

NEW ECONOMIC POLICY LAUNCHED IN ISRAEL**ABOLITION OF CURRENCY REGULATIONS
AND OTHER SWEEPING MEASURES ARE
INTRODUCED TO CREATE A FREE ECONOMY**

By Tuvia Mendelson, Gil Sedan
and Yitzhak Shargil

JERUSALEM, Oct. 30 (JTA)—Israel was plunged into a new economic era Friday when the government announced the abolition of currency regulations and other sweeping measures aimed at creating a free economy that it claimed would stimulate investments, foreign and domestic, re-vitalize exports, reduce imports and put the nation on the road to self-sufficiency and fiscal solvency.

The first move was to establish a free-floating currency. The Israel Pound which stood at IL 10.36 to \$1 last week is expected to drop to IL 15 to \$1 when the banks reopen tomorrow. The banks remained closed today to prepare for the major re-adjustment and allow the populace time to absorb the implications of the change.

Shops were open, however, and the predictable wave of panic buying ensued as thousands of consumers rushed to stock up on all manner of items before prices soar to record highs. Prices began an upward spiral last week when the government announced a sharp reduction in subsidies for basic food items and other commodities and services.

Stunned Confusion Widespread

The immediate reaction of most Israelis to the new economic order was stunned confusion. The plan, adapted by Finance Minister Simcha Ehrlich from the theories of the conservative and controversial American economist, Dr. Milton Friedman, had been fermenting in absolute secrecy almost from the day the Likud government was installed in office last June. It was approved by the Cabinet at an unprecedented Friday meeting with one dissenting vote and one abstention.

It was immediately castigated by Labor Alignment and Histadrut leaders as a plan calculated to benefit the wealthy, especially the holders of large foreign currency accounts which up to now have been illegal, while imposing severe hardships on the mass of wage earners and the poor. The announcement touched off a wave of wildcat strikes and work stoppages in various parts of the country and calls on Histadrut to take swift counteraction. (See separate story.)

The new economic order was ardently defended by Ehrlich and by Premier Menachem Begin who went on the air last night to urge the public to remain calm and delivered a bitter polemic against the previous Labor-led governments which had maintained a planned and regulated economy since Israel was founded nearly 30 years ago.

Elements Of New Policy

Under the new economic policy, Israeli citizens will be allowed to hold unlimited amounts of foreign currency in Israeli banks. They will also be permitted to keep up to \$3000 cash and another \$3000 in personal accounts in foreign banks. The 15 percent surcharge that Israelis have been paying for foreign currency to travel abroad or to purchase imports will be abolished. But the costs of imports

will soar, stimulating Israelis, at least in theory, to produce at home more of the goods they now buy abroad.

The value added tax (VAT) will be raised from 8 to 12 percent beginning Tuesday and the "creeping devaluation" of the Pound which had permitted depreciations of up to 2 percent every 30 days, has been abolished.

The immediate impact on the average Israeli family will be severe. Economists estimated today that they will lose about IL 1000 per month in buying power. According to the economists, the average family spent about IL 7535 in September for necessities, including housing. In January, 1978 they will have to spend IL 8500 for the same goods and services.

Projected Hikes Noted

A quarter of the family budget goes for food. The subsidy cuts announced on Friday raised the prices of basic foods by 15 percent and food items not subject to government price supports are expected to increase in price by a greater margin. A family that has spent IL 1870 for food per month will have to increase its budget by IL 280. Family expenditures for transportation and communications now stand at IL 806 per month. The 25 percent increase in gasoline prices, the 15 percent hike in public transportation and increased postal and telephone costs will take an additional IL 160 out of the monthly budget.

The present cost for domestic electricity and heating is about IL 230 per month and IL 40 for water. The projected increase for these items is IL 60. Clothing and shoes absorb IL 1170 at present. Increases of 15-20 percent in the cost of imported items will mean an additional IL 200 will have to be spent for personal apparel. Housing costs, now about IL 1600 per month, are expected to go up by IL 50 and the costs of education and entertainment will rise by IL 170 per month.

