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CABINET REJECTS REAGAN'S MIDEAST PLAN WHICH IT CALLS A DEVIATION FROM THE CAMP DAVID AGREEMENTS

By Gil Sedan

JERUSALEM, Sept. 2 (JTA) -- Israel's Cabinet summoned into special session by Premier Menachem Begin, rejected unconditionally today President Reagan's call for a "fresh start" in the Middle East peace process and defied one element of the President's plan by announcing that Israel would continue to set up settlements in the West Bank and Gaza Strip.

Begin interrupted a vacation in Nahariya, in response to President Reagan's nationally-televised speech on his "fresh start" plan, to convene the Cabinet for its bristling rebuff to the President. The Israeli press predicted an imminent new low in American-Israeli relations.

Blueprint for Israel's Suicide

The statement issued after the Cabinet meeting, read by Cabinet secretary Dan Meridor, called the Reagan plan a blueprint for suicide for Israel and said it was inconceivable that Israel could ever accept it.

The President repeatedly stressed the United States commitment to Israel's security as he called for a halt to Israeli settlements in the occupied areas as an essential element to the creation of trust by the Palestinian inhabitants in Israel's commitment, in the Camp David accords, to autonomy for the Palestinians.

In an apparent effort for a balanced position, Reagan said the United States would not accept a Palestinian state in the West Bank and Gaza and equally would not accept Israeli annexation of the disputed areas.

Reagan proposed, as a possible alternative, some kind of linkage between the occupied areas and Jordan, which had seized the West Bank in Israel's 1948 War of Independence, and lost it to Israel in the Six-Day War.

The Cabinet statement said the positions relayed to Begin in Reagan's name, a reference to a letter the President sent to the Premier Tuesday, much of which was leaked in Israel, ignored or contradicted the Camp David accords. The content of that letter was spelled out by the President in his televised address last night.

The Cabinet Statement

The Cabinet statement said that "since the positions of the United States government deviate to a serious extent from the Camp David accords, contradict the accords, and are liable to cause a serious danger to Israel, to its security and future, the government of Israel decided that, on the basis of these positions, it will not enter any negotiations with any element." Reagan reiterated last night that, for his government, the Camp David accords were the only possible framework for peace talks.

The Cabinet statement continued: "The government of Israel is ready to resume without any delay the autonomy talks with the governments of the United States and Egypt -- the signatories to the Camp

David accords -- as well as with other countries and elements which were invited to participate in the talks."

The statement specified the areas which, in the Cabinet's view, contradicted the Camp David Accords. These included the status of Jerusalem -- which the President said should remain undivided, with its final status subject to negotiations -- the settlements freeze proposal, the autonomy-Jordan proposed linkage, and the handing of control of security to the Arabs in the territories for the period of autonomy.

Begin was understood to be working on a formal reply to Reagan's letter and to the "fresh start" plan, on the basis of the Cabinet's decisions.

Begin: Reagan Plan Worse Than Rogers Plan

At the Cabinet session, Begin reportedly said Reagan's plan was worse than the plan U.S. Secretary of State William Rogers posed in the early 1970's which called for "insubstantial" border changes in Israel's borders. Begin quoted former Premier Golda Meir who said at the time that anybody who would accept the Rogers plan would be a traitor. "The same policy should apply to whoever adapts the Reagan plan," Begin said.

The Cabinet said that if the Reagan proposal had been implemented "nothing would have prevented King Hussein (of Jordan) from inviting his new friend, Yasir Arafat," chairman of the Palestine Liberation Organization, "to come to Nablus and tell him: 'rule.' This would have become the Palestinian state which would have allied itself with the Soviet Union, and arming itself with all modern weaponry. The PLO did that in Lebanon, creating a state within a state. Why would there be anything to prevent the PLO from doing the same in Judaea and Samaria?"

Meridor indicated that the ministers were unanimous in rejecting the Reagan proposals. There was no immediate public comment from Begin, who was scheduled to meet later today with visiting U.S. Defense Secretary Caspar Weinberger.

Responses By Ministers

Deputy Premier David Levy said the eventual outcome of implementation of Reagan's "fresh start" would be a Palestinian state even if that was not the Reagan Administration's intention.

