm Credit Bank's Research Department.

"There heart is in the right place, but Japanese companies are waiting to see how smoothly the creation of the AFTA is implemented," said an official of Keidanren (Federation of Economic Organisations), Japan's most powerful business lobby.

"The AFTA cannot act as an insurance policy, if global trade talks fail and the North American free trade areas and EC become trade fortresses," said one senior bank analyst.

"This is because the AFTA lacks political strength. It does not have the political vision of the EC and is just a loose grouping of nations without strong leverage," he added.

But other reaction was more positive.

"The ASEAN declaration will enforce the multilateral free trade system which is indispensable for global economic growth," said Susumki Yamagami, a senior assistant in the Foreign Ministry's Asian Affairs Bureau.

"The declaration is significant in enforcing economic and political stability in the Asia-Pacific region," he said.

"A free trade area will stimulate ASEAN's economy and boost demand, which in turn will induce further direct investment from outside, such as from Japan," said Kojiro Sakurai, an economist at the Japan Development Bank's re-

search division. This trend will be encouraged by the strong yen, he added.

But some say the AFTA might become a disincentive to invest.

Some foreign companies have set up production centres in ASEAN because high tariffs made exports too expensive.

But these companies could export more instead as ASEAN gradually lowers tariffs. The AFTA aims to keep ASEAN attractive to foreign companies and cut trade barriers that most ASEAN members main-

tain to protect domestic market and producers.

The AFTA will start with a common effective preferential tariff for 15 product sectors from January 1993 and aims to put in place a maximum five per cent tariff on capital goods, manufactured products and processed agricultural goods by 2008.

It reflects ASEAN members' concern about their trade and security with the end of the cold war and emerging economic alliances in Europe and North America.

Union of Arab nations can ensure economic development

ABU DHABI, Jan 30: A senior Lebanese figure has warned Arab states that their attempts to overcome economic woes will fail without political reform, reports AFP.

"Talking about economic freedom and growth remains useless away from freedom of work, belief and thought," former Prime Minister Selim al-Hoss said in a lecture here late Wednesday.

"Arab countries have no right to blind themselves to reality and ignore calls to respect human rights. We should determine our political identity before seeking economic development."

Most Arab states have announced economic reforms to resolve chronic problems such as debt, slow growth and unemployment.

But such efforts have made no headway and debts have continued to rise, amounting to more than 150 billion dollar in 1990 because of a drop in government aid and remittances from the oil-rich Gulf.

"We have no choice but to follow a free market economy," insisted Osama Al-Faqih, Chairman of the Abu Dhabi-based Arab Monetary Fund.

"The world has changed and we cannot continue swimming against the current," he told AFP.

Hoss urged Arab states to concentrate on development in their shift to capitalism.

He added that Arab states should heed appeals for greater democracy issued by industrialized nations.

"We should not ignore such calls," Hoss contended. "But

mere talk about democracy is not enough. We must translate our words into action and practise freedom in all its forms."

Hoss, who heads a committee to restructure Arab League organisations, also urged Arabs to create an economic alliance to face world trade groups. But he conceded that Arab integration would be difficult given the existing split among the League's 21 members.

"Such a goal seems further than a dream in the light of inter-Arab differences. But it is not impossible. We must try, act and take initiatives."

"We should unite in a single economic group. We have no other choice because it is an age of economic big powers and there is no room for small entities."

US approves \$ 60m hi-tech equipments sale to Iran

WASHINGTON, Jan 30: The Bush administration approved 60 million dollar worth of high-tech sales to Iran over 13 months starting in September 1990, and most had potential military value, documents show, reports AP.

Even as the Commerce Department was approving the exports last year, other government agencies were sounding alarms about Iran's efforts to develop nuclear weapons and its record as a supporter of terrorism.

More than half the sales, according to classified Commerce Department documents obtained by The Associated Press, were computer-related. And of the 33 million dollar in computers, sales worth 30 million dollar were approved without specific clearance from other involved agencies.

The items approved during a 13-month period starting in September 1990 required an export license because they were considered "dual use"—

meaning they could have civilian and military applications.

The documents on Iran show that the bulk of the computer equipment was approved despite being stamped by one or more of the departments "return without action."

Gary Milhollin, director of a private arms control advocacy group funded by the University of Wisconsin, said such a stamp is usually a polite way of saying "no." In some cases, he said, it means the agency lacks sufficient information to make a ruling.

The largest license application—by an Iranian engineering firm for 28.3 million dollar in computer equipment—did not specify the end user, saying the commodities would be sold to other unspecified countries. The departments of defense and state approved the application; the Department of Energy didn't act on it.

In response, the administration took steps to tighten its export controls for the six countries on the terrorism-

supporters list. They are Iran, Iraq, Syria, Cuba, North Korea and Libya.

Among the items approved for export were hundreds of thousands of dollar worth of navigation, direction-finding, radar and airborne communications equipment to civilian Iranian airline firms.

