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'NO PROGRESS AT ALL' IN DEADLOCKED TALKS ON GETTING THE PLO TO LEAVE WEST BEIRUT

By David Landau

JERUSALEM, July 18 (JTA) -- Government officials were stern and bleak after a five-hour Cabinet meeting today, reporting "no progress at all" in the deadlocked negotiations in Beirut to conclude an agreement for the peaceful withdrawal of the Palestine Liberation Organization forces from that city.

The official Cabinet communique said only that the Cabinet heard reports from Premier Menachem Begin, Foreign Minister Yitzhak Shamir and Defense Minister Ariel Sharon "on diplomatic and military matters and held a debate." No other details of the proceedings were divulged.

The government officials seemed wary of the news from Washington that Secretary of State George Shultz, who was confirmed by the Senate by a 97-0 vote last Thursday and sworn into office the following day by President Reagan, is thinking of asking former Secretary of State Henry Kissinger to undertake a mediation mission. (See related story, P.2.)

"What can Kissinger achieve if the PLO is merely playing around and does not seriously intend to leave Beirut?" a high Israeli official asked rhetorically. "Habib is doing as well as he can. It's not because of any lack of ability on his part that the negotiations are stalled." Philip Habib, the U.S. special envoy, has been conducting the month-long diplomatic efforts in Beirut to get the PLO out of the city.

Cool Reaction to Kissinger Shuttle

Some observers felt the cool Israeli reaction to the prospect of a Kissinger shuttle stemmed from a realization that his presence in the area, with all the prestige and American involvement that he still carries, would inevitably curtail Israel's ability to launch a military assault on Beirut against the beleaguered PLO if the talks continue to be stalemated.

The government officials insisted that the military option was still very much available, and they reiterated Begin's warning last night at a massive rally in Tel Aviv that Israel was not prepared to wait 30 days for a peaceful settlement to be worked out. (Rally story, P.3.)

The officials confirmed that Begin referred in that comment to a statement made by Shultz during his confirmation hearings. They said, however, that Shultz seemed to speak of 30 days as the period during which the PLO men would actually evacuate -- not the period still to elapse before an agreement is worked out. If that was the Secretary's intent, then Israel could accept it, the officials said. Israel would be flexible regarding the duration of implementation of an agreement provided it was reasonable and provided the agreement was reached soon.

The officials denied a Maariv headline to day that Shultz had strongly warned Israel's Ambassador Moshe Arens at their meeting in Washington

yesterday against Israel attacking west Beirut. According to the officials, the conversation had been "very good" and did not warrant the Maariv headline.

The officials, conceding they did not necessarily reflect unanimous government thinking on the scheduled meeting Tuesday in Washington between President Reagan and the Foreign Ministers of Syria and Saudi Arabia, were openly skeptical that the meeting could clear the stalemate in west Beirut. They tended to doubt Habib's view that the PLO would leave if only they had an Arab country to go to. Israel would not wait "indefinitely" if no Arab country were ready to take them in, the officials said.

ARAB DEMANDS FOR SANCTIONS AGAINST ISRAEL GAINING SUPPORT AMONG SOME GERMAN POLITICIANS

By David Kantor

BONN, July 18 (JTA) -- Demands for sanctions against Israel by Arab Ambassadors here have drawn a favorable response from some West German politicians, particularly in the Bundestag faction of the Free Democratic Party (FDP) the junior partner in the Social Democratic Party (SPD) coalition government.

FDP Deputy Mandred Vorher has called for a freeze on economic assistance to Israel as long as Israeli troops remain on Lebanese soil. West Germany provides 140 million Marks to Israel annually for specific development projects, a sum repayable as long-term loans.

Juergen Moellemann, the FDP's foreign policy spokesman, was quoted in the conservative newspaper Neue Osnabruecker Zeitung yesterday as urging West Europe and the U.S. to "exert massive pressure on Israel to change its aggressive policies." He said he had in mind "the immediate withdrawal by the Western world of all financial and military aid for Israel until Israel becomes more reasonable." He called for a Middle East peace conference involving the U.S., the Soviet Union, all countries of the region and the Palestine Liberation Organization.

Genscher Reverses his Earlier Position

While attacking the Israeli invasion of Lebanon, none of these political figures have mentioned the Syrian and PLO presence on Lebanese soil. In fact, Foreign Minister Hans-Dietrich Genscher, who headed a delegation to Cairo last week, reportedly has reversed his earlier position against re-establishing the status quo ante in Lebanon.

