

**BACKGROUND REPORT
THE ISSUE OF A DEBT MORATORIUM**By David Landau (Jerusalem)
and David Friedman (Washington)

Oct. 17 (JTA) -- Israel's economic crisis dominated its relations with the United States this week and gave rise to confusion as to whether Premier Shimon Peres obtained hard commitments from the Reagan Administration during his Washington visit or a series of contingency measures proposed to help Israel put its economy in order.

Conflicting reports emerged from Jerusalem and Washington over an alleged U.S. offer of a moratorium on the payment by Israel of \$500 million in debts which fall due during the next three months. The initial report was broadcast by Israel Radio's Washington correspondent Monday morning.

Reports here later in the day said Peres, at a special Cabinet meeting convened to discuss his American trip, confirmed the offer. Clarifications, if not an outright denial, came promptly from Washington.

Peres was said to have stressed that the idea advanced to him by Administration and Congressional leaders was that before the three months elapsed, the new Congress would almost certainly vote at least \$500 million in additional aid to Israel, effectively cancelling the debt before the moratorium expired.

The Story In Israel

According to the story circulated in Israel, Peres said that he and Deputy Premier Yitzhak Shamir who accompanied him at most of his meetings in Washington, had serious doubts about the offer because of the adverse impact a debt moratorium could have on Israel's credit standing in the world's money markets.

But, according to the local report, Peres said he was reassured by the Americans that Israel needn't worry about its credit-worthiness in light of the public expressions of confidence in Israel by the Administration, including President Reagan during his White House meeting with Peres.

The Americans went further than that, saying the world was well aware of Israel's economic troubles so there was no point trying to conceal them.

Moreover, Israel's immediate cash needs will be met by the Administration's agreement to pay the entire \$1.2 billion in economic aid for fiscal 1985 in a lump sum now rather than in the usual quarterly installments. This money is a grant and need not be repaid.

The Story In Washington

The story from Washington was somewhat different. Reagan Administration sources said Tuesday that talk of a moratorium on due debts which eventually would be cancelled was inaccurate.

State Department deputy spokesman Alan Romberg noted that under the law which provided U.S. loan aid to Israel "there can be late payment if viewed as necessary" with, of course added interest charges.

In short, Israel was told that a 90-day deferment of payment was a technical feasibility. But the Ad-

ministration made it clear that it did not believe Israel should take advantage of this if it could at all manage to do without a deferral.

American sources said that Washington's consent to provide the \$1.2 billion economic aid package immediately should afford Israel's economy the relief it needs, provided that the Jerusalem government follows through promptly with requisite economic measures of its own.

With respect to Peres' discussions with Administration officials, Romberg indicated that deferred payment of the \$500 million debt was one of several contingency proposals discussed to deal with Israel's economic problems but no agreements were reached.

Shultz's Statement Cited

He cited Secretary of State George Shultz's statement in response to the reports from Israel. Shultz noted that Israel's cash flow problem is "immediately benefited" by the "up front" payment of the \$1.2 billion grant.

"The basic cash position is vastly improved by that very fact, and so we will look at the flow of funds and go in for that analysis," Shultz said. He added, "I think if the strong steps are taken (to control Israel's economy) as outlined by Mr. Peres there shouldn't be any problems."

Shultz went on to say that "various ways" were discussed with the Israelis "in which any potential problems may be met. And of course, loan payments is one way to get at cash flow. And there are some other ways. But my own opinion is that it won't be necessary to take any additional steps." Administration spokesmen refused to discuss any of the suggestions it might have made to Peres.

In Jerusalem, a ranking government aide said Tuesday night that the government has not said outright that it would avail itself of the possible deferral of the \$500 million debt repayment but was "studying" the question.

Trying For a Viable Economic Program

The inter-ministerial economic team is hard at work to come up with a viable economic program. It is clear here that the U.S. demands that the Israelis take vigorous measures to slash government expenditures and tackle inflation which is presently running at the unprecedented annual rate of 900-1,000 percent.

The government and the public were shocked Monday when the Central Bureau of Statistics reported that the cost-of-living index soared by 21.4 percent in September, the largest monthly increase since the Bureau started keeping records in 1951.

