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ISRAEL CABINET DEMANDS PLO SURRENDER ARMS TO LEBANESE ARMY, LEAVE LEBANON FOR SYRIA By Gil Sedan

JERUSALEM, June 27 (JTA) -- The Cabinet announced today that Israel's conditions for peace in Lebanon are that the Palestine Liberation Organization surrender its arms to the Lebanese army in west Beirut and depart forthwith from Beirut and Lebanon into Syria under a safe-conduct guarantee by the Israel army.

The take over of all of Beirut by the Lebanese army was the key condition for political negotiations to begin leading to the withdrawal of all foreign forces from Lebanon, Israel said -- it would welcome the participation of the United States in those negotiations.

The Cabinet statement was read to reporters by Cabinet Secretary Dan Meridor after today's weekly session. He said it was unanimous and that the Cabinet also agreed to maintain the latest cease-fire around Beirut, which took effect Friday, as long as the enemy does the same.

Labor Demands W. Beirut Not Be Taken

The Cabinet announcement came as public opinion against continuing the three week-old war in Lebanon appeared to be mounting. The Labor Alignment's political forum demanded today that Israel refrain from entering west Beirut to destroy the remaining PLO forces, estimated at 5000-6000 men. As Meridor was reading the Cabinet statement, some 300 Labor doves demonstrated outside the Prime Ministers Office calling for an end to the war and the firing of Defense Minister Ariel Sharon. They were joined by a group of army reservists, some just back from active duty, who said they would hold round-the-clock protests.

Today's Cabinet meeting was held against the background of persistent reports that the government was sharply split over whether to launch a frontal assault on the PLO in west Beirut, the course strongly advocated by Sharon, or to let international diplomacy resolve the issues. The debate was aggravated by fears that the resignation of Secretary of State Alexander Haig over the week-end and the designation of George Shultz as his successor may tilt U.S. Middle East policy away from Israel and toward the Arab viewpoint.

Cabinet Statement

The Cabinet statement said: "The government of Israel recommends that the Lebanese army enter west Beirut. The terrorist organizations, of which the roof organization called the PLO is comprised, will hand over their weapons to the Lebanese army. All members of the above mentioned terrorist organizations, without any exceptions, will leave Beirut and Lebanon.

"The departing columns of terrorists, under the protection of the International Red Cross, will move across the international Lebanese-Syrian border, along the Beirut-Damascus road. The Israel Defense Force will ensure that in the section of the road that is under its control, the column will have safe passage. If the terrorists

prefer an alternative route, this will be made possible for them by the IDF.

"With the liberation of west Beirut and the reunification of the Lebanese capital, the political negotiations between all the parties concerned, will begin, with the view to reaching an agreement which will guarantee the territorial integrity of Lebanon, the departure of all foreign forces from that country, its independence and the peace of its inhabitants.

"This agreement will ensure security and peace for the Galilee and its inhabitants, for Israel and its civilians. Israel will gladly accept the good offices of the U.S. to the negotiating parties in order to reach this agreement."

ANTI-WAR DEMONSTRATION IN TEL AVIV By Hugh Orgel

TEL AVIV, June 27 (JTA) -- Thousands of people packed Kikar-Malchei Israel Square in front of City Hall here last night, to protest the continuing fighting in Lebanon.

The organizers, a loose group of people not affiliated with any regular political party, put the attendance at "well over 20,000." The police estimated the crowd at "about 10,000."

Whatever the figure, this was the first time in all of Israel's wars in which a demonstration has been held against the war while the war was in progress. Speakers, many of them university professors, writers and intellectuals, noted that this first demonstration was taking place during what had become Israel's longest war, apart from the War of Liberation in 1948.

Most of them stressed that it had taken much soul-searching both to organize and to attend the demonstration while soldiers were still on the frontlines. But they stressed that any national consensus which had existed in favor of the original limited aims, of clearing a 40-kilometer belt of terrorist artillery, had disappeared with the extension of the fighting to the suburbs of Beirut.

All speakers concentrated their main attacks against Premier Menachem Begin and Defense Minister Ariel Sharon personally. They were accused of waging a "political war, rather than a war of defense which the entire country could support."

