

MODAI PREDICTS DROP IN MONTHLY INFLATION RATE; BUT WILL PROPOSE ADDED HALF BILLION IN BUDGET CUTS
By David Landau and Gil Sedan

JERUSALEM, Nov. 12 (JTA) -- Finance Minister Yitzhak Modai told the Knesset today that he would present his proposals for further budget cuts to the Cabinet at its meeting next Sunday.

At a press conference yesterday, Modai predicted a dramatic drop in the monthly inflation rate from its present double-digits to six percent by the end of the three month wage-price package freeze in January. He warned however that without an additional half-billion Dollar cut in the budget, the freeze package would fail.

The Finance Minister conceded that further cuts in the budget would mean layoffs and rising unemployment and that defense expenditures would not be exempt.

"For many years," Modai told the Knesset, "the State of Israel has been living above its means ... There is a limit to our capacity to use outside help to preserve a level of expenses which is much higher than the income level." Reviewing the causes of Israel's present economic crisis, he noted that in the period 1972-1983, the country's foreign debt soared from \$5 billion to \$22 billion.

Seeks Less Civil Servants

At the same time, the internal debt increased from a rate of 42 percent of the gross national product to 126 percent of the GNP. More than 38 percent of the budget is now allocated to servicing foreign and internal debts, he said. He noted also that for every industrial worker in Israel there are three-and-a-half civil servants on the payroll. That ratio should be reversed, he said.

Last Thursday, Treasury sources leaked the news that they envisaged a sharp rise in unemployment -- from the current 10,000 to 20,000 -- as a result of civil service dismissals alone. Factory layoffs due to the price freeze could account for additional jobless, the sources said, because frozen prices will result in slowed down production.

Modai was forced to defend the wage-price freeze package over the weekend against public figures who expressed doubts about its viability.

Some sources predicted the three month freeze would end after a month. Gideon Patt, Minister of Science and Development, warned that a "catastrophe" would follow the freeze. Economics Minister Gad Yaacobi predicted that the freeze would be extended beyond the three month period. Deputy Premier David Levy told the Cabinet yesterday that the freeze package was not an economic program but a preliminary measure to be used to advance the economic rehabilitation process.

Last Friday, Modai officially denied media reports that the Treasury was considering abridging the freeze. The media attributed the report to unidentified sources at the Treasury. Modai made it clear that no such source could speak with authority unless he sanctioned it, which he did not. The Finance Ministry is fully committed to the freeze and the entire package deal and will uphold it unwaveringly

throughout the specified three month period, he said. Sources close to Premier Shimon Peres expressed cautious optimism Friday that after initial confusion and administrative errors over the price freeze, the measure was finally taking hold.

Crackdown On Black Market

Jerusalem police meanwhile began a crackdown today on Arab money changers in East Jerusalem. They served notice that effective November 18, legal action would be taken against anyone who trades in Dollars or other foreign currency without a license.

The police are also taking action against black market money changers in Tel Aviv and Jerusalem. However, high level government sources concede that it is impossible to eliminate the black market until the overall economic situation improves. They said the purpose of police action was to prevent open trading in foreign currency and to underscore the gravity of violations of the currency laws at a time when the nation's foreign currency reserves are at an historic low.

Municipal Employees Strike Averted

In another development related to the economic crisis, a threatened strike by municipal employees all over Israel this week was averted after the Prime Minister's Office announced that Peres would personally look into the financial plight of local town councils.

Municipal workers in Haifa and Tel Aviv went on strike last week and teachers walked off the job to protest non-payment of their October salaries, due November 1. The municipalities, unable to meet their payrolls, blamed the Interior Ministry for delaying the disbursement of funds.

SHAMIR WARNS OF 'UNILATERAL' MOVES AS BEIRUT SUSPENDS LEBANON TALKS UNDER PRESSURE FROM SHIITE LEADER
By David Landau and Hugh Orgel

JERUSALEM, Nov. 12 (JTA) -- Diplomatic efforts were underway today to salvage the Israel-Lebanon withdrawal negotiations which the Beirut government suspended over the weekend, apparently under severe pressure from its Moslem components.

Foreign Minister Yitzhak Shamir, who met with visiting Sen. Daniel Moynihan (D. NY) today, warned that if there was no progress in the diplomatic efforts, Israel would implement "unilateral security steps" and would establish new lines in south Lebanon. Israel will stay put until Lebanon realizes that if it ever wants the Israel Defense Force to withdraw completely, it must negotiate, Shamir said.