He said the Reagan proposals were a deviation from the Camp David Accords and Israel would not be a party to the "distortion" of those accords. He charged that the President's plan was "one-sided and anti-Israel." He stressed Israel was not seeking a confrontation with the United States but rather was trying to avoid one.

Tourism Minister Avraham Sharir expressed disappointment that the Reagan Administration did not consult with Israel prior to the President's speech last night, especially since the Reagan Administration did consult with Jordan, which Sharir described as "an ill-fated move."

The President said nothing last night about an approach to Jordan in the many talks with Arab diplomats Secretary of State George Shultz has had since taking office, particularly after it became overwhelmingly clear that Israel was determined to drive the PLO and its terrorist allies out of Beirut.

Interior Minister Yosef Burg, who was in New York Thursday, told a jointly sponsored leadership conference of the World Jewish Congress and the Synagogue Council of America, that Reagan's plan is clearly "a deviation and departure from the letter and spirit of the Camp David agreements."

Burg, who has been the head of the Israeli delegation to the autonomy talks with Egypt, said the status of Jewish settlements on the West Bank and Gaza Strip "is absolutely not included in the Camp David agreements."

Yitzhak Berman, the Energy Minister, called the Reagan initiative an "error," not necessarily because of its components but because Reagan was trying to determine now possible solutions which should be discussed only after the interim five-year period of autonomy.

The Camp David accords provided for creation of conditions for free elections in the West Bank and Gaza of officials to exercise governmental authority for five years of self-rule, after which negotiations would be held on the final disposition of the territories.

Berman said Israel and Egypt had the right to define the fate of the territories after the five-year autonomy period but that the Reagan Administration, by trying to do so now, was losing its credibility as an "honest broker." He did not clarify this remark but it was seen as reference to the fact that Reagan had moved from being a mediator in the Mideast peace process to being a participant in determining its course.

Labor Party Defends Its Position

Ministers at the Cabinet session criticized Shimon Peres, the Labor party chairman, who visited the United States last month. The ministers charged that in recent meetings with Reagan Administration leaders, Peres contributed support to the Reagan Administration decision to seek to link the occupied areas in some form with Jordan.

The Labor Party promptly issued a response saying it would not be "kantalized" by the attempt of Begin's Likud party to "smear" the Labor Party's name. The Labor Party statement said that it had presented its own peace plan, advocating a settlement with Jordan over the West Bank, at the time it was in power and that it continued to stand for that plan now when it was in the opposition.

"The demagoguery attempts of the Likud leaders indicate a basic lack of understanding of the substance of democracy and of the fact that the Israeli society is an open society," the Labor Party declared.

Shevah Weiss, an Alignment member of the Knesset, said the Reagan plan indicated support for the Allan plan, a reference to a proposal by the late Labor Foreign Minister Yigal Allan, under which Israel would have withdrawn from sections of the West Bank heavily populated by Arabs but maintaining an Israeli security belt along the Jordan River, plus pockets of Israeli security forces near Israeli population concentrations, meaning the Jewish settlements.

Victor Shemtov and Imri Ron, leaders of Mapam, said the Reagan plan had "positive elements" and should be examined seriously. Similar positive reactions came in from smaller leftist parties.

Haim Druckman, a National Religious Party Knesset deputy, called on the Begin government to prove through "action" that it rejected the

Reagan proposals, specifically, by annexing the Arab territories.

The Reagan plan was also criticized by the Israeli ministers because it was presented to Israel without prior consultation, while the Reagan Administration did consult with Egypt, Jordan and Saudi Arabia.

Positive Reaction By Egypt

The first Arab reaction came from an Egyptian official, Saad Mortada, Egypt's Ambassador to Israel. Speaking on the Voice of Israel, Mortada said the Reagan initiative indicated a positive trend by the Administration towards a solution of the Palestinian problem.

He said the Reagan initiative might lead to resumption of the autonomy talks, which have been in a state of suspension for some three years. As its latest condition for resuming the talks, Egypt has demanded Israel's total withdrawal from Lebanon.

A spokesman for the Egyptian Foreign Ministry in Cairo refused to react to the Reagan plan, on grounds that the Egyptian government was now "reviewing the plan."

