

**ISRAEL-LEBANON TALKS RESUME;
LEBANESE CITE CONDITIONS FOR
ACCEPTING DEPLOYMENT OF UNIFIL**
By Hugh Orgel

TEL AVIV, Jan. 22 (JTA) — The Israel-Lebanon talks were resumed at Nakura today with the Lebanese offering to accept the deployment of United Nations forces along the Awali River on condition that Israel provides a detailed timetable for the withdrawal of the Israel Defense Force to the international border and allows the Lebanese army to take over from the IDF in Sidon where the Israeli pull-out is already underway.

Those demands coincided with Lebanese charges that Israel was responsible for the car-bombing in Sidon Monday which killed two Lebanese and wounded a dozen others, including Mustafa Saad, leader of the Sunni Moslems. A Foreign Ministry spokesman in Jerusalem called the charge "a downright lie."

Lebanese Briefed On Israel's Withdrawal Plan

At this morning's meeting in Nakura, Gen. Amos Gilboa, head of the Israeli delegation, briefed the Lebanese on Israel's three-stage withdrawal plan which the Cabinet approved eight days ago. The first stage calls for a pullback from the Awali River line and Sidon and its environs to a new line along the Litani River. Israel estimates it will be completed by February 18.

The second stage will remove the IDF from the northeastern sector of south Lebanon and the final stage will bring it to the international border and out of Lebanese territory. No timetable has been set for the latter two stages although unofficial estimates say they could be completed within 6-9 months.

The Israelis have insisted that the area evacuated in the first stage be turned over to the United Nations Interim Force in Lebanon (UNIFIL) to patrol. The Lebanese had stubbornly opposed this until today's session at Nakura when they made their conditional offer.

The Lebanese claimed that the withdrawal from the Awali River line and Sidon was not a withdrawal but a "redeployment" of the IDF, intimating that without a timetable for the rest of the operation they could not trust Israel to remove its forces entirely from Lebanese territory.

At the end of the session, the Lebanese asked Israel to coordinate the pull-out from Sidon with the Lebanese army so it could take over from Israeli troops there. The Lebanese delegates said the Beirut government would meet tomorrow for a further discussion of the IDF pullback and a detailed response would be given to the Israelis on Thursday.

Israel Blamed For Violence In Sidon

The charge that Israel was responsible for the eruption of violence in Sidon was elaborated by Prime Minister Rashid Karamah who contended that the car bombing was part of an attempt by Israel to sow local sectarian strife after the IDF leaves Sidon.

Violence has escalated in Sidon and in Beirut this past week, mainly between the rival militias of the Shiite and Sunni Moslems.

Israel has warned of a possible bloodbath after the IDF withdraws from Lebanon and made it clear it would be the direct responsibility of the Lebanese government. Israel will not be the policeman for Lebanon and intends to get out as quickly as possible, commensurate with its security needs, spokesmen in Jerusalem have said.

Reporters from Sidon who covered the Nakura meeting today said the IDF withdrawal from the coastal town has been speeded up. Most soldiers are already out and equipment is being dismantled and trucked to Israel at an accelerated pace.

**REPORT ISRAEL AND GUINEA ARE
MOVING TOWARD RAPPROCHEMENT**
By Edwin Eytan

PARIS, Jan. 22 (JTA) — Israel and Guinea, once the most anti-Israeli country in Africa, are moving toward rapprochement and have already exchanged military missions, the Paris-based weekly *Jeune Afrique* reported yesterday.

According to the publication, which is considered very reliable, an Israeli military mission visited Conakry, capital of the West African state, earlier this month and Guinea soldiers have gone to Israel for paratroop and commando training.

The weekly said the rapprochement was initiated by the late President Sekou Toure of Guinea who, in 1967, was the first African leader to break off diplomatic relations with Israel.

In March 1984, several weeks before his death, Toure played host to an Israeli delegation in Conakry, *Jeune Afrique* said. Subsequently, the Israeli delegation continued contacts with Guinea's new Prime Minister, Diarra Traore, and Foreign Minister Facine Toure, according to the report.

**SPECIAL TO THE JTA
U.S. DEPARTMENT OF EDUCATION
MAILING DEPLORES EROSION OF
'CHRISTIAN VALUES' IN PUBLIC SCHOOLS**
By Kevin Freeman

NEW YORK, Jan. 22 (JTA) — The Department of Education's regional office director for western states, Thomas Tancred, last month circulated in a mailing to Christian schools, and apparently, inadvertently, to some Jewish schools, a speech which deplored the erosion of "Christian values" in America's public schools.

