



SHULTZ PRAISES ISRAEL'S ECONOMIC REFORMS BUT INDICATES THAT U.S. FUNDS WOULD BE WITHHELD FOR THE TIME BEING

By Judith Kohn

WASHINGTON, April 2(JTA) -- Secretary of State George Shultz and Israeli Prime Minister Shimon Peres offered glowingly upbeat reports Tuesday on the state of Israel's economy as a result of recent austerity measures and economic reforms. The lavish praise accorded the Israeli leadership in its efforts to reform the economy left observers all the more surprised when Shultz subsequently indicated that the second half of an already-approved supplemental assistance grant would not be disbursed just yet.

Payment of the first half of the \$1.5 billion supplemental package that Congress approved last year was announced during the last visit here by Peres in the fall, and Shultz was expected to approve the disbursement of the second half after his meeting with Peres Tuesday. The remaining \$750 million is to be awarded during the current fiscal year.

Speaking to reporters following a luncheon for Peres at the State Department in which each praised the other for his role in helping the Israeli economy get back on its feet, Shultz said the two had discussed the matter of disbursement but indicated that the funds would continue to be withheld for the time being. "Our guiding principle will continue to be how (the funds) will be most helpful to the economy of Israel," Shultz said.

Substantial Economic Changes Required

Shultz, an economist who has been personally involved in pressing for economic reforms to the Israeli government, has often stressed that extra assistance will have no effect in the absence of substantial changes in economic policy. A request to Congress for the supplemental aid was accordingly held up for months last year to the point where legislators were suggesting they would go ahead and approve the aid without an Administration request.

But Shultz and Peres maintained the economic reform program adopted by the national unity government in Israel last July was working wonders, and both suggested that Peres has been effectively converted to the Reagan Administration's economic views.

If Israel wants to promote economic growth, it will first have to raise its exports in order to further cut its trade deficit, Peres said. Secondly, he added, there was a need "to cut out the government from getting itself involved in running business."

Referring to what he called his new awareness about the need to emphasize the private sector and reduce the role of government in the economy, Peres observed that "a pessimist is an optimist who learned the details of the situation. I started as an optimist but then I learned something."

The Israeli reform program has involved substantial government spending cuts, much of it coming from reductions in subsidies on consumer goods and government employe layoffs, a wage and price freeze and a restrictive monetary policy meant to keep interest rates high and thus reduce private spending.

With the adoption of the new program, a group of American Jewish and Israeli businessmen headed by veteran Jewish leader Max Fisher, formed Operation Independence -- an organization aimed at helping the Israeli economy through private sector initiative. The group has worked at promoting commercial endeavors to increase Israeli exports and tourism.

Tuesday's luncheon was attended by Fisher and other members of the organization, which was applauded by the Secretary of State for its work in steering the Israeli economy toward a free enterprise system. "I think the work of Operation Independence can make a permanent difference in Israel's future," Shultz said at the luncheon.

According to still unpublished figures presented by Peres at the luncheon, Israeli inflation has come down from a monthly rate of 24 to 25 percent to 1 or 1.5 percent. Peres also noted that for the first time in the history of the Jewish State, Israel has just ended a budgetary year without a deficit. Peres said he was hoping to reach the stage when Israel and the US "can be friendly, without asking for any assistance."

PERES, IN TALKS WITH BUSH AND SHULTZ, PROPOSED MIDEAST PEACE INITIATIVES BUT WON'T REVEAL WHAT THESE ARE

By David Friedman

WASHINGTON, April 2(JTA) -- Israeli Premier Shimon Peres said Tuesday that in his talks with Vice President George Bush and Secretary of State George Shultz he discussed "initiatives" for moving the stalled Middle East peace process forward.

But Peres refused to reveal what these initiatives were during a press conference at his hotel: "Quiet diplomacy is really essential to discussing some new opportunities on the road to peace." The Premier was scheduled to have another meeting with Shultz Wednesday and visit the Pentagon before flying to New York later in the day.

Peres said he believed that new initiatives should come from the Arabs. But he stressed that the United States is coordinating the suggestions that are being made. The initiatives discussed with the Reagan Administration are in the "early stages" and have to be checked with "some of our neighbors," Peres said.

But he stressed the current "setback," caused when King Hussein of Jordan ended in February his year-long effort of trying to bring about a joint negotiating position with the Palestine Liberation Organization, should not be allowed to "put an end to the peace process."