Workers will be paid a 17 percent C.O.L. increment at the end of this month, representing 80 percent of last month's rise in the price index. But there are mounting demands for weekly payment of salaries. Workers complain that by the time they get their monthly pay checks, their value has declined by 20-25 percent because the C.O.L. increments are derived from a price index 2-4 weeks old.

ISRAEL'S QUEST IN LEBANON

By David Landau

JERUSALEM, Oct. 17 (JTA) -- Israel made it clear in an official statement Wednesday that it seeks a "political-military" accord in south Lebanon, one that would provide security assurances, not merely redeploy-

ment of military forces. The statement was issued by Premier Shimon Peres' office after a meeting between Peres and U.S. Defense Secretary Caspar Weinberger. After two days of meetings with Peres and Defense Minister Yitzhak Rabin, Weinberger left today for Amman, Jordan. Before coming to Israel, he visited Cairo to talk to officials. Peres was accompanied at his meeting with Weinberger by Rabin and Deputy Premier and Foreign Minister Yitzhak Shamir.

The official statement was plainly intended, among other things, to end speculation here regarding possible differences between the three top ministers over the government's Lebanon policy.

Weinberger, in remarks to the press, praised Israel's desire to get out of Lebanon, provided adequate security measures could be obtained. The Israeli statement said Israel's conditions included that Syria would not advance further south than its present deployment. Israel also seeks undertakings from Syria, probably tacit, to prevent terrorist incursions southwards toward the border. The Israeli statement envisaged a deployment of the United Nations Interim Force in Lebanon (UNIFIL) along a wider and deeper front than at present.

Reports from Beirut Wednesday said the Lebanese government was ready to hold military talks with Israel under UNIFIL auspices. Israel has already signalled its agreement to such talks. But Peres and Rabin stressed at Sunday's Cabinet meeting that the sessions would not be regarded as a revival of the long-dead Mixed Armistice Commission, created under the 1949 armistice accords.

Speculation Over The Lebanon Policy

The speculation over Israel's Lebanon policy followed statements by Peres, in the U.S. and here, that the Cabinet might decide soon on a partial withdrawal, from the Western sector, if the Syrians refuse to reach agreement on an overall withdrawal-and-security accord.

Circles close to Rabin said they felt such talk was not conducive to a realistic and forthcoming approach from Damascus. But circles close to Peres argued that the "threat" of a unilateral partial pull-back -- implying that the Israel Defense Force would dig in deeper on the eastern front of south Lebanon, where its artillery threatens Damascus -- would encourage the Syrians to agree to the security provisions that Israel requires.

Well-placed sources said Wednesday that the partial option was a real one if nothing came of the efforts to reach wider agreement.

U.S. Opts For Low-Key Diplomacy

American sources, meanwhile, expressed caution about a "high profile" U.S. "shuttle-bus" mediation at this stage. These sources told reporters here that Washington considers the time right for low-key diplomacy by its representatives in the various Mideast capitals.

The sources indicated that the tendency toward caution was not linked to the Presidential elections but stemmed solely from the State Department's assessment of the best way the U.S. can be helpful at this time. The sources said the State Department's top Mideast aide, Assistant Secretary of State Richard Murphy, probably would return to the region within a month for further "probing efforts." They were careful not to term his projected visit a mediation effort.

ISRAEL'S UN CREDENTIALS APPROVED By Yitzhak Rabi

UNITED NATIONS, Oct. 17 (JTA) -- The General Assembly overwhelmingly rejected an Iranian proposal to expel Israel from the world body. The vote Wednesday was 80-41 with 22 abstentions.

This was the third consecutive year that Iran attempted -- and failed -- to have Israel suspended from the General Assembly by introducing an amendment to reject its credentials. Israel's credentials came up for approval before the 39th session of the General Assembly along with the credentials of 126 other countries.

The Iranian motion was defeated after Denmark introduced a counter-motion not to deal with it. The same procedural maneuver was responsible for the defeat of a similar Iranian motion last year. It was undertaken then by Norway. The vote at that time was 79-43 in favor of the Norwegian move with 19 abstentions.

Voting Produces Some Surprises

Wednesday's voting in the General Assembly produced some surprises. Iraq, the arch enemy of Iran with which it has been at war for more than three years, abstained. Jordan and Lebanon absented themselves from the hall during the vote. Egypt, as it did last year, opposed the Iranian amendment by supporting the Danish move.