The 12-page speech, whose author was not identified, was attached to a cover letter written on DOE stationery and addressed as "dear friend." It was signed by Tancred. While lamenting the necessity for the establishment of Christian schools, the speech questioned how this could have happened in "this land of freedom, this Christian nation."

The mailing of the speech on DOE stationery sparked an investigation by Rep. Patricia Schroeder (D, Col.), who will seek to determine whether the distribution of the letter at federal expense violated federal law. The mailing is believed to have been a "one shot deal."

Schroeder's action was hailed today by Dennis Rapps, executive director of the National Jewish Commission on Law and Public Affairs (COLPA), who provided a copy of the document to the Jewish Telegraphic Agency.

Where and when the speech was delivered is under investigation, Rapps said. He said COLPA obtained the letter from unidentified sources who had received the mailing. COLPA has written a letter protesting the mailing to acting Education Secretary Gary Jones. According to Rapps, the DOE has publicly justified the action claiming that it was limited to Christian schools, although some Jewish schools received the materials.

"What has happened to our Christian system of values," the speech asks. It asserts that the Christian schools are being established because of the lack of Christian teaching in the public schools. The speech further stated that "it is important for Christian educators not to forget why our schools are here -- to educate our children in Christian principles and to shield them from the pernicious religion of secular humanism."

U.S.-ISRAEL FREE TRADE AGREEMENT EXPECTED TO BE FINALIZED SOON

NEW YORK, Jan. 22 (JTA) -- Nancy Adams, the U.S. Trade Representative leading the negotiations on the Free Trade Agreement between the U.S. and Israel, said here that "we are in the ninth or tenth round" and expect to finalize the agreement in the next few weeks.

Addressing the national executive committee of the Zionist Organization of America, she pointed out that once the agreement is finalized it is submitted to both Houses of Congress. As Congress must act on the agreement within 60 days, Adams, who is the director of the Middle East Affairs Office of the U.S. Trade Representative, noted that the Free Trade Agreement may be in place by mid-July.

In its discussion on creating programs to assist Israel in solving its economic constraints, the ZOA national executive committee recommended several programs whereby American firms and individuals can invest in Israeli businesses and enhance Israel's ability to further develop industry especially geared towards export.

One of the key ingredients to a strong export effort would be a duty free U.S. market for Israeli products. Adams noted that through the Free Trade Agreement all tariffs between the U.S. and Israel will be phased out over a 10-year period.

Proud Of Rescue Of Ethiopian Jewry

During its meeting, the ZOA leaders expressed pride and support of the return to Israel of thousands of Ethiopian Jews and expressed hope that the balance of Jews from Ethiopia will soon arrive in Israel. A resolution passed unanimously by the executive committee stated: "We commend the leaders of Israel and those responsible for the remarkable (modern day exodus) achievement. This demonstrates to the world the ongoing fulfillment of the Zionist dream."

Donald Halperin, Economic Minister to the Israel Embassy in Washington, told the ZOA leaders that the rescue of the Ethiopian Jews and their absorption into Israel will cost the government of Israel an additional "quarter of a billion dollars over the next few years." Halperin added that Israel will do all in its power to ease the adjustment of the newly arrived immigrants from Ethiopia.

In a related development, Ivan Novick, chairman of the ZOA Israel Projects, reported that a special meeting was held between U.S. Congressmen who were visiting Israel and leaders of the Ethiopian Jewish community at the ZOA House in Tel Aviv. The American lawmakers were Rep. Car-

dis Collins (D. Ill.), former chairperson of the Black Caucus in the House, Rep. Claude Pepper (D. Fla.), Rep. Anthony Beilinson (D. Cal.) and Rep. Lindy Boggs (D. La.)

At a luncheon meeting at the ZOA House, Pepper stated: "This dramatic rescue operation gives the lie to the oft-repeated 'Zionism is racism' accusation as Israel was bringing in thousands of Black Jews from Ethiopia."

ISRAEL BOND LEADERS, VISITING ISRAEL, PLEDGE TO PURCHASE OVER \$45 MILLION IN BONDS DURING THE COMING YEAR

By Gil Sedan and Hugh Orgel

JERUSALEM, Jan. 22 (JTA) -- About 200 Israel Bonds leaders from the United States, Canada and Latin America pledged to purchase over \$45 million in Israel Bonds during the coming year at a banquet with Premier Shimon Peres at the Jerusalem Hilton Hotel Saturday night.

