

NEW ECONOMIC PACKAGE DEAL MULLED

By Gil Sedan and Hugh Orgel

JERUSALEM, Jan. 10 (JTA) — Premier Shimon Peres began consultations tonight on a new economic package deal to take effect when the three-month wage-price freeze instituted last November expires three weeks from now.

The Treasury and Histadrut officials are working on various plans and the Bank of Israel is preparing for a law that will forbid the government to print new currency to cover its deficit — forcing it indirectly to reduce spending.

Some Good Economic News

Israelis, meanwhile, had the increasingly rare experience of hearing some good economic news this week. The Central Bureau of Statistics reported yesterday a 29 percent improvement in the country's balance of trade last year, reversing a two year trend. The trade deficit in 1984 amounted to \$2.5 billion compared to \$3.5 billion in 1983.

The Ministry of Commerce and Industry reported Tuesday that Israel's industrial exports rose by 16.6 percent last year after two years of stagnation. And the Central Bureau of Statistics announced at the same time that there was no rise in the price index during the last two weeks of December.

These improved figures do not mean that Israel's economic crisis is over. Much will depend on what steps the government takes in the months ahead. The nature of the new economic package has yet to be decided and Peres' consultations began amid differences between the Premier and Finance Minister Yitzhak Modai on that subject.

Concern About Massive Government Subsidies

Modai maintains that the economy no longer can be regulated simply by administrative orders, such as the three-month wage-price freeze, in the absence of an overall economic policy. Peres considers such package deals essential to control inflation.

Modai has expressed concern that the freeze policy would mean continuation of massive government subsidies to preserve the price levels of controlled items. The government printed about 160 million Shekels last month to cover the cost of its subsidies.

Modai likens this to a fire under a pressure cooker which eventually will blow the lid off. He feels also that reduced inflation during the freeze period will be wasted without an agreement for further cuts in the State budget.

A Proposal By The Histadrut

Histadrut Secretary General Yisrael Kessar came up with a proposal yesterday to compensate workers for rising prices of subsidized items without passing the increases on to the consumer price index and the cost-of-living index.

The effect of his proposal, if accepted by the government and the manufacturers, would be to break the sequence of automatic price and wage linkage,

the main element of the inflationary spiral. According to Histadrut, this is the great advantage of the proposal. The plan calls for a "gradual and moderate" reduction of subsidies for fuel and basic foodstuffs in the context of a follow-up wage and price freeze.

Workers would receive individual cash payments in their next monthly salaries equal to the total cost of the price rises to the average consumer. Low income workers would receive a higher percentage compensation than those with larger salaries. Modai is expected to respond to Kessar's plan at a meeting with the trade union leader tomorrow.

Other Economic Developments

The Central Bureau of Statistics reported that minor price increases in the first half of December were cancelled out by a drop in the second half of the month. Most consumer prices were in fact slightly lower than the maximum allowed under the wage-price freeze. The only items that showed an increase were fruits and vegetables which are not covered by the freeze.

The Ministry of Commerce and Industry attributed the increase in exports last year to the recovery in several foreign markets, notably the U.S. and a parallel decline in demand at home. The Ministry also credited the government's policy of maintaining the level of profits in export industries and encouraging the development of a marketing infrastructure.

YAACOBI SEES LONG AND PAINFUL ROAD TO ISRAEL'S ECONOMIC RECOVERY

By Yitzhak Rabi

NEW YORK, Jan. 10 (JTA) — Israel's Minister of Economic Planning, Gad Yaacobi, expressed optimism last night that Israel will eventually resolve its economic crisis, but he warned that the road to recovery is long and painful.

Addressing a meeting of the Conference of Presidents of Major American Jewish Organizations, Yaacobi said that he believes that Israel "will have a balanced economy" two years from now. He said that the process of healing the economy has begun. He noted that the government has already taken austerity measures in that direction, including a cut of \$600 million from the budget.

"We intend to cut the budget even further, despite all the risks militarily and socially," Yaacobi said. But he added, however, that suggestions for a radical cut of the budget — by some \$3 billion — are not acceptable.