According to a German State Television report, West Germany is insisting on the evacuation of all foreign forces from Lebanon. But asked if this specifically included the PLO, Genscher replied that the principle applied to all foreign forces except those accepted by a legitimate Lebanese government.

West Germany and Egypt apparently agreed, during Genscher's visit, that the PLO should not be forced to leave west Beirut before it achieved a major political breakthrough. But there was no mention in any reports of making a PLO evacuation dependent upon political gains or recognition.

WEEKEND WRAPUP SHULTZ IS LOSING NO TIME TACKLING MIDEAST PROBLEMS

WASHINGTON, July 18 (JTA) -- George Shultz spent his first full day as Secretary of State yesterday in uninterrupted conferences on the Middle East situation with top State Department officials and experts on the region, including former Secretary of State Henry Kissinger. Earlier, Shultz met for a half hour with Israeli Ambassador Moshe Arens, the first envoy summoned to the State Department after the new Secretary of State was sworn in Friday. A short while later he met with the Egyptian Ambassador, Ashraf Ghorbal.

State Department sources indicated that Shultz was losing no time tackling Middle East problems because he perceived opportunities arising from the complexities of rapidly unfolding events in that region. The sources hinted that Shultz did not want to become bogged down in the stalemate over the evacuation of the Palestine Liberation Organization from west Beirut.

He is expected to press for an Arab solution to the problem of a haven for the 5,000-6,000 PLO fighters when he meets here Tuesday with the Foreign Ministers of Saudi Arabia and Syria, Prince Saud al-Faisal and Abdel Halim Khaddam, respectively. The refusal of Syria to admit the PLO rank-and-file to its territory was reportedly cited by U.S. special envoy Philip Habib in Beirut as the chief obstacle in the way of a peaceful resolution of the crisis in Lebanon.

Brainstorming with Experts

Shultz's summoning of Kissinger, Secretary of State in the Nixon-Ford Administrations, whose strenuous shuttle diplomacy was credited with breaking the Israeli-Egyptian stalemate after the Yom Kippur War, was viewed in some circles as possibly heralding a new mission for Kissinger in the Middle East.

Other prominent Americans with experience in the Middle East also may be under consideration for special diplomatic assignments. In addition to Kissinger, others who participated in what was described as a day-long "brainstorming" session with Shultz were Irving Shapiro, the retired chairman of the E. I. DuPont Co. of Wilmington, Delaware, and Lawrence Silberman, a San Francisco banker. Both are close personal friends of the new Secretary of State.

Shultz visited Israel and other Middle East countries with Shapiro several years ago. Silberman served with Shultz when the latter was Secretary of Labor in the Nixon Administration and was later U.S. Ambassador to Yugoslavia.

According to State Department sources, other participants in the session with Shultz included Deputy Secretary of State Walter Skessel; Undersecretary of State for Political Affairs Lawrence Eagleburger; Nicholas Veliotis, Assistant Secretary of State for Near Eastern and South Asian Affairs; Paul Wolfitz, the State Department Director of Policy and Planning; Robert McFarlane, deputy director of the National Security Council; Richard Fairbanks, former Secretary of State Alexander Haig's special assistant for the Middle East; and Robert Ames, the Central Intelligence Agency's chief specialist on Middle Eastern affairs.

The array of diplomatic talent and Middle East specialists gathered by Shultz within hours of his assuming office indicated that the new Secretary of State is determined to hammer out a

strong, coherent Middle East policy without delay and, in the short run, avert further bloodshed around west Beirut where the PLO remnant is under siege by Israeli forces.

Speculation About Kissinger

The presence of Kissinger aroused most speculation inasmuch as the former Secretary, with a record of successful negotiations in the Middle East, had been little used during Haig's tenure at the State Department. Only last week Kissinger publicly opposed the dispatch of U.S. troops to Lebanon to oversee the departure of the PLO, an offer "in principle" made by President Reagan earlier this month. The offer was contingent on several conditions, none of which has been met.

Reagan, meanwhile, has reportedly sent letters to King Fahd of Saudi Arabia, President Hafaz Assad of Syria and President Hosni Mubarak of Egypt seeking their active help in effecting the peaceful departure of the PLO from west Beirut to an acceptable haven.

