



### PERES TO LEAD LABOR PARTY LIST IN MAY 17 ELECTIONS; ACCLAIMED NEW LEADER BY 790 OF THE 816 PARTY'S CENTRAL COMMITTEE MEMBERS

By David Landau and Gil Sedan

JERUSALEM, April 10 (JTA)--Shimon Peres won enthusiastic and near unanimous approval by the Labor Party tonight to head its list in the May 17 elections and become Premier if Labor forms the next Israeli government. Peres, 54, who is presently Defense Minister, was acclaimed the new leader by 790 of the 816 members of the Labor Party's Central Committee. Only eight negative votes were cast and 18 members abstained.

He was warmly applauded when he pledged that as party leader he would be "the representative of every member of the party, every faction, every grouping, every shade of opinion." The selection of Peres followed Premier Yitzhak Rabin's announcement late Thursday night that he was resigning as leader of the Labor Party because of a joint bank account he and his wife had kept in Washington, D.C. in violation of Israel's currency laws.

The dramatic events occurred less than two months after Rabin's hairline victory over Peres at the Labor Party's convention late in February. Rabin was re-elected leader by a margin of only 41 votes out of some 3000 ballots cast.

Peres was placed in nomination before the Central Committee tonight by Labor Party Secretary General Meir Zarmi. Rabin himself received a standing ovation when he arrived and took a seat in the front row. Zarmi said that his resignation had aroused "respect, love, grief and awe" among party members.

#### Peres' Message To The Nation

Peres addressed some of his remarks to Rabin personally. He acknowledged that they were frequently at odds over the years and he was "not ashamed" to admit it. But he stressed that "on the central issues of defense and foreign policy" he and Rabin had always worked together "in good faith and harmony." Peres said that although he had never made any secret of his aspirations to the Premiership, he was saddened by the circumstances of Rabin's downfall and his ascendance to the seat of power.

Speaking to Rabin and, apparently to the Central Committee and the nation at large, Peres declared, "My message to you at this moment is 'Chazak ve Ematz' [Be strong and of good heart], the words of encouragement spoken by Moses to Joshua.

Peres used the occasion to warn the Arab countries "not to delude themselves" into thinking that at this moment of political and constitutional difficulty, Israel was ripe for attack. He warned that if they did, they would find Israel's defense forces able to repel them.

#### Moves To Create Unity

One of Peres' first tasks will be to create unity within the factionalized Labor Alignment less than six weeks before election day. Earlier

today he and other Labor Party leaders, including Foreign Minister Yigal Allon, Justice Minister Chaim Zadok and Abba Eban appeared before the "leadership bureau" of Mapam to try to persuade it not to break away from the Alignment.

Mapam indicated before the Labor Party convention that it would quit the Alignment if Peres was elected to leadership. An influential group within Mapam has been pushing for a break now because of wide differences with Peres on foreign policy and peace issues. The faction asked for and was granted status as an independent Knesset faction today which is the first step toward filing an independent election list.

A final decision will be made when the Mapam leadership meets tomorrow, the deadline for the filing of Knesset lists. Labor's strongest argument against defection is that without Mapam, a Likud victory is likely on May 17.

Peres has also visited former Premier Golda Meir in an obvious attempt to remove her long-standing opposition to his leadership ambitions. In radio and television interviews over the weekend, before his election to head the Labor Party, Peres pledged to continue the policies of the present government.

He dismissed as an "unserious approach" the common distinction between "hawks" and "doves." He promised to cooperate with all factions in the Labor Alignment and stressed that he, for one, had never quit when the party faced a crisis or when he was rebuffed for leadership, as occurred twice in the past. He said that if elected Premier he would strive to have the Geneva conference reconvened later this year.

#### Possible Top Posts For Allon, Eban

The composition of a new Labor-led government will be apparent tomorrow when the party files its election list. Political observers believe Peres will select Foreign Minister and Deputy Premier Yigal Allon for the No. 2 spot. Allon, who was a strong supporter of Rabin at the party's convention, will have first choice of Cabinet posts and is expected to choose the defense portfolio.

Abba Eban, who supported Peres in his power struggle with Rabin, is expected to have the No. 3 spot in the next government, though not necessarily on the Knesset list. Eban served as Israel's Foreign Minister for eight years, resigning at the end of 1973. He is believed virtually certain to become Foreign Minister in a government headed by Peres.

#### Cautious View From Washington

(There was no immediate comment in Washington today over the selection of Peres as Labor Party leader. Speaking at Dobbins Air Force Base in Georgia on Friday, President Carter said that the resignation of Rabin could affect Middle East peace moves but he believed all Israeli leaders had a strong desire to settle the Middle East dispute. He told reporters that there was a great realization among Israeli leaders, as well as the

leaders of other Middle Eastern countries, that 1977 was an important year and it would be a long time before progress could be made toward Mideast peace if the present opportunity was allowed to slip by.)

(In Washington, State Department chief spokesman Hodding Carter said Friday that the U.S. had complete confidence that Israel would continue to participate actively and fully in the search for Middle East peace despite Rabin's resignation. "We do not expect this search to be interrupted by the workings of the democratic process in Israel," the State Department spokesman said. He made his statement to reporters shortly after Israeli Ambassador Simcha Dinitz met with Secretary of State Cyrus Vance to explain the circumstances of Rabin's resignation.)