REAGAN PROPOSES A U.S. 'PEACE INITIATIVE' FOR THE MIDDLE EAST By David Friedman

WASHINGTON, Sept. 2 (JTA) -- President Reagan proposed an "American peace initiative" for the Middle East last night in which he made it clear that the United States defines autonomy for the Palestinians on the West Bank and Gaza Strip as "self-government" and believes it can best be achieved in "association with Jordan."

"It is the firm view of the United States that self-government by the Palestinians on the West Bank and Gaza, in association with Jordan, offers the best chance for a durable, just and lasting peace," the President said in a nationally-televised address from California where he is vacationing.

Reagan also stressed that the U.S. will not support an "independent Palestinian state" or Israel's "annexation or permanent control" over the West Bank and Gaza. He urged the Palestinians and the Arab states to recognize the State of Israel, and declared that "Jerusalem must remain undivided" with its final status agreed upon through negotiations.

Reagan also called for an immediate freeze by Israel of Jewish settlements on the West Bank. "Indeed the immediate adoption of a settlement freeze by Israel, more than any other action could create the confidence needed for wider participation in these (the autonomy) talks," he said. "Further settlement activities is in no way necessary for the security of Israel and only diminishes the confidence of the Arabs that the final outcome can be freely and fairly negotiated."

First Outline Of U.S. Mideast Policy

The President's speech last night, which he said marked the completion of the evacuation by the Palestine Liberation Organization from Beirut, was his first outline of a Mideast policy since taking office. He said that full details of his proposal which followed two weeks of discussion here and abroad, were presented this week by the U.S. Ambassadors to Israel, Egypt, Jordan and Saudi Arabia.

The details presented in a letter yesterday by Premier Menachem Begin Tuesday sparked a furor in Israel yesterday and caused Begin to schedule a special Cabinet meeting today. It is believed here that Reagan's hastily scheduled television appearance last night was an attempt by the President to make his proposals public before the Israeli government acted.

Reagan stressed last night that the U.S. approach is based "squarely on the principle that the Arab-Israeli

conflict should be resolved through negotiations involving exchange of territory for peace. This exchange is enshrined in United Nations Security Council Resolution 242 which in turn is incorporated in all its parts in the Camp David agreements."

Stresses U.S. Commitment To Israel

Throughout his address, Reagan stressed the U.S. continuing commitment to Israel's security. He said when the final border is negotiated between Israel and Jordan, "our view on the extent to which Israel should be asked to give up territory will be heavily affected by the extent of true peace and normalization and the security arrangements offered in return."

He seemed to imply that Israel's withdrawal would not be to the pre-1967 borders which he noted had left Israel only 10 miles wide and with most of its population in artillery range from its enemies. "I am not about to ask Israel to live through that again," he said.

Reagan said "The United States will oppose any proposal from any party and at any point in the negotiating process that threatens the security of Israel. America's commitment to the security of Israel is ironclad. And I might add, so is mine."

Assesses Outcome Of War In Lebanon

At the start of his talk, Reagan said that Americans should be "proud" of the outcome in Lebanon since the "peaceful" departure of the PLO "could never have been taken without the good offices of the United States and especially the truly heroic work of a great American diplomat, Philip Habib." He said the marines sent in to facilitate the PLO evacuation will be able to leave within two weeks.

"The Lebanon war, tragic as it was, has left us with new opportunity for the Middle East," Reagan said. "We must seize it now and bring peace to this troubled area so vital to world stability while there is still time."

He said the first step is to rebuild Lebanon because "a stable and revived Lebanon is essential for all our hopes in the region." But most of his talk was concentrated on the autonomy negotiations. Reagan noted that the departure of the PLO dramatizes the "homelessness of the Palestinian people." He said that the Camp David agreements calls for addressing the "legitimate rights of the Palestinians."

Reagan Cites Two Lessons

The President said two lessons can be learned from the Lebanon war. "First the military losses of the PLO have not diminished the yearning of the Palestinian people for a just solution of their claim" he said. "Second, while Israel's military successes in Lebanon have demonstrated that its armed forces are second to none in the region, they alone cannot bring a just and lasting peace to Israel and her neighbors." He continued "I call on the Palestinian people to recognize that their own political aspirations are inextricably bound to recognition of Israel's right to a secure future. And I call on the Arab states to accept the reality of Israel and the reality that peace and justice are to be gained only through hard and fair direct negotiations."

