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SEVERE SETBACK TO ECONOMIC RECOVERY AS THE C.O.L. CLIMBS AN UNEXPECTED 19.4 PERCENT

By David Landau

JERUSALEM, May 15 (JTA) — The unexpected 19.4 percent hike in the consumer price index in April was conceded by government officials today to be a severe setback to economic recovery. But it may have been the shock treatment needed to force the government to take drastic and politically unappetizing measures to correct the nation's severe economic woes.

As late as last night, officials were predicting that the April price index, released this morning, would not exceed 12 percent. The actual figure, nearly eight percentage points higher, means that inflation is now running at an annual rate of 320 percent. This is less than last year but much higher than the national unity government had hoped for at this stage of its economic "package deal" program.

The 19.4 percent figure also means that every job-holder will receive a 15 percent cost-of-living increment with his or her May salary, payable June 1. But many employers maintained today that it will be well nigh impossible to meet the wage bill. A spokesman for the Manufacturers Association claimed that the heaviest burden of the wage-price "package deal" seems to fall on the employer.

Criticism By Histadrut Leader

Yisrael Kessar, Secretary General of Histadrut, vowed that the trade union federation would "fight for full compensation" for every employed person. Kessar, one of the growing number of critics of the government's economic policies, said there was no need for the Cabinet to have waited for the outcome of Monday's Histadrut elections before initiating strong economic reforms.

Kessar said there was in fact no guiding economic policy in the government. Coalition Knesset members admit that the April figures indicated the "failure" of the second package deal the government, labor and management agreed to after the first expired last January. Both were aimed at holding down inflation by limiting or freezing wages and prices. But exceptions were made and the urgent need for the government to reduce or abandon its subsidies for basic goods resulted in an upward pressure on prices.

The 45 percent bop in the cost of wearing apparel and shoes was seen as the main culprit in the April price index. The cost of housing, including purchase and maintenance, went up by 25 percent last month.

Strong Measures Indicated

Reacting to this, Likud ministers convened in Deputy Premier Yitzhak Shamir's office today and Labor Party Cabinet members are to meet with Premier Shimon Peres tonight. Minister for Economic Planning, Gad Yacobi, a Laborite, indicated that strong measures soon will be taken.

The media had predicted this several days before the Histadrut elections in which Labor increased its majority substantially over Likud. According to the press, with the elections out of the way, tough measures would be feasible.

The country's leading economists have been warning for months that calamity will descend unless the government carries out the budget cuts it decided on months ago but has not yet enforced. What the government fears most is large scale unemployment arising from those cuts.

Nevertheless, the media forecasts drastic measures to soak up purchasing power that fuels inflation. A doubling of the new \$150 per capita travel tax is expected along with higher fuel prices, a shorter work week for civil servants, with commensurately lowered pay, strict import controls and high tariffs on those imports that are permitted.

ISRAELIS AND EGYPTIANS HOLDING TALKS ON 'PACKAGE DEAL APPROACH' TO OUTSTANDING BILATERAL ISSUES

By David Landau

JERUSALEM, May 15 (JTA) — Two top government aides, heading a team of ranking civil servants, flew to Cairo last night to begin talks with Egyptian officials on a "package deal approach" to the outstanding bilateral problems between Israel and Egypt.

The team, headed by Foreign Ministry Director General David Kimche and Gen. Avraham Tamir, Director General of the Prime Minister's Office, was dispatched to the Egyptian capital after they heard a report from Richard Murphy, the U.S. Undersecretary of State for Near Eastern and South Asian Affairs, who accompanied Secretary of State George Shultz on his visits to Israel, Egypt and Jordan last weekend.

Murphy, who returned to Jerusalem to brief the Israelis on Shultz's talks with President Hosni Mubarak of Egypt and King Hussein of Jordan, indicated that Cairo is prepared to adopt the "package deal" approach. Israeli sources said Shultz and Murphy had sought to inject "a sense of urgency and importance" in both Jerusalem and Cairo with respect to the resolution of outstanding disputes.

Some Of The Issues

The most immediate issue in the "package" is the border dispute over Taba, a tiny strip of beach on the Gulf of Aqaba claimed by both Israel and Egypt.