(President Anwar Sadat of Egypt, who met with Carter in Washington last week, said on a CBS radio interview in Baden Baden, West Germany on Friday that Rabin's resignation made no difference because all of Israel's leaders are "hawks.")

#### RABIN COULD FACE PROSECUTION AS A CO-DEFENDANT WITH HIS WIFE

By Gil Sedan and David Landau

JERUSALEM, April 10 (JTA)--Premier Yitzhak Rabin could face prosecution as a co-defendant with his wife, Leah, for the illegal bank account they held jointly in Washington, D.C., it was indicated today. Attorney General Aharon Barak has decided to prosecute Mrs. Rabin and her file will be turned over to his office early this week. He has reserved decision on the Premier until Rabin "gives his version" of the affair to Treasury investigators, sources here said.

Rabin is expected to be questioned during the next few days. His interrogation will not require a waiver of the immunity he enjoys as a Knesset member although he has offered to give it. A waiver may be required if he is to be prosecuted.

Meanwhile, Barak is trying to work out a legal formula by which Rabin could relinquish his duties as Premier without formally resigning that post before the May 17 elections. Under Israeli law, no minister in a care-taker government may resign. Exceptions are made only if the minister is out of the country or temporarily "unable" to fulfill his duties for reasons of health or mental condition.

Barak is exploring the law to see if a broader interpretation of "unable" can be made. One possible solution would be for Rabin to take a vacation until after the elections and appoint someone else--probably Defense Minister Shimon Peres--as Deputy Premier.

#### Basis For Decision

Legal sources close to Barak said his decision whether or not to prosecute Rabin would depend on whether the Premier knew of the existence of the bank account and of his wife's withdrawals from it or if he was not aware, or actively conscious, of Mrs. Rabin's dealings with the bank. In the latter case, he would be treated as a technical offender and exonerated without prosecution or administrative punishment.

On the other hand, if Rabin was fully aware of the matter he will be held equally liable with his wife, the sources said. In his public statements since his dramatic resignation as leader of the Labor Party last Thursday, Rabin has accepted

"moral and formal responsibility" for the bank accounts which violated Israeli currency law. He acknowledged that the accounts were held jointly in his and his wife's names and that it was "irrelevant" who actually drew checks on them. There were "no secrets" between himself and his wife, Rabin said. (See separate story P. 3)

Legal circles said that in cases of this sort the courts invariably levied fines, not jail sentences, although prison terms are provided by law for such offenses.

#### Mrs. Rabin: Affair Was 'Blown Up'

Mrs. Rabin said today in an interview in Yediot Achronot that the entire affair has been "blown up." She said she did not feel she had done something "terrible" and was not afraid to look people in the eye. "This is a crisis that is passing over our home, the family and a large group of friends but one day it will be behind us," she said.

Mrs. Rabin explained that throughout her married life she had handled the family's financial affairs. She said that leaving an active bank account in Washington had been "negligence" but there was no intention to conceal its existence. If there had been, she could have transferred the account to her uncle who lives in New York, Mrs. Rabin said.

#### DISCLOSE THAT ATTORNEY GENERAL, TREASURY OFFICIALS CLASHED OVER HOW TO HANDLE THE RABIN CASE

By David Landau

JERUSALEM, April 10 (JTA)--A bitter behind-the-scenes clash between Attorney General Aharon Barak and senior Treasury officials over how to handle the Rabin case came to light today. Treasury sources and sources close to Barak acknowledged that the dispute was over whether or not to prosecute Mrs. Leah Rabin--and possibly the Premier himself--for the joint bank account they held in Washington, D.C. in violation of Israel's currency laws.

The Treasury committee investigating the case recommended leniency toward Mrs. Rabin on grounds that she was the Premier's wife. It was prepared to let her off with the IL 150,000 fine levied Thursday by the Finance Ministry's administrative penalty committee.

But Barak insisted on prosecution. He warned Treasury officials that he would challenge their recommendation in the courts and implied that he might resign. He said that if Mrs. Rabin was exempted from prosecution he would be forced to drop dozens of currency violation cases currently before the courts. According to law and past precedence, the Attorney General has the final say on whether or not to prosecute a case.

#### No Grounds For Leniency

Treasury officials, apparently including Rabin's close friend and associate, Finance Minister Yehoshua Rabinowitz, argued that the Rabins already had suffered severe punishment from the publicity surrounding their case and the additional adverse publicity aroused by the large administrative fine. They said that while other offenders similarly fined were able to escape opprobrium, a public official of Rabin's rank could not.

Barak said that the size of the illegal account and Mrs. Rabin's "many" withdrawals from it since 1973, which she has acknowledged, gave no grounds for leniency. It was a clear-cut case of

the rule of law and equality before the law, Barak declared, according to sources close to him. "I have written many articles about these principles and there comes a time when one must implement them," the 39-year-old state prosecutor was quoted as saying.

