

**Peres Begins Two Days Of Talks In Washington:  
MEETING WITH SHULTZ COVERS ENTIRE  
GAMUT OF U.S.-ISRAEL ISSUES**  
By David Friedman

WASHINGTON, Oct. 8 (JTA) — Israeli Premier Shimon Peres began two days of intensive talks with the Reagan Administration today with a two-and-a-half-hour meeting with Secretary of State George Shultz which apparently covered the entire gamut of issues between Israel and the United States.

"We had a lot to talk about," Shultz told reporters after Peres escorted him from his suite at the Regent Hotel where the meeting took place. He added that "two warm and close friends" discussed "our common opportunities and problems."

Peres said he was "very gratified in the way the meeting took place." He called it an "extremely friendly conversation, very candid, very constructive." He stressed that this was a good start for the beginning of his discussions with the Administration.

The major event of Peres' visit will be a two-hour meeting with President Reagan at the White House tomorrow, including a working lunch. Peres is also scheduled to have breakfast with Shultz tomorrow as well as a late afternoon meeting at the State Department. He is also scheduled to meet with Defense Secretary Caspar Weinberger, Treasury Secretary Donald Regan, and Vice President George Bush. Bush will host a dinner for Peres tomorrow night at the Department of Agriculture.

**Subcommittees To Discuss Various Issues**

Neither Shultz nor Peres would be specific about today's meeting particularly about any discussion on Israel's economic problems or the proposed Israeli plan for withdrawing its troops from south Lebanon. However, Herbert Stein, a Washington economist who heads a special committee advising Shultz on the Israeli economy, attended the meeting.

Shultz said that subcommittees are being set up to discuss the various issues. "We will gradually work our way through all these problems," he said. Peres, who was accompanied by Foreign Minister Yitzhak Shamir, was scheduled to meet today with Lane Kirkland, president of the AFL-CIO. He is also scheduled to meet with Congressional leaders.

**Agenda Topics In Washington**

Before leaving for New York, Peres told a press conference at Ben Gurion Airport that he would present, during his meetings in Washington with President Reagan, Secretary of State George Shultz and other Administration officials, a plan for the Israel Defense Force's withdrawal from Lebanon, might outline unilateral measures to be taken by Israel, and would ask for continuation of America's traditional assistance to Israel.

**Issue Of U.S. Mediation**

Asked about prospects for U.S. mediation between Israel and Syria regarding the IDF's withdrawal from Lebanon, Peres said: "There are parts which Israel will have to do unilaterally. I believe the American involvement in mediating a solution for Lebanon depends upon sincerity and seriousness of the other parties — namely the Syrians and the Lebanese, and

until and unless it becomes clear they mean business, one may wonder what the American role should be.

"Yet I should like to add that the United States played an extremely constructive and important role in making peace between Egypt and ourselves after the terrible Yom Kippur War in the wake of which we have enjoyed peace. And as far as Israel is concerned, we certainly look with favor on an American pacifying role in the Middle East."

Peres was accompanied by the Director General of his bureau, Avraham Tamir, the government secretary, Yossi Beilin, and his political adviser, Prof. Nimrod Novik. (See related Peres story, P. 4.)

**CAMPAIGN AGAINST PRICE CHEATS**

By Gil Sedan

JERUSALEM, Oct. 8 (JTA) — Platoons of government price monitors, beefed up by volunteers, closed in on supermarkets and other retail establishments all over Israel today to make sure that the six-month price freeze imposed on all consumer goods is being observed.

Early reports from the freeze front said that 40 percent of the businesses in the Tel Aviv area were charging excessive prices. The supervisors found that dozens of small businesses upped their prices to make a quick profit before the freeze can be fully enforced or because the price situation was unclear to them. Excessive prices were found on such basics as cooking oil, margarine, noodles and matches.

The price freeze on scores of consumer products was agreed to at a weekend meeting between Minister of Commerce and Industry Ariel Sharon and Histadrut Secretary General Yisrael Kessar. They agreed also that volunteers were needed because the Ministry suffers a shortage of professional price supervisors.

The freeze is concurrent with the six-month ban on imports imposed last week. The government barred the import of 55 products and froze the prices of similar articles made in Israel to prevent manufacturers and retailers from taking advantage of the absence of competing foreign goods from the shelves.