The only immediate compensation for the average family will be a 12 percent increase in the child allowance. A family with two children will receive a monthly allowance of IL 396 compared to the present IL 354. The economists pointed out that this amounts to an increase of IL 40 per month to cover a deficit of IL 1000.

Insists Israelis Will Benefit

Nevertheless, Ehrlich insisted that his plan would benefit all Israelis in the long run. After making his dramatic announcement Friday, the Finance Minister held a press conference here flanked by Minister of Commerce, Industry and Tourism Yigal Hurvitz, Deputy Finance Minister Yecheskel Flumin and Attorney General Aharon Barak. He hinted that Israel has been assured of sufficient foreign currency reserves to enable the government and the Bank of Israel to stabilize the exchange rate if that should prove necessary.

Ehrlich noted that the International Monetary Fund (IMF) has been urging Israel for some time to abolish its multiple exchange rate system and the system of export incentives. He said his sweeping currency reforms would stabilize the economy, at-

tract investments from abroad and stimulate the manufacture of substitutes for exports. Ehrlich also said it would provide an incentive for those persons who hold hitherto illegal foreign currency accounts abroad to repatriate their money—which he estimated at \$3 billion—and would remove the motive for others to violate the law.

Ehrlich said he was aware that the government has taken a grave risk and that a period of adjustment would be required, not free from uncertainties and difficulties. But he said the government weighed the risks against the benefits and concluded that the drastic measures were necessary to rehabilitate Israel's lagging economy. Ehrlich predicted that overall living costs would increase by 10 percent by the end of the year. He said that families with children and social welfare cases would be compensated in the amount of 12 percent but rejected compensation to others in order to minimize inflation.

There was at least one strong dissenter in the Cabinet. Absorption Minister David Levi told the Jewish Telegraphic Agency today that he voted against the Ehrlich plan because it failed to provide adequate compensation for the poor. Minister of Religious Affairs Aharon Abu Hatzzeira abstained.

Maintained Extreme Secrecy

The JTA also learned today of the extreme lengths Ehrlich went to maintain secrecy—a modus operandi that has become a familiar feature of the Likud government. He began drafting his economic new order three days after taking office last June. But until its unveiling Friday it was unknown to any other members of the Cabinet apart from Ehrlich himself, Begin and Commerce and Industry Minister Hurvitz.

Only top officials in the Finance Ministry were "in the picture" and Attorney General Barak, who was consulted in the early stages on the legal aspects of the reforms. Barak reportedly was responsible for modifying Ehrlich's original intention to allow Israelis to hold foreign currency in amounts up to \$50,000.

The JTA learned that all correspondence related to the economic plan was written by hand to avoid the use of secretaries and other lower echelon ministry staff. Barak's opinion was handwritten and seen by no one but Ehrlich and his closest advisors. When U.S. Secretary of the Treasury W. Michael Blumenthal visited Israel last week, Ehrlich found it necessary to inform him of the impending economic revolution in Israel.

The Finance Minister reportedly considered relating the plan to Blumenthal in Yiddish so that members of the American entourage would not learn of it. Whether he did or not is not known but it is believed that U.S. Ambassador Samuel Lewis was not informed in advance.

Meanwhile, Israelis are waiting to see what happens when the banks reopen tomorrow and the Tel Aviv stock exchange reopens Tuesday. For the first time in 38 years, the exchange rate for the national currency will no longer be fixed administratively. Currency regulation was introduced by the British Mandatory government in Palestine at the outbreak of World War II and maintained by the successive governments of Israel over the last three decades. Tomorrow, however, the value of the Israel Pound will be determined by supply and demand.

LABOR ERUPTS IN ANGER OVER NEW PLAN By Yitzhak Shargil

TEL-AVIV, Oct. 30 (JTA)—Israel's labor scene,

relatively quiet of late, erupted in anger today over the new economic order imposed by the Likud government. Wildcat strikes and work-stoppages occurred in various parts of the country. Yeraham Meshel, Secretary General of Histadrut, hinted at possible strikes and work slowdowns and called to-day for demonstrations against the new measures which have stirred fears of economic losses by Israeli workers and wage-earners. Histadrut set up emergency headquarters at its central office here where workers committees were to report for instructions.