The Commerce Department also approved 80,000 dollar worth of oscilloscopes, devices used to monitor electrical impulses. Though oscilloscopes are used in a variety of common applications—television repair, for example—they are on a formal watch list of items designated by US laboratories as useful in the production of nuclear bombs and ballistic missiles.

CIA Director Robert Gates warned in recent congressional testimony that despite an impression of increased pragmatism, Iran's government still poses a threat to its neighbors and to the free flow of oil from the Gulf.



HONG KONG: Bush's State of the Union address had little impact on stock dealers who catch up on their reading during the morning session Wednesday. — AFP photo

Cash strap brings agony for gifted youngsters

UNDATED, Jan 30: America's most gifted students are drifting through schools unable to provide them with much more than basic education at a time of budget cuts and classroom overcrowding, experts say, reports AP.

"These kids are spending the majority of their time doing work they already know," said Sally M. Reis, a professor of education at the University of Connecticut. "We're abandoning a generation of our brightest youngsters."

A yearlong study issued Monday by the Connecticut-based National Research

Center on the Gifted and Talented found that up to 70 per cent of the curriculum is old news to bright students and that 84 per cent of teachers give identical instruction to students of differing abilities.

"Most teachers take a look around the classroom and say, 'who needs me most?'" said Reis. "So we cater to the lowest common denominator."

In fact, the curriculum has grown less challenging as many public schools are called upon to educate new students who have vastly different levels of proficiency, experts contend. Children from single-

parent families, or from homes where both parents work or where English is not the primary language, may be less prepared.

The problem has been worsening in many states where class size is ballooning and where gifted programmes are among the early casualties of budget-cutting.

In Massachusetts, the state education departments office for gifted and talented programmes closed in 1990. In Connecticut, 78 per cent of programmes for the gifted have been cut back or eliminated in the last two years.

Maine postponed the deadline for a new requirement that schools there offer programmes for the gifted, Michigan, New Hampshire, New Jersey, New York and Vermont also report cuts.

Some states have expanded programmes for the gifted. North Carolina and Texas have opened residential high schools for talented math and science students. Texas plans a public boarding school for students skilled in the humanities.

But educators said that without programmes for the gifted in the lower grades,

there will be no one to attend those heralded academies.

The problems aren't just economic. Some parents and a few educators believe that separating smarter students may be harmful to the classmates left behind.

"Historically, there has been a perception that programmes for the gifted are elitist," said Valerie Seaberg, director of such programmes for the state of Maine.

The National Research Centre for the Gifted and Talented studied one Connecticut community where such classes were eliminated. Seventy-nine per cent of par-

ents said their gifted children had become frustrated, angry or bored away from what researchers called their "intellectual peers." Ten per cent transferred to private schools. And the parents, who had been among the public schools most staunch supporters, abandoned their activism.

The Connecticut research centre's study involved 7,000 third- and fourth-grade teachers during the 1990-91 school year. It advocated putting smarter students into mainstream classrooms and allowing them to study at a faster pace.

Business briefs

Ukraine out of debt share deal: Ukraine said Wednesday it is pulling out of an agreement among republics to share the debt of the former Soviet Union because of disagreements with its giant neighbour Russia, reports AP from Kiev (Ukraine).

The move was another sign of tension between Russia and Ukraine, the two most populous of the former Soviet republics, who already have disagreed over economic policy and military questions.

Cuba to face fatality in '92: A key economic adviser to President Fidel Castro has told Cubans to expect a poor sugar harvest this year and barely enough fuel to keep the country going, reports AP from Mexico City.

Politburo member Carlos Lage told the weekly newspaper Juventud Rebelde that 1992 will be even worse than 1991, the year the Soviet empire died.

Iranian aid for Afghan refugees: Iran has sent some dozen plane loads of relief supplies to neighbouring Afghanistan and Afghan refugees in Pakistan, Tehran radio reported Wednesday, reports AP from Nicosia.

The broadcast, monitored in Nicosia, said Iran's Red Crescent Society sent 20 C-130 transport planes loaded with 180 tons of food, clothing and blankets to central Afghanistan.

Iraqis crossed with UN: Iraqis face growing hunger and disease, and Saddam Hussein has tried to focus their anger against the United Nations for not lifting an 18-month-old economic embargo. Iraqi travellers say, reports AP from Amman.

On Monday, Iraqi soldiers stood by as protesters roughed up UN weapons inspectors in Baghdad in an outgrowth of regular, government-staged demonstrations against the sanctions.

Stocks rebound in Tokyo: Share prices rebounded in light trading on the Tokyo Stock Exchange Thursday, while the US dollar finished higher against the Japanese yen, reports AP from Tokyo.

The 225-issue Nikkei Stock Average gained 195.41 points, or 0.91 per cent, closing at 21,557.67. On Wednesday, the average fell 28.26 points, or 0.13 per cent.

US firm on farm subsidy issue: President George Bush, in his State of the Union Address, vowed to continue pressing for the elimination of farm subsidies, an issue dividing the United States and the European Community (EC) that has blocked GATT talks on international trade, reports AP from Washington.