The policing effort will be concentrated in the larger cities and towns and on expensive items such as furniture and home appliances. But the prices of paper towels, cookies and canned goods will also be monitored. They were raised two weeks ago — before the import ban — to levels beyond "acceptable price rises."

**Consumer Revolt Threatened**

Consumer organizations have already launched a massive campaign against gouging. Their leaders are threatening a consumer revolt such as occurred with some success in the U.S. during the Nixon Administration.

Manufacturers and industrialists responded with a promise to monitor prices at the retail level and force down any "unreasonable" increases. At a press conference yesterday they offered to lower wholesale prices by as much as 40 percent if the supermarket chains agreed to limit their credit period to 15 days.

**NEW TAXES IMPOSED**

By Gil Sedan

JERUSALEM, Oct. 8 (JTA) — The Economic Cabinet, seeking to ward off inflationary disaster by reducing spendable income, imposed a new series of taxes and surcharges on business and the public today. But the

measures adopted represented a compromise that will yield only half the sum Finance Minister Yitzhak Modai had hoped to take out of the economy, experts said.

A two percent surcharge on all motor vehicles was approved unanimously. But an 0.5 percent surcharge on business equipment and construction ran into strong opposition from some ministers. The Cabinet also approved a one percent surcharge on inventory.

Several of Modai's colleagues considered his proposals too harsh or too difficult to implement. Communications Minister Amnon Rubinstein warned that the Treasury was embarked on a dangerous course that could damage the country's industry and exports.

Gideon Patt, Minister of Science and Technology, remarked that if the Treasury succeeds in collecting only half of the \$200 million it hopes to realize from the business tax, Modai would deserve a Nobel Prize.

Modai had failed to convince the other ministers at two previous sessions of the Economic Cabinet to go along with his tax program. Today's session was the third and although he got considerably less than he wanted, the Finance Minister was optimistic.

He told reporters that the Treasury was reviewing two other possible measures -- a tax on luxury properties and a surtax on income tax. He said he hoped the government, Histadrut and the manufacturers will soon agree on a wage-price-tax package deal to ease inflation.

#### FOREIGN TRADE DEFICIT DOWN BY 21%

JERUSALEM, Oct. 8 (JTA) -- Israel is narrowing the gap between imports and exports. The country's foreign trade deficit decreased by 21 percent during the first nine months of this year compared to the same period in 1983.

Figures released by the Central Bureau of Statistics today showed a deficit of \$2.17 billion. Imports dropped by 1.5 percent between January 1-September 30, while exports rose by 14 percent in the same period. The gap is expected to be narrowed still further by the six-month ban on imports imposed by the government last week on a wide selection of foreign made goods.

The ban, coupled with a price freeze on the same goods made in Israel, is intended to conserve dwindling foreign currency reserves. They were down last month to \$2.1 billion which is some \$900 million less than the safe minimum.

#### NO BUTTS ABOUT IT

By Hugh Orgel

TEL AVIV, Oct. 8 (JTA) -- Israeli smokers -- and many of them are said to be among the heaviest smokers in the world -- will soon be gasping for a cigarette. The Dubek cigarette factories, which has a monopoly in the production of domestic smokes, has closed down following the refusal of cigarette wholesalers to handle locally-made cigarettes. They claim their profit margin is too small to warrant the business. Some 800 Dubek workers were sent on compulsory leave and temporary workers were dismissed.

Many tobacconists and kiosks were reported to have run out of domestic cigarettes this weekend. The price of imported smokes rose almost immediately, with a pack of the cheaper American brands selling for over \$4.

The cigarette shortage has led the Israel cancer and anti-smoking societies to announce a special anti-smoking campaign, offering free advice on how to cut down and overcome withdrawal symptoms.

The army is cooperating in the campaign, as a recent survey found that some 50 percent of new recruits smoke, while the figure rises to more than 70 percent of soldiers after leaving the army. A school survey last year showed that nearly 15 percent of youngsters aged 14-15 smoked and about 33 percent of those in the 17-18 age bracket did likewise.

#### 2 ARRESTED IN NICOSIA CAR BOMB BLAST

JERUSALEM, Oct. 8 (JTA) -- An Iraqi and a North Yemeni, both about 30, were under arrest today in Nicosia, Cyprus, in connection with the car bomb blast last Thursday outside the Israeli Embassy building in Nicosia, according to reports received here from Nicosia.