The gala affair, attended by several other Cabinet ministers, marked the end of a week-long tour of the country where the visitors were shown industrial development projects and military installations and had meetings with most government leaders.

Peres On Israel's Withdrawal From Lebanon

Peres spoke of his government's decision to withdraw the Israel Defense Force from Lebanon and relations with Egypt. "We want Lebanon to remain independent and peaceful," Peres said. "We do not seek a part of her waters nor a part of her territories, and we do not want to play a part in her politics. But at the same time, we are determined that no Katyusha (rockets) will be fired from her territories at the villages of Galilee."

Peres stressed, "We do not ask Lebanon for permission to leave, nor do we charge Lebanon with the task of defending our villages. We shall leave on our own, we shall defend our villages ourselves, with the strategy we deem fit."

The Premier noted that talks with Egypt are to begin shortly in Beersheba to resolve the border dispute over the Taba region on the Gulf of Aqaba which both countries claim. Israel will work uninterrupted to make the peace with Egypt a real political success. We don't want the first peace agreement (with an Arab state) to be the last one," he said.

Israel's Economic Situation

The Bond leaders had a luncheon meeting with Minister of Science and Development Gideon Patt who told them that beginning on April 1, Israeli goods of all types will enter the United States duty free under terms of the Free Trade Agreement concluded with the Reagan Administration last Monday.

At an economic panel, the Bond leaders heard from Arye Sher, Accountant General of the Finance Ministry. He said Israel's average long-term debt is at an advantage over other countries whose debts are much shorter term. Israel's average rate of interest payments on long-term debts -- 5.2 percent -- is low by international standards, he said.

The Bond leaders also heard a review of relations with Egypt by Elyakim Rubinstein, legal advisor to the Foreign Ministry. He condemned what he said were anti-Semitic, anti-Jewish and anti-Israel cartoons that continue to appear in the Egyptian press.

Rubinstein rejected Cairo's explanation that this was the privilege of a free press and declared that Egypt's peace agreement with Israel demanded that the Egyptians cure this situation.

NEXT PHASE OF ISRAEL ECONOMIC PACKAGE DEAL IS UNDER DEBATE

By Hugh Orgel

TEL AVIV, Jan. 22 (JTA) — The government, Histadrut and the Employers and Manufacturers Association were locked in a three-way debate today over the next economic package deal to follow the three-month wage-price freeze which expires in 10 days.

"Package B", as the next phase is called, will be vital in dealing with Israel's gravest economic crisis. But the three sides are reported to be far from agreement. A major concern is that the current freeze will be followed by soaring prices that will abolish the gains made to date in holding down inflation. The rate was only 3.7 percent in the second half of December.

Price increases are, in fact, considered unavoidable. The discussions between labor, management and the government revolve around which prices should be allowed to rise and by how much.

Plans To Reduce The Budget

Finance Minister Yitzhak Modai plans to reduce the budget by reducing the government's price subsidies for basic products from their present 100-300 percent range to a 25-30 percent range. But reductions on that scale would send prices skyrocketing again. The monthly cost-of-living index could be expected to rise into the 15-20 percent bracket, the main reason why the price freeze was instituted last November.

The government agreed yesterday to some limited price increases even before the current freeze expires. A 10 percent hike was allowed on tea, cigarettes and beer — items that have virtually disappeared from supermarket and grocery shelves — because the manufacturers halted production.

But that concession was rescinded today after the manufacturers refused to guarantee a steady supply of their products at a reasonable price. Only the Elite company, manufacturer of instant coffee, chocolates and other edibles promised to resume production if the 10 percent rise was ratified.

Manufacturers, such as the Dubek company, which has a monopoly of the domestic cigarette market, and others cited the 10 percent increase in fuel prices ordered by the government last week and the rising cost of imported raw materials as reasons why they stopped production.

While the price they were allowed to charge customers was pegged to a frozen Shekel value of 527 to \$1, the Bank of Israel has continued to devalue the Shekel daily and the manufacturers must pay the full official rate for their imports.

Many manufacturers are complaining that the current price freeze took effect only a day or two before they had planned to raise prices, with the government's authorization, which put them at a disadvantage from the outset.

