

**ECONOMIC CRISIS GRIPS ISRAEL;
PROGRAM OF SEVERE AUSTERITY ANNOUNCED**
By Gil Sedan

JERUSALEM, Oct. 11 (JTA) — The government of Premier Yitzhak Shamir plunged headlong into the economic crisis within hours after it was approved by the Knesset yesterday. The newly sworn-in Cabinet emerged from an all night session this morning with a program of severe austerity, the first measure of which was a 23 percent devaluation of the Shekel, the second devaluation since the weekend.

The Shekel, which stood at an official rate of 69.27 to the U.S. Dollar yesterday, is now pegged at 82.53 to the Dollar.

Other measures announced by the Cabinet are a 50 percent hike in the prices of subsidized goods and services, including bread, milk and dairy products. Frozen meat prices were raised by 40 percent and fuel is up 23 percent to balance the devaluation of the Shekel. (See separate story on Panic Buying.)

The next round of increases will hit public services such as transportation, electricity and water. A third round to follow will up the prices of all imported goods. Locally produced items will be more expensive because of increased production costs.

Economists generally supported these measures today as the absolute minimum necessary to pull the national economy from the brink of disaster. They represent a sharp departure from the past policies of Finance Minister Yoram Aridor which were aimed primarily at fighting inflation.

Government, Histadrut On Collision Course

Inflation is now expected to soar to an annual rate of 160-170 percent this year. Long term inflation prospects are hazy. This has put the Shamir government on a collision course with Histadrut and possibly with one of its coalition partners, Tami, which represents the low income Shephardic community.

A clash appears inevitable because the new government, for the first time, has stated its intention not to compensate wage-earners fully for the devaluation — the reduced buying power — of the national currency.

That means that the next cost-of-living increment — the traditional hedge against inflation for Israeli workers — will be lower than it ordinarily would have been. In the past, such moves have been made only with the agreement of Histadrut.

This time it is a unilateral government action to which the labor federation is hardly likely to agree. The Histadrut Central Committee was meeting in Tel Aviv today to decide its position on the new economic measures.

Tami Party Renews Its Threat

Tami, which was on the verge of leaving the old Likud coalition, headed by Premier Menachem Begin, over economic policy, renewed its threat today. Tami MK Ben-Zion Rubin who is Deputy Minister of Labor and Welfare demanded a 13 percent hike in welfare payments.

He insisted on full compensation for the poor with a gradual lessening of compensation for the better-off sections of society. If this is not done, "we shall simply get up and leave," Rubin said. A defection by Tami would reduce Shamir's 64 seat majority in the Knesset to 61.

Aridor, whose policies have been under heavy fire from Cabinet colleagues as well as the opposition described the new economic measures today as quantitative and qualitative. It was leaked that he had proposed a more drastic 35 percent devaluation of the Shekel during last night's stormy Cabinet session but was blocked by Energy Minister Yitzhak Moda'i who argued that the burden would be too heavy and unacceptable by the public.

Basis For the Economic Crisis

Israel's economic crisis has been long in the making. The country's balance of payments deficit has been increasing steadily this past year. Its foreign currency reserves are dwindling fast. Its credit rating has deteriorated to a point where it is now ranked by the International Monetary Fund (IMF) among the poorest risks world-wide.

Those conditions were brought to a head by a sudden rush by the public to buy foreign currency in anticipation of further devaluations of the Shekel — despite government assurances as recently as last week that there would be no sharp devaluation. Investors cashed in their bank stocks, hitherto the safest form of investment, to buy Dollars and other foreign currencies.

Bank shares plummeted in value over the weekend, precipitating panic. The government took measures to shore them up. The sale of bank shares was suspended. The Tel Aviv stock exchange closed Sunday and was expected to remain closed for the rest of the week.

Shamir, in his Knesset speech yesterday, stressed that the country has been living beyond its means and would have to endure an austerity regime. He warned that there would be no more improvements in living standards until a healthy economy is achieved.

To do this, the new government must prune \$1 billion from the national budget. Economists said today if it fails to neutralize a large part of the latest price increases, through the cost-of-living increments, and does not slash the budget, inflation will soar without limit and the economy will find itself once more in dire straits.