The President's speech last night was the first time the U.S. had made public proposals for a solution to the deadlocked autonomy talks. Reagan stressed that the U.S. has been a "mediator"

in the talks between Egypt and Israel. "In the course of negotiations to come, the United States will support positions that seem to us fair and reasonable compromises and likely to promote a sound agreement," Reagan said. "We will also put forward our own detailed proposals when we believe they can be helpful."

BURG SAYS REAGAN'S PLAN IS A DEVIATION FROM THE LETTER AND SPIRIT OF THE CAMP DAVID ACCORDS By Yitzhak Rabi

NEW YORK, Sept. 2 (JTA) -- Dr. Yosef Burg, Israel's Minister of Interior, declared today that President Reagan's new peace plan for the Mideast is clearly "a deviation and departure from the letter and spirit of the Camp David agreements."

Addressing a jointly sponsored leadership conference of the World Jewish Congress and the Synagogue Council of America, held at the Hyatt Hotel here, Burg, who has been the head of the Israel delegation to the Palestinian autonomy talks, which have been suspended since June 1979, said that Reagan's request in his televised speech last night that Israel stop its settlement policy in the West Bank and Gaza, "is absolutely not included in the Camp David agreements."

Furthermore, Burg insisted, the issue of Jerusalem, which also was discussed by Reagan last night, "is not mentioned in the Camp David agreements."

"We cannot accept that (Jewish) settlements (in the West Bank and Gaza) are an obstacle to peace," Burg declared, adding "Eretz Yisrael cannot be restricted to our children."

Burg pointed out that Israel's position on Jerusalem was made clear during the Camp David talks to all the participants in formulating the agreements and there was nothing ambiguous about it.

Burg complained that in his speech Reagan did not give Israel the credit it deserves for reaching a peaceful solution in Beirut. He charged that Reagan's speech "gave vitamins and hormones to the PLO," which was defeated by the Israel Defense Force.

STATE DEPARTMENT SAYS REAGAN'S PLAN WAS THE 'FIRST STEP' IN A 'VERY SERIOUS INITIATIVE' By David Friedman

WASHINGTON, Sept. 2 (JTA) -- The State Department said today that President Reagan's proposals for a Middle East peace which he outlined in a television address last night was the "first step" in a "very serious initiative by the President."

But Department spokesman John Hughes was vague in how the Administration would proceed with the initiative except to say that it will involve a very energetic diplomatic process. He said the Arab states are studying the proposal but there has been no official reaction from them, as yet.

As for the Israeli reaction, Hughes refused to call the Israeli Cabinet decision today a rejection of the proposals. He said the U.S. was "not disappointed nor surprised by the Israeli reaction today since there are different interpretations of the Camp David accords and the peace process."

Shultz Finds It Hard To Believe

But Secretary of State George Shultz, interviewed today on ABC-TV's "Good Morning America," said there were so many things in Reagan's speech last night that he could not see a "total rejection" of them by Israel. "It's hard for me to believe that Israel would reject the ideas of peace," Shultz said.

"It's hard for me to believe that Israel would reject the idea that they should be recognized by their neighbors as a state that is a reality. It's hard for me to be-

lieve that they would reject the pledges of support for their security that The President gave."

Cite's Purpose Of Reagan's Proposals

Shultz said that the purpose of the President's proposals was to "draw people to the peace table." He implied that the continued creation of Israeli settlements on the West Bank hampered this. "If the Israelis insist on settling the West Bank, they have in effect, annexed it," he said.

"That's the way the Arabs look at that. So I think that if what is wanted is a chance for peace is people at the bargaining table beyond those that are there now -- then there has to be some statement of intention to negotiate about what's going to happen in" the West Bank and Gaza.

While noting that Reagan called on Israel to put a freeze on new settlements, Hughes refused to comment today on whether the settlement issue was included in the Camp David agreements. He said the President made his proposal on a freeze to facilitate the peace process. "There is nothing inconsistent with Camp David in encouraging any state to take an action which he (Reagan) believes will facilitate the peace process," Hughes said.

A major aim of the President's speech was to encourage the Palestinians and Jordan to enter the autonomy negotiations. Shultz, in his television interview, said that King Hussein of Jordan is taking Reagan's proposals "seriously" and is studying them, but "has made no commitments."