It is expected here that price increases of between 5-10 percent will be allowed within the next 10 days before the freeze expires and that increases of 10-30 percent will be permitted at the beginning of a new package deal next month. Thereafter, monthly price hikes are anticipated with government approval, to be balanced by partial increases in the monthly cost-of-living increases paid wage-earners.

While the three parties continue to bargain, Israel's health services and the army are beginning to suffer the constraints of the worsening economic situation. The Health Ministry agreed today that for economic reasons, government hospitals can go on a

Sabbath schedule, operating with skeleton staffs, on a daily basis. The hospitals were also told to postpone non-emergency surgery and out-patient treatment. The reason is they are short of cash to pay their suppliers and are therefore short of medicines and food.

The army is also experiencing supply shortages because it is in arrears. Inuvu, the dairy marketing cooperative, has halted the sale of milk to the army because of outstanding bills amounting to \$1 million.

Bezek, the government telephone corporation announced today that it would cut off non-essential phones used by the military because of non-payment of bills. The country's major bakeries have stopped delivering bread to the army for the same reason.

There was also bad news for people planning to buy automobiles and other imported vehicles. For the purpose of customs duties, the Shekel was unfrozen from 527 to 665 to \$1, the current Bank of Israel exchange rate. The price of new vehicles has risen by 16 percent and the tax on them now amounts to about two-thirds of their cost to the customer.

U.S. PRAISES SUDAN FOR SHELTERING ONE MILLION REFUGEES

By David Friedman

WASHINGTON, Jan. 22 (JTA) — The State Department praised Sudan today for sheltering one million refugees but avoided any reference to the Ethiopian Jews among them.

Department spokesman Bernard Kalb said that Sudan's President, Gaafar al-Nimeiry's remarks in a New York Times interview "appear to be a reaffirmation of Sudan's traditional liberal policy on refugees. Over one million refugees are currently in Sudanese camps, Sudan and the international community are bearing the burden of that care," he said. Media reports in the U.S. and in Europe over the weekend said that at least 2,000 Ethiopian Jews have died in refugee camps in the eastern Sudan since they began to flee their homeland last spring.

While noting that "the U.S. is in touch with international refugee organizations and others regarding refugees in eastern Sudan," Kalb ignored Nimeiry's remark in the interview that Ethiopian Jews were free to leave Sudan for any country, provided they did not go directly from Sudan to Israel.

Nimeiry told the Times that if the U.S. or European countries wished to help evacuate the refugees, they should work through the Office of the United Nations High Commissioner for Refugees based in Geneva.

Between November and the beginning of January, Israel admitted about 10,000 Ethiopian Jews, most of them brought in by an airlift from Khartoum to Tel Aviv, via Brussels. Premature disclosure of the operation in Israel, resulting in worldwide media attention, caused the airlift to be suspended by the Belgian charter company, Trans European Airways.

ISRAEL IS A COUNTRY OF WHEELS

TEL AVIV, Jan. 22 (JTA) — Given the ratio of vehicles to highway miles, Israel is the most heavily travelled country in the world, according to Haim Corfu, the Minister of Transport. There are 820,000 vehicles in Israel and two out of every 10 Israelis own a car, Corfu said. He said he was pleased to report that road accidents declined by five percent in the past year; injuries due to traffic accidents were down by six percent and fatalities by 10 percent. Corfu said that 43 percent of Israelis who apply for drivers licenses fail to pass their road tests.

REPORTS SHOW THAT ARAB BANKS ARE FLOURISHING IN THE U.S.

By Murray Zuckoff

NEW YORK, Jan. 22 (JTA) — Arab banks are flourishing in the United States, according to a survey in the Boycott Report, an American Jewish Congress publication. This is borne out in a Federal Reserve Board list, "Foreign Investment in U.S. Banking Institutions" as of June 30, 1984.

At the start of 1984, there were 19 Arab banks in New York State alone, most of them in New York City. A newly-formed Arab Bankers Association of North America "is flourishing," according to the Boycott Report. "The longest established Arab bank in the U.S. is UBAF Arab-American Bank, capitalized at \$100 million."

The UBAF, which came to New York in 1976, "works with American exporters seeking Arab markets," according to a recent report in The New York Times. "It finances trade, arranges joint ventures, and seeks deposits from corporations and institutions. That strategy produced a profit for the bank of \$4.5 million for the first nine months of 1984." According to the Federal Reserve Board list, the UBAF has \$1,227 billion in assets.

