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ISRAELI NAVY SHELLS TERRORIST BASE IN NORTHERN LEBANON

By Hugh Orgel

TEL AVIV, June 3 (JTA) -- Israeli naval units shelled a terrorist base on the Lebanese coast last night and returned safely to their bases, a military spokesman reported today. The target was identified as the regional headquarters of George Habash's "Palestine Liberation Front" about seven miles north of Tripoli.

The attack was described as a follow-up to yesterday's air raid on an El Fatah base north of Tyre.

HAIG SAYS THERE IS 'TIME LIMIT' ON HABIB MISSION BUT NO 'DEADLINE'

By David Friedman

WASHINGTON, June 3 (JTA) -- Secretary of State Alexander Haig seems to agree with Premier Menachem Begin that there is a time limit for President Reagan's special envoy, Philip Habib, to successfully complete his mission aimed at resolving the current crisis over Lebanon. But the State Department quickly stressed today that Haig did not mean there is a "deadline."

Meanwhile, State Department spokesman Dear Fischer said there was still no date set for Habib to return to the Middle East, although the envoy is still scheduled to go this week. He had no explanation for this.

Haig's comment was made last night at the concluding session of the State Department's two-day national foreign policy conference for American editors and broadcasters. When Haig was asked about Begin's statement that there is a time limit for Habib to convince the Syrians to remove their SAM-6 anti-aircraft missiles from Lebanon, Haig replied that he could not comment on the public statements of the parties involved in the crisis.

"I do think there is a time limit," Haig then added. "There is a limit because there has been a change in the status quo. From that point of view, one might say there is some urgency -- although I don't call it an immediate sense of urgency. But there is a time limit to achieving some progress, and I'm hopeful we will."

What Haig Meant

Fischer explained today that what Haig meant was that there "is a time limit in a sense there is some urgency in defusing the situation but he did not mean to say that he set any deadline for our efforts."

Haig also noted yesterday that the Habib mission aimed "in the near term a return to the status quo ante -- and I'm talking about a return to the situation that has existed de facto and formally as well since 1976." Fischer refused to spell out what Haig specifically meant by return to the status quo. But for Israel, and at certain stages it appeared also the United States, it has meant the removal of the missiles, as well as the evacuation by the Syrian army of two strategic mountain points and the Christian village of Zahle. It was the Syrian attack against Zahle that started the current crisis.

Fischer repeated today his statements of yesterday that the U.S. believes that "military action of any kind is not helpful to the peace process" and "absolutely no green lights" were given by the U.S. to anyone for any military action. He refused to comment on whether the U.S. approved of the Israeli raids on Palestinian terrorist bases in Lebanon.

WEST EUROPEAN PARTICIPANTS SOUGHT FOR SINAI FORCE

By David Landau

JERUSALEM, June 3 (JTA) -- Italy has been asked to participate in the multinational force to police Sinai after Israel's final withdrawal next April and diplomatic sources here believe there is a good chance it will agree. Israeli sources said there are prospects that a second European country would also agree.

The U.S., Israel and Egypt who are presently negotiating over a mandate for the force are believed anxious to have at least one Western European participant. According to Israeli sources, a second Latin American country -- possibly Ecuador -- will join. The sources assume that Argentina would agree. But, according to reports from Latin American sources, this does not now seem likely (See separate story.)

Italy is regarded here as a good candidate because its colonial era ended with World War II and it has no colonial heritage in the immediate area. The Italians supply a helicopter-borne logistics unit to the United Nations Interim Force in Lebanon (UNIFIL). If it agrees to participate in the Sinai force it is expected to provide the same type of unit there.

Other countries that have been approached informally to contribute to the Sinai force are Australia, New Zealand, Nepal, Fiji and Canada.

ARGENTINA EXPECTED TO REJECT SINAI ROLE

By David Markus

RIO DE JANEIRO, June 3 (JTA) -- Argentina is expected to reject an American request that it participate in the multinational force that will police Sinai after Israel completes its withdrawal from the peninsula in April, 1982. The apparent reason is that the multinational force is part of the Camp David accords which are not recognized by the United Nations.

