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## U.S.-ISRAEL CRISIS DEEPENS: ISRAEL CABINET DECIDES TO SET UP SEVEN NEW SETTLEMENTS; MOVE IS PROMPTLY CONDEMNED BY WHITE HOUSE

By Gil Sedan (Jerusalem)  
and David Friedman (Washington)

Sept. 6 (JTA)—The crisis deepened between Premier Menachem Begin's government and the Reagan Administration after the Israeli Cabinet decided yesterday to establish seven new settlements on the West Bank and was promptly condemned in a strongly worded statement issued by the White House.

The decision, by the Cabinet's Ministerial Settlement Committee, was announced barely four days after President Reagan urged Israel to freeze new settlements and the expansion of existing ones, in a nationally televised statement of Mideast policy. It was widely interpreted as a slap at Reagan.

The decision on settlements coincided with the release in Jerusalem yesterday of the text of a letter from Begin to Reagan which was sharply critical of the President's proposals for Palestinian autonomy and reproached the U.S. for failing to consult with Israel before conveying the plan to Jordan and Saudi Arabia.

### Statement By The White House

The White House statement, released in Santa Barbara, Calif., where the President was vacationing, said: "The United States regards the Israeli announcement as most unwelcome. We cannot understand why at a time when broader participation in the peace process is both critical and possible, Israel has elected to extend a pattern of activity which erodes the confidence of all and most particularly the inhabitants of the West Bank and Gaza for a just and fairly negotiated outcome to the peace process."

Secretary of State George Shultz called the Israeli decision "an unwelcome development" that could not advance peace negotiations in the region. Appearing on the CBS-TV "Face the Nation" program yesterday, Shultz stated that a settlement of the Israeli-Arab dispute must include "a totally demilitarized area" covering all of the West Bank.

But he stressed that the U.S. would not resort to pressure to "maneuver" Israel into peace negotiations on the basis of the Reagan plan. He also denied a reporter's suggestion that the Administration was attempting to unseat the Begin government in favor of the opposition Labor Party which has expressed willingness to negotiate on the basis of the Reagan plan.

### Not A New Settlement Plan

Deputy Premier Simcha Ehrlich, chairman of the Ministerial Settlement Committee, insisted in Jerusalem today that the settlement decision was part of a long-range plan adopted long ago by the government and had nothing to do with Reagan's proposals. Ehrlich said the settlements were not a provocation and that Israel's settlement policies were not responses to positions taken by American Presidents.

The decision calls for five new settlements in the southern Hebron mountains, one close to the Etzion bloc south of Jerusalem, and another near the Arab town of Jenin in northern Samaria. The government will allocate \$18.5 million for their construction.

The decision is subject to approval by the State Attorney who must determine that the lands on which the settlements are located are State property and not privately owned.

### Begin's Letter To Reagan

Begin's letter to Reagan, addressed "Dear Ron" and signed "Yours Respectfully and Sincerely Menachem" was in reply to Reagan's letter to the Premier of August 31 in which he outlined his proposals. The letter stated the reasons Israel has rejected those proposals and admonished the President for making them.

"You and I chose for the last two years to call our countries 'friends and allies,'" Begin wrote. "Such being the case, a friend does not weaken his friend, and an ally does not put his ally in jeopardy. This would be the inevitable consequence were the 'positions' transmitted to me on August 31, 1982, to become reality. I believe they won't..."

Begin reproached the President for his "omission to consult with us prior to forwarding your proposals to Jordan and Saudi Arabia, the former an outspoken opponent of the Camp David accords, the latter a complete stranger to and an adversary of these accords..."

Begin's letter also vehemently protested Reagan's proposal that the West Bank should be linked to Jordan: "True, you declare that you will not support the creation of a Palestinian state in Judea, Samaria and the Gaza district. But such a state will arise of itself the day Judea and Samaria are given to Jordanian jurisdiction. Then in no time, we and you will have a Soviet base in the heart of the Middle East. Under no circumstances shall we accept such a possibility ever arising which would endanger our very existence."

Begin also repeated his contention that the West Bank was part of Israel's heritage by historical and Divine right.