But some worker groups did not wait for an invitation to react. Tel Aviv postal workers called a 24-hour strike and staged a march to Histadrut headquarters—without a police permit—to demonstrate against the Ehrlich plan.

Trade union spokesmen, addressing them through loudspeakers, denounced the plan as a bonanza for the rich with nothing for the wage-earner. They noted that the plan contained no provisions for holders of now legal black market foreign currency accounts to pay back taxes on their holdings. This, they said, was naked discrimination against workers who paid their taxes in full and on time.

There was a brief strike at the Dead Sea chemical plant today and one or two-hour work stoppages were called at a number of factories. The powerful Haifa port workers union stopped work for one hour and then decided at a stormy meeting to demand action by Histadrut in 24 hours. The Haifa Labor Council set up a regional headquarters to coordinate workers' activities.

Histadrut announced that it would call for worker demonstrations in Tel Aviv, Haifa, Beersheba and Jerusalem. The one in the capital is expected to be the largest, attended by workers from all over the country. Only the Likud faction in Histadrut welcomed the government's plan. But even it has demanded immediate compensation for low wage-earners.

The Histadrut Central Committee met last night and heard Meshel reply to Ehrlich's charge that Histadrut-owned industries were sick enterprises. "I did not know Ehrlich was a physician. To the best of my knowledge, he is an optician. Let him stick to his field and not diagnose others," Meshel said.

RELEASE OF CAPUCCI EXPECTED

JERUSALEM, Oct. 30 (JTA)—The government intends to release Archbishop Hilarion Capucci as soon as it receives an official pardon request from the Pope, Foreign Minister Moshe Dayan told the Cabinet at its weekly session today.

The announcement means that the government has already decided in principle to release the clergyman who was sentenced in December, 1974 to 12 years imprisonment for security violations. Negotiations on the release of Capucci have been going on since the Likud government took office. A meeting was held between the Pope in Rome and an Israeli representative on the subject. Premier Menachem Begin and Attorney General Aharon Barak met recently with President Ephraim Katzir and informed him of the intention to release the high-ranking prisoner.

Ever since his trial three years ago, Israel was under consistent pressure to release Capucci. The change of the government gave Israel the appropriate opportunity to make this gesture toward the Christian world. The official pardon procedure is: as the official request arrives from the Vatican, Justice Minister Shmuel Tamir is expected to recommend Capucci's release to Katzir. The President will then make the final decision.

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from those resolutions.

He justified the use of words by Carter and others that are not in Resolution 242 by pointing out that while Palestinian "homeland" and "rights" are not in Resolution 242, neither was "normal relations," meaning real peace, he said. The Administration, he added, believes it is appropriate to raise such issues that go beyond 242 for the settlement itself is to be ultimately determined by the parties themselves.

The majority of journalists participated in the questioning that was conducted in news style with two officials. Their questions, couched in restrained tones, reflected professionalism and intimacy with the Mideast situation and the maneuvering of U.S. policy in that area.

HERZOG DENOUNCES UN RESOLUTION AS NUREMBERG-TYPE DECREE

UNITED NATIONS, Oct. 30 (JTA)—Israeli Ambassador Chaim Herzog denounced a General Assembly resolution censuring Israel for establishing settlements in occupied territories as a "Nuremberg-decree-type" resolution which called for Jew-free areas and forbade Jews to settle on land they owned simply because they were Jews.

The Assembly, by a vote of 131-1 with seven abstentions, adopted the Egyptian-inspired resolution Friday afternoon. Israel was the only country voting against, the United States was one of the abstainers and the nine-member European Economic Community nations were among those voting in the affirmative. Ten countries did not answer the roll call for the voting.

(In Jerusalem, Premier Menachem Begin said Israel would not consider itself bound by the resolution. The decisions of the General Assembly, he said, "are merely recommendations." The attitude of the Israeli government towards settlements has been made clear repeatedly to everybody and nothing has changed.) Government officials said the passage of the resolution harmed prospects of peace in the Mideast and only scored points for Arab propaganda.)