This was made clear in a joint communique released in Buenos Aires and Brasilia following a meeting between President Joao Figueiredo of Brazil and Argentine President Roberto Viola. The two leaders called for "a just and comprehensive peace which has to take into serious account the legitimate rights of the Palestinian people" and "also the rights of all nations in the region to exist within recognized borders." The communique was the first official reference by Argentina to "the legitimate rights of the Palestinian people."

BEGIN-SADAT MEETING TO AVOID 'MISUNDERSTANDING' OVER LEBANON CRISIS, AIDE SAYS

By David Landau

JERUSALEM, June 3 (JTA) -- The main purpose of tomorrow's summit meeting between Premier Menachem Begin and President Anwar Sadat is to "avoid any risk of misunderstanding" between Israel and Egypt if Israel decides on any military or political action over the Lebanon missile crisis. This was stated here today by Begin's spokesman Uri Porat in a pre-summit briefing to newsmen.

Porat said both countries want above all to protect their peace treaty and to ensure that it is not undermined or jeopardized by developments that might evolve out of the missile crisis.

"There is no doubt," he said, "that the Lebanon crisis will be the central issue" of the summit. "This was the cause of the urgency" in the two leaders arranging to meet at this time. Porat referred to an exchange of letters between the two men two weeks ago and to a subsequent phone call from Begin to Sadat in which the summit was set up. "They agreed on the need to coordinate certain points ... to avoid misunderstandings or breakdowns in communications regarding scenarios that might arise in the present fluid situation in the north."

The two leaders will meet alone tomorrow morning for a scheduled two hour talk at a hotel in Ofira (Sharm El-Sheikh) at the southern tip of Sinai. Their entourage of ministers and aides will then join them for lunch, and there will be a further private session if the two leaders consider it necessary.

An Israeli aide seemed to expect that Sadat will agree to receive a delegation of Ofira residents but added that there has been no official word yet from Cairo on the residents' request for a meeting, which the Israel government had relayed. The residents intend to ask Sadat to allow those of them who wish to do so to stay on at Ofira under Egyptian rule, following Israel's pullback next April. The Israel government has made it clear that it does not endorse the request and would not, therefore, regard it as a gesture to Israel if Sadat agreed to grant it. But, an Israeli aide said, "It would be a very nice gesture to the people of Ofira."

Jerusalem Issue

The aide said he had "no doubt that Begin would raise with Sadat the Egyptian leader's statement last weekend that the Palestinian people have an "eternal, religious" right to Jerusalem. Subsequent clarifications by Sadat to a visiting group of Knesset members that he was not advocating the physical repartition of the city have apparently not put Begin's mind to rest. The aide said that while the content of Sadat's Jerusalem declaration had not broken new ground, its timing was seen as significant in that it "casts a shadow" over the "friendly nature of the summit meeting."

KNESSET REJECTS MOTION CRITICAL OF GOVERNMENT'S PLEDGE TO LEBANESE CHRISTIANS

By David Landau

JERUSALEM, June 3 (JTA) -- An opposition motion critical of the government's secret commitment to help Christian forces in Lebanon if they were attacked by Syria from the air was stricken from the Knesset agenda by a vote of 52-36 today. The motion was presented by former Premier Yit-

zhak Rabin, speaking for the Labor Alignment, who said Premier Menachem Begin's pledge to the Christians in 1978, without consulting either the Cabinet or the Knesset was of "unprecedented gravity."

The commitment came to light only after Israel Air Force jets shot down two Syrian helicopters on April 30 during a Syrian assault on the Christian-held town of Zahle in central Lebanon. According to Rabin, it was tantamount to giving a third party (the Christians) the right to decide when and how the Israel Air Force would act in Lebanon. Moreover, Rabin asserted, Begin violated the most fundamental principle of parliamentary democracy by not seeking the approval of the Knesset or, at least, of its Foreign Affairs and Security Committee.

Begin retorted that the decision was made after weighty consultations between himself and Moshe Dayan and Ezer Weizman who were at the time the Foreign Minister and Defense Minister respectively. He said the pledge had been that the Israeli government would "consider seriously and supportively" whether to send its air force into action if the Lebanese Christians were attacked by the Syrian Air Force and would "very probably agree to do so."

He denied Labor charges that the Israeli pledge encouraged the Christians to provoke the Syrians. "For three years following that pledge nothing happened," Begin said.