Syrian-based Palestinian dissidents had claimed responsibility for the car bomb explosion which slightly injured one person in a ground floor shop but failed to damage the third floor Embassy offices.

Salam Mustafa Ali, the Iraqi, and Azmi Hussein Mammad Salah, the North Yemeni, were arrested and charged with destroying property with explosive substances, facing up to 14 years imprisonment if convicted. A third Arab, an Algerian national, reportedly was being sought by police in the explosion. However, police said they believed the third suspect, whose name was not disclosed, had fled the Mediterranean island.

There have been several bombings and shootings, apparently terrorist-originated, in Nicosia during the past year.

#### RABIN INDICATES A MORE LIBERAL GOVERNMENT POLICY ON THE WEST BANK

By Hugh Orgel

TEL AVIV, Oct. 8 (JTA) -- Defense Minister Yitzhak Rabin has indicated a new, more liberal policy on the West Bank. He assured Arab Labor MK Abed Darousha at a private meeting yesterday that the government was "doing its utmost to improve and cultivate the quality of life for the residents of Judaea, Samaria and the Gaza District."

Rabin also promised to make an effort to replace Jewish mayors of Arab towns in those territories with local Arab residents and to encourage the inclusion of local residents in the civil administrations.

This would be a sharp departure from the policy of the previous Likud-led government which deposed the Arab mayors of most large towns on the West Bank and Gaza Strip and filled their offices with Jews appointed by the military government, in many instances military officers.

Rabin said that attention was being paid to economic affairs, adding that discussions on the establishment of a West Bank financial bank were at an advanced stage and that methods were being examined to bring funds into the area from outside the country.

In the past, local banking was restricted and a careful watch was kept on fund transfers from abroad to prevent Palestine Liberation Organization funds from flooding into the area.

Rabin said that the number of censored books allowed to circulate in the West Bank had been reduced to 300. Local residents returning from visits abroad may now bring home money up to \$5,000.

Rabin told Darousha that he would reply within a few days to his appeal for the speedy reopening of Al-Najar University in Nablus which was closed by the authorities for the alleged operation there of terrorist cells and the distribution there of textbooks on sabotage and inflammatory material.

## FRANKFURT BOOK FAIR ACCUSED OF DISCRIMINATION AGAINST ISRAEL

By David Kantor

BONN, Oct 8 (JTA)-- The International Book Fair in Frankfurt has produced a complaint of discrimination against Israel and charges that the Soviet Union was using the event to disseminate anti-Semitic propaganda.

The complaint arose from the omission of Israel from a large sign naming the 61 countries which have joint national exhibitions. The name of Israel was added after repeated protests. A spokesman for the Book Fair told the Jewish Telegraphic Agency that the omission was the result of a simple mistake and had no political implications.

M. Biala, of Israel's Ministry of Commerce and Industry which sponsors the Israeli national exhibition, said he had protested several times to the Book Fair management but received no explanation. A record 92 countries are participating in this year's Fair, 61 of them displaying their books in various categories in joint national exhibitions.

### USSR Features Anti-Israel Propaganda

The Soviet Union was accused of featuring anti-Israel propaganda at its national stand, of a nature that comes close to being anti-Semitic. The material, printed in German, includes the latest copy of the Soviet monthly "New Times" which displays a Star of David on its cover against a background of cannons and an American eagle, all under the caption: "Middle East -- Pax Americana." It is offered free.

A spokesman for the Soviet stand denied that the material was in any way anti-Semitic. A Book Fair spokesman said it was long-standing policy to allow exhibitors to select the material to be shown without interference.

### FLAP OVER CONFERENCE CENTER IN VIENNA

By Reinhard Engel

VIENNA, Oct. 8 (JTA) -- The opposition Peoples Party is trying to block construction of an international conference center here, financed in large measure by Arab states, which it says could lead to discrimination against Israel and involve Austria in diplomatic complications.

The project was initiated some years ago by former Chancellor Bruno Kreisky, primarily to create jobs. Because of budget deficits, he appealed to several Arab countries, notably Saudi Arabia and the Gulf states to help with the financing. According to the Peoples Party, the contract allows Arab shareholders to influence the agenda or at least the invitations for conferences, from which Israel might be excluded.

Kreisky went ahead with the project despite a plebiscite that produced more than one million negative votes -- one-seventh of the country's population. It did not progress far, however, when Kreisky's Socialist regime was unseated in the April, 1983 elections and was replaced by a new governing coalition of Socialists and Liberals.