PANIC BUYING IN ISRAEL
By Hugh Orgel

TEL AVIV, Oct. 11 (JTA) — Panic buying was widespread today throughout Israel as the government announced that the price of basic foodstuffs was being increased by 50 percent as a consequence of the reduction of government subsidies.

Check-out clerks in supermarkets and owners and operators of smaller grocery stores complained they could not keep up with the pressure of twice or three times the number of customers bent on buying almost everything in sight in an effort to beat the new prices which came into effect at midnight or before the stocks ran out. Frequently customers at the check-out counters said they did not know why they had bought some of the items.

At gas stations, hundreds of cars lined up to fill up before the price of gasoline increased by 23 percent at midnight. But many car owners were caught in mid-fill as the government announced at noon that gasoline prices should be increased immediately. Noisy quarrels erupted as new prices were posted and unsuspecting customers were suddenly forced to pay higher prices than expected.

While the rush was on for foodstuffs, stores selling durable goods -- clothing, furniture, electrical appliances -- complained that business was at a complete standstill. "We are not even benefitting today from clients buying before the devaluation-engendered price rises come into effect," one shopkeeper said. "People seem to be in a state of shock. Nobody knows the value of the money he has on him -- and those who bought Dollars are not yet ready to dispose of them."

A taxi driver who had been about to buy a new car said that he would now have to drive and earn his living in his older taxi. "I had budgeted for about 500,000 Shekels," he said. "I certainly can't afford to borrow another 100,000 or so -- especially as I don't know whether the bank will now take my bank shares as security for the loan."

SHAMIR CALLS FOR AN END TO THE 'MAD ARMS RACE' IN THE MIDEAST By David Landau

JERUSALEM, Oct. 11 (JTA) -- Yitzhak Shamir, in his first Knesset speech as Prime Minister yesterday, called for an end to "the mad arms race" in the Middle East. He referred only obliquely to the recent shipment of advanced Soviet weaponry to Syria.

He seemed to imply that Israeli forces will remain in Lebanon only so long as a security threat remains to its northern borders and is therefore not necessarily contingent on a simultaneous Syrian withdrawal from Lebanon.

This appeared to be a departure, however small, from the Reagan Administration's position that all foreign forces must be removed in tandem and that the Israeli presence is required until then.

Shamir's failure to refer specifically to the Soviet SS-21 ground-to-ground missiles now in or on the way to Syria also contrasted with President Reagan's emphasis over the weekend of the menace posed by the SS-21s whose 70 mile range can strike targets deep inside Israel as well as U.S. warships in waters off Lebanon.

Region Needs Peace, Not Weapons

"We frequently hear of new weapons systems reaching the Middle East, each one more modern and advanced than the last, more devastating and murderous," Shamir said. "And this is in addition to the ongoing flow of 'regular' weaponry to the region, from the East and from the West, rockets from the East and planes from the West."

"Perhaps the time has come to call to the nations of the region to pause for one moment and to ask themselves: How long? Has not the time come to end this mad pursuit, this murderous race ... Is not our region sated with wars? What the region needs is not weapons but peace," Shamir said. He added: "We call upon all the nations of the Middle East and their governments to end the mad arms race and come to the negotiating table."

According to observers, Shamir's maiden speech as head of government was deliberately low key in order not to exacerbate the tensions raised by the deployment of SS-21s in Syria. There has been no con-

firmation here of American media reports that Israel will seek U.S. Pershing missiles to counter the Soviet-Syrian threat.

Observers also noted the slight but significant shift in Shamir's treatment of the Syrian role in Lebanon and its impact on Israel's policy and position there. He did not specifically and unequivocally link Israel's withdrawal to a parallel pull-out by Syria. He appeared to indicate that Israel could contemplate leaving Lebanon regardless of an ongoing Syrian presence there, provided the security threat posed by that presence is somehow removed.

The observers saw in this the possible influence of Defense Minister Moshe Arens who has long advocated a more flexible approach, stressing that the sole criterion of Israel's policy in Lebanon should be the security of its northern borders.

"We shall withdraw our forces from Lebanon when conditions of security (for Galilee) have been secured," Shamir said. "Syria's massive military presence on Lebanese soil indicates the danger that Lebanon might return to being a base for attacks against Israel ... The presence of Syria, which supports a war of terrorism against Israel from Lebanese soil prevents us from leaving Lebanon," he said.