HAIG NAMES JAVITS SPECIAL ADVISOR

By David Friedman

WASHINGTON, June 3 (JTA) -- Secretary of State Alexander Haig today appointed former Sen. Jacob Javits (R. N.Y.) as a special advisor. A State Department statement noted that Javits' "many years of experience as a ranking member of the Senate Foreign Relations Committee" and his "personal expertise in foreign policy matters" would be of value in advising the Secretary.

Javits who served 18 years in the Senate, would have been chairman of the Senate Foreign Relations committee this year with the Republican control of the Senate if he had not been defeated last year in the Republican primary by Alphonse D'Amato who won the election.

Javits joined Haig today in a luncheon meeting with Senate Majority leader Howard Baker (R. Tenn.) and Sen. Charles Percy (R. Ill.), chairman of the Foreign Relations Committee.

KNESSET PASSES ELECTION LAW AMENDMENT

JERUSALEM, June 3 (JTA) -- An embarrassed Knesset moved hastily today to ram through an amendment to the election law that the Supreme Court ruled was not valid when it was passed originally last month. The amendment severely limits the amount of broadcast time allowed new political parties that have not previously run in Knesset elections.

The major parties -- Likud, Labor and the National Religious Party -- with a common interest in the amendment joined forces to draft a new bill and rush it through the three readings required by law. It was adopted by a 61-plus majority. The high court had invalidated the earlier measure because it was passed with a majority of fewer than 61 votes.

As a gesture to the 24 new lists competing in the June 30 elections, the major parties agreed to increase their air time from eight to 10 minutes. The established parties are allowed to electioneer on the air waves for up to 45 minutes a day in prime time on every day until one day before the elections.

LABOR PARTY IN TROUBLE AS ELECTION DAY NEARS

By David Landau

(This is the second of a series of articles examining the political parties running in the Knesset elections on June 30.)

JERUSALEM, June 3 (JTA) -- Faced with steadily slipping support in the opinion polls, the Labor Alignment, Israel's main opposition party, is making a determined effort to pull itself together and paper over internal differences with only four weeks left to the election.

Last month, the Labor Party drew up its list of Knesset candidates (its smaller Mapam partner having done so earlier.) Labor Party chairman Shimon Peres and a small committee of key leaders worked around the clock for several days to try to accommodate all the various disparate pressure groups, regions, ethnic communities, settlement movements in the list of "realistic" spots.

Presenting the list to Labor's mammoth Central Committee, Peres went out of his way to praise his arch-rival, Yitzhak Rabin, for his "constructive help" in hammering out the list. Eleven members of the "Rabin Camp" appear in the first 50-odd places, and Rabinites professed themselves "satisfied."

Striving For Unity

In a low-key, conciliatory speech, Peres noted that there were inevitably disappointments for some people in a selection process of this kind. He called on everyone -- especially those who felt they deserved a higher placing -- to accept the party's verdict and maintain the image of unity which is so vital if Labor is to recoup its current losses in the polls before June 30.

Among those disappointed with their relatively low (and "unrealistic") placing were former top diplomats Simcha Dinitz and Yosef Tekoah. Another former diplomat, Chaim Herzog, secured a high place on the list, as did another of Labor's bright new stars, former Chief of Staff Mordechai Gur. With the list drawn up, Labor began campaigning in earnest, and plainly the campaign is one of the toughest ever fought in this country.

Behind In The Polls

Only a few months ago, things looked very different. The polls then were giving Labor close to 50 percent of the vote, and party keymen were daydreaming of the prospect of an "absolute majority" -- enough Knesset seats to be able to form a government without the need for coalition partners.

This has never happened in Israel before, and barring unforeseen upsets, it is now abundantly clear that it is not going to happen this time either. Indeed, Labor's rating has slipped so fast that now there is very real doubt among pollsters and pundits as to whether Labor will be able to form a government at all.

In the latest opinion poll, released June 2, Likud, for the first time, forged ahead of Labor. Were elections to be held now, it would capture 45 Knesset seats to 42 for Labor, the poll indicated.

Part of the cause of Labor's slippage has doubtless been the artful campaign of price and tax reductions instituted by Likud's recently appointed Finance Minister, Yoram Aridor. Aridor has quite deliberately triggered a consumer bonanza, by slashing sales taxes on televisions, refrigerators, and other consumer durables, while keeping food prices relatively stable.