Continuity of Support for Israel

Whatever new Mideast policy may emerge from Shultz's consultations remained a matter of speculation today. Israeli sources here said the fact that Ambassador Arens was the first foreign diplomat to see the new Secretary of State indicated Shultz's appreciation of Israel's security problems. According to the source, Shultz wanted to reassure Arens of the continuity of the Reagan Administration's support for Israel.

But Shultz went on record, during his confirmation hearings before the Senate Foreign Relations Committee last week, as being convinced that the aspirations of the Palestinian people must be addressed as a prerequisite for peace in the Middle East and that the U.S. must strengthen its ties with friendly Arab states.

He made it clear that he opposed Israel's invasion of Lebanon, Israel's settlement policy on the West Bank and Gaza Strip and its ouster of elected Palestinian mayors in those territories. Shultz also stressed that the U.S. would not soften its conditions for recognition of the PLO but indicated that the PLO might be acceptable once it met those conditions and pursued its aims through diplomacy instead of terrorist tactics.

Violations of Arms Agreement Claimed

The Reagan Administration officially notified Congress that Israel may have violated its agreement with the U.S. by using American-made weapons in Lebanon. State Department spokesman Dean Fischer said the letter was sent to Congress Friday morning at which time the U.S. had received no formal reply from Israel to its inquiries on the subject.

But the White House said yesterday that a reply from Israel about its use of cluster bombs in Lebanon had been received late Friday and was under review. The White House spokesman refused to disclose the contents of the Israeli reply.

Bar Scheduled Shipment of Arms

At the same time, a Pentagon official said preliminary steps had been taken to bar a scheduled shipment of artillery shells, similar to cluster bombs, that was to have been delivered to Israel Monday. Cluster bombs are a devastating anti-personnel weapon and the U.S. has been studying reports that the Israelis used them in Lebanon against civilians. Israel admitted using the weapons but insisted they were deployed only against military targets.

The delay in sending the latest shipment was acknowledged by the Pentagon to be a signal of U.S. displeasure over their use. At the same time, the Administration appeared anxious to avoid a clash with Premier

Menachem Begin's government over the matter while negotiations over west Beirut hang in the balance.

Fischer said the letter of notification to Congress was "classified" and "We feel it would not have been prudent at this particularly delicate stage of negotiations (in Lebanon) to make it public." He would not say whether the letter contained any recommendations but noted that all weapons now in the "pipeline" to Israel were being delivered.

JACKSON: ARABS SHOULD NOW BE READY TO WORK WITH U.S., ISRAEL FOR 'RATIONAL ACCORDS' IN THE MIDEAST
By David Friedman

WASHINGTON, July 18 (JTA)-- Sen. Henry Jackson (D. Wash.) said today that the defeat the Arab world has suffered in the Iranian-Iraqi war and in Lebanon should make them more agreeable to work with the United States and Israel for "rational accords" in the Mideast.

"Thoughtful Arabs should be more susceptible to negotiations," Jackson said in an appearance on CBS-TV's "Face the Nation." He said the current situation puts the U.S. on the "threshold" of being able to work more successfully toward negotiations in the Middle East.

Jackson expressed the hope that an autonomy agreement could now be reached which would leave defense and foreign policy of the West Bank under Israeli control. He said that is "the only way that is going to work."

The Senator said that the situation in Lebanon demonstrates that there is a greater need for Israel to consult with the U.S. on what it is going to do. He said that there had been "substantial erosion" in the United States for Israel because of the invasion of Lebanon but at the same time, "frustrated Americans" look with admiration that when the Israelis "seek to do something, they get it done."

Concern About the Begin Government

On NBC-TV's "Meet the Press," two other Senators denied that there has been any lessening of support for Israel in Congress. "I don't think so," Sen. Orrin Hatch (R. Utah) said. He said Congress will always support Israel. But Sen. Alan Cranston (D. Calif.) said that there has been a lessening of the "willingness to go along with Israel" but added that the concern is about the government of Premier Menachem Begin and not a lessening of the "fundamental support" for the State of Israel.

Jackson said, "technically there has been a violation" by Israel in the use of American-made cluster bombs in Lebanon. Cranston said that if Israel used cluster bombs against civilian targets in Lebanon, this would have been "inappropriate."