The conference center needs approval by both houses of Parliament. The lower chamber, where the coalition commands a majority, has given approval, but the upper house, dominated by the Peoples Party, rejected it. The lower house may override the veto. The opposition is urging it not to.

According to Michael Graff, Secretary General of the Peoples Party, it is better to risk ill feelings on the part of the Arabs once in a while than provoke an endless chain of international difficulties.

Coalition spokesmen have indicated, however, that they will not give in to opposition demands because treaties and contracts are obligations to be honored. Finance Minister Franz Vranitzky said that there would be further negotiations with the Arabs to ensure Austrian sovereignty in running the center.

### EGYPTIANS HELP SPEED UP PASSAGE OF ISRAELI VESSEL THROUGH SUEZ CANAL TO GET IT TO EILAT BEFORE YOM KIPPUR

By Hugh Orgel

TEL AVIV, Oct. 8 (JTA) -- The Egyptian Suez Canal authorities made special efforts to speed up the passage of an Israeli vessel through the Canal, to enable the vessel to reach Eilat before the start of the Yom Kippur fast last Friday.

The vessel, the Zim Eilat, had been delayed in sailing from a Greek port and arrived at Port Said after the last southbound convoy of the day had already left. In such cases, ships must drop anchor and wait for the next convoy -- a delay of at least 12 hours, which would have brought the vessel to Eilat on Yom Kippur.

The Egyptians sent for a special tugboat to bring the ship through the canal at once. The Israeli vessel arrived in Eilat a few hours before the start of the fast on Friday.

Yom Kippur was the 11th anniversary of the Day of Atonement War, in which the opening shots were fired by the Egyptian crossing of the canal before the Israeli counter-attack which took the IDF deep inside Egyptian territory west of the canal. The Egyptians may not have wanted an Israeli vessel off Port Said while they were celebrating their "Suez Canal Victory."

### TORONTO LIBRARIES WON'T ACCEDE TO ARAB REQUEST TO REMOVE BOOK BY LEON URIS FROM THEIR SHELVES

By Ben Kayfetz

TORONTO, Oct. 8 (JTA) -- The Public Libraries of Greater Toronto have refused a request by the Canadian Arab Federation to remove from their shelves "The Hajj," a best-selling novel by Leon Uris about the Arab-Jewish conflict in Palestine before and after the State of Israel was established.

The Arab Federation has asked Attorney General Roy McMurty to classify the book as hate literature, paving the way for a legal ban. A spokesman for McMurty said last week that the request was under review. The Federation has supplied libraries with copies of adverse reviews from the media.

The novel has been among the top 10 on the national best-seller list for 23 weeks and has recently ranked No. 4. Reviewers in the United States and Canada have criticized it sharply for demeaning Arabs in general as lazy cowards, boastful murderers and rapists. A spokesman for the Arab Federation said such a book would not be on library shelves if it depicted Jews or Blacks in the same manner.

But Alice Lorrman, assistant chief librarian of East York, said libraries will only remove a book if ordered by the courts. Library policy is to provide readers with all points of view. Peter Basnet, library director for Scarborough, said he had read 200 pages of "The Hajj" and found it "not a particularly pleasant novel." He observed, however, that a ban would be difficult, particularly as there are 200 people on the waiting list for the book in his district.

## REAGAN, MONDALE STATE THEIR VIEWS ON SEPARATION OF CHURCH AND STATE

By David Friedman

WASHINGTON, Oct. 8 (JTA) — President Reagan and former Vice President Walter Mondale expressed support for the separation of church and state last night but demonstrated that they differ on how it is threatened.

The two candidates for the Presidency dealt with the issue when they were asked about their religious views during last night's nationally-televised debate from Louisville, Ky., which dealt mainly with economic issues. Both said they were guided by their religious views and believed in prayer.

But Mondale noted that while all Americans believe that "our faith tells us, instructs us about the moral life that we should lead . . . what bothers me is this growing tendency to try to use one's personal interpretation of faith politically to question others' faith, and to try to use the instruments of government to impose those views on others."

He said "this nation is the most religious nation on earth — and it's because we kept the politicians and the state out of the personal exercise of faith. . . ."