Other elements are the normalization of relations between the two countries which have stagnated for years and which Israel wants reactivated; a cessation of hostile anti-Israel propaganda -- especially anti-Semitic articles and cartoons -- in the Egyptian press; and the return of the Egyptian Ambassador to Israel who was called home in September, 1982, during the Lebanon war.

Another element, probably the most important, but not mentioned specifically, is a possible summit meeting between Mubarak and Premier Shimon Peres.

The Israeli and Egyptian officials are meeting today and tomorrow at the Mena House Hotel outside Cairo. Sources here see this as the first of several such sessions and expect steady work rather than a sudden breakthrough.

The nub of the Taba issue is Egypt's insistence that it be submitted to arbitration. The 1979 Israel-Egypt peace treaty provides machinery to resolve disputes by conciliation and arbitration if negotiations between the two sides fail.

Israeli sources said they feared a formalistic, hidden-bound arbitration process would inevitably raise tensions, would be costly and time-consuming, whereas conciliation could be completed much more quickly and in a more harmonious atmosphere.

It was reliably learned here that the Israeli team will propose a mixed process of conciliation and arbitration which would enable the mutually agreed-upon arbitrator to propose a compromise solution rather than a straightforward ruling in favor of one side or the other.

This is a departure from Israel's policy under the former Likud-led government which insisted on conciliation before arbitration. Israel is now agreeable to arbitration but wants the instrument of arbitration to be broadly and flexibly worded to allow for a conciliatory solution.

The Taba issue is complicated by the presence there of the Israeli-owned Sonesta Hotel and the Rafi Nelson Holiday Village, both tourist resorts.

STRIKE HITS GOVERNMENT HOSPITALS By Hugh Orgel

TEL AVIV, May 15 (JTA) -- Emergency rooms at government hospitals were disrupted by a strike of nurses and administrative personnel today but were able to function without serious delays.

Doctors were on hand to treat soldiers and emergency cases. Non-emergency patients postponed their visits. Private hospitals and those of the Hista-drut's Kupat Holim sickfund were not affected by the walkout and took up much of the workload. Drivers of Magen David Adom ambulances were instructed to take patients to those hospitals instead of the government institutions.

The nurses and administrative employees are demanding salary increases and additional staffing. Health Ministry sources said that while the situation was in hand today, it could become serious if the emergency room staffs continue their walkout and a backlog builds up of patients seeking treatment.

Calm In Other Strike-Threatened Sectors

Meanwhile, temporary calm prevailed in two other strike-threatened sectors of government-employed workers. High school teachers, protesting the dismissal notices the Education Ministry sent to 5,000-6,000 of their non-tenured colleagues last week, agreed to conduct a biology test today, the first of a series of written examinations for students seeking admission to universities.

But they refused to hold the oral examinations needed by secondary school students for matriculation. The teachers are threatening a future strike unless the dismissals are withdrawn. They are aimed at cutting the Education Ministry's budget. The teachers also refuse to forego incremental wage hikes due them since last September but not paid because of budget constraints.

Postal workers who were supposed to begin a three-day strike yesterday, cancelled it at the 11th hour to allow talks to continue on proposed major reforms in the postal system.

The workers favor a State-owned postal corporation independent of the Communications Ministry which could hire additional workers and prepare its own budget. The principal grievance of the postal workers has been work overload. This developed because many more people are using the post office banks to pay taxes and utility bills since the commercial banks introduced high fees for such transactions. The postal banks charge no fee.

LEWIS HONORED AS HIS AMBASSADORIAL TOUR OF DUTY IN ISRAEL NEARS ITS END By Hugh Orgel

JERUSALEM, May 15 (JTA) -- "Trees are to Sally and me the right way to remember Israel and to be remembered in Israel," U.S. Ambassador Samuel Lewis told a group of high-ranking friends assembled on a mountainside outside Jerusalem today to honor him as his eight-year tour of duty in Israel nears its end.

Lewis, who returns to the U.S. at the end of this month, spoke in response to the dedication of a forest and picnic area in the names of himself and his wife Sally Lewis. The site is the Jewish National Fund's American Independence Park at Nes Harim. He said the trees would be one more reason for them to come back to Israel on visits. Another reason, he said, would be to celebrate with the Israelis the "next peace treaty" Israel signs with its neighbors.