"These suggestions are good for rats and mice but not for people," Yaacobi stated, warning that a deep cut in the budget will bring mass unemployment, desertion of development towns and emigration of young Israelis. He said that out of a yearly budget of about \$22 billion, Israel repays at least half in debts and interest. The budget cut must come, therefore, from the remaining \$11 billion, half of which is for defense, Yaacobi said.

Claiming that the present government "inherited a very deep economic crisis" the Minister said three major factors contributed to the grave situation: The cost of the war in Lebanon, which amounts so far to \$3

billion and continues to cost \$200 million a year; the cost of the Camp David accords, about \$6 billion, including the Sinai oil fields returned to Egypt and the redeployment of the Israeli forces in the Negev; and the 35 percent rise in personal consumption in Israel in the last five years compared to a marginal growth in production.

"The responsibility to solve the crisis is the responsibility of the State of Israel," Yaacobi declared. But he added: "We are expecting the help of world Jewry and the government of the United States."

Yaacobi said that one of the burdens Israel's economy is afflicted with is the burden of the tremendous foreign debts of \$15.5 billion. But he said that despite the difficulties, Israel is going to pay all its debts. We are convinced we will pay everything on time, including the interest."

Seeking Partnership With World Jewry

Yaacobi noted that Israel exports goods for the yearly sum of over \$11 billion. He predicted that Israel will reach "a zero deficit" in its balance of trade in four to five years.

The Minister said that Israel is looking now for "a new partnership" with world Jewry, with emphasis on increased investments by Jews in Israel's economy. He called on American Jews to "invest, trade and aid Israel," adding: "This is my scale of priorities."

U.S. ECONOMIC AID PARITY TO ISRAEL AND EGYPT A POSSIBILITY

By David Friedman

WASHINGTON, Jan. 10 (JTA) — The State Department appeared to indicate today that if Israel gets increased U.S. aid next year, so will Egypt, although not necessarily in the same amount.

This position was hinted at when the Department's deputy spokesman, Alan Romberg, was asked about a published report that Egypt will ask the U.S. to raise its aid for 1985 by \$1 billion to a total of \$3.15 billion.

Romberg replied that while Egypt "has made various requests for increases in the level of our economic and military assistance," the Reagan Administration has "not yet made any decisions as to the assistance level which will be proposed to Congress."

When asked if any Egyptian increases would be tied to an increase for Israel, Romberg replied, "both Egypt and Israel are full partners in the peace process and as such reasonably could expect comparable treatment. Comparability has not been and should not be interpreted to imply that aid levels should be identical. We are dealing with two countries whose specific needs differ."

The Egyptian request for additional aid was revealed by Prime Minister Kamal Hassan Ali in an interview published in The Washington Post today. He said the increase was needed to offset an expected decrease in Egypt's income from oil sales, money sent home by Egyptians working abroad and tourism.

Israel has asked for \$800 million this year in emergency economic aid in addition to the \$2.6 billion it is receiving. It has requested that military and economic aid for the 1986 fiscal year be increased to \$4.05 billion.

Meanwhile, Romberg said the U.S. hopes to conclude by next week negotiations with Israel for a Free Trade Area. He said several issues still have to

be resolved but "we have made considerable progress." Congress approved establishment of an FTA last fall.

GOVERNMENT WILL SPEND \$25 MILLION FOR APARTMENTS FOR ETHIOPIAN IMMIGRANTS

By Hugh Orgel

TEL AVIV, Jan. 10 (JTA) — The government announced today that it will spend \$25 million to purchase 600 apartments for new immigrants from Ethiopia. Health Minister Mordechai Gur, meanwhile, has ordered the medical profession to curb what he called "loose talk" about the health problems of the Ethiopian newcomers which has alarmed many Israelis.

The Finance Ministry has promised to transfer \$25 million shortly to the Housing Ministry which has, itself, set aside a reserve fund to house the Ethiopians. So far it has not made any purchases but is studying a list submitted by the major housing and construction companies of apartments available or due to be completed.