The talks, between Israeli and Lebanese military delegations, opened last Thursday under United Nations auspices at the Lebanese border village of Nakura and were to have been resumed today. The Lebanese government declared the talks suspended Saturday following the arrest by Israeli authorities of Mahmoud Fakih and three other leaders of the Shiite Moslem militia, Amal, held responsible for attacks on the IDF in south Lebanon.

Israel Offers Amal Ceasefire

The Beirut government acted apparently at the urging of Nabih Berri, a Shiite member of the Cabinet in charge of south Lebanon affairs. He was supported by Walid

Jumblatt, leader of the Lebanese Druze. Amal spokesmen in Beirut said the detained men must be released before Lebanon can consider resumption of the talks with Israel.

Israel rejected this demand but offered Amal a ceasefire for the duration of the talks. An official statement issued here yesterday indicated that acceptable arrangements could be worked out with respect to the Shiite detainees if there was a commitment from Amal that attacks on the IDF would cease. Berri's immediate response was negative and calls for stepped up action against the IDF emanated from Amal circles in Beirut today.

As south Lebanon simmered today with protest strikes, tire burnings and road blockages, the Reagan Administration's senior Mideast aide, Assistant Secretary of State Richard Murphy, conferred in Tel Aviv early this morning with Defense Minister Yitzhak Rabin. He is due to fly to Beirut later today for meetings with President Amin Gemayel and his Cabinet ministers. Murphy expressed hope that the talks would be resumed soon. A UN political aide, Jeanne Claude Aimee, is also shuttling between Jerusalem and Beirut in a parallel effort to get the talks on track.

The Israelis arrested Fakhri and three of his men in Sidon late Thursday, after the first round of talks in Nakura. The Amal leader is linked to a series of terrorist attacks on the IDF which Israeli officials suspect were aimed at sabotaging negotiations with the Beirut government.

Israel Seeks To Prevent Snags In Talks

At the same time, IDF officials told the Jewish Telegraphic Agency that Israel is aware of the potential sensitivity of the detention and hoped ways could be found to keep it from hindering the negotiations. According to Cabinet sources, the talks had "gotten off to a good start" Thursday after the "ice was broken." They are aimed at establishing security conditions in south Lebanon that would allow the IDF to pull out without jeopardizing the safety of Israel's northern borders.

Some Israeli officials and experts questioned the wisdom of the Amal detentions because Berri was provided with an excuse for halting the Nakura talks. The Shiite leader, paradoxically, is believed less than enthusiastic over the prospects of an IDF pullout because he fears serious new fighting between the various factions in south Lebanon after the Israelis leave.

Other sources here said Fakhri's detention was a mistake that grew out of a lack of coordination between Israeli officials dealing with south Lebanon affairs. Dr. Yitzhak Beilev, a former advisor to the Defense Ministry on Shiite affairs, said that while there may have been good reason to arrest Fakhri, the government must learn to live with the Shiites, who are the largest single population group in south Lebanon and not rely exclusively on the Christians in the region.

So far, however, Israel is determined that security in the south will be the responsibility of the Israel-backed South Lebanon Army (SLA), a Christian militia commanded by Gen. Antoine Lahad. Sources here said Israel will not ease up on its own preventive and responsive actions against terrorists and suspected terrorists in the region as long as there is no agreement with the central government in Beirut. The sources stressed that Defense Minister Rabin's overriding consideration is the protection of IDF soldiers.

EBAN URGES U.S. MEDIATION

NEW YORK, Nov. 12 (JTA) -- Former Foreign Minister Abba Eban has urged the United States to re-

turn to the role of mediator in the Middle East as a means of resolving the Arab-Israeli conflict. "There is no substitute for the United States as the agent for conciliation in the Middle East," Eban declared at a press conference here Thursday shortly before he received the 1984 Covenant of Peace Award from the Synagogue Council of America. He said he hoped the Reagan Administration would soon decide to resume America's mediating role to achieve peace between Israel and its Arab neighbors.

"The next major step for a Middle East peace is a return of the U.S. to the negotiating table," Eban said. A second step is the restoration of "some warmth" to the Egyptian-Israeli relationship, he added, noting that this was also the view expressed to him by Egyptian President Hosni Mubarak when they met in Cairo last April.

Danish Government Honored

The Synagogue Council, an umbrella organization representing the congregational and rabbinical branches of Conservative, Orthodox and Reform Judaism in America, also bestowed its Covenant of Peace Award on the Danish government for its rescue of Danish Jews from Nazi deportation during World War II, and businessman Eugene Grant, a real estate investor and developer from Mamaroneck, N.Y.