HAIG DEPARTURE WORRIES ISRAELIS By David Landau

JERUSALEM, June 27 (JTA) -- Secretary of State Alexander Haig's resignation has raised fears here that America's long term policies towards the Middle East conflict may veer away from Israel. Beyond the present context of the war in Lebanon, there is apprehension here that George Shultz, President Reagan's nominee to succeed Haig, may add his weight and voice to what is seen here as a pro-Arab trend within the Administration.

Spearheading this trend according to Israeli observers, is Defense Secretary Caspar Weinberger and the traditional "Arabist" lobby within the State Department.

What worries Israelis the most, transcending party lines, is that those forces within the Admin-

istration seen here as potentially unfriendly are the very ones who adhere to a tough line in U.S.-Soviet relations. This tends to undermine Premier Menachem Begin's oft-stated argument that Israel is a strategic asset to the U.S. and the Western world in terms of the conflict between the power-blocs.

The Weinberger school, some Israeli observers fear, sees the moderate Arab states, rather than Israel, as the preferable "strategic asset" from the American point of view. There is also the personal element in policymaking.

Shultz's Earlier Friendship For Israel Noted

Officials here reassure themselves and the public that U.S. policy is determined by interests not personalities. Yet the obvious rapport between Haig and Begin will be missed and one can never really know what value and effect it had on policy-making. Simcha Diniz, a former Israeli Ambassador to Washington, commented last night that Begin's demonstrative "embracing" of the Secretary of State "Didn't do Haig much good."

Both Diniz and another former Ambassador to the U.S., Yitzhak Rabin, recalled that the Secretary designate Shultz, had been favorably disposed to Israel when he served as a member of the Nixon Administration. He was Secretary of Labor, head of the Office of Management and Budget and Secretary of Treasury.

"Of course I know his subsequent business involvements may have changed his mind," Rabin said on a radio interview. But he hoped that would not be the case.

There is no clear knowledge here as to what role the Lebanon war and the policy disputes surrounding it played in Haig's departure. But Rabin cautioned against "ignoring" that aspect of the saga. Israel, it is reliably understood, knew several hours in advance that the Secretary's departure was imminent. But the precise linkage, if any, between that foreknowledge and the ceasefire decision Friday around Beirut is not yet established.

JEWISH LEADERS APPREHENSIVE OVER APPOINTMENT OF SHULTZ

By Kevin Freeman

NEW YORK, June 27 (JTA) -- While expressing regret over the resignation Friday of Secretary of State Alexander Haig, representatives of leading American Jewish organizations viewed with cautious optimism the nomination of George Shultz as Haig's successor.

The apprehension over the nomination by President Reagan of Shultz stems from what some Jewish leaders see as his pro-Arab slant attributed in part to his previous position as president of the Bechtel Corporation, the same corporation which Defense Secretary Caspar Weinberger was president of and which has extensive business contacts with Saudi Arabia and other OPEC countries.

Howard Squadron, chairman of the Conference of Presidents of Major American Jewish Organizations said Haig's departure is a "matter of concern and regret." While he noted Shultz's "reputation for integrity, competency and distinguished government service," Squadron said Shultz "must surely recognize the importance to American interests of a strong and secure Israel, and of the need for continuing the long standing American commitment to Israel's safety and survival."

"Notwithstanding his close contacts with Saudi Arabia," Squadron continued, "we are hopeful that the Secretary-designate will take care not to alter the traditional balance in American Middle East policy by moving too far in favor of the Saudis."

Rabbi Alexander Schindler, president of the Union of American Hebrew Congregations, also expressed regret at the departure of Haig. Schindler said that while little is known of Shultz's foreign policy views, he nevertheless hoped that they will not be "overly influenced" by the fact that Shultz worked for the Bechtel Corporation.

Henry Siegman, executive director of the American Jewish Congress was less optimistic and said the nomination of Shultz arouses "the gravest apprehension. Like Caspar Weinberger, he comes from the Bechtel Corporation ... the combination of two top officials of Bechtel in the posts of Secretary of State and Secretary of Defense is frightening to contemplate," Siegman said.