The 41 votes for the Iranian proposal came mainly from Arab and Communist bloc countries headed by the Soviet Union. Most of the abstentions were by Third World countries.

A Dramatic Defeat For Iran

Israel's Ambassador to the UN, Binyamin Netanyahu, who spoke after the vote in what was his first appearance before the General Assembly since his appointment as Ambassador three weeks ago, called Iran's failure "a resounding and dramatic defeat."

In his brief remarks, the Israeli envoy said, "The attempt to deny Israel her credentials was not merely one more attack on Israel. It was an attempt on the very life of this body." Netanyahu warned that the UN "is in danger of becoming a mere spectator on the sidelines of serious diplomacy. Most significantly, it is losing -- perhaps it has already lost -- its hold on the imagination of the world's people."

He charged that the attempt to suspend Israel from the General Assembly would destroy the principle of universality which is a cornerstone of the UN and would deal "a mortal blow to the UN."

Netanyahu declared: "It is a hopeful sign that the great majority of members understood the implications of the Iranian move and have rejected it. Yet, it is sad that some have enthusiastically espoused the cause that could well lead to the demise of the UN and sadder still that others acquiesce in an attempt they know is unspeakably wrong." He concluded, "Those who enter this house must be prepared to live by its rules and above all by the fundamental principle of universality."

Hope For Next Year

Addressing a press conference after his appearance at the General Assembly, Netanyahu expressed hope that next year, which is the 40th anniversary of the UN, "we will not be faced with the same spectacle" against Israel.

He said, in response to a question, that contrary to last year, there were no anti-Semitic attacks during the debate on Israel's credentials. Jews were attacked in last year's debate by Libya and the USSR.

Netanyahu said he could not reconcile Wednesday's Soviet vote in favor of the Iranian motion with Moscow's recent call for an international peace conference on the Middle East.

JEWISH SCIENTIST IS A NOBEL WINNER

NEW YORK, Oct. 17 (JTA) — Cesar Milstein, one of three immunologists who won the 1984 Nobel Prize in Medicine, began his scientific career in Argentina where his father, a Jewish immigrant from the Ukraine, settled in 1897. Among the honors he received prior to the Nobel Prize, Milstein was also the recipient four years ago of the Wolf Prize in Medicine from the Wolf Foundation in Israel.

The other two winners of the \$190,000 Nobel Prize were Georges Koehler, 38, of the Basel Institute of Immunology in Switzerland, and Niels Jerne, 72, professor emeritus in the institute. The prize, announced Monday by the Karolinska Institute in Stockholm, will be divided equally between the three recipients.

Their research into the body's natural defense against disease and their development of a revolutionary new technique for producing antibodies "opened up completely new fields for theoretical and applied biomedical research," the Karolinska Institute said. Antibodies are chemicals that the body's immune defense system produces to attack virus, bacterium or other molecular invaders of the body.

Milstein was born in Bahía Blanca October 8, 1927. He was educated in the University of Buenos Aires and received his Ph.D. from Cambridge University in 1960. Before settling in England in 1963, he was associated with the National Institute of Microbiology in Buenos Aires from 1961 to 1963.

According to reports in the Argentine press, he left the institute in an act of solidarity with its director who had been dismissed by the government which followed the coup against President Frondizi. The Milstein family was active in Jewish community life and was identified with Jewish causes. Since 1963, Milstein has been associated with Cambridge and now heads its division of protein and nucleic chemistry.

EBAN CITES THREE GOALS FOR ISRAEL

NEW YORK, Oct. 17 (JTA) — Abba Eban, Israel's former Foreign Minister, told guests at a dinner celebrating the 50th anniversary of the Weizmann Institute of Science that the Jewish State's new national unity government has the possibility of attaining three goals within the next two years: recovery of the economy, "extrication" from Lebanon, and reform of the electoral system to "prevent future deadlocks."

Eban, who was the Weizmann Institute's second president, was guest speaker at the Jubilee Dinner of the American Committee for the Weizmann Institute of Science. Over 1,000 guests, including 37 noted scientists — Nobel Laureates and representatives of some of the world's leading educational and scientific institutions — attended the dinner at the Waldorf Astoria Hotel here Sunday night.