In the short term, Aridor hopes, this policy will not only make people feel better off, it will also have the effect of slowing inflation.

Labor economists say this is a cynical mirage, and that the public will have to "pay dearly" for these relatively few months of apparent well-being.

But many voters are skeptical of the economists, with their gloom-and-doom prognoses. The availability of money at the moment, coupled with substantial price reductions for a large number of consumer commodities, seem much more tangible and realistic than Labor's seemingly killjoy predictions.

This is particularly the case since a number of the taxes slashed by Aridor have always seemed excessive and even cruel in the eyes of most Israelis, overworked and underpaid as they are in comparison with other Western consumer societies.

The fact that cars here cost from twice to three times their price abroad, and washing machines, televisions, ovens and other durables are similarly subject to 100 percent purchase tax, seems indefensible to many people here. A Finance Minister who is prepared to ease these crushing burdens is automatically hailed as a man of compassion.

Shaky Leadership

But Aridor has not been the only reason for Labor's loss of support. Political commentators all agree in assigning a good deal of the blame to the Labor Party itself because Peres has been unable to assert sufficient leadership and authority to quell internal unrest and present a solid and determined face to the electorate.

While Premier Menachem Begin has successfully halted the bickering and back-biting within his Cabinet and his Likud faction, Peres has failed to turn his own 70-30 victory over challenger Rabin into a long-term consolidation of his leadership. Indeed, since the party convention last December, Peres has had to contend with an insistent campaign on the part of the defeated Rabin "camp" for representation on all the party's policymaking forums.

Similarly, Peres flopped badly in his selection of an "economic leadership team." His first choice for Finance Minister, Bank Hapoalim boss Yaacov Levinson, clashed with the party chairman over the prospective powers of the Finance Minister -- and eventually refused to accept the nomination. Levinson had been depicted by the Labor propaganda machine as the economic wizard who would save the country from bankruptcy; and his refusal to take up the role severely embarrassed Peres.

Rational Economics Vs. Color TV

Eventually, Peres put together an economic "leadership team" comprising Tel Aviv University president Prof. Haim Ben-Shahar and Histadrut industries czar Naftali Blumenthal, neither of them well known to the general public.

The policies that Ben-Shahar has presented seem to many people to foreshadow harsh measures: A swift and sudden end of Aridor's consumer bonanza. Most people, granted, approve of Labor's determination to restore the country's economic growth, after years of effective stagnation. But "growth" is a macroeconomic term that has little direct meaning to the average wage earner. Cut-rate color televisions, on the other hand, have a very real and direct meaning.

Labor's efforts under Peres to achieve a facade of unity have not been crowned with unqualified success. Even the hammering out of the Knesset list was an occasion for bitter and embarrassing infighting. Labor's political opponents must have been amused to hear on Israel radio that Abba Eban, slated for the Foreign Ministry in a Labor government had threat-

ened to withdraw altogether if his name appeared below that of Rabin on the Labor list.

Hawks Vs. Doves

In the event, Peres elevated a hitherto little-known Knesset member, Shoshana Arbeli-Almoslino, to the number two spot on the list. She displayed three advantages: she is a woman, a Sephardi, and a hawk. Pollsters have found that the pervading trend among the majority of the public is towards hawkishness on foreign policy.

Such Labor doves as Yossi Sarid and Micha Harish often find themselves the objects of bitter attacks on the hustings. With Eban and Haim Barlev (another dove) slated as foreign and defense ministers, respectively, Peres plainly wanted a hawkish figure like Mrs. Arbeli among the "top five" to ward off distrust of Labor from the growing hawkish wing of public opinion.

But this very gambit, in the opinion of some political observers here, seemed to underscore the flimsiness of the policy "consensus" within Labor, a "consensus" that in effect stretches from "Greater Israel" sentiments to the ultra-doves of Labor and Mapam who favor near-total withdrawal and Palestinian political rights.

This is a dilemma which Labor has faced in every election campaign since the Six-Day War. Under Golda Meir the party was always able to strike a delicate balance between hawks and doves. Now, especially in the wake of Likud's success as the peacemaker with Egypt, that task has become tougher.