Warns Disciplinary Measures Will Be Taken

Health Minister Gur has warned doctors and nurses that disciplinary measures would be taken for public remarks that might spread panic among the populace and urged the public to remain calm.

He issued his orders during a tour of the government hospital in Afula where a number of young Ethiopians are undergoing treatment for various ailments, including tuberculosis. They are housed in separate wards, but some parents have demanded that their children be transferred to other hospitals.

Such demands developed when news of the airlift of Ethiopian Jews first broke last week and doctors, nurses and social workers were quoted in the media about the poor state of their health.

Many were reported to be suffering from diseases endemic to Africa which were unknown or rarely seen in Israel. Some of the ailments were said to be contagious. They are most prevalent among the Ethiopian children.

As a result, many parents have asked that their children not be treated in the same wards as the Ethiopian youngsters or even in the same hospitals.

6 NEW WEST BANK SETTLEMENTS ANNOUNCED

By Gil Sedan

JERUSALEM, Jan. 10 (JTA) — The government announced today the sites of six new settlements on the West Bank to be built next fall. All had been agreed to in principle by the Labor-Likud unity coalition and incorporated in its guidelines when the new government was set up last year.

The announcement drew immediate sharp and widely differing reactions. The Council of Jewish Settlements expressed satisfaction but insisted that six was not enough. A spokesman for the militants warned that if more settlements are not approved by the government the settlers themselves would build them, authorized or not.

Labor MK Haim Ramon expressed the view of those who believe the settlement drive must be halted or severely limited if there are ever to be negotiations with Jordan.

He said he was disappointed with the government's announcement, especially at a time when the development towns in Israel are urgently in need of assistance and attempts are being made to bring Jordan into the negotiating process.

The announcement was made after considerable delay and argument between the Labor and Likud components of the unity government over where the new settlements are to be located. Five of the sites are within the so-called national consensus. The sixth is in the Samaria highlands, the main area of dispute between the coalition partners.

Labour policy has been to erect new settlements for security reasons around the periphery of the West Bank and avoid heavily Arab-populated areas, such as the Samaria highlands. The previous Likud government deliberately planted settlements close to Arab population centers.

The six new settlements announced today will be Neot Kedumim, east of Jerusalem; Avnei Hefetz in western Samaria; Peles in the Jordan Valley; Assael in the Hebron mountains; Migdalim in the controversial Samaria mountains; and Beitar, alternatively called Tzoref, in the Etzion bloc south of Jerusalem.

COURT RULES AGAINST DEPORTING ALLEGED NAZI WAR CRIMINAL

By Kevin Freeman

NEW YORK, Jan. 10 (JTA) — An appeals court in San Francisco ruled yesterday that there exists "insufficient evidence" to support the Justice Department's contention that alleged Nazi war criminal Edgars Laipenieks was personally responsible for the deaths of 200 prisoners at the central prison in Riga during World War II.

The Department's Office of Special Investigations filed a deportation complaint against him in June, 1981. An official of the Immigration and Naturalization Service said, after the ruling was handed down, that he expected the Justice Department to pursue the case to the Supreme Court.

Judge Thomas Tang, writing on behalf of the majority opinion of the three-member panel, stated: "In sum, we find insufficient evidence to support ... determination that the government established by clear, convincing and unequivocal evidence that Laipenieks assisted or participated in the persecution of persons because of their political beliefs."

He added: "While we certainly do not condone the treatment that prisoners apparently received at the (Riga) prison, we do not find Laipenieks' admission sufficient to support deportability."

Court Decision Assailed

The Simon Wiesenthal Center of Los Angeles, immediately assailed the court's decision. Rabbi Marvin Hier, dean of the Center, said, "This is a classic example that the only winners of the cold war between the Soviet Union and the United States are Nazi war criminals. Laipenieks gained entry into this country as a CIA informer and anti-Communist when the U.S. was willing to overlook his previous crimes."