The statuette representing the prophet Isaiah, was presented to the awardees by Rabbi Mordechai Waxman, SCA president. A special award of a shofar was given to the Danish-born entertainer, Victor Borge. It was presented by J. Morton Davis, last year's Covenant of Peace recipient.

Mimi Stilling, Denmark's Minister for Cultural Affairs, accepted the award on behalf of her government. She told the audience of 500 attending the award ceremonies at the Hotel Pierre that Denmark was able to rescue most of its 7,700 Jews precisely because the Jews had become closely integrated into Danish society. "It was one Dane helping another Dane," she said.

'Ahavath Yisrael' Urged

Eban, in his acceptance speech, praised the SCA as "a very rare example of an ecumenical spirit in Judaism." The Israeli diplomat who presently chairs the Knesset's Foreign Affairs and Security Committee, drew a parallel between the SCA and Israel's Labor-Likud unity coalition government. Both he said embrace the Jewish spirit of "Ahavath Yisrael" (love of Israel).

"When this happens, we are beginning to learn the lesson of bitter experience to avoid rhetoric and differences, to create organizational frameworks in which we reconcile diversity of opinion with the unity of purpose and of Jewish allegiance," he said.

WASHINGTON (JTA) -- The Justice Department filed suit in Federal District Court in Boston Friday to revoke the citizenship of Matthew Katin, a resident of Norwood, Mass., for having concealed his Nazi past when he gained admission to the United States under the Displaced Persons Act shortly after World War II. According to Neal Sher, director of the Justice Department's Office of Special Investigations, Katin, now 70, served in the Lithuanian Schutzmannschaft, an auxiliary police organization set up by the Nazis in occupied Lithuania. His particular unit was involved in the extermination of the Jewish population, Sher said.

ISRAELI, EGYPTIAN ENVOYS DIFFER ON U.S. ROLE IN MIDEAST PEACE EFFORT, BUT SEE HOPE FOR PEACE

By David Friedman

WASHINGTON, Nov. 12 (JTA) — The ambassadors of Israel and Egypt agreed here that there is an opportunity for peace in the Middle East, but differed over the role the United States should play in achieving it.

Israeli Ambassador Meir Rosenne, while stressing that the U.S. has and will continue to play an important role in the Mideast peace process, said that any attempt to impose a settlement from the outside cannot be successful.

"Any attempt to impose a settlement from the outside encourages the Arab countries that refuse to negotiate with Israel to keep on refusing," Rosenne said in a joint appearance with Egyptian ambassador Ashraf Ghorbal Friday at a luncheon of the Overseas Writers.

Partner, Not Solutions, Lacking

"What we lack has not been solutions but a partner to negotiations," the Israeli envoy declared, stressing that negotiations must be without preconditions. "If there is any Arab state ready to negotiate with Israel, Israel will be at the negotiating table in 24 hours or less. Unfortunately, we see no such partner for the time being."

Ghorbal, who retires this month after 10 years as the Egyptian envoy here, urged the newly-re-elected Reagan Administration to seize what he called a "window of opportunity" in the Mideast. He said the Administration had about a year to act in which to achieve progress in Lebanon, the Golan Heights and the West Bank and Gaza.

There is "movement of moderates on both sides of the fence between Israelis and Arabs," Ghorbal said. "It's high time to make excellent use of it on a priority basis."

Ghorbal said the U.S. has the trust of all parties in the Mideast and if it does not play a leading role it will leave it to others to do so. He predicted that if progress is made the "hardliners" will either have to join the peace effort or be left a minority in the "new Middle East."

Ghorbal Urges Talks With PLO

The Egyptian envoy said that if Israel wants direct negotiations with the Arabs it should also include the Palestine Liberation Organization. "The PLO whether Israel likes it or not are so far the leader of the Palestinian nation," Ghorbal said. He added that no Arab elected Menachem Begin or Shimon Peres as Premier of Israel and "Israel has no right to choose for the Arabs their own representatives."

But Rosenne replied that "no Palestinian chose (Yasir) Arafat" and "certainly he does not represent the Palestinian Arabs." He said that while Palestinians living under Israeli rule want a "change in their situation" most of them don't want to destroy Israel as is called for by the PLO charter.