### U.S. Rejects Israel's Charges

Last Friday, the State Department rejected charges by Israel that Reagan's proposals for autonomy and the determination of Jerusalem's status by negotiations had violated a U.S. commitment to consult with Israel on issues dealing with the Mideast peace process.

Department spokesman John Hughes declared, "The U.S. has not violated any of this commitment to Israel." He said that both Israel and the Arab states were briefed "simultaneously" on Reagan's proposals before the President's TV speech last Wednesday night. On the specific issue of consulting Israel, he made these points:

"The President's initiative came after three years of autonomy negotiations, three recent trips to the Mideast by Secretary (Alexandér) Haig and Ambassador (Richard) Fairbanks and numerous bilateral talks between the U.S. and each of the parties involved; secondly, the views presented by the President are positions which have long been part of the public record or which have been discussed by Israel over the course of the three year autonomy negotiation period.

"Thirdly, the President did not call on immediate acceptance of these views, but instead urged a consideration within the context of negotiations based

on Camp David."

Hughes said the U.S. had not received a formal response from Israel or any of the Arab states on the President's proposals. He maintained that the Israeli Cabinet communicate the previous day rejecting the proposals was not a formal response. The U.S. knows, he said, that the countries involved need time for "digestion" of the proposals and therefore the U.S. was not concerned by "initial informal" responses such as made by Israel.

#### U.S. Says It Will Not Alter Its Stand

Yesterday's White House statement, which a spokesman described as an "Administration response" rather than a Presidential statement, warned that Israel's "settlement activities can only raise questions about Israel's willingness to abide by the promises of UN Resolution 242—that territory will be exchanged for peace."

"The United States will not alter its stand on settlements. We will persist in our efforts to help Israel understand how damaging its settlements are to the peace we are trying to achieve and how seriously we take this issue. The United States is determined to persevere in seeking broader participation in the peace process. The United States position set forth by President Reagan on September 1 remains, and shall remain unchanged."

Meanwhile, Israeli Foreign Minister Yitzhak Shamir told a Herut party rally last night that Israel did not need guarantees, demilitarized zones or security arrangements as promised in Reagan's proposals "because we will remain in Judaea, Samaria and Gaza and can look after ourselves." He said Israel would not annex the West Bank "as long as the other side honors the Camp David accords."

#### LIKUD AND LABOR HOLD SHARPLY DIVERGENT VIEWS ON REAGAN'S PLAN By Hugh Orgel and Gil Sedan

TEL AVIV, Sept 6 (JTA)—The divergence of views between the Likud government and the Labor opposition over President Reagan's proposals for a Palestinian settlement were sharply delineated by Labor Party chairman Shimon Peres and Defense Minister Ariel Sharon in separate radio interviews over the weekend.

The gap is expected to be brought into stronger focus when the Knesset debates the issue on Wednesday, observers here said.

Peres declared that "It (the Reagan plan) includes many points which are very close to the basic concept of the Labor Alignment and I appreciate it," Sharon, who recorded his interview immediately after U.S. Defense Secretary Caspar Weinberger ended his visit to Israel, said the U.S. should withdraw the plan proposed by Reagan because it was unworkable and Israel not only would not accept it but would not even discuss it.

He expressed bitterness that the U.S. had discussed proposals which affect Israel's vital security with other countries without even consulting with Israel. "This is not merely a matter of national pride but a matter which concerns the very future and security of Israel," he said.

Peres said: "I believe the most important development in this plan is the fact that the Jordanians are apparently able to join in the negotiation and reopen the road for peace and settlement on our eastern frontier and the

Palestinian issue."

He observed that the plan was not a "dictat" or imposed solution. "It is a basis for negotiations," Peres stressed. "I see in it a great deal of very positive points and I can see in it some points I can object to. And I think we should come in without any hysteria and talk it over and negotiate," the Labor Party leader declared.

#### See Israel Persuading The U.S.

Sharon said the Cabinet had acted correctly in immediately rejecting Reagan's proposals out of hand. "And America would have saved itself much embarrassment by consulting with us before publishing the plan," he added.

He said he anticipated a confrontation with the U.S. on this matter but believed that, as in previous instances of disagreement between two traditional friends, Israel would in the end manage to persuade the U.S. of the justice of its cause.