In the remaining days until election day the Labor Alignment is expected to pour millions of Shekels into its campaign. The party seems particularly well endowed for this campaign. A group called "Alef" (Hebrew acronym for "Citizens for Peres") has apparently succeeded in raising large sums abroad, which is legal under Israel's political financing laws.

Labor has already inserted millions of Shekels worth of full page ads in the daily newspapers, many of them featuring men and women who strayed off to the Democratic Movement for Change in 1977 and are now publicly returning, duly contrite, to the Labor fold.

Hussein Won't Cooperate

Labor has been especially unfortunate in the refusal of its prospective Arab peacemaking partner, King Hussein of Jordan, to so much as hint that he would indeed be prepared to negotiate with a Labor government over the future of the West Bank.

While Labor Party leaders claim repeatedly that they know from private contacts with Jordanian and other Arab leaders -- for example, Morocco's King Hassan -- that there is real hope for "the Jordanian option," Hussein himself, and his brother, Crown Prince Hassan, miss no public opportunity to mock at and ridicule that "option."

It is as if the King wants Labor to look silly by undermining the key plank of its foreign and defense policy. Begin, in his electioneering, need only quote Hussein to back Likud's contention that Labor's formula for a political solution is invalid and unrealistic.

RIGHTISTS WIN HEBREW U. ELECTION

JERUSALEM, June 3 (JTA) -- More than half of the 8800-member student body boycotted the Hebrew University student elections yesterday, resulting in a landslide victory for the rightwing Likud-

affiliated Kastel group. Of the 3000 students who cast ballots, most supported the Kastel list headed by Student Union chairman Yisrael Katz which secured 80 of the 82 seats on the Student Council.

Katz claimed a vote of confidence in his faction and accused Labor-oriented students of trying to establish a rival student union by illegal means. Opposition representatives said they probably would set up an alternative student organization shortly.

NEO-NAZIS ARRESTED IN BRAZIL

By David Markus

RIO DE JANEIRO, June 3 (JTA) -- Eight members of a neo-Nazi gang said to be headed by a wanted Nazi war criminal were arrested in western Brazil after they fled Bolivia to avoid apprehension. Brazilian police sources said they would be deported to their countries of origin.

According to Rodolfo Landyvar, the Bolivian Consul in Mato Grosso Do Sul, Bolivian security services uncovered the para-military gang which calls itself "Las Novios De La Muerte" (Brides of Death) in the city of Santa Cruz De La Sierra. Its leader, Landyvar said, is Klaus Altmann, alias Barbie, the notorious "butcher of Lyon" who deported Jews and others from that French city during World War II. Altmann has been sentenced to death in absentia in France but efforts over the years to obtain his deportation have been fruitless.

He was not among the eight neo-Nazis who managed to cross the border into Brazil. They were identified as Manfred Kuhlmann, a German, Wolfgang Walterkirchen, an Austrian, three Bolivian nationals, two Argentinians and one Peruvian. According to Brazilian police they were carrying various types of arms, three kilograms of cocaine and Nazi propaganda pamphlets including pictures of Hitler with the inscription, "I shall be back."

GOVT. GIVES SMOKERS A TAX BREAK

By Gil Sedan

JERUSALEM, June 3 (JTA) -- The government plunged more deeply into supply side economics today, a policy the opposition charges is a pre-election ploy to woo voters with lower prices on a wide range of consumer goods.

The latest reductions, the sixth since Yoram Ariador became Finance Minister, was touted as a campaign to "beat inflation." It involves the Dubek cigarette cartel which has demanded a 31 percent price increase. The Treasury agreed to absorb the rise by lowering the cigarette tax from 54 to 45 percent. In another development, the Treasury last month borrowed an unprecedented 870 million Shekels (about \$80 million) from commercial banks. It denied press reports that the loans were taken to avoid printing more currency.

According to the Treasury, the sum borrowed is intended to finance regular government activities and the loan, at an interest rate of 5.75 percent for 17 years injects only a "small" amount of money into the economy. However, despite restraining measures, it appeared that high security expenditures and growing subsidies will result in an unprecedented increase in the money supply.

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JERUSALEM (JTA) -- A record 36 political parties -- 24 of them new -- will compete for seats in the 120-member Knesset on June 30. The Central Elections Committee closed registration last month and many of the factions filed their slates only minutes before the deadline. Each party standing for election was required to pay a 20,000 Shekel fee.