The 71-year-old former Latvian police official, born in the Latvian town of Rucava, gained entry to the U.S. in March, 1960. He had previously been in Chile, presumably since the end of World War II. In Chile, he was a track coach for the team that entered the 1952 and 1956 Olympic Games. He also coached the Mexican track team for the 1964 Olympics.

Laipenieks claimed to have joined the Nazis after the Russians killed his parents and father-in-

law. Between 1941 and 1943, he is reported to have worked for the Latvian Security Police, an organization assigned to duty at the Riga prison. He was charged by surviving witnesses who still live in Latvia with participating in the beating and killings of unarmed inmates, including Jewish prisoners.

Laipenieks currently lives in La Jolla, California, where he is employed as a security guard at a construction site. He admitted in past testimony that he had been employed by the CIA in the 1960's in efforts to get visiting Soviet athletes to defect. It is unclear when or if his employment for the CIA was terminated.

ALFONSIN: NO PLO OFFICE IN ARGENTINA

BUENOS AIRES, Jan. 10 (JTA) — President Raul Alfonsin has assured the DAIA, the representative body of Argentine Jewry, that there is "no possibility" that the Palestine Liberation Organization will be allowed to open an office in Argentina.

A delegation of the DAIA, which is the World Jewish Congress affiliate here, was received by Alfonsin for an hour-long meeting described afterwards as "very cordial." The delegation was headed by the newly elected president of the DAIA, David Goldberg.

The purpose of the meeting was to express concern to Alfonsin over the PLO propaganda offensive which began November 29, the "International Day of Solidarity with the Palestinian People." It culminated with a New Year's Day statement by the President of the Argentine-Arab Foundation that it was "quite likely" that the government would allow the PLO to open an office in this country in 1985. (See January 8 Bulletin.)

Goldberg said after the meeting that Alfonsin had assured the DAIA that his government would not give official backing to "any initiative which might introduce problems that are alien to us and which would harm national unity."

Alfonsin, according to Goldberg, "categorically affirmed that there had not been nor would there be any change in the ethical and moral guidelines of this government and that there was no possibility of a PLO office being established."

ADL Leader Issues A Warning

(In New York, Abraham Foxman, national director of the Anti-Defamation League of B'nai B'rith and head of its international affairs division, said today that Alfonsin's assurances are "encouraging." He warned, however, that the PLO and its supporters will continue trying to gain a foothold there.)

(Foxman pointed out that Argentina, which under the most difficult political and economic conditions has just returned to a democratic government, "is particularly vulnerable to disruptive activities of PLO propagandists and terrorists." He praised Alfonsin for his understanding of the problem and his efforts to deal with it.)

JERUSALEM (JTA) — Rocks pelted an Israeli tourist bus on the West Bank Thursday injuring two passengers and the driver. The incident occurred as the bus passed through Halhoul, just north of Hebron. Security sources arrested several suspects and shut down shops on the street where the rock-throwing occurred. The injured passengers and driver were hospitalized for treatment and released. The nationality of the tourists was not disclosed.

BEHIND THE HEADLINES U.S., EXPECTED TO KEEP THE MIDEAST ON THE BACKBURNER THIS YEAR

By David Friedman

WASHINGTON, Jan. 10 (JTA) — Abba Eban, chairman of the Knesset's Foreign Affairs and Security Committee, has been urging that the United States needs to play a more active mediation role in the Middle East peace process.

"There is no alternative to the United States as an agent of reconciliation in the region," the former Israeli Labor Foreign Minister wrote in the current issue of the quarterly, *Foreign Policy*.

"The Soviet Union has disqualified itself by its blatant anti-Israel bias, reflected in its continued refusal since 1968 to maintain diplomatic relations with Israel. Western Europe is too vulnerable to Arab economic pressures to play a balanced role in its own right. The voting system of the United Nations is under the command of the Arab-Moslem-Communist group, so no decisions that are respectful of Israeli interests can be expected from international agencies, although as the start of Israeli-Lebanese military talks on an Israeli pullout shows, the Secretary General may be able to play a helpful role."