Condemning the cutbacks in government aid to higher education occasioned by Israel's economic crisis — including a 600 percent inflation rate which is "a total degradation of the social fabric" —

Eban said the country's prospect of economic recovery "depends largely on the development of science-based industries."

Weizmann Institute president, Prof. Michael Sela, noting that the threat posed to scientific research and technology in the country — because of "economic chaos and dire financial straits" — highlighted the fact that these are the very areas where Israel's independence, "future flowering and greatest potential lie."

Dr. Frank Press, president of the National Academy of Science, brought greetings to the dinner guests on behalf of the world scientific community. Paying tribute to the Weizmann Institute — "not only a national jewel but an international one" — he noted: "It is a pillar of scientific endeavor. And through its accomplishments, its role in Israeli life, and the role of Weizmann scientists in leading the country, it has set an example for all of us, of what world science should be."

TELEPHONE PRESIDENTIAL POLLING SCRIPT USES A FALSE PLUG LINE

By Kevin Freeman

NEW YORK, Oct. 17 (JTA) — A telephone polling script used by a company hired by the National Jewish Coalition, an arm of the Reagan-Bush re-election committee, to solicit information from Jewish voters in New York and California left some red faces in the Coalition when it was revealed last week that persons hired by the firm to telephone Jews had falsely identified themselves by using the name "Goodman" or other Jewish-sounding surnames in the script.

Richard Fox, a Philadelphia businessman and chairman of the National Jewish Coalition, acknowledged that the incident was improper but asserted that there was "no intent to mislead." The Mondale-Ferraro campaign committee had no official position on the incident, a spokesperson said.

"We assume responsibility for not monitoring the company" hired to conduct the polling, Fox said in an interview with the Jewish Telegraphic Agency. "The practice was not intended to hurt nor was anyone hurt on the process." He said that the use of false surnames by the company has ceased.

The episode was revealed last week by the Westsider, a weekly newspaper published in New York City. In the issue which exposed the tampering of the political telephone solicitations, prominently featured on the front page, the Westsider also issued an editorial endorsement of Walter Mondale for President, assailing President Reagan on a wide range of issues.

The script had the telephoners identify themselves, in at least one case, as "Harry Goodman," representing the National Jewish Coalition and asked respondents how they intended to vote in next month's Presidential elections. If the answer was "Reagan," they were thanked and asked to tell family and friends to vote Republican, according to the Westsider report.

For those respondents undecided, they were asked a series of questions to determine which issues were most important to them. The choices were the economy, Israel/defense, church/state, and anti-Semitism. The responses were marked so that follow-up mailings on the appropriate subject could be arranged, the Westsider said.

The article, bylined Jan Bartelli with Jeff Kisseloff, detailed how the reporters were paid \$4 an hour to call Jews in New York and California from the offices of Telephone Access, a private polling firm hired to conduct the polls.

SPECIAL TO THE JTA THE SEARCH FOR JEWS IN ANCIENT CHINA

NEW YORK, Oct. 17 (JTA) — An ancient undecorated tombstone among several ancient Yuan Dynasty (1271-1368) unearthed in the 1950's near Quanzhou in Fujian province probably marked a Jewish grave, according to Sidney Shapiro, an American-born scholar who has lived in China for 37 years.

Shapiro said in an interview with the Xinhua News Agency at his home in Beijing, "The stone is an indication of a Jewish presence during the Yuan Dynasty. They are also mentioned in official Yuan documents."

He told Xinhua that "Judaism is opposed to 'graven images' and has no special decorations or markings on its tombstones. The other stones (unearthed near Quanzhou) are all engraved with various religious phrases and symbols, such as those of the Nestorians, Catholics and Moslems."

Shapiro, who began studying China's ancient Jews and collecting essays of Chinese scholars on the subject in 1982, said that studies by Chinese scholars reveal Jewish traces in China prior to the Tang Dynasty (618-907) in various parts of China. Most Chinese scholars, he noted, believe Jews began to arrive in China in large groups during the Tang Dynasty and the Song Dynasty (960-1279), coming mainly by sea with Arab and Persian merchants.

A 1489 tablet discovered in Kaifeng in Central China states that a group of Jews arrived in that city during the Song Dynasty. A 1512 inscription of the same Jewish community sets the date in Han (206-220). At present, Shapiro said in his interview, Chinese archaeologists are seeking more traces of old Jewish communities.