Sharon continued to insist that Jordan was the Palestinian state and it was up to the Palestinians to decide whether they wanted King Hussein or someone else as their leader in Amman. He said Israel had proposed the only workable system for the West Bank and Gaza Strip by offering autonomy which would provide the inhabitants with almost complete control of their own lives. Moreover, Sharon said, Israel's plan is in full accord with Camp David whereas Reagan's proposals were "in complete contradiction to the Camp David accords."

Sharon said Reagan's proposals had not been discussed with Weinberger during his visit. He described the Defense Secretary's stay here as "short but very successful." In that connection, Sharon said: "We outlined to him Israel's security problems and our responses to those problems. We made no requests but we told and showed him Israel's technical responses to various problems. He saw for himself, from vantage points in Samaria and on the Golan Heights, the problem of the concentration of much of Israel's population on the narrow coastal strip and the security importance of Jewish settlements."

#### Basis For Dialogue Cited

Peres said he did not think the Likud government should have rejected the Reagan proposals out of hand because they are a basis for dialogue and discussion with America and to argue about the points on which the U.S. and Israel do not see eye-to-eye or to offer a real alternative plan which might stand even a slight chance of acceptance by the other parties.

Peres said he did not know what the government's plan actually was. "If it is complete annexation, that means complete isolation of Israel. It means the permanent continuation of belligerency and, even worse, in my eyes, it means turning Israel into a bi-national state and by doing so, putting a real end to a dream of the Jewish people and of the Zionist movement. What are we fighting for? To have a bi-national state? What is Mr. Begin suggesting? That is my question," Peres said.

Sharon, referring to Lebanon's problems, said that in any peace treaty with Lebanon full consideration should be paid and spelled out to Israel's specific security and defense problems. He added that if a Lebanese government came into being which did not conclude a peace treaty with Israel, Israel would have to ensure other arrangements for a security zone some 24-30 miles along its northern border. He said, however, this would not necessarily involve Israeli forces remaining in that zone.

## BEHIND THE HEADLINES: MAIN OBJECTIVE OF REAGAN'S PLAN

By David Friedman

WASHINGTON, Sept. 6(JTA)--President Reagan's "American Peace Initiative" for the Middle East, which he unveiled in a nationally televised speech last week, was squarely aimed at getting the Palestinians and the Arab states to join the autonomy talks which up to now included only Israel, Egypt and the United States.

To do this, the Administration was ready to risk Israel's anger and rejection, which when it came, Administration spokesmen maintained did not surprise or disappoint them. The hope obviously is that Israel will go along if the Arab states agree to Reagan's appeal to "accept the reality of Israel, and the reality that peace and justice are to be gained only through hard, fair, direct negotiations."

Secretary of State George Shultz made this clear in his appearance on CBS-TV's "Face the Nation" yesterday. "I think it will make a critical difference whether or not King Hussein (of Jordan) and other Arabs respond favorably to the President's initiative," he said. "Then the prospect of peace with neighbors will become much more real."

Shultz also ruled out any U.S. pressure on Israel such as withholding or cutting economic or military aid. "We don't have any plans to try to maneuver people in a peace negotiations by talking about withholding aid," he said. But, he noted "there is a tremendous pressure, not only on the Israelis, but also on the Arabs in the area" and "that pressure comes from the possibility of peace and what peace can mean in that region."

Immediate Target of Reagan's Plan

The immediate target of Reagan's "Fresh Start," even more than the Palestinians, is Jordan. The President clearly went beyond anything the U.S. has publicly proposed before by suggesting an autonomy agreement that would provide "self-government by the Palestinians on the West Bank and Gaza, in association with Jordan" as an incentive for Jordan to join the talks.

Shultz noted yesterday "that if King Hussein decides to come forward in these negotiations that will represent a general consensus on the part of Arab leaders that its time to do that and a good thing to do that."

Premier Menachem Begin and his government have denounced the link to Jordan and other proposals in the Reagan initiative as violations of the Camp David agreements. Former President Carter has given his "hechsher" that the Reagan proposals do not violate the Camp David accords. The Reagan Administration went into office proposing the Jordanian option as the solution for the West Bank and Gaza. This has also been the view of Israel's opposition Labor Party which has supported Reagan's proposals.