Young Explains U.S. Abstention

U.S. Ambassador Andrew Young told the Assembly that the U.S. had abstained because it had to maintain a policy of strict neutrality due to its role as co-chairman of the Geneva peace conference. He noted, however, that, on the whole, the resolution was consistent with the U.S. position of condemning Israeli settlements as illegal. He recalled in his statement that the U.S. has viewed the settlements as prejudging the territorial aspects of final peace treaties and also complicated the negotiating process.

Herzog said Israel had been condemned for an action it had proved to the Assembly to be legal under international law. (See Daily News Bulletin Oct. 27). Moreover, he said, Israel was condemned for actions that did not cost a single life and did not displace one single Arab from his land. While condemning Israel, the UN continued to ignore such major issues as international terrorism, the invasion of Ethiopia, the annexation of parts of Chad by Libya, the war in the western Sahara, the slaughter in Lebanon, the killings in Cambodia and the oppression in Cambodia, Herzog declared.

He welcomed the U.S. abstention, noting that this showed the U.S. had addressed itself to the Israeli arguments and thereby accepted the principle largely ignored by the UN, of giving a fair hearing to both sides. Herzog denounced the West European countries for not showing "independence

of thought and objectivity." He said those countries had not listened to Israel's legal defense before deciding their positions.

In addition to the U.S., those countries abstaining were: Nicaragua, Papua-New Guinea, Costa Rica, Fiji, Guatemala and Malawi. The 10 not attending the session were: Albania, Chad, Cambodia, Dominican Republic, El Salvador, Gambia, Ghana, Grenada, Seychelles and South Africa.

JACOB ROBINSON DEAD AT 88

NEW YORK, Oct. 30 (JTA)—Dr. Jacob Robinson, a world renowned expert and scholar on international law and the Holocaust, died here last week at the age of 88. During the Nuremberg war crimes trials in 1946 he was a consultant to Justice Robert H. Jackson who was chief counsel at the trials. He was also responsible for developing recommendations for international acting deal with restitution, compensation to Nazi victims and war crimes.

Robinson founded the Institute of Jewish Affairs of the World Jewish Congress and directed its work until 1947, when he was invited by the Jewish Agency for Palestine to serve as an advisor on problems relating to international law and the United Nations. Following the admission of Israel into the United Nations in 1948, he was appointed a member of and legal advisor to the Israeli delegation to the UN.

In 1952, Robinson was appointed by the government of Israel to draft the Reparations Agreement between Israel and the Federal Republic of Germany, under which Israel was to receive from West Germany goods and services valued at more than \$930 million.

In 1957, Robinson resigned from the Israeli UN delegation and became coordinator of research and documentation on the Holocaust for the Conference on Jewish Material Claims Against Germany, the Memorial Foundation for Jewish Culture, and YIVO Institute for Jewish Research. He also coordinated and organized much of the documentation for Yad Vashem.

Born in Lithuania, Robinson became an attorney and served in the Lithuanian Parliament from 1922 until its demise in 1926. In 1932, he became legal advisor to the Lithuanian Foreign Office and represented Lithuania in international jurisdictions. During the years immediately preceding World War II, he served as chairman of an unofficial committee of Jewish leaders in Lithuania. In 1940, on the eve of the country's annexation by the Soviet Union, Robinson settled with his family in the United States. A funeral service for Robinson was held last Wednesday.

EEC BOWS TO ARAB PRESSURE

BRUSSELS, Oct. 30 (JTA)—The nine-member European Economic Community (EEC) has signed a joint statement during its meeting here for a "Euro-Arab Dialogue" with 21 Arab nations condemning Israel's occupation of areas won during the Six-Day War and supporting a Palestinian homeland. The statement was seen here by diplomats as a victory for the Arabs because the EEC nations said at the beginning of the two-year dialogue that it wanted the talks confined to economic and trade matters.

The EEC, under Arab pressure, accepted Arab demands that the dialogue be given political scope as well, diplomats noted. But the EEC stopped short of accepting Arab demands for an economic and arms boycott against Israel and recognition of the Palestine Liberation Organization.