When asked why he had not complained about ministers involved in civil rights or in the anti-war movement while attacking fundamentalists, Mondale replied, "A minister who is in civil rights or in the conservative movement because he believes his faith instructs him to do that, I admire." But he added, "It's when you try to use that to undermine the integrity of private political, or private faith, and the use of the state is where — for the most personal decisions in American life — that's where I draw the line."

### Wants Constitutional Wall Of Separation

Reagan noted that "I find myself in so much agreement with Mr. Mondale. I, too, want that wall that is in the Constitution of separation of church and state to remain there. The only attacks I have made are on people who would apparently break away at that wall from the government side using the government, using the powers of the courts and so forth, to hinder that part of the Constitution that says the government shall not only not establish a religion, it shall not inhibit the practice of religion."

"And they have been using these things to have government, and court orders, inhibit the practice of religion — a child wants to say grace in a school cafeteria and a court rules that they can't do it because it's school property. These are the types of things that I think have been happening in a kind of secular way that have been eroding that separation and I am opposed to that."

Mondale replied that his family "never had any difficulty finding time to pray. But do we want a Constitutional amendment adopted of the kind proposed by the President that gets the local politicians into the business of selecting prayers that our children must recite in school or be embarrassed and asked to excuse themselves? Who would write the prayer? what would it say? How would it be resolved when a dispute occurs? It seems to me that a moment's reflection tells you why the United States Senate turned that amendment down. Because it will undermine the practice of honest faith in our country by politicizing it."

### PERES SAYS HIS U.S. VISIT HAS A THREEFOLD PURPOSE

By Yitzhak Rabi

NEW YORK, Oct. 8 (JTA) — Prime Minister Shimon Peres, who started a six-day visit to the Un-

ited States yesterday, said upon his arrival that the purpose of his trip is threefold: to strengthen the relationships between the new government in Israel and the U.S.; to coordinate with Washington "how to deal with the burning issues of the Middle East"; and to discuss the future of American aid to Israel.

Peres made his statement as he arrived at the Regency Hotel here. He was greeted at JFK Airport by Meir Rosenne, Israel's Ambassador to the U.S., Binyamin Netanyahu, the new Israeli Ambassador to the UN, and Naphtali Lavie, Israel's Consul General in New York.

Shortly after he arrived, the Premier held a private meeting with Foreign Minister and Deputy Premier Yitzhak Shamir, who has been attending the UN General Assembly and holding high-level talks with foreign diplomats from around the world. Shamir is accompanying Peres in his talks today and tomorrow in Washington.

Peres also met yesterday morning with New York's Mayor Edward Koch. The meeting lasted about one hour. Koch told reporters after the meeting that he and the Israeli Premier discussed economic issues "as they relate to the city of New York and Israel." Peres, according to one of his aides, sought advice from Koch, who is credited with salvaging New York City from its fiscal crisis during his term in office, on how to restore Israel's faltering economy. "You have to say 'no' to many people and groups," Koch reportedly advised.

### Outlines Israel's Economic Problems

Later in the day, Peres attended a reception in his honor at the Regency Hotel given by the Israel Bond Organization. The reception was followed by a meeting between Peres and the leadership of the United Jewish Appeal.

In his appearance before both groups, the Premier stressed Israel's economic problems. But Peres, according to an Israeli spokesperson, said that Israel will solve the economic difficulties by itself. He told the UJA that Israel is staggering under the heavy burden of defense spending. He noted that out of an annual budget of about \$21 billion, Israel repays \$11 billion in loans and interest. Of the remaining \$10 billion, \$5 billion is allocated for defense. "This is a tremendous burden," Peres said.

Israel is striving to change the structure of its economy, with emphasis on advanced industries and technology, Peres told the Jewish leaders. But for that purpose, Israel needs the help of American Jewry as well as the American government, Peres said.

\*\*\*

AMSTERDAM (JTA) — The Austrian government, bowing to protests from Dutch resistance groups, has revoked its decision to honor Dutch-born opera singer Johan Heester who was a Nazi sympathizer before and during World War II. Heester, now 80, moved to Vienna in the 1930's and became an admirer of Nazism. He gave performances for top Nazis, including Hitler, Himmler and Reinhardt Heydrich. He also performed for the SS staff officers at Dachau. He remained in Vienna after the war.

\*\*\*

There will be no Daily News Bulletin dated October 12, Succoth. Because of the holiday, there will also be no Community News Reporter dated October 12. The next CR will be dated October 19.