Ivan Novick, president of the Zionist Organization of America (ZOA) said that the ZOA was "confident that Secretary Haig's perception of America's interest in the Middle East, including the need for Israel and the Lebanese people to be free of all threats from the PLO and Syria, will be a policy continued by the Administration and supported by his successor George Shultz."

U.S. VETOES UN RESOLUTION

UNITED NATIONS, June 27 (JTA) -- The United States vetoed a Security Council resolution demanding the immediate withdrawal of Israeli forces "to a distance of 10 kilometers from the periphery" of Beirut and calling "upon all armed elements in the Beirut area to respect and abide by the exclusive authority of the government of Lebanon."

The veto of the French-proposed resolution was cast late yesterday by the acting U.S. chief delegate Charles Lichtenstein. It placed the U.S. in opposition to the 14 other Council members, including its major West European allies who backed the measure. Earlier yesterday, the U.S. and Israel cast the only votes against a resolution in the General Assembly demanding Israel's immediate withdrawal from all of Lebanon and asking the UN to consider punitive actions should Israel fail to comply. The measure, adopted by a vote of 127-2, unlike Security Council resolutions, is non-binding.

The American veto in the Security Council and its negative vote in the General Assembly were cast against the background of turmoil and drama in Washington which greeted the announcement that President Reagan had accepted the resignation of Secretary of State Alexander Haig and nominated George Shultz to succeed him. The action by the U.S. in the UN reflected Haig's policy that was supportive of at least two of Israel's goals in Lebanon -- the departure of all foreign elements, including the Palestine Liberation Organization and the Syrian army and the establishment of an internationally-policed buffer zone in south Lebanon which would protect northern Israel from terrorist attacks in the future.

* * *

BONN (JTA) -- A former captain in the police of Darmstadt, Hans Heinemann, has been sentenced by a court in Kaiserslautern to three years imprisonment for complicity in the murder of Jews in Russia. The court found that Heinemann participated in 1941 in an execution of some 100 Jewish men, women and children near the town of Kiev.

BEHIND THE HEADLINES SHULTZ'S APPOINTMENT TO SUCCEED HAIG CONCERNS ISRAEL'S SUPPORTERS

By David Friedman

NEW YORK, June 27 (JTA) -- The surprise resignation of Secretary of State Alexander Haig and President Reagan's appointment to succeed him of George Shultz, president of the Bechtel Corp., the giant San Francisco-based engineering and construction firm, is causing great concern among friends of Israel in the United States.

Compounding the concern over the naming of an official of a company that does billions of dollars of business annually with the Arab countries, and Saudi Arabia in particular, is that Haig's resignation Friday came as Israel was consolidating its victory over the Palestine Liberation Organization in Lebanon.

Haig has supported Israel's contention that the results of the "Peace for Galilee" operation provides an opportunity to reunite Lebanon with a stable government in charge and with all foreign troops -- Syria, the PLO and Israel -- off its soil. But the reaction of joy at Haig's resignation in the Arab world shows that there is a perception there that United States policy in the Middle East will harden toward Israel and thus it will be more difficult to get Arab support for a solution in Lebanon that will exclude the PLO and the Syrians from that war-torn country.

'True Friend of Israel'

In fact while both the White House and State Department are maintaining a diplomatic public silence about the reasons for Haig's sudden decision, reports are circulating that one of the major causes is his clashes with National Security Advisor William Clark, who has been advocating that the Administration take a harsher line with Israel over Lebanon.

Haig was considered by the American Jewish community and by Israel as "a true friend of Israel." This was the sentiment voiced after the resignation by both members of Premier Menachem Begin's government and opposition Labor Alignment leader Shimon Peres. Haig always considered Israel a strategic ally and the U.S.'s most important ally in the Mideast.

This is not the view of Shultz who has had close ties with the Saudis during his years with Bechtel. While Shultz has not expressed many views on foreign affairs, he has spoken out on the Mideast. In an interview during the 1980 presidential campaign, he said the only differences he had with Reagan were on the Mideast and specifically referred to a speech then candidate Reagan made to B'nai B'rith International in September, 1980 supporting Israel.

In that speech Reagan called Israel "a major strategic asset to America;" labelled the PLO as "terrorist," and said "Jerusalem is now and will continue to be one city, undivided."