No Administration Policy Change Expected

Middle East policymakers in the Reagan Administration would probably not argue with Eban's assessment. But as for his conclusion, President Reagan been urged to take an activist role in the Mideast throughout the four years of his first term, to no avail. As Reagan prepares to begin his second term January 20, no change is expected.

First of all, the Administration has made it clear that it will be occupied most of this year with the budget deficit and tax reform and with efforts to seek some type of agreement on nuclear weapons with the Soviet Union. As was demonstrated during its first term, the Reagan Administration prefers to concentrate on one or two major issues at a time.

This is coupled with a belief in the Administration that little or no progress can be made, although the Administration still publicly affirms that the President is behind his Sept. 1, 1982 initiative as the basis for peace negotiations in the Mideast. Reagan has shown no desire to involve himself in the peace process as did his predecessor Jimmy Carter, although many believe this is the only way progress can be achieved. As his aides have pointed out since his re-election, 73-year-old men do not change their ways.

Secretary of State George Shultz, who as a former economics professor and dean does have the background and temperament for mediation, did try his hand as a Mideast mediator, successfully helping Israel and Lebanon reach an agreement for Israeli withdrawal on May 17, 1983.

Shultz involved himself personally in the negotiations because State Department officials were either misled or over-optimistic that once Israel agreed to withdraw there would be no problem obtaining a Syrian withdrawal of troops from Lebanon.

But, instead, Syria not only refused to negotiate a withdrawal but forced Lebanese President Amin Gemayel last March to abrogate the agreement with Israel. When later in the month King Hussein of Jordan rejected Mideast negotiations under U.S.

auspices, Shultz appeared to wash his hands of any mediating role. "It is up to the parties in the region to find their way to security, peace and for that matter, better quality of life goals that everyone seeks," Shultz told a State Department press conference last March 20.

"You have to get out of this notion that everytime things don't go just to everybody's satisfaction in the Middle East, it's the fault of the U.S., or it's up to the U.S. to do something about it. We are active, we will help and in the end any solution that works will work primarily because the parties to it are out there, are involved in it and are determined to make it work."

The Outlook For U.S. Policy

This philosophy is behind the position the U.S. is taking in the current Israeli-Lebanese talks and apparently, for the present, will govern the Administration's attitude toward the overall Mideast peace process. This is why Richard Murphy, Assistant Secretary of State for Near Eastern and South Asian Affairs, is playing a behind-the-scenes role in the Israeli-Lebanese talks rather than being the mediator as was Philip Habib.

All this does not mean the Administration is ignoring the Mideast. The U.S. is trying to be "helpful" in the effort for an Israeli withdrawal which it has stressed must be coupled with guarantees for the security of Israel's northern borders.

The Reagan Administration is expected to continue the growing strategic cooperation with Israel and both military and economic aid to Israel will increase, although not without a dispute between the two countries on how much Israel needs.

The Administration will also continue to closely monitor the war between Iraq and Iran which has the potential for not only disrupting the oil flow to the West and Japan but could at any time erupt into a wider conflict.

The Reagan Administration will use the conflict as an excuse, as it has done previously, to seek to supply sophisticated arms to what it calls moderate Arab states, particularly Jordan and Saudi Arabia. This will result in ill feelings in Israel and a battle with Congress.

But, on the whole, the Administration hopes to keep the Mideast on the backburner for 1985 unless the unexpected occurs. Unfortunately, the Mideast is a place where the unexpected is the norm.

This is why many here fault this policy. They believe that unless the U.S. continually pursues an active policy aimed at bringing about an Arab-Israel peace, events may occur that will endanger the progress that has already been made.

PARIS (JTA) — Francois Bernard, long active in the French Jewish community and on behalf of Israel, has been appointed Secretary General of the Defense Ministry, the senior non-political career post in France's Defense Department. Bernard, 51, was a member of the executive committee of the Representative Council of Major French Jewish Organizations (CRIF) and served as a vice president of the French section of the Jewish National Fund until 1981 when he was appointed Director of the Office of the Defense Minister. He is the father of four children.