

World and Nation

Bush vows to reduce federal deficit

From Associated Press reports

WASHINGTON — President-elect George Bush told the new Democratic leader of the Senate Thursday that he will take the lead in proposing ways to pare the huge federal budget deficit.

Faced with calls from Senate Majority Leader George Mitchell and other top Democrats to make the first move on deficit reduction, Bush said, "That is exactly what I intend to do" once he becomes president.

"I am confident that we can work together," Bush said as he and Mitchell faced reporters on the White House driveway after breakfast together, the latest in a series of culinary goodwill gestures toward congressional leaders.

"I'm not naive about it, nor is he, and there will be different approaches on some of these major problems facing this country," said the vice

president. He said he will take the lead on the deficit "and then there will be, I'm sure, active discussion and negotiation with whoever he designates to try to solve these problems."

Bush also said he won't be rushed into making Cabinet appointments despite persistent news media speculation that may be troubling to prospects such as John Tower, the former Texas senator keeping a long vigil for the Pentagon opening.

"We're trying to be prudent and do the proper work required to back up appointments at all levels," Bush said.

Asked about reports of internal strife within his camp over whether to give the Pentagon post to Tower, a former Senate Armed Services Committee chairman and now a paid consultant to several major defense contractors, Bush said, "Any time there seems to be stories that may

be hurtful to somebody, it concerns me no matter who it is. Senator Tower's a friend of mine, but he knows that the process takes a while to go forward."

Mitchell said he and Bush did not discuss taxes or any budget-cutting specifics, but he called the vice president "keenly aware of the seriousness of the (deficit) situation."

The senator called the discussion "cordial and productive. He understands that it is his responsibility to proceed first and he will do so." He said Bush deserves time to get his economic team in place and settle upon a deficit-reduction strategy.

The vice president had lunch with President Reagan and joined him at a meeting with Trade Representative Clayton Yeutter to discuss next week's General Agreement on Tariffs and Trade talks in Montreal.

Bush and Reagan were both speak-

ing Thursday night at a testimonial dinner for retiring Rep. Jack Kemp of New York, one of the foes Bush vanquished for the GOP nomination.

Bush brushed aside a question about whether he would give Kemp the appointment Kemp wants to the National Economic Commission to fight any proposals to raise taxes. Kemp had said before the election the panel's work should be "routinely passed into the dustbin of history."

On Friday, Bush will meet with another former GOP presidential candidate, Pat Robertson, in the morning before putting out the welcome mat at his home for Massachusetts Gov. Michael Dukakis, the defeated Democratic presidential nominee, in the afternoon.

Later Friday, he will receive Argentine President Raul Alfonsin, whose inauguration he attended five years ago.

Kohlberg apparent winner in RJR buyout

From Associated Press reports

NEW YORK — One of history's biggest corporate breakups loomed over RJR Nabisco Inc. on Thursday after Kohlberg Kravis Roberts & Co. seemingly bagged the cigarette-and-food company for a record \$24.53 billion, but the buyout specialist said it saw no urgent need to sell anything.

Meanwhile, a rival bidding group hinted it might reopen the struggle, RJR's debt ratings sank, and one disgruntled big RJR bondholder that already had sued RJR said it might sue Kohlberg too.

After an exhaustive bidding free-for-all overseen by a special RJR directors committee, Kohlberg triumphed over an RJR management group led by chief executive F. Ross Johnson late Wednesday. Kohlberg's package of cash and securities was valued at \$109 a share for each of

RJR's 225 million shares, the biggest takeover agreement in history.

RJR's directors accepted the bid over an apparently higher offer from Johnson's group valued at \$112 a share or \$25.2 billion. They said both offers were nearly the same but Kohlberg's offer would give shareholders a 25 percent stake in the acquired company, compared with a 15 percent stake offered by Johnson.

Securities analysts surveying the aftermath of the chaotic takeover auction for the Atlanta-based RJR said they were awaiting more details of the securities portion of Kohlberg's bid to emerge before making any conclusions.

Nevertheless, many said it was certain Kohlberg would have to sell at least part of RJR's wide-ranging

food operations to service the enormous debt acquired to engineer the deal.

"I'd be totally amazed if there wasn't some stuff sold off," said Neal Kaplan, who follows RJR for Interstate-Johnson Lane Securities in Charlotte, N.C. "I can't conceive of them keeping it intact."

But Kohlberg principal Henry Kravis told a few selected financial journalists in New York he foresaw no urgent reason to sell any of RJR's operations, people familiar with his remarks said.

Kohlberg is the undisputed leader in leveraged buyouts, in which it puts up a small amount of money and borrows the rest, repaying the debt with the acquired company's earnings, assets or both. Post-buyout companies often have debt-to-equity

ratios of 10-to-1 and sometimes more.