Premier Shimon Peres, one of the leaders attending the ceremony, hailed Lewis as a "brilliant Ambassador and a warm friend" who served both America and Israel in "difficult and complicated times," always with utmost tact and understanding.

'The Whole Nation Regrets It'

"I think it is the first time in the history of the Holy Land that a High Commissioner departs and the whole nation regrets it," Peres said jocularly. He was alluding to occasional references by opposition politicians to the American envoy as the "High Commissioner." Palestine under the Mandate, was governed by a High Commissioner appointed by the British Colonial Office.

Others at the ceremony included Leon Dulzin, chairman of the World Zionist Organization and Jewish Agency Executives; Cabinet ministers Gad Yacobi, Gideon Patt and Moshe Arens -- the latter a former Israeli Ambassador to Washington; Moshe Rivlin, chairman of the JNF Board; and Mayor Shlomo Lehat of Tel Aviv where the U.S. Embassy is located.

Lewis said: "I feel very sad about leaving, but I feel a little bit better about leaving today. This forest in our honor is a permanent pledge that we will be able to come back often and have a tree to lie under. And we will." He added, "I'm very happy that, since I have to leave sometime, I do so when our relations are so close and good."

Peres said: "Sam is a brilliant Ambassador for his country and a warm friend for our people. You have managed to bring our two nations to the summit and the peak of our relationship. For that reason you are sincerely appreciated and deeply beloved, with Sally standing at your side as an ambassador in her own right, conquering the hearts of so many people."

ISRAEL OPPOSES FUTURE CONCESSIONS IN THE WEST BANK AND GOLAN HEIGHTS

TEL AVIV, May 15 (JTA) -- Israelis overwhelmingly take a hard line against any future concessions in the West Bank or the Golan Heights, according to the results of a poll published in Maariv today. The poll was conducted by the Modi'in Ezrachi Research Institute.

It showed that 65 percent of the population is opposed to any territorial concessions in the West Bank and 95 percent believes that the Golan Heights are essential to Israel's security.

Only 7.6 percent of the respondents would be willing to give up all of the Jewish settlements so far established in the West Bank. Another 21.9 per-

cent was prepared to abandon some of them. Only 28.3 percent supported a freeze on new settlement activity to 36.7 percent opposed.

Asked about the future of the territory, apart from settlement activity, 49.4 percent of the respondents rejected any territorial compromise for peace, 33.9 percent would consider concessions in some restricted areas and 14.8 percent would be prepared to relinquish the entire territory for peace.

On the question of the Golan Heights, 78.7 percent thought Jewish settlement there was essential for security and 63.9 percent would not give up any part of the region. By contrast, 25.6 percent would abandon certain parts of the region while 14.5 percent thought the Golan settlements had some importance for defense.

STATE DEPARTMENT READY TO OPEN UP 'SUBSTANTIVE POLITICAL DIALOGUE' WITH PLO IF IT MEETS U.S. CONDITIONS By David Friedman

WASHINGTON, May 15 (JTA) -- The State Department declared today that if the Palestine Liberation Organization meets the "well known" conditions of the United States, the U.S. is ready to "open up a substantive political dialogue" with the PLO.

But State Department deputy spokesman Edward Djerejian made it clear that this would require more than statements to the press by PLO chief Yasir Arafat. "If Arafat and the PLO explicitly accept United Nations Security Council Resolutions 242 and 338 and recognize Israel's right to exist, the U.S. will then be prepared to enter into a substantive political dialogue with the PLO," he said. He added, "That has been and remains our position."

Djerejian indicated that the acceptance would have to come not only from Arafat but from the PLO's executive committee which earlier this year again rejected Resolution 242.

The State Department had no comment on an interview Arafat gave The Washington Post and The Los Angeles Times in Amman yesterday in which he said he would accept Resolution 242 if the U.S. endorses the right of the Palestinian people to "self determination." Djerejian said that he had not seen anything by Arafat accepting the resolution.

Palestinians Are The Key

At the same time, Djerejian stressed that the U.S. has long clearly stated its position on Palestinian self-determination. "We have always believed the Palestinians are key to any resolution of the Arab-Israel conflict," he said.

Djerejian then listed specific ways in which the U.S. has emphasized this position. "It is U.S. policy that any agreement must address the legitimate rights of the Palestinian people. There should be Palestinian participation at every stage of the negotiating process. Any agreement on the final status of the West Bank and Gaza should have the prior consent of the inhabitants of the territories."