He added that the sooner the Syrians withdraw, "the better it will be for Lebanon and for the prospects of stability in the whole region." In that way, according to observers, Shamir seemed to focus on the security threat posed to Israel by Syria's presence in Lebanon, not to its presence per se. The implication was that if the threat could be neutralized, Israel would feel free to leave.

Not Happy With Egypt's 'Cold Peace'

On other foreign policy matters, Shamir noted that Israel was "not happy" with its "cold peace" with Egypt. He pledged his government's determined efforts to protest against and seek to improve that situation.

He extolled the success of the previous government, headed by Menachem Begin, in securing agreements with Egypt and Lebanon, although the latter is still not ratified, and noted that the delegations of those countries were the only Arab delegations which did not walk out of the UN Assembly last week when the Israeli Ambassador, Yehuda Blum, addressed the world body.

Regarding the situation on the West Bank, Shamir said it was "a pity" that the golden opportunity presented by the Camp David accords has been missed so far. He said that had the other parties responded, negotiations on the "final status" of the territories could have been under way by now.

Shamir reiterated Israel's calls to Egypt to resume the autonomy negotiations and for Jordan and the Palestinians of the West Bank to join them as members of either the Egyptian or Jordanian delegations. "It must be clear that Camp David is the only agreed document and thus the only basis for continuing the (peace) process," Shamir stressed.

Opposition Labor Party leader Shimon Peres picked up on that point in his response to Shamir. He urged the government to return to what he said was the original meaning of Camp David, implying that it was considerably different from the meaning attached to it by the Begin and now the Shamir governments.

NEW YORK (JTA) -- The trial of Iosif Begun, an unofficial teacher of Hebrew in Moscow, is scheduled to begin Thursday.

MEMBERS OF THE NEW CABINET

JERUSALEM, Oct. 11 (JTA) -- The following are the 20 Cabinet Ministers in the government of Premier Yitzhak Shamir. They were approved yesterday by the Knesset:

Yitzhak Shamir (Herut) - Premier and Foreign Minister
David Levy (Herut) - Deputy Premier and Minister of Housing and Construction
Pesach Grupper (Liberal) - Agriculture
Mordechai Zipori (Herut) - Communications
Moshe Arens (Herut) - Defense
Yaacov Meridor (Herut) - Economics and International Coordination
Zevulun Hammer (National Religious Party) - Education and Culture
Yitzhak Modai (Liberal) - Energy and Infrastructure
Yoram Aridor (Herut) - Finance
Eliezer Shostak (Laam) - Health
Yosef Burg (National Religious Party) - Interior; Religious Affairs
Moshe Nissim (Liberal) - Justice
Aharon Uzan (Tami) - Labor and Social Welfare; Immigrant Absorption
Yuval Neeman (Tehiya) - Science and Development
Avraham Sharir (Liberal) - Tourism
Gideon Patt (Liberal) - Trade and Industry
Haim Corfu (Herut) - Transportation
Ariel Sharon (Herut), Mordechai Ben-Porat (Independent) and Sarah Doron (Liberal) - Without Portfolio.

HACHOEN RESIGNS FROM FOREIGN POLICY GROUP FOLLOWING DISPUTE OVER AWARD CEREMONY ON SIMCHAT TORAH

NEW YORK, Oct. 11 (JTA) -- Dr. Mordechai Hachoen, a founder and vice president of the National Committee on American Foreign Policy, has resigned from his post and cancelled his membership with the conservative foreign policy association, apparently a result of the recent dispute within the group over the presentation of an award to former Secretary of State Henry Kissinger on Simchat Torah.

Declaring that the 10-year-old association has been "reduced to a social club" and that it "has lost its reason to exist," Hachoen wrote in a letter to the executive committee of the organization, dated October 9, that there was a "callous disregard for the religious sensitivities of some of the officers, members and friends" of the organization when the awards dinner was scheduled.

He accused the association of having "abrasively ignored" his pleas to have the dinner, which presented Kissinger with the Hans Morgenthau Memorial Award, rescheduled. Hachoen said the dispute over the awards dinner resulted in the circulation of a "fraudulent memorandum" last month addressed to the executive committee, allegedly saying that the committee had accepted his "resignation." He said he never submitted his resignation until now.