When Peres was asked whether Israel should now try to negotiate with PLO leader Yasir Arafat, the Premier replied that Hussein learned

that Arafat was more interested in keeping his organization together than in negotiations.

After his talks at the State Department with Shultz, Peres stressed that he believes that peace will be achieved. "I don't have the slightest doubt about it," he said.

Concerned about Syria

At the press conference later, Peres said Israel was concerned about the belligerent rhetoric from Syria as well as the Syrian military deployment on the Golan Heights. He stressed that Israel was not going to engage in a continuing escalation of rhetoric because this only exacerbated the situation. As to whether Syria was threatening any military action, Peres said this depended on its President, Hafez Assad.

Improving Quality of Life for West Bank Arabs

Peres maintained that Israel was interested in improving the "quality of life" for the Arab residents of the West Bank and noted that some previous restrictions had been lifted. He said Israel was doing what it could to "facilitate" the steps necessary to improve economic conditions on the West Bank.

The Premier said he had no objection to financial aid from outside to help this process, including from Jordan. He noted that all 800,000 Arabs on the West Bank are citizens of Jordan.

Other Issues Discussed

On other issues: Peres said he believed that the dispute with Egypt over Taba would be settled soon. He said that the peoples of Israel and Egypt prefer the present situation of peace between the two countries "far better" than the former state of belligerency.

He stressed Israel is opposed to the U.S. proposal to sell \$354 million in missiles to Saudi Arabia. "We didn't change our position" of opposition to the sale of arms to countries in a state of belligerency with Israel, he said. He did not mention Israel's decision not to actively campaign against the sale.

Peres said his government was still committed to the manufacture of the Lavi jet fighter despite a Pentagon report that the plane is not economically feasible at this time. He said the first plane will be ready in September.

Peres said Israel is waiting for all the information on charges that former United Nations Secretary General Kurt Waldheim participated in Nazi war crimes before making any judgement. He said it was up to Waldheim to answer the questions raised about his World War II activities in Yugoslavia.

TABA TALKS DEADLOCKED

By David Landau

JERUSALEM, April 2(JTA) -- The latest round of talks between Israel and Egypt over arbitration of the Taba border dispute ended in deadlock in Cairo Tuesday night, and not without rancor.

The chief Egyptian negotiator, Nabil Al-Arabi, accused Israel of footdragging. Foreign Minister Yitzhak Shamir retorted Wednesday by playing the Egyptian media for, as he put it, presenting an "anti-peace" image of Israel.

The chief obstacles are the terms of reference for the arbitration panel and the composition of the panel itself. It would consist of three arbitrators -- one Israeli, one Egyptian and a third party

jurist who would be selected by the other two. The Israelis and Egyptians have been unable to agree on the third party.

The talks have been going on for some six weeks, alternating between Cairo and Herzliya. With the stalemate unlikely to be broken, the negotiating teams are expected to refer the dispute back to the top policymaking levels in their respective countries.

That could lead to renewed tension in the Labor-Likud unity coalition government. Labor has generally been flexible on the Taba issue. Likud prefers taking a tough line with the Egyptians.

UN SECRETARY GENERAL URGED TO DISCLOSE ALL DOCUMENTS CONCERNING THE WAR-TIME ACTIVITIES OF WALDHEIM

By Kevin Freeman

NEW YORK, April 2(JTA) -- United Nations Secretary General Javier Perez de Cuellar was urged Tuesday by representatives of four Jewish organizations to make public all UN documents and records concerning the war-time activities of Kurt Waldheim.

In a letter delivered to the office of the Secretary General after a rally at the Isaiah Wall across from the UN, de Cuellar was also urged to "distance the international body of world peace from somebody who had defrauded the integrity of this noble organization."

In addition, the UN should support efforts to strip Waldheim of his UN benefits and any other connections and honors which affiliate him with the world organization, the letter said. Waldheim served as UN Secretary General from 1972 to 1981. His pension and other yearly benefits from the UN are estimated at nearly \$100,000.

The letter was signed by Israel Singer, secretary general of the World Jewish Congress; Menachem Rosenshaft, founding chairman of the International Network of Children of Jewish Holocaust Survivors; Malcolm Hoenein, executive director of the Jewish Community Relations Council of New York; and Ayall Schanzer, chairman of the North American Jewish Students Network.

More Documents Released

The controversy surrounding Waldheim's alleged Nazi activities, which have been disclosed over the past few weeks, continued Tuesday with the release of documents alleging Waldheim was on the operations staff of the military unit which carried out the "Kozara massacres" in wartime Yugoslavia.