Finally, Djerejian stressed that "It is the firm view of the U.S. that the best chance for a durable, just and lasting peace is offered by the self-government by the Palestinians of the West Bank and Gaza in association with Jordan." The PLO has always described self-determination as a Palestinian state which both Israel and the U.S. oppose.

Secretary of State George Shultz, in his recent visit to Israel, Egypt and Jordan, sought to find a

means of selecting Palestinian representatives for a Jordanian-Palestinian delegation for talks with the U.S. that would lead to direct negotiations between the joint delegation and Israel.

Shultz was quoted as saying that he found a "genuine sense of movement" toward negotiations during his talks in the Middle East. However, Jordan still maintains that the Palestinian members of the delegation must be members of the PLO while Israel has made it clear it would never negotiate with members of a terrorist organization.

Whether there is any movement may depend on what happens when King Hussein of Jordan meets here with President Reagan later this month.

28 LAWMAKERS URGE REAGAN NOT TO APPROVE ARMS SALES TO ARAB NATIONS NOT AT PEACE WITH ISRAEL By David Friedman

WASHINGTON, May 15 (JTA) -- Twenty-eight freshmen members of the House have sent a letter to President Reagan urging him not to approve any new arms sales to Saudi Arabia "or other Arab nations not at peace with Israel."

"We will oppose arms sales to Arab countries hostile to Israel with all the energy and determination in our power," the Congressmen declared.

The letter, initiated by Rep. Mac Sweeney (R. Tex.), noted that the United States has, over the past decade, "provided an arsenal of sophisticated military hardware" to Saudi Arabia, "an avowed enemy of an American ally," which "has undermined United States policy in the region. Within one month of U.S. Senate approval of the AWACS sale in 1981, the Saudis raised oil prices, sent millions of dollars to the PLO, and sabotaged American defense plans in the Persian Gulf."

The Congressmen stressed to the President that "both Saudi Arabia's continued pattern of hostile action toward U.S. policy and their steadfast refusal to participate in peace talks with Israel violates the criteria for new arms sales you established in 1981."

Noting that Reagan said in 1981 that future arms deliveries would depend on Saudi assistance to the peace process, the letter said: "Saudi Arabia will never be able to meet that criterion because of its inherent instability which stems from Islamic fundamentalists' opposition to Saudi Arabia's Western ties."

The Congressmen warned that "the idea of an unstable Saudi government cramming even more U.S. military equipment into their already swollen arsenal strikes fear into the hearts of every friend of Israel."

JERUSALEM (JTA) -- Premier Shimon Peres reiterated his opposition to the creation of a special commission of inquiry into the causes and conduct of the war in Lebanon. The Premier met with bereaved parents of Israeli soldiers who died in Lebanon. They and other groups have been demanding an inquiry into the war which began with the Israeli invasion of Lebanon in June, 1982. Peres argued that any such action could result in the breakdown of the Labor-Likud national unity coalition government. He pointed out that this government is the one that is withdrawing the Israel Defense Force from Lebanon, an operation to be completed early next month, and by so doing has made clear its attitude toward the Lebanon war.

SPECIAL INTERVIEW **A NEED FOR CONSTANT VIGILANCE** By Gil Sedan

JERUSALEM, May 15 (JTA) -- The Jerusalem International Book Fair, which closed last Friday, was enlivened by the presence of an unlikely author. He is Isaac Charchat who, at the age of 81, recently completed his first book, the autobiographical novel "A Constant Reminder", just published by Shengold Publishers, Inc. in New York.

An octogenarian with the twinkle of a teenager in his bright blue eyes, Charchat did not come to the Fair to sell books. He is an industrial magnate, an international tycoon whose enterprises, grounded in the shipping industry, include financing foreign trade, world-wide transportation of goods and the distribution of books of foreign publishers in the U.S. and England.

"A Constant Reminder," though in fiction form, is based on the hard facts of Charchat's long life. It is an adventure story and, as the title implies, a warning -- especially to Jews -- that history in its most evil aspects, can repeat itself. Essentially, the book seeks to explain and to detail the historical dynamics that led to the Holocaust, an aspect which Charchat feels is infrequently and inadequately dealt with by those who chronicle the horrors of the Holocaust.