Shultz said that if Hussein joined the talks, "presumably he would speak, at least initially, for the Palestinians." At the same time, the Secretary said, "There are Palestinians on the West Bank who somehow should be represented." But he stressed that whoever represents the Palestinians must be accepted by them as "legitimately" their spokesman. "It isn't reasonable to expect the Palestinians to go along with representation by them by somebody picked by the Israelis," he said.

Rejects Role for PLO

But Shultz rejected the contention by the TV interviewer that the Palestinians consider the Palestine Liberation Organization as their representative. "What Palestinians?" he asked. "Where has there been a vote on that? There are all sorts of factions within the PLO. There are various ways in which the Palestinians may very well represent themselves."

As the same time, Shultz stressed that the U.S. will not conduct any direct discussions with the PLO until they meet the conditions that have been set down since 1975.

Meanwhile, Shultz was explaining the President's proposals at separate briefings today for groups of Arab Americans and American Jewish leaders. Nicholas Veliotis, Assistant Secretary of State for Near East and South Asian affairs, was explaining the proposals to Ambassadors of the Arab League countries. One purpose of Reagan's speech last night was to present his proposals before the Arab League meets in Fez, Morocco, September 6.

A QUIET NIGHT IN BEIRUT

By Hugh Orgel

TEL AVIV, Sept. 2 (JTA) -- Beirut last night had its quietest night in many months, following the departure of the last PLO terrorists, and Syrian soldiers from the Lebanese capital. But some shooting was reported this morning, when a small leftist dissident group opened fire at the National Museum crossing point between east and west Beirut.

The passages between the two sectors of the city were officially declared open by the Lebanese government today, and work was started to remove or dismantle roadblocks which have divided the city for nearly a decade.

Israeli newspapers said today that some 4,000 PLO men are believed to have remained in the city. Some had taken out Lebanese identity papers, while others had been replaced on evacuation lists by women and children who boarded evacuation ships dressed as PLO fighters.

The Lebanese army today began implementing government orders barring civilians from carrying firearms or disobeying army and police orders.

Observers said that many Lebanese, for whom carrying arms or disobeying policemen has become second nature, appeared bewildered when stopped by soldiers who took away their weapons or who even chased drivers through the streets for disobeying the instructions of traffic policemen.

TWO ISRAELIS FREED

TEL AVIV, Sept. 2 (JTA) -- Two Israeli employees of Israel Radio, who were held in west Beirut by left-wing terrorists, have been freed, an Israeli military spokesman announced today.

According to the spokesman, the two Israelis, a driver and sound technician, were allowed to walk back to east Beirut last night across the Galerie Semena crossing point between east and west Beirut. The two Israelis were captured earlier this week when they drove by mistake into west Beirut which is now controlled by leftwingers.

Another Israel Radio employee, Sara Barkai, a reporter for the radio's French-language service, was freed yesterday after being captured with her two co-workers because she was holding a French passport.

REPORT IMMEDIATE RELIEF NEEDS IN LEBANON ARE LARGELY BEING MET

WASHINGTON, Sept. 2 (JTA) -- The immediate relief needs in Lebanon "are largely being met," but the long-term rehabilitation of that war-torn country will be long and costly, M. Peter McPherson, administrator of the United States Agency for International Development (AID), said today.

McPherson, who returned last night from a two-day visit to Lebanon, told a press conference that the immediate need is for shelter for about 60,000 people before the fall rains. He said that tents are being purchased from Pakistan partly with United States funds to be set up for these people by the United Nations Works and Relief Agency (UNWRA).

While McPherson acknowledged that there were probably thousands of others who have found shelter with relatives, his figures point to the grossly exaggerated reports early in the Lebanon war that some 600,000 were left homeless.

McPherson said the United States does not have any casualty figures since the fighting began in Lebanon last June, but he noted that the medical problem, which had been thought to have been great, has largely been taken care of. He said that many European countries sent medical teams in Lebanon, but within a few weeks, many returned home because there was little for them to do.

TEL AVIV (JTA) -- The Supreme Court issued an interim injunction Thursday barring the government from implementing its order to El Al to cease flying on the Sabbath and holidays, at least for the next 45 days. A court injunction was handed down by three justices, at the requests of three lawyers representing an El Al pilot, eight El Al workers and an individual in Jerusalem.