Rosenne said that the Palestinians in Judea, Samaria and Gaza, can elect their own representatives as is called for in the autonomy plan proposed by the Camp David accords. In addition, he noted that the Palestinian people did not make war on Israel but that sovereign Arab states did and most Arabs on the West Bank are Jordanian citizens.

Israel is ready to negotiate with Jordan either on the basis of the Camp David process or with no

preconditions, Rosenne said. Asked about Reagan's Sept. 1, 1982 peace initiative which the Likud government rejected, Rosenne said that the present unity government has taken no position on it.

Ghorbal said that Israeli moderation was demonstrated by an implied freeze on Jewish settlements in the West Bank and Gaza by the Peres government. Rosenne said that the issue of settlements has been "exaggerated" since he does not believe it has prevented peace. He noted that during the 19 years when Jordan ruled the West Bank there were no Jewish settlements and there was no peace.

"If the whole idea of the Middle East is to see Jews and Arabs living together, in the same way as you have in Israel proper 700,000 Israelis that are Arabs, we don't see why Jews and Arabs couldn't live together in an area like Judea and Samaria," Rosenne declared.

ISRAELI AMBASSADOR CHARGES IRAQ BOMBED IRANIAN NUCLEAR POWER PLANT

By Yitzhak Rabi

UNITED NATIONS, Nov. 12 (JTA) — While Iraq is attacking Israel for the June 1981 destruction of its nuclear facilities, Iraq itself recently bombed a nuclear power plant in Iran, Binyamin Netanyahu, Israel's Ambassador to the United Nations has charged.

Addressing the General Assembly last Thursday, in the debate on the "Armed Israeli Aggression Against the Iraqi Nuclear Installation," Netanyahu, noting that this is the fourth consecutive debate on the Iraqi complaint, cited the Iranian complaint charging that Iraq's missiles attacked on March 24 Iran's nuclear power plant in Bushehr.

The Israeli envoy noted that Iraq, which complains that Israel violated international law by attacking its nuclear facilities, has been repeatedly violating international law. He said that Iraq uses chemical warfare in its war with Iran and that it has been "happily bombing neutral shipping in the Gulf. It has killed and wounded countless innocent seamen from a dozen countries, countries having nothing to do with the Iran-Iraq war."

The Ambassador added: "I raise these matters because a dose of reality may provide a salutary shock, even here, and even to the representatives of Iraq. But I must also declare my sorrow that yet again, so much important work (at the UN) had to be derailed because Iraq insists on indulging one of its most cherished obsessions."

The General Assembly decided Friday to postpone a vote on an Iraqi resolution condemning Israel until a later date.

SHAMIR URGES NEW UN

JERUSALEM, Nov. 12 (JTA) — Deputy Premier Yitzhak Shamir called yesterday for creation of a new United Nations, an alternative organization that would include only the democratic countries.

Shamir, who is also Foreign Minister, spoke at a symposium on the ninth anniversary of the United Nations resolution that equated Zionism with racism. He contended that the resolution was passed because the Arabs and their allies have an automatic majority in the General Assembly. He noted, however, that even so, they have failed to recruit the support necessary to expel Israel from the world organization.

The symposium, held at the Presidential residence, was attended, among others, by Sen. Daniel Moynihan (D. NY), a former U.S. Ambassador to the UN, and Benyamín Maniez, the Ambassador of Costa Rica, one of the few countries that voted against the Zionism-racism resolution nearly a decade ago.

JEWISH LAWYER FOUND CHINESE FAMILIES SIMILAR TO JEWISH; STAYED IN CHINA 37 YEARS

By Rochelle Saidel

NEW YORK, Nov. 12 (JTA) — Why would Sidney Shapiro, a nice Jewish boy from Brooklyn, settle in China in 1947? And after living for 37 years in a country with virtually no Jews and nothing Jewish, why would he decide to write about the Jewish presence in ancient China?

Shapiro is in his hometown this month to promote his new book, "Jews in Old China," just published by Hippocrene Books. Born in 1915, he graduated from St. John's Law School in Brooklyn and practiced law in Manhattan for four years.

World War II marked the end of his law career and the beginning of his fascination with China. First through an Army Specialized Training Program at Cornell and later as a civilian at Columbia and Yale Universities, Shapiro became a student of Chinese. What was intended to be a short visit to China in 1947 turned into the beginning of a new life in a new world.

"I went out of curiosity and the longer I stayed, I felt in the midst of a great social experiment," Shapiro told the Jewish Telegraphic Agency. He says he felt at home because he found the culture similar to his own Jewish background and family relationships comparable to Judaism. "The people were warm, friendly and concerned about me," he says. "This is the way among the average Chinese."