Findings Presented In Forthcoming Book

These findings, and more, are detailed in a book translated and edited by Shapiro called "Jews in Old China — Studies by Chinese." It includes 12 essays by Chinese scholars and is scheduled for publication later this month by Hippocrene Books in New York (\$15.00 hard cover). The book is the first of its kind in China, Shapiro said. He thanked the Chinese Social Sciences Academy, and Chinese scholars such as the noted archaeologist Xia Nai and historian Wong Dujian, for their support and cooperation.

Shapiro began his translations of the works of Chinese scholars with a treatise by the late Chinese historian Chen Yuan (1880-1971), a pioneer in research on Jews in China. Chen Yuan had been the director of the History Institute of the Chinese Academy of Social Sciences. Chen's tract inspired Shapiro and provided leads to further research. He travelled to 11 cities and six provinces and consulted many Chinese historians and archaeologists. Several wrote special articles for inclusion in Shapiro's book.

Interest in Chinese Jews in Western countries began in the 17th century, Shapiro noted. Sinologists have since written about 200 essays. But their studies were mainly based on reports by missionaries such as Mateo Ricci, and were generally confined to the Jewish community in Kaifeng.

Shapiro, 69, a former New York lawyer, came to China in 1947 and became a Chinese citizen in 1963. He has been with the Foreign Languages Publishing House for more than 30 years, and has translated many Chinese modern and classic novels into English. Last June he became a member of China's top advisory body, the National Committee of the Chinese People's Political Consultative Conference.

Shapiro said he developed an interest in the history of China's Jews not only because of his own Jewish background but also due to the urgings of his foreign friends. "Living in China for nearly 40 years, I was embarrassed to know so little about them," he told Xinhua. "My paternal grandfather fled to the United States from Czarist Russia in the late 19th century to escape the pogroms against the Jews."

Shapiro is currently in the United States to lecture on his book and to exchange views with American scholars.

MYSTERY OF 21,000 'JEWS' IN MEXICO

By Chaim Lazdeiski

MEXICO CITY, Oct. 17 (JTA) — Are there more than 20,000 persons in Mexico who regularly observe Jewish religious customs and traditions but nevertheless recognize Jesus as the "son of God"? Or do the census-takers of the government's department of statistics simply lump all non-Catholics and non-Protestants together as "Jews"?

These are two explanations given to account for the discrepancies between the latest census and the figure believed by Jewish community leaders to represent the true number of Jews in Mexico.

According to local rabbis and the representative organizations of Mexican Jewry, there are about 40,000 practicing Jews in Mexico and that figure has not changed over the last five years. But the last official census taken in 1980 said there are 61,000 people of the "Judaic faith" in the country.

Jewish circles here explain the "mystery" by a tendency of Mexicans who are neither Catholic nor Protestants to declare themselves Jews. Many of them belong to sects that observe the Jewish Sabbath, fast on Yom Kippur, circumcize their male infants but at the same time acknowledge Jesus as the Savior.

The 1960 census reported 100,000 "Jews" or people of "Mosaic faith" in Mexico. Jewish circles tend to discount that figure and attribute it to lack of experience on the part of the census takers. The latter, the Jewish circles say, did not know how to deal with people who declared they were neither Catholics nor Protestants or members of other sects. They simply registered them as "Jews."

RABIN REJECTS PEACE NOW APPEAL

TEL AVIV, Oct. 17 (JTA) — Defense Minister Yitzhak Rabin has rejected an appeal by the Peace Now movement to ban a Simhat Torah celebration in Hebron, planned by Gush Emunim activists in support of suspected members of a Jewish terrorist underground presently on trial.

Peace Now warned that the celebration, including the traditional Hakafof parade with Torahs through the town on Thursday would be "pure provocation" to the Arab majority in Hebron. But Rabin maintained that the celebration was not illegal and could not be banned.

But he said he has instructed the security forces to prevent any disturbances and to confine the celebration to Kiryat Arba, the Jewish township adjacent to Hebron which is a Gush Emunim stronghold. Some legal experts argued that inasmuch as the law forbids any expression of support for terrorists, the planned celebration is in fact illegal.

RIO DE JANEIRO (JTA) — Zionist unity has been re-established in Brazil after seven years of bitter quarreling between the various factions of the movement. A united National Executive Council representing all Zionist groups was elected.