A Network Of Outlets

Two years after it was taken over by Arab investors, Financial General Bankshares, a multi-state holding company with a network of outlets in New York, Maryland, Virginia, Tennessee and the District of Columbia, "has become the largest Arab-led financial institution in the U.S., with assets of almost \$4 billion," the Boycott Report stated. "Among its large stockholders are the former director of Saudi intelligence, the son of the ruler of Kuwait and other Arab private investors."

The Bank Audi, of Lebanon, a relative newcomer that has gone after deposits from wealthy Lebanese Americans, earned a profit of \$35,000 in the first seven months of operation, through December, 1983. It is expected to report net earnings of more than \$300,000 for 1984, the Times reported.

Arab Banks in New York City

According to the Federal Reserve Board listing, the Saudi International Bank, a branch of the Arab consortium bank based in London, has assets of \$41.2 million; Arab African International Bank, branch of the Arab consortium bank based in Cairo, has \$331.4 million in assets; Arab Bank Corporation, branch of Kuwait-Egyptian bank based in Bahrain, \$320.1 million; The Gulf Bank, branch of a bank owned by a Kuwait merchant family, \$305.5 million; the National Commercial Bank, branch of largest Saudi Arabian commercial bank, has \$299.1 million in assets; Dubai Bank, branch of bank owned by a prominent Dubai family, \$132.8 million; Gulf International Bank, branch of Arab consortium bank based in Bahrain, \$118.3 million; and The United Bank of Kuwait, branch of a Kuwaiti consortium bank based in London, has \$60.7 million in assets.

All these banks are in New York. Their listed assets are as of June 30, 1984.

Mergers and acquisitions of interest in local American banks are also flourishing, according to Boycott Report. Petra Capital, the first Arab-owned investment bank established in the U.S., recently merged with a brokerage house. It is located in New York City.

A Saudi merchant, Abdullah Bakhsh, "recently acquired a 15 percent interest in a large regional bank in Milwaukee, owned by a holding company, Marine Corp.," the Boycott Report said, citing the Mideast Report as its source. "As part of the agreement, Mr. Bakhsh put \$60 million of new capital into the bank holding company."

Another Arab capitalist, Khalid bin Mahfouz, whose family owns half of the National Commercial Bank of Jeddah, recently acquired a 92 percent interest in a Houston bank, the Boycott report stated.

The influx of Arab banks was made possible by the International Banking Act of 1978 which suspended the reciprocity requirement to get a federal bank charter. Before that, an Arab bank could not get a federal license unless American banks were allowed to operate in the Arab country. Reciprocity remained a requirement to get a New York State charter until New York repealed it last fall.

Role Of Politics And Religion

"Avoiding politics and religion is a particularly sensitive question because of the Arab-Israeli conflict," the Times noted in its recent report. "The banks would get in trouble in their home countries if, for example, they invested in Israeli companies. But they would get in trouble with American authorities if they were believed to discriminate against Israel. The problem seems not to have arisen much because most Arab banks aim only to serve Arabs and American corporations doing business in Arab countries."

As for hiring Jews, the Times quoted Fakhruddin Khalil, senior executive vice president of the UBAF, as saying, "The answer is a very strong and clear confirmation that anybody who applies and is qualified will be hired irrespective of religion." He said he did not ask the religion of job applicants and did not know the religion of many employees but he assumed that he had hired Jews.

TEL AVIV (JTA) — A lightning bolt striking a high tension line put the Hadera power station out of commission for several hours Monday forcing the Israel Electric Corp. to impose temporary blackouts in various parts of the country. The utility restored full power by evening, but not before the failure of traffic lights caused mammoth traffic jams.

TEL AVIV (JTA) — Israel's triennial Food Fair, which opens at the Tel Aviv Hotel this week, is expected to draw more than 450 buyers of processed foods from 19 countries to sample the products of Israel's food processing industry. Israel's food exports rose by 17 percent last year to a high of \$365 million. The Export Institute expects this figure to double within the next three years.

NEW YORK (JTA) — The greatest increase of American tourism to Israel since the establishment of the State in 1948 took place last year, it was announced here Tuesday by Moshe Shoshani, Israel's commissioner for tourism for North America. He said that "405,000 Americans visited Israel in 1984 which represents a staggering 15 percent increase over 1983 when 354,000 Americans travelled there." A peak figure of 1.3 million visitors worldwide was also a record achievement.