SOME 200,000-250,000 PEOPLE RALLY IN SUPPORT OF ISRAEL'S MILITARY ACTIONS IN LEBANON
By Hugh Orgel

TEL AVIV, July 18 (JTA) -- Prime Minister Menachem Begin promised an enthusiastic audience here last night that he would sign a peace treaty with Lebanon by the end of this year and would thereafter propose to Jordan's King Hussein that their two countries set up a "free confederation" between Jordan and Israel.

Begin was addressing a rally, estimated by its organizers to number between 200,000 and 250,000, in support of the war in Lebanon, the government, and the army.

Police declined to provide a crowd estimate, after severe criticism from government spokesmen of a Peace Now rally two weeks ago, when an unidentified senior police officer had put the crowd then at about 100,000.

Peace Now leaders protested to Israel Television that it provided live coverage for last night's rally after having severely restricted coverage of the anti-war meeting. Israel Broadcasting Authority spokesmen said last night's full coverage was just because of the earlier criticism of restricted coverage.

Crowd from All Parts of the Country

The Peace Now rally had been organized at short notice by a group of unaffiliated protesters. Last night's rally was organized by representatives of all coalition parties, meeting at Herut Party headquarters in Tel Aviv, with buses pressed into service to bring a crowd from all parts of the country, including Gush Emunim West Bank settlements and yeshivot. Loudspeaker vans had toured the Tel Aviv area for days, urging residents to attend.

Begin was greeted by the emotional crowd which chanted: "Begin, Begin, Begin" and "Begin, King of Israel." Together with Begin on the platform were Defense Minister Ariel Sharon and Interior Minister Yosef Burg, all Cabinet ministers and most coalition Knesset members. The meeting was held under the chairmanship of Tel Aviv Mayor Shlomo Lahat, who had ordered the municipal building lit up, as a backdrop to the rally.

Wild Applause for Begin

Begin received wild applause when he warned Iran's Ayatollah Khomeini, "that old man threatening us from the East," against trying to march on Jerusalem, saying his army would be met by the Israel Air Force half way and wiped out.

Sharon offered to give "temporary asylum in Israel" to any PLO men inside west Beirut if they could prove they had not taken part in terrorist activities. He said their stay in Israel would give a chance to other countries to agree to accept them permanently. Begin, noting that Arafat was quoted as saying in Beirut that he was "waiting for Sharon," warned: "Beware, Arafat. Sharon may accept your invitation." This was greeted by wild applause.

SACRAMENTO, Calif. (JTA) -- A bill which calls on the Soviet Union to honor its commitment to the Helsinki accords by allowing Prisoner of Conscience Anatoly Shcharansky to emigrate to Israel has been passed unanimously by the State Senate and Assembly. State Senator David Roberti (D. Los Angeles) authored the bill. State Assembly Speaker Willie Brown, Jr. carried the resolution in the Assembly. The Bay Area Council on Soviet Jewry, a member of the Union of Councils for Soviet Jews, is listed as a sponsor of the bill.

JERUSALEM (JTA) -- Fully 10 percent of all cases submitted to the Supreme Court are submitted by residents of the administered areas, a unique and unprecedented situation in world legal annals, Justice Ministry Director General Meir Gabay said at the Hebrew University of Jerusalem.

BEHIND THE HEADLINES NEW HELMSMAN IN TROUBLED WATERS

By David Friedman

WASHINGTON, July 18 (JTA)--While the Senate Foreign Relations Committee conducted its confirmation hearing of George Shultz as Secretary of State last week, a Connecticut Rabbi fasted outside the Senate Office Building to protest the appointment of the 61-year-old economist and Cabinet officer in the Nixon Administration.

Rabbi Ephraim Rubinger, of Temple B'nai Abraham in Meriden, who ended the fast when the Senate confirmed Shultz last Thursday charged that Shultz had worked actively against Israel while president of the Bechtel Group, the San Francisco based international engineering and construction firm which has a multi-billion dollar relationship with Saudi Arabia.

But among Jewish spectators who heard Shultz testify before the Committee the view was divided. One long-time observer of the Washington scene saw reasons for optimism in Shultz's expression of support for the security of Israel while urging the need for strengthening ties in the Arab world. He cautioned detractors to wait and see what the new Secretary does.

However, others, including some Israelis, were upset by what they saw as a complete reversal of the positions taken by Shultz's predecessor, Alexander Haig. Some claimed that Shultz was enunciating the Saudi Arabian line and they foresaw major clashes between the Reagan Administration and the government of Premier Menachem Begin. They foresaw U.S. pressure on Israel aimed at a withdrawal to the pre-1967 borders.

