

Tuesday, September 11, 1990

# Hussein attempts to gain support with free oil offer

Associated Press

Saddam Hussein offered free oil to developing nations Monday in a bid to win their support and circumvent a U.N. trade embargo, and he got a boost from a former enemy when Iran agreed to restore full diplomatic ties.

The White House characterized both developments as signs the Iraqi president is growing desperate and grasping at any straw he can find.

Secretary of State James A. Baker III, briefing NATO ministers on the weekend U.S.-Soviet summit, asked the allies to send ground troops into the Persian Gulf region — even as a symbolic presence — to increase pressure on Iraq to withdraw from Kuwait. There were no immediate offers.

Baker also announced he would

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visit Syria to coordinate opposition to Iraq with President Hafez Assad. The United States and Syria have longstanding differences over human rights and terrorism but have formed a makeshift alliance during the Gulf crisis.

Syria beefed up its contribution to the multinational force facing Iraq,

saying it was sending more troops to Saudi Arabia at the desert kingdom's request. Diplomatic sources estimate that Syria has already sent 4-5,000 combat troops to the kingdom.

In other developments Monday:

- Baker told reporters Saudi Arabia, the United Arab Emirates and the exiled government of Kuwait would contribute a combined \$12 billion to help defray the cost of the U.S. buildup in the gulf and to assist poorer nations hurt by the U.N. trade embargo on Iraqi goods.

- The official Iraqi News Agency criticized President Bush's motives in meeting with Soviet President Mikhail S. Gorbachev in Helsinki, Finland. It said the summit showed Bush's "evil tendencies and his spite for the Arab nation."

## Crisis forces social change in Arab world

JIDDAH, Saudi Arabia (AP) — The ban on women serving as nurses was lifted Monday, which would have been unthinkable in this strict Moslem kingdom before Saddam Hussein's army invaded neighboring Kuwait a month ago.

The announcement last week was an indication of the social and political change that began after King Fahd drastically altered Saudi policy and invited hundreds of thousands of foreign soldiers, mostly Americans, to defend his throne.

Saudi, diplomatic and other sources said the crisis will accelerate a discreet move toward liberalization that has been creeping through the kingdom for a decade.

Some of the changes wrought by the U.S. intervention may not last, but Saudi society appears on the threshold of modernization.

"The crisis will have a lot of impact," said Prince Abdullah bin Faisal, head of one of the country's major industrial developments and a nephew of the king. "It will speed up certain ideas that the government has been thinking about for years."

Expected changes include a more professional, broadly based military, more freedom for women, greater press freedom, more public say in local matters and a foreign policy of cementing alliances.

Fear of a backlash from the conservative Islamic faithful will temper the pace.

## Gorbachev plans visit to Tokyo Land dispute blocks Japan, USSR relations

TOKYO (AP) — Japan and the Soviet Union view Mikhail Gorbachev's coming trip to Tokyo as a sign frayed relations are on the mend, but a territorial dispute over a group of small islands remains a roadblock to normalization.

Soviet Foreign Minister Eduard Shevardnadze returned to Moscow Friday after three days of meetings in Tokyo, where he set an April date for the Soviet president to visit Japan.

It will be the first visit by a Soviet leader to Tokyo.

Both sides noted a warming of long-strained relations during Shevardnadze's visit and pledged to work toward closer ties.

In a joint statement released Friday, the countries said "both sides must make efforts to make the visit to Japan by the Soviet president a major turning point in Japan-U.S.S.R. relations."

But it was unclear whether the countries were any closer to resolving a territorial dispute that has prevented the signing of a peace treaty to formally end hostilities after World War II.

"I could not find any practical change in the attitude of the Soviet Union on the territorial issue," Japanese Foreign Minister Taro Nakayama said Friday after two days of talks with his Soviet counterpart.

For years, Tokyo has insisted that the sparsely populated Kuril Islands off northern Japan seized by the Soviet Union at the end of the war must be returned before there can be any real progress in economic or political ties.

The chain of islands were Japanese territory from 1875 until after

the war. Shevardnadze, speaking at a news conference Friday, hinted that Moscow was willing to talk and possibly make concessions.

"On a bilateral basis we may introduce some change, some further amendments, but only in the spirit of negotiations and based on a rational dialogue," Shevardnadze said.

He also said the two countries were ready to discuss "new principles" with Gorbachev's visit.