Yet it is clear that the Jordan link to autonomy goes beyond Camp David. The agreement clearly states that the "final status" of the West Bank and Gaza are to be decided upon by negotiations which will begin within three years after the establishment of an autonomy agreement in the territories.

Arabs Eye Strictures Against Israel

From the Arab world words of approval so far have focussed on Reagan's strictures against Israel -- a freeze on Jewish settlements, opposition to Israeli annexation or sovereignty over the West Bank and Gaza and Israeli withdrawal from most of the occupied territory. The Arabs,

of course, say they don't like the President's rejection of a Palestinian state.

But perhaps more important, what pleased the Arabs most is that they see the U.S. departing from its traditional role as "mediator" in the Arab-Israeli dispute. The Arabs, including the late Egyptian President Anwar Sadat, have always envisioned the U.S. role in Mideast negotiations as pressuring Israel to accept Arab demands.

Element Most Disturbing to Jewish Leaders

It is this departure from the "critical" role as "honest broker" that was most disturbing to the dozen Jewish leaders, representing the Conference of Presidents of Major American Jewish Organizations and the National Jewish Republican Coalition, who met with Shultz last Thursday.

"It is critical to that mediation role that the U.S. not pre-ordain the ultimate results and thereby foreclose and limit the discussions that should be hammered out at the bargaining table," Julius Berman, chairman of the President's Conference, told reporters after the hour-and-a-half meeting. Many of the same Jewish leaders met with Shultz a week earlier but Berman said at that time they had not been told of the President's planned proposals.

Berman said that while Reagan's "fresh start" had some constructive elements -- a commitment to the Camp David process, opposition to a Palestinian state, calling on the Arab states to recognize Israel -- "on balance, in terms of moving forward, it is not constructive" because it moves the U.S. away from its role as mediator. Many other Jewish leaders, in statements following Reagan's TV address, offered similar assessments.

Reagan, in his speech last week, noted that while as mediator the U.S. sought to avoid public comments, "it has become evident to me that some clearer sense of America's position is necessary to encourage wider support for the peace process."

While the Israeli Cabinet last Thursday rejected most of the President's proposals, including some that were not in his speech but were outlined in a letter to Begin, it seemed most angered by his call for a freeze on Jewish settlements on the West Bank. The Israeli Cabinet yesterday announced the establishment of seven new settlements but denied this was a reaction to Reagan's address.

The Reagan Administration has never accepted the Carter Administration's claim that the settlements were illegal, but have maintained they were not helpful to the peace process. Reagan said that "immediate adoption of a settlement freeze by Israel, more than any other action, could create the confidence, needed for wider participation in these talks."

But Berman, talking to reporters last week, called the settlement issue an "irrelevancy." He said approval of the settlements was not a precondition for the Palestinians and Arab states to join the negotiations and they could always bring it up at the bargaining table.

Concern For Plight Of Palestinians

The President's television address must also be viewed as the outgrowth of an Administration decision that he must show concern for the plight of the Palestinians in the wake of the evacuation of the Palestine Liberation Organization terrorists from West Beirut. The U.S. has been trying to distance itself from Israel since the start of Israel's "Peace for Galilee" operation last June because of the belief in the Arab world that Washington not only concurred with the Israeli action but aided it.

The President made a strong appeal to the Palestinians in his speech. "The departure of the

Palestinians from Beirut dramatizes more than ever the homelessness of the Palestinian people," he said. "Palestinians feel strongly that their cause is more than a question of refugees... I agree."

At the same time, he urged the Palestinian people "to accept the reality of Israel and the reality that peace and justice are to be gained only through hard, fair, direct negotiations."

The PLO was not mentioned by Reagan in his speech except to note that their evacuation from Beirut had been completed. Shultz again stressed yesterday that the U.S. will not deal with it until the PLO recognizes Israel's right to exist and accepts United Nations Resolutions 242 and 338.

But he also pointed out that the events in Lebanon have shown that terror and violence "do not work" in helping the Palestinian cause. "I would hope that the leaders of the PLO and everyone in the area will start looking at the peace initiatives and the peace process rather than the violence and the war process," Shultz said.