Takes Opportunity To Pay Tribute

In his October 9 letter, Hachoen also took "the opportunity to pay tribute to Ambassador Sol Linowitz, the writer Elie Wiesel, executive board member Professor Howard Adelson and Ambassador Ira Hirschman and other members and friends who affirmed their Jewish faith, pride and self-respect by not attending the dinner on Simchat Torah.

"At the same time, I deeply regret, despite my pleas and those of others, Dr. Kissinger accepted the Hans Morgenthau Award on that day, thereby endorsing the discrimination by the organizers against observant Jewish officers, members and friends of the committee.

"Though it is not a sectarian organization, the National Committee on American Foreign Policy was founded by citizens of the Jewish faith and has in the past been sensitive to the dictates of the conscience of its members.

"All these developments have led me to the conclusion under the circumstances I do not wish to continue my association with the organization and herewith cancel my membership ... effective today, Sunday, October 9."

JEWISH CEMETERY VANDALIZED

BONN, Oct. 11 (JTA) -- Police are investigating the vandalization of one of the four Jewish cemeteries in Cologne where some 60 gravestones were overturned and partially or completely demolished last week. A spokesman for the local Jewish community said it was the most serious desecration of a Jewish burial ground in Germany since World War II. The upended stones were not daubed with anti-Semitic slogans as is often the case in such incidents. Ironically, the Cologne cemetery, which is 300 years old, survived the Nazi era intact.

WEST BANK JEWISH SETTLER

JAILED FOR SHOOTING ARAB YOUTH

JERUSALEM, Oct. 11 (JTA) -- A Jewish settler in the West Bank was sentenced to two years in prison for shooting an Arab youth and four other settlers have been charged with wilfully demolishing the home of a Hebron Arab in two cases involving residents of Kiryat Arba, the Orthodox township adjacent to Hebron.

A Jerusalem district court imposed the two-year term on Eliezer Itzkovitz who was employed by the municipality of El Bireh, an Arab town north of Jerusalem, at the time of the shooting last July. One year of the sentence was suspended.

Itzkovitz admitted that he fired a rifle to disperse Arab youths who had been stoning the municipality. He claimed he fired into the air but after finding himself surrounded by the alleged stone-throwers, he aimed at their legs. The youngster who was hit knelt down at that moment and was struck in the hip, Itzkovitz said. He pleaded self-defense.

The court rejected that version, saying the youth was wounded in the back. "One must consider not only the hooligan aspects of this act but also the considerable damage that it caused to the rule of law in the territories, its effects on the State's ability to protect the population it is in charge of, and the opportunity it offers the State's enemies which seek to besmirch the State," the court said.

In the other case, the State prosecutor filed charges in a Jerusalem magistrates court against four Kiryat Arba men suspected of levelling an Arab's house in Hebron with a tractor. Three of the suspects are employees of the Kiryat Arba municipal council and the fourth is Mayor Shalom Wach of Kiryat Arba who is accused of inciting the others.

The Supreme Court, meanwhile, has upheld a decision by the West Bank military commander to seal off the houses of Arab youths in the Aida refugee camp near Bethlehem after the youths allegedly threw Molotov cocktails at Israeli vehicles on the Jerusalem-Hebron road.

AUSTRALIA'S P.M. GIVES ASSURANCES ON ARAB LEAGUE OFFICE

CANBERRA, Oct. 11 (JTA) -- Prime Minister Bob Hawke has given assurances that the Australian government would require clear commitments from the Arab League that any office it may be permitted to establish in Australia would not engage in any boycott activities against Israel or Australian citizens or firms trading with Israel.

Furthermore, Hawke said the activities of any such office would be carefully monitored and any breaches of this commitment would lead to the office's closure.

These assurances were given by Hawke to a delegation of Jewish communal leaders who met with him in Canberra last Thursday. The delegation conveyed the community's profound concern at last week's Middle East policy statement by the government announcing it would consider allowing an Arab League office and permit unofficial contacts with the PLO at the ambassadorial level.