The 61-year-old Shultz was believed to be Reagan's first choice for Secretary of State in 1981. But he withdrew when it became apparent there was strong opposition to the naming of two high-ranking Bechtel officials to major Cabinet posts. Caspar Weinberger was an officer of Bechtel when he was named Secretary of Defense.

Weinberger has been considered the leading critic of Israel in the Administration. His views, that while supporting Israel's security, the U.S. must seek other friends in the Mideast, is one that Shultz is expected to share.

The strongest public statement so far against the appointment has come from Sen. Alan Cranston (D. Calif.), who called it "bad news for Israel" and "bad news potentially for the cause of peace and stability in the Middle East." A member of the Foreign Relations Committee which is expected to begin confirmation hearings on July 12, Cranston said he will question Shultz closely about this business ties to Saudi Arabia.

However, there is little question in Washington about Shultz's integrity. He served in the Nixon Administration as Secretary of Labor, director of the Office of Management and Budget and finally Secretary of Treasury and is highly regarded by both Democrats and Republicans.

Tilt Toward Saudis

While Shultz is almost certain to be confirmed by the Senate, there will be questions about his attitude. He is expected to support the tilt away from Israel and toward Saudi Arabia and other "moderate" Arab countries that Weinberger advocates. He will presumably support Weinberger's proposed sale of arms to Jordan and the Saudis.

Perhaps even more important will be the change in the operations at the State Department. Haig kept Mideast policy under his own tight control keeping the Department's Middle East experts on a tight rein. Shultz is expected to give them more leeway which, if past experience is any indication, should lead to a pro-Arab tilt.

Meanwhile, Haig is still silent about the reasons for his resignation except for his remarks in his letter that the Administration's foreign policy has moved away from the "careful course" he and the President had originally planned.

Haig Lost To Clark

But it is clear that Haig who has had well-publicized clashes with such people as Weinberger, United Nations Ambassador Jeane Kirkpatrick, Vice President George Bush and others finally could take no more when he saw that Clark, his former Deputy Secretary, was now overruling him on matters of foreign policy. Haig had always maintained that he should be the Administration's voice on foreign policy.

Haig lost out to Clark last week when the Administration decided to tighten economic sanctions against the Soviet Union. Ironically, Shultz seems to support Haig on this issue.

But Haig was also losing out on the Mideast to Clark. At the end of Reagan's trip to Europe, Clark overruled a decision by Haig to go to Jerusalem even though it had been announced by Israel earlier in the day. White House Counselor Edwin Meese pointedly told reporters at the time that the President's special envoy, Philip Habib, was already in the Mideast and was doing a good job.

Haig seemed to be winning against Clark and Weinberger, who wanted Reagan to get tough with Israel over its continued fighting in Lebanon, when Reagan met with Begin at the White House last Monday and then issued a conciliatory statement.

But later in the week things went against Haig. He was reportedly angered that Clark appeared to be sending messages to the Saudis that Begin had assured Reagan that Israel would not take west Beirut. White House deputy press secretary Larry Speakes made these assurances public last Thursday.

Haig, like the Israelis, believed that these White House signals would only deter the PLO from surrendering and prolong the conflict.

The future of U.S. Mideast policy, as well as all of its foreign policy depends more on Reagan than it does on Shultz. White House officials have been stressing that Shultz is a team player which they claim Haig was not.

The Israelis, and Begin in particular, believe Reagan is a friend of Israel. With the top national-security officials, all fellow Californians -- Clark, Shultz and Weinberger -- the President now has a close knit team in which he can devise an effective Mideast foreign policy. If the policy turns against Israel then Reagan will have to bear the brunt of the responsibility. But if he continues the present course there is hope that not only Lebanon will be restored but that progress can be made toward autonomy to the benefit of Israel and the Arabs as well as the U.S.

DULZIN URGES ALIYA, DECLARES ISRAELI ACTION HELPS ALL JEWS

By David Landau

JERUSALEM, June 27 (JTA) -- Leon Dulzin, chairman of the World Zionist Organization and Jewish Agency Executives, made a fervent appeal to world Jewry today to support the special campaign launched by the Jewish Agency here last week to raise additional funds needed by Israel in the wake of the war in Lebanon to increase welfare, education, housing and health services.