Chinese Version Of Bagel

Shapiro's first visit to America was in 1971. He had married a Chinese writer and drama critic named Phoenix, and they now have a grown daughter and a grandchild.

Among the billion citizens of China, Shapiro is probably the only one who used the Yiddish word "ainicle" when referring to a grandchild. He also claims to make a Chinese version of a bagel.

Shapiro became a Chinese citizen in 1963 and says the United States revoked his American citizenship. He began working for China's Foreign Language Press in 1950, doing final polished translating from Chinese to English. During the Cultural Revolution of the 1970s, his wife was banished from Beijing to a commune for four years. Life was difficult at best for all intellectuals, including Shapiro.

"After the Cultural Revolution ended, it was time to overcome the prejudices against foreigners that had been generated by the Gang of Four," Shapiro said. "I want to stress that the Chinese government and people have a continuing 2000 year tradition of welcoming all people and warm feelings toward Jewish people the world over."

Studied Ancient Chinese Jews

In 1979 the Chinese Communist Party decided it was essential to have the fullest cultural and academic exchange, Shapiro said. Shortly afterward, Jewish visitors to China began asking him about Jewish roots there. He did not know the answers, but decided to find out. "There is a circle of scholars in China who specialize in foreign religions and races," he said. In 1982, through the Chinese Social Sciences Academy, he began studying China's ancient Jews and collecting the essays of Chinese scholars on the subject.

Shapiro's book is the first to tell the story from the perspective of Chinese historians. Other accounts in English, (which deal mainly with the

ancient Jewish community of Kaifeng in Henan Province) have been by Christian missionaries and Western Sinologists. He said the Chinese historians with whom he worked agreed with him that the history of Jews in China had been a "blank spot." These historians had included Jewish history in China in larger works. But Shapiro's compilation, which will also be published in Chinese in China, is the first time that all of the information on Jews of ancient China has been brought together in one book.

U.S. POLICY BASED ON MYTHS; BIDEN

NEW YORK, Nov. 12 (JTA) — U.S. policy in the Middle East is based on myth, a leading member of the Senate Foreign Relations Committee charged here yesterday.

Sen. Joseph Biden of Delaware, the second ranking Democrat on the committee, said the "three myths" which "propel U.S. policy in the Middle East" are "the belief that Saudi Arabia can be a broker for peace, the belief that King Hussein (of Jordan) is ready to negotiate peace, and the belief that the Palestine Liberation Organization can deliver a consensus for peace."

Biden addressed the 59th anniversary convention of the Herut Zionists of America at the Hotel Pierre. The two-day gathering closed last night. The Senator, who was re-elected to a third six-year term last week, told the convention delegates, "My first order of business in the new Senate will be to educate my colleagues on the financial sacrifices Israel has made as a result of Camp David."

Other speakers at the convention were Ariel Sharon, Minister of Trade and Industry in Israel's unity coalition government; Meir Rosenne, Israel's Ambassador to the U.S.; Likud MK Roni Milo; and former Israeli Minister of Economics, Yaacov Meridor. Another speaker was Benjamin Begin, son of former Premier Menachem Begin.

Sharon Urges Aliya

Sharon, in the U.S. to testify in his \$50 million libel suit against Time magazine which opens in Federal Court here tomorrow, urged increased aliya, stronger Jewish education and a deepened commitment to Jewish settlement in "all of Eretz Israel."

"Move to Israel," Sharon, a former Defense Minister, said. "If not you, then send your children to run the Israeli businesses you started." He urged American Jews to forget about charity to Israel and start investing there.

Meridor told the delegates of the need to promote Israel's high technology industries in the United States. He said he planned to develop a major infrastructure for the marketing of Israeli products and joint ventures between Israeli and American business leaders.

Rosenne observed that it was appropriate for the Herut Zionists to hold their convention on the ninth anniversary of the UN General Assembly resolution equating Zionism with racism. He urged renewed dedication to Zionist principles and called on the Herut leadership to intensify its promotion of aliya, education and Jewish values.

The convention heard a message of greeting from President Reagan, read by his special assistant for Jewish liaison, Marshall Breger. Hart Hasten, an Indianapolis businessman and philanthropist, was elected to a two-year term as president of Herut Zionists of America.

TEL AVIV (JTA) — An Israeli soldier suffered a serious head wound when his convoy came under small arms fire Sunday on the coastal road near Sarafand in south Lebanon.