That appeared to echo comments attributed to Gorbachev in recent weeks that he was willing to talk about anything in a summit with Japanese Prime Minister Toshiki Kaifu.

The Soviet Union has long sent conflicting signals on whether it was willing to negotiate the fate of the islands.

As recently as July, Gorbachev refused to discuss Japan's claim to the disputed islands, saying the issue had been decided after World War II and the Soviet Union abided by postwar arrangements.

Some analysts say they expect the Soviets to seek a resolution to the territorial issue to gain access to Japanese economic aid and investment to help shore up the faltering Soviet economy.

Moscow has said it wants increased Japanese economic cooperation, particularly in remote Siberia.

Japanese newspapers today applauded the apparent Soviet flexibility toward the territorial dispute but noted that resolution of the issue still seemed far away.

## Slowing economy will require cuts in public, private spending

NEW YORK (AP) — Americans are getting to the point where they will have no other choice but to cut public and private spending and, who knows, maybe even taxes.

As the economy slows, the strains and the pains are showing up in the form of bank and savings and loan failures, personal and business bankruptcies, late and often incomplete repayments everywhere, and in government budget deficits.

Recognition that spending must be supported by income was a long time coming, because government, business and individuals had myriad ways in which to avoid facing the facts.

The federal government, for instance, simply tossed certain costly items off the budget, business kidded itself into believing sales would soar and enable it to pay off junk bonds, and individuals discovered easy credit.

The latter also discovered the bankruptcy laws and utilized them. Purdue University's credit research center reports that the number of filings for personal bankruptcy in 1989 was 3.5 times the filings of a decade ago.

Past-due real estate loans at banks climbed \$3.2 bil-

lion in the April-June period. Corporate junk bond defaults so far this year total \$9.4 billion, or \$600 million more than all of last year. State governments are in deep trouble.

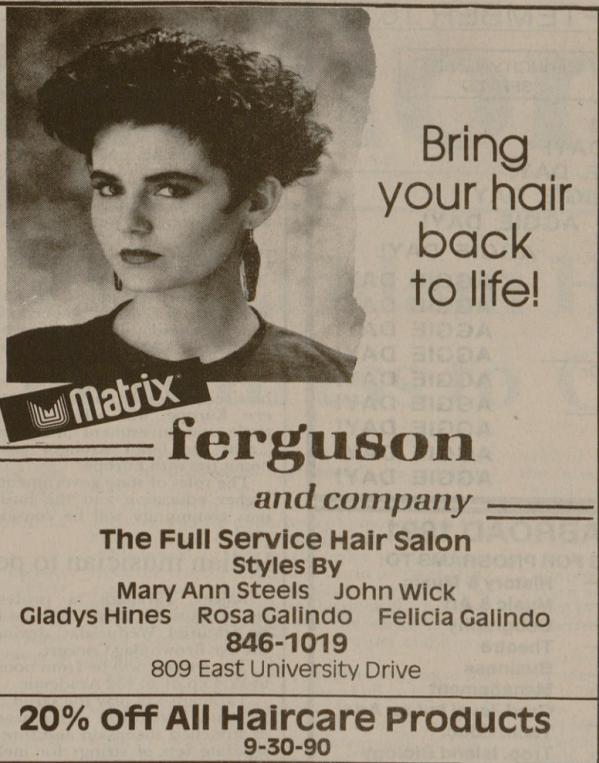
Even Massachusetts Gov. Michael S. Dukakis, who once suggested his colleagues lacked courage in seeking to avoid spending increases, has been forced to cut.

The biggest blow to state budgets is the economic decline, which has cut deeply into revenues. But if it weren't for higher tax rates, the deficits in many states would be higher still.

State tax revenues in fiscal 1989 rose nearly \$20 billion to \$284 billion, a 7.5 percent one-year jump, according to the Tax Foundation. To a great extent, those tax increases had hidden the problems — until the downturn.

And now, with economies receding, outrage against high taxes is growing.

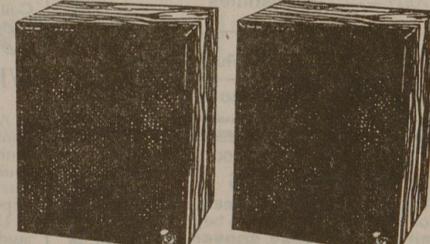
The foundation study showed state tax collections from personal income last year rose 10.7 percent; from corporate income, 10.4 percent; and from sales tax, 7.3 percent. Still, cuts are inevitable.



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