The RJR acquisition will more than quadruple the company's existing debt of \$5 billion to \$22.3 billion. But the amount of equity in the acquired company is estimated at about \$7.4 billion, for a debt-to-equity ratio of 3-to-1. In terms of leveraged buyouts, that is considered low.

Although Kravis said he considered the fight for RJR over, Johnson and his chief financial backer, Shearson Lehman Hutton Inc., hinted Thursday that they were not finished.

Shearson said in a statement: "From what we know, our bid was the best. We are mystified about the process and the standards that the board used to reach its decision. We are going to continue to keep our options open."

Supreme Soviet approves Gorbachev plan

From Associated Press reports

MOSCOW — President Mikhail Gorbachev won nearly unanimous approval Thursday of a more dynamic political structure from a parliament that voted its traditionally docile form out of existence.

In a speech to the 1,500-member Supreme Soviet, Gorbachev also accepted blame for the lack of explanations that led to a remarkable

public debate over the reform he considers crucial to his restructuring effort.

Despite criticism from some of the 15 Soviet republics that the reforms make Moscow too powerful, only five deputies voted against it. Still, the negative votes were a rarity in the parliament that for years has unanimously approved Kremlin directives. The first "no" votes came just more

Election victory still unclear in race for Israeli leadership

From Associated Press reports

JERUSALEM — The left-of-center Labor Party on Thursday secured the backing of half the Israeli Parliament, enough to prevent a right-wing Likud government from coming to power but not enough to seat a government of its own.

With the 120-member Knesset split between the left and right blocs, it remained unclear a full month after the elections who will govern for the next four years.

In the Nov. 1 balloting, Likud had a small edge over Labor, with 40 seats to Labor's 39. Each must woo smaller parties to form a majority, and Likud's Prime Minister Yitzhak Shamir planned to do so with the backing of right-wing and Orthodox religious parties.

But the defection of an ultra-Orthodox Likud ally to Labor's ranks has thrown a monkey wrench into the works. Now Labor leader Shimon Peres has the backing of 60 members, limiting the Likud bloc to 58.

The two-man Torah Flag Party is undecided, possibly holding the key to forming the next government in its hands. If Torah Flag throws its support behind Labor, the bloc would have a majority for a government, albeit a narrow one.

Mexican president inaugurated

MEXICO CITY — President Carlos Salinas de Gortari took office Friday as opponents protested in congress and in the streets, and he promised to push for political and economic modernization.

Salinas, a 40-year-old economist, succeeds Miguel de la Madrid for a six-year term. He

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inherits an economy threatened by both recession and inflation, growth squeezed by a \$102 billion foreign debt and a population impatient after six years of austerity that reduced earnings about 50 percent.

He said efforts to reduce Mexico's foreign debt would begin immediately.

About 140 delegates from the National Democratic Front walked out of the Legislative Palace just before Salinas was inaugurated, and members of the National Action Party held up signs declaring "Fraud."

Soviets clear their airwaves

BONN, West Germany — Radio Liberty officials on Thursday rejoiced over an end to 35 years of Kremlin-ordered broadcast jamming as they examined how to take advantage of the newly cleared airwaves to the Soviet Union.

Robert Redlich, spokesman for Radio Liberty and its sister station Radio Free Europe, which beams its signal to Eastern European countries, said news that the jamming stopped was broadcast to listeners in the Soviet Union.

The end of Soviet jamming against Radio Liberty appears to be part of the glasnost, or "openness," policy of President Mikhail Gorbachev. The Soviets ceased jamming of the U.S.-operated Voice of America service more than a year ago, and some East European countries dropped efforts to block Radio Free Europe broadcasts.

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than a month ago.

Gorbachev told deputies that except for an emergency, "this lineup of the U.S.S.R. Supreme Soviet is having its final session."

Elections will be held March 26 for a new 2,250-member Congress of People's Deputies that will choose from among its members a smaller, more active Supreme Soviet.

"We are creating a new, very authoritative representative body of power that will reflect all national, territorial and social interests of the society," Gorbachev said.

The reform also creates a strong presidency in place of the largely ceremonial post Gorbachev assumed Oct. 1.

Earlier in the week, he said that without the political reform, "The drive for perestroika inevitably will begin to skid."

He said in a speech Thursday concluding an extraordinary three-day session on his proposals to restructure the government that the revised constitution was temporary, and further changes would respond to demands for expanded power for republic and local governments.

But he emphasized the rest of his reforms will be considered by the new lawmakers.

Gorbachev also told the deputies that a storm of controversy over the reform package — including 250,000 letters to the Kremlin — could have been reduced, and he took the blame.

"We did not care about explaining the essence, the meaning" of the changes, Gorbachev said. "The center was just following the old practice, thinking, 'well, they would get used to it.'"

"That is why I reiterate all of us are now learning our lessons. All of us are in a school of democracy, and we should be good pupils in that school," Gorbachev said.

Newspapers first published the draft language of the complex revisions in 117 articles of the constitution and election law only five weeks ago.

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