In a message beamed to Jewish communities overseas and published in large advertisements in the local press, Dulzin urged aliya and stressed that what Israel's armed forces achieved in Lebanon strengthened the security not only of Israel but of Jews all over the world. "The terrorist infrastructure which Israel sought to destroy was aimed not only against her. It was aimed at every Jew in the world. Indeed, it was aimed at every free human being in the world," Dulzin said. The destruction of the terrorists by "Operation Peace for Galilee" has provided the opportunity for each and every Zionist in the world "to share the burdens and opportunities," he said.

"I call on all the Federations and all the Zionist organizations, as well as on each and every Zionist, to share together with the Jewish communities throughout the world this responsibility and this burden. I call on you to stand up and be counted, to actively work for the campaign, to give and to inspire others to give," Dulzin said.

He added, "Now, in Israel's difficult but also her finest hour, I call on you to search your souls, to come and be with us, to make aliya. Galilee needs you. Israel needs you..."

Financial Aid Approved

The Jewish Agency convening in special assembly here June 22-24, decided on the special fund-raising for Israel which the Board of Governors kicked off with announcements of major contributions by its members.

A resolution adopted at the special assembly stressed that in the aftermath of the war in Lebanon, in addition to the "heavy human cost" now "must assume new and heavier burdens of taxation in order to pay the financial cost of assuring that their brethren in the Galilee shall be able to live without fear."

The resolution stated, "It is therefore essential that the Jewish Agency increase substantially its

participation in the funding of those welfare, education and health programs that have been traditional responsibilities of the Jewish Agency. For Israel, it is inconceivable that our brothers and sisters shall have to suffer in addition the deprivation of severe reduction in essential human services.

Continuation Of Services Stressed

"In order to assure that these services -- sharply curtailed in recent years -- shall not be further reduced, for a people who have made the ultimate sacrifice for the security and continuity of the Jewish homeland, the Board of Governors of the Jewish Agency therefore calls upon the Jewish communities of the free world to add a special fund-raising commitment to the regular United Jewish Appeal and Keren Hayesod campaigns, these efforts to begin immediately," the resolution said.

It stressed that "The additional funds raised shall be applied exclusively to the support of those increased welfare, education and health services for which the Jewish Agency will undertake responsibility."

BRONFMAN SAYS WORLD PEACE CAN'T ALLOW DENIAL OF ISRAEL'S LEGITIMACY

UNITED NATIONS, June 26 (JTA) -- Edgar Bronfman, president of the World Jewish Congress (WJC) said Friday that "world peace cannot tolerate the denial of the legitimacy of Israel or any other nation-state." He added the "charge that Zionism is racism is an abomination."

Speaking before the United Nations Special Session on Disarmament, Bronfman lauded the growing "clamor" for peace which he said was "all to the good." He declared that "the louder the voice of the people, the more urgent become the priorities of their leaders" and that "new force is thus given to negotiations already underway and those not yet started."

The address by Bronfman marked the only Jewish representative organization to speak before the UN disarmament session. The WJC has standing at the UN as an accredited international Non-Governmental Organization (NGO) and, as the senior Jewish NGO, has consultative status under the UN charter. The status applies to the UN Economic and Social Council. But an exception was made in the case of the Special Session thus making the WJC one of a limited number of NGOs invited to address the session.

According to Bronfman, "partial disarmament -- and possibly more peace -- can only come about when the forces of mutual destruction are sufficiently appalling. That time is now," he said. But he warned that "calls for unilateral disarmament have never created peace" asserting that nations arm "to protect their security or to realize aggressive ambitions."

The WJC president said it was not likely that "in our lifetime we will ever totally eliminate the threat of nuclear destruction. But we Jews who experienced technological Holocaust," Bronfman continued, "insist that nuclear holocaust whether it be launched by superpowers, or by smaller nations which have nuclear capacity -- can, should and must be curtailed."

PARIS (JTA) -- Jean Paul Elkan, a 60-year-old businessman, was elected Sunday as president of the Central Jewish Consistory, France's major Jewish organization. He succeeds Alain De Rothschild who has headed the consistory since 1960.