Legal sources disclosed that Barak had personally consulted lower level Treasury officials who handle currency cases and found a unanimous view among them that there were insufficient grounds for leniency in the Rabin case.

#### RABIN'S STATEMENT TO THE NATION

JERUSALEM, April 10 (JTA)--Premier Yitzhak Rabin, in his announcement late Thursday night that he has decided to step down from the Labor Party leadership, said he did not want the party to suffer from his personal lapse. He said that he was sorry that an issue such as this had ended his career as Premier, but "since I am Premier and we are on the eve of elections, I have no option but to stand down." But Rabin declared that if his wife, Leah, is prosecuted for the illegal bank accounts he will demand that he also be prosecuted.

"I have said before that I bear jointly with my wife formal and moral responsibility and I am not ready for her to stand trial alone. I will not hide behind parliamentary immunity, and will face the issue together with her," Rabin said.

"At any rate, I don't deny that there was an error and an act of negligence committed here--in that we did not close the account (in 1973) as the law required. Since we saw this as an error we turned to the relevant authorities and asked to have an administrative penalty imposed on us. We submitted all the relevant details and documents, and the affair was conducted with the normal procedures."

#### Never Concealed Account's Existence

Rabin also said: "The accounts were opened during my service as envoy in Washington. The money in them all came from that period. We never concealed the existence of the account--in fact my wife drove to the bank in an official car of the State Department's security service. There were no deposits since we left Washington (in 1973). When the affair was first published (in mid-March) \$10,000 were returned home."

In March, 1973 when the Rabins left Washington, there had been \$18,000 in the account, the Premier said. The sum of \$2000 was then (publicly) mentioned in this connection. That was the sum actually in the account. The remaining \$8000 was en route to Israel. There was thus some unclarity, both regarding whether there was more than one account, and as to the discrepancy in the figures.

Finance Ministry sources explained, confirming Rabin's own unclear statements, there was \$2000 in the account last month--and another \$8000 in travellers checks and cash in the family's possession. The remaining \$8000 had been withdrawn and spent by Mrs. Rabin over the years since 1973 during her visits to the United States, the sources explained.

#### Declares Joint Responsibility

Rabin, in his announcement, stated: "The Treasury appointed a committee, which included representatives of the police--and they recommended an administrative fine. To my great regret the Attorney General has not accepted this recommendation, at least as far as concerns my wife, and in his opinion she must face

a prosecution.

"I have declared in the past the responsibility (for the account) was joint, and I am not prepared for her to stand trial alone. If this is indeed the decision, I will stand trial with her and I will not hide behind parliamentary immunity...." Rabin said he himself had not made any withdrawals--but this was "irrelevant.... There are no secrets between us.

"....The issue could harm the Labor Party's ability to win the number of votes that it deserves.... Therefore I have decided to hand back my mandate as party candidate for the Premiership to the Secretary General. I will also do whatever I can, within the constitutional constraints, to wind up my job as Premier."

#### 'It Is A Sad Ending'

Continuing, Rabin declared: "It is a sad ending. I regret that something which is in my view of secondary importance has led to the decision I have taken. But I saw no alternative....

"I believe that in the three fields that I have worked--as Chief of Staff, as Ambassador to the U.S. and as Premier--I did yeoman work and I succeeded in the main task. As Commander-in-Chief I prepared the army on the eve of the Six-Day War. As Premier I led the country out of the post-Yom Kippur straits into a situation facilitating diplomatic maneuvering--a situation unparalleled since the State's inception."

His heart was heavy, Rabin said, because he was being forced to end his task prematurely. "But I saw no possibility of entering into a conflict with the official whose function it is to supervise the enforcement of the law," he said. In his view, the State of Israel had lost the Premier who had had a better chance than anyone to advance the cause of peace and prevent war. At the same time, he hoped his public career had not been ended. "I believe in the State of Israel.... I shall find my place in it."

#### RABIN POSTPONED ANNOUNCEMENT TO AVOID PRE-EMPTING BASKETBALL GAME IN EUROPE WHERE ISRAEL WON

JERUSALEM, April 10 (JTA)--Premier Yitzhak Rabin's announcement of his withdrawal as candidate for the May 17 elections was postponed for several hours Thursday night because Israelis were glued to their television sets watching a far more, for them, dramatic and important event: the victory of the Tel Aviv Maccabi basketball team over the Varese team of Italy in the European Cup championship game in Belgrade, Yugoslavia.

When the 78-77 win for Israel was announced, thousands of joyous Israelis poured out of their homes onto the streets for a massive festival which continued until the early hours Friday. Streets were jammed and long lines of cars, honking their horns in unison, moved slowly through the thoroughfares.

Rabin himself decided to postpone his announcement until the game was over. By the time he appeared on television, many of the sets had been turned off. Few cared to listen to Rabin's resignation statement. When news of his remarks filtered through the throngs on the streets, many shouted, "Aulcie Perry for Premier." Perry was the Black American star who played with the Maccabi team and contributed to its success.

#### RABIN GAINS SYMPATHY

JERUSALEM, April 10 (JTA)--Premier Yitzhak Rabin's decision to step down has, para-