### U.S. Concern for Israel's Security

Throughout his speech, Reagan stressed the continuing concern of the U.S. for Israel's security. "The United States will oppose any proposal from any party and at any point in the negotiating process that threatens the security of Israel," he declared.

While calling for Israeli withdrawal from the territories, Reagan stressed that how much territory will have to be given up, in the U.S. view, "will be heavily affected by the extent of true peace and normalization and the security arrangements offered in return." At the same time, he stressed that Israel will not be asked to go back to the pre-1967 situation in which much of its territory was only 10 miles wide and most of its population was in the range of hostile artillery.

This statement was added to the speech at the last minute. Shultz said yesterday that Reagan and his advisors wanted to underscore U.S. concern for Israel's security. He said Israel as a small country was justifiably concerned about its security and must be guaranteed secure and defensible borders.

With the Begin government rejecting the Reagan initiative and the Labor opposition approving it, some observers here saw the Administration in a Machiavellian effort aimed at bringing the Begin government down. This was vigorously denied by Shultz in his television appearance yesterday. "The construction of the government of Israel and who is to represent the people of Israel is the business of the people of Israel," he said. "We do not have any views about that."

### The Next Step

The next step, however, may be in the area of public opinion both in Israel and the U.S. State Department spokesman John Hughes noted last week that the Administration was pleased that the President's proposals had been greeted approvingly in editorials in major American newspapers. Congress returns from its Labor Day break tomorrow and the Reagan proposals will get a full airing in both the Senate and House.

There are signs that Israel may be painted as

intransigent. But what happens may depend more on what the Arabs do. If the Arab governments, particularly Jordan, show they are willing to accept Israel and sit down at the negotiating table, then the President's initiative may indeed be a "fresh start." If not, prospects for the autonomy negotiations are dimmer than ever.

The first sign will come this week at the Arab League meeting which began today in Fez, Morocco.

### ISRAEL ASKING SYRIA FOR INFORMATION ABOUT 8 ISRAELI SOLDIERS KIDNAPPED IN LEBANON

By Hugh Orgel

TEL AVIV, Sept. 6 (JTA)—Defense Minister Ariel Sharon has asked the Syrian government for information about eight Israeli soldiers kidnapped from a forward observation post on the central front in Lebanon Saturday. He warned the Syrians of grave consequences if the soldiers were harmed.

Sharon's message was forwarded to Damascus through Morris Draper, Deputy Assistant Secretary of State for Near East and South Asian Affairs, deputy to U.S. special envoy Philip Habib, who is presently in Beirut. The Israeli army asked the International Red Cross yesterday to help trace the soldiers. It is not clear whether they are being held by the Syrians or by elements of the Palestine Liberation Organization which have taken shelter behind Syrian lines in Lebanon. According to Israel, Syria has not responded to demands that the soldiers be freed.

A military spokesman said an army patrol was sent to the observation post north of the Beirut-Damascus highway, after contact was lost with the soldiers there. A search of the area turned up traces of food, some military equipment, a steel helmet and a radio transmitter. Tracks of the Israelis and of others, apparently their captors, were found leading toward Syrian-held territory.

But there were no spent cartridges, leading the army to wonder how the soldiers could have been taken without a fight. Damascus radio reported yesterday that three Israeli soldiers were killed in a clash with Syrian forces near Hadet el Jebbe village 35 miles northeast of Beirut Saturday. The observation post was near the Lebanese village of Bahadoun.

Some Israeli sources suggested today that the missing soldiers may have been surprised by the enemy while eating. Because of the easing of tension in the area they may have failed to post a guard, the sources said.

The army noted today that Israel holds 296 Syrian prisoners of war including 24 officers up to the rank of colonel and eight Syrian airforce pilots. Their names have been given to Syria through the International Red Cross.

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TEL AVIV (JTA)—Twenty-two Israeli soldiers were injured when an army truck they were travelling in caught fire in Lebanon south of Tyre. Seven were reported in serious condition with burns. The others were treated for smoke inhalation and sent home. Army sources said the fire was caused when a smoke grenade carried by one of the soldiers detonated accidentally. Meanwhile, Defense Minister Ariel Sharon toured the old demarcation line between east and west Beirut from which barriers are being removed.