The delegation leaders, Isi Leibler, president of the Executive Council of Australian Jewry, and Dr. Albert Silver, president of the Zionist Federation of Australia, expressed continuing reservations about aspects of the policy but said the Prime Minister's assurances would help to ease fears that the Australian government was undertaking a major change of policy tilted against Israel.

Basis For Community's Disquiet

The delegation informed Hawke that the Jewish community's disquiet about Arab League offices stems from their record as vehicles for promoting PLO activities and from their extensive international orchestration of anti-Israel Arab trade boycott activities directed against companies and individuals trading or wishing to trade with Israel.

Leibler said the delegation welcomed the Prime Minister's assurances that no such discrimination against Australian companies or individuals would be tolerated and Hawke's reiteration that the government would not permit PLO participation in such an office in any form.

Hawke reaffirmed that his government's support and commitment to Israel remains completely undiminished and fundamental to its policy. In addition, he expressed his hope that all Arab countries would recognize Israel's right to exist in secure and recognized boundaries and the need for direct negotiations.

No Softening Toward the PLO

On the issue of the government's decision allowing Australian Ambassadors to have contact with PLO officials, the Prime Minister rejected any suggestion of concessions or softening towards the PLO. Hawke added that the government remained firmly committed to its policy of not recognizing the PLO while that body continued to deny Israel's right to exist.

Responding to expressions of deep concern by the delegation in relation to perceived changes in Australia's voting pattern at the United Nations, the Prime Minister gave a firm undertaking that in the future, with regard to resolutions containing one-sided anti-Israeli elements, Australia will be cautious and avoid voting with those countries seeking to delegitimize Israel.

LIBERIAN ENVOY HAILS HIS COUNTRY'S RE-ESTABLISHMENT OF TIES WITH ISRAEL

PHILADELPHIA, Oct. 11 (JTA) -- Ambassador Joseph Guannu of Liberia hailed his country's recent re-establishment of diplomatic ties with Israel as a move that will bring "cultural, economic and political benefits" to both countries.

"Africa is underdeveloped. Israel is a developing country and it is our belief that we, too, can benefit from its technology," the Liberian envoy declared in a speech before the national executive committee of the Zionist Organization of America Sunday night. He shared the platform with Rep. Barbara Mikulski (D. Md.) and Alleck Resnick, ZOA president.

Guannu recalled Liberia's quest for agricultural expertise and medical training which were part of Israel's assistance programs there before relations were severed in the aftermath of the 1967 Six-Day War.

He also recalled Liberia's role in helping create the State of Israel in 1948 as a member of the UN. "It was through our involvement that the State of Israel came into existence. We believe that historically, that land is Israel and we need no further proof," he said.

West Bank Settlements Are A Necessity

Mikulski insisted that Israeli settlements on the West Bank were an absolute necessity and urged the U.S. to end calls for a settlement freeze. She said a recent visit to the West Bank enabled her to see "the clear need for the settlements as an early warning system ... We should be aware that there has never been a time when Israel has not been threatened by hostile neighbors. It is time that we freeze attacks on Israel instead."

Resnick praised the Reagan Administration for standing firm in its resolve to counter Syrian intransigence and aggression in Lebanon. "President Reagan's firm warnings to Syria recognizes the violent role Syria has played in Lebanon for decades. The Syrian goal of eradicating an independent Lebanon is but a sample of a Greater Syria bent on the expansion of its borders and the destruction of the Jewish State," he maintained.

AJCONGRESS SUFFERS SETBACK ON ISSUE OF ARAB DOLLAR HOLDINGS IN U.S.

WASHINGTON, Oct. 11 (JTA) -- The American Jewish Congress' two year battle with the Treasury Department in an effort to compel the Department to reveal the extent of Arab dollar holdings in the United States was served a severe setback today when the Supreme Court, without comment, refused to hear an appeal from the AJC against a lower court decision supporting the Department's right to bar disclosure of American holdings of individual Arab states.

The government had contended that it was justified in withholding the data on the grounds that disclosure would ham national security, although the International Investment Survey Act of 1976 requires the Treasury to collect and publish data about foreign investment in the United States. The AJC claimed the national security issue was merely a pretext for hiding the extent of Arab financial power and influence in this country.

The suit against the Treasury Department was brought by the Jewish organization in the U.S. District Court for the District of Columbia after the Administration rejected a request for data on Arab holdings.