The Heart of the Mideast Conflict

While this may be a little extreme, Shultz in his virtuoso performance before the Senate Committee, made it clear time and again that he considers the Palestinian issue at the heart of the Middle East conflict. The crisis in Lebanon makes painfully and totally clear a central reality of the Middle East: the legitimate needs and problems of the Palestinian people must be addressed and resolved, "urgently and in all their dimensions," he said in his opening statement.

When Sen. Rudy Boschwitz (R. Minn.) challenged the assertion that the Palestinian problem was the central problem in the Mideast, Shultz agreed there are many problems in that region. "But I do think that without a satisfactory solution of this one it's very hard to imagine the prospect of peace in the Middle East," he added.

Shultz, however, stressed his commitment to the negotiations for autonomy for the Palestinian Arabs on the West Bank and the Gaza Strip under the Camp David process that "the United States is, and during my tenure will remain, a full partner" with Egypt and Israel. He repeatedly asserted that the Palestinians must be represented in any negotiations dealing with their future by people who they consider as "legitimate" leaders. But he was never asked by any of the Senators how he proposes to bring them to the negotiating table, something neither the Carter Administration nor the Reagan Administration have been able to accomplish so far.

View of the PLO

The new Secretary of State echoed the Administration position about the Palestine Liberation Organization. He said the PLO was only one claimant to represent the Palestinian people but said first they would have to recognize Israel's right to exist, accept United Nations Security Council Resolutions

242 and 338 and give up terrorist activities. "Then you've got a different PLO and I'm sure that they would be welcomed," Shultz said. "But that's a totally different thing than the present situation."

Another point Shultz made again and again is the need for "wide and ever strengthening ties with the Arabs," an argument that Defense Secretary Caspar Weinberger, another former Bechtel executive frequently makes. It is from the Arabs "that the West gets much of its oil," Shultz added. "It is with them that we share an interest and must cooperate in resisting Soviet Imperialism; it is with them, as well as Israel, that we will be able to bring peace to the Middle East."

Sen. Howard Metzenbaum (D. Ohio), in joining the 97-0 Senate vote to confirm Shultz, expressed concern about the "pervasive" connection between Shultz, the Bechtel Group and the Arab world. But he said he hoped Shultz could use that Arab connection to bring peace to the Middle East.

While some concern had been expressed about Shultz's connection with Bechtel, he appeared to be effective in dispelling the doubts among most Senators. He said he would end all relations with the company and would sign a document removing him from dealing with any matter involving Bechtel that comes up while he is at the State Department.

Sought to Reassure Israel's Supporters

Shultz also sought to reassure Israel's supporters, stressing that the U.S. must ensure Israel's security. He agreed that Israel was a "strategic asset" for the U.S. but at the same time warned that Israel's friends "weaken" the Jewish State when, in strengthening Israel's security, they make no parallel effort to bring about a settlement of the Mideast issues.

While Shultz said he opposed Israel's going into Lebanon, the removal of West Bank and Gaza mayors and the policy of establishing Jewish settlements on the West Bank, it was not he, but one of his questioners, Sen. Paul Tsongas (D. Mass.), who urged the Administration to put pressure on Israel to stop the settlement policy, in particular.

But Shultz may have been sending a signal to Congress when he noted that if pressure were to be placed on Israel it would need the support of Congress, which has always resisted such acts by Administrations. But Shultz pointed out that rather than pressure he would prefer emphasizing to Israel the benefits of a peace settlement.

Concern Lingers On

Thus it is easy to see how Shultz's testimony, while calming the worst fears of Israel's supporters still leaves them with concern, a concern that can only decrease or grow once it is seen how Shultz conducts foreign policy.

At the same time, unlike Haig who wanted to be the "vicar" of American foreign policy and thus its chief spokesman, Shultz emphasized that he would work together with his fellow Californians, National Security Advisor William Clark and Weinberger and other aides in providing the advice on which the President can make the decisions. "He's the boss," Shultz said of Reagan.

Thus by the Administration's own design, President Reagan must now bear direct praise or blame for his foreign policy, including his efforts in the Mideast.

TEL AVIV (JTA)--Two Israeli soldiers were wounded and eight terrorists killed in armed clashes on the eastern sector of the Lebanon front during the weekend.