His insight into history began at the age of 21 when he became aware of fanatical anti-Semitism on both sides of the Atlantic.

The year was 1925. Charchat, the son of a wealthy Jewish businessman living in Sweden, was on a visit to Germany when an obscure Bavarian politician, Adolf Hitler, walked out of Landsberg prison a free man after serving one year of a five-year sentence for precipitating the aborted "Munich Putsch" of 1923.

The Role Of Henry Ford

Hitler, an impoverished nonentity, carried with him two prized possessions -- the rough draft of his autobiography, "Mein Kampf," written while serving his sentence, and a four-volume set of books entitled "The Eternal Jew," an "expose" of an alleged international Jewish conspiracy written by one of the then most famous and most admired men in America -- auto-maker Henry Ford.

The multi-millionaire U.S. industrialist, a man of great mechanical talent and profound ignorance, harbored a mindless hatred of Jews. Hitler more than once acknowledged his debt to Ford for certain ideas.

Charchat has no doubt that Ford, publisher of a blatantly anti-Semitic periodical, the Dearborn Independent, could have become America's Hitler. But American Jews, who had nowhere near the political sophistication and influence that they have today, exposed Ford's ugly racism and forced a public apology from him. This put an end to whatever political ambitions he might have entertained. It should be noted that Ford's anti-Semitism was not shared by the members of his family who inherited his automobile empire.

But Charchat pondered what might have happened if Ford or some other anti-Semitic demagogue reached the pinnacle of political power in the U.S. The fate of Jews and other minorities, he is convinced, would have been identical to the fate of non-Aryans in Hitler's Reich.

"A Constant Reminder" takes liberties with history. The rise of Nazism in Germany is set in the 1920's instead of the '30s. America has sealed its doors to Jewish refugees and the British have closed off Palestine. In what many readers might consider a flight of fancy, Charchat's novel has friendly Egyptians helping to smuggle nearly 500 "illegal" Jewish immigrants into Palestine.

A Theme Of The Book

But Charchat maintains today that such an event was not impossible. It was not coincidental that he began writing his book on November 19, 1977, the day President Anwar Sadat of Egypt made his historic trip to Jerusalem. One of the themes of "A Constant Reminder" is the potential for friendship between Jews and Arabs in contrast to European and American anti-Semitism.

Charchat is convinced that the Egypt of President Gamal Abdel Nasser was not the "real Egypt," that the Egyptians did not really want to be involved in Nasser's wars against Israel and that Sadat's move reflected not a change of course but a return to the true course of Egypt.

"I was not surprised when Sadat came here," Charchat said in Jerusalem. "This was the natural outcome of a historic development." He is convinced that the Israeli-Egyptian peace treaty will be long-lasting. "I am not worried at all, because we have the foundation. Like brothers, we may call each other names, but basically we want to be friends," he said.

Says History Can Repeat Itself

But he is concerned that history could repeat itself elsewhere. Henry Ford, he said, tried to tell the Germans after World War I that they didn't lose the war -- it was the fault of the Jews. Speaking to the Jewish Telegraphic Agency here the day after President Reagan placed a wreath at the military cemetery at Bitburg where Waffen SS are buried along with other German war dead, Charchat said:

"Look, the same trend takes place nowadays. The Germans engage in the process of detaching themselves from responsibility for the horrors of the Third Reich, attributing them to the Nazis only, as if they were a separate political entity apart from Germany. All this does not surprise me."

Charchat built his early career in shipping. When World War II brought that business to a halt, he used his time to develop a unique accounting system, one of the first to utilize computers. In the late 1950's he was one of the first to introduce containerized cargoes, which revolutionized the world maritime trades.

Charchat offered his services as a distributor at the Jerusalem Book Fair. He said that Israel, more than any other community, is a melting pot of languages. "It is the perfect setting for such a Fair."

PARIS (JTA) -- Klaus Barbie, the "butcher of Lyon," is physically and mentally fit to stand trial, three medical experts have told investigating magistrate Christian Riss. Barbie, the Lyon gestapo chief during World War II, is expected to go on trial this fall on half a dozen charges of "crimes against humanity." The three experts who examined Barbie 12 times, sometimes for hours on end, reported that he "shows no remorse or regret" and refuses to discuss his wartime activities.