According to captured Nazi documents signed by Waldheim, and released by the WJC, the former UN leader was an intelligence officer who delivered daily briefings to Chief of the General Staff of Army Group E, commanded by Gen. Alexander Locher.

Further, Waldheim's signature is also affixed to a political intelligence report on the activities of George Papandreou -- the father of the present Greek Premier -- who was then partisan leader before rising to Prime Minister himself.

The documents appear to provide further evidence that Waldheim was involved in war crimes. Last week, WJC released information linking him with atrocities in the Balkans during World War II and a 1948 document showing that after the war both the United States Army and

the United Nations War Crimes Commission listed Waldheim as a suspected Nazi war criminal.

Waldheim has vehemently denied any Nazi affiliations or activities on his part and charged that the campaign against him is a deliberate attempt to destroy his credibility as a candidate for the Austrian presidency. Waldheim, the candidate for the conservative Peoples Party, is opposed by Kurt Steyrer, a Socialist, in the elections scheduled for early May.

Rally Pillories Waldheim

At the rally across from the UN, Rosensaft pointed to the new documentation issued by the WJC and said: "There is no question that Kurt Waldheim is a liar who has repeatedly and deliberately misrepresented his past. He is also a suspected war criminal, and the evidence against him continues to accumulate."

"Kurt Waldheim has betrayed the trust of the entire international community," Rosensaft told the some 100 demonstrators, referring to his UN service. "The very least we have the right to expect from our public officials is a modicum of honesty and integrity. Kurt Waldheim has demonstrated that he possesses neither quality."

Also addressing the rally was Brooklyn District Attorney Elizabeth Holtzman, who as a member of Congress was instrumental in the formation of the Justice Department's Office of Special Investigations, the unit responsible for pursuing legal action against suspected war criminals in the United States.

Holtzman said the United Nations is now "an accomplice" to Waldheim's past activities for failing to make public the information on the former UN Secretary General in its secret war crimes files. "The silence of the United Nations is shameful," she said. "This silence cannot be tolerated. It must end -- now."

The UN file on Waldheim, numbered 79/724, is one of 40,000 files on war criminals, suspects and witnesses compiled by the United Nations War Crimes Commission between 1943 and 1948. The Commission, a panel of representatives from 17 Allied nations, deposited the records with the UN for safekeeping.

The UN has released only three files: that on Adolf Eichmann to Israel, and those on Josef Mengele and Klaus Barbie to the U.S. A Justice Department request for access to the files was rejected. Commission rules asserted that the files may be inspected and used only for official UN purposes and that the Secretary "therefore cannot be called upon to reply to inquiries of persons charged or suspected of war crimes."

BIPARTISAN KNESSET MOVE TO HAVE ISRAEL TAKE AN OFFICIAL POSITION ON WALDHEIM'S ALLEGED NAZI PAST

By David Landau

JERUSALEM, April 2(JTA) -- A consensus appeared to develop in the Knesset Wednesday for Israel to take a firm official position on allegations that former United Nations Secretary General Kurt Waldheim has a Nazi past.

Agenda motions to that effect came from across the political spectrum, from the Orthodox parties to Mapam. In response, Deputy Foreign Minister Ronnie Milo of Likud, stated that Israel "will react unequivocally and as befits the Jewish State if the allegations against Dr. Kurt Waldheim prove well-founded."

He has been accused of being involved in atrocities, against partisans, women and children in Yugoslavia and in the deportation of Greek Jews from Salonika to Auschwitz when he served as a Wehrmacht lieutenant in the Balkans during World War II, attached to German General Headquarters.

Premier Shimon Peres has come under strong pressure from the World Jewish Congress to take a stand on Waldheim. The WJC has produced documents that seem to confirm the charges against Waldheim, who is a conservative candidate for the Presidency of Austria in the May 5 elections. Peres has stated that his government would not take a position at this time, noting that Waldheim is still a private citizen and no charges against him have been proven in a court of law.

But Zevulun Hammer of the National Religious Party called on the Knesset Wednesday "to demand that Shimon Peres and (Foreign Minister) Yitzhak Shamir act as their respective mentors -- David Ben-Gurion and Menachem Begin -- would certainly have acted...to instruct our UN Ambassador to require total condemnation by the UN of Waldheim himself."

Chaika Grossman of Mapam, a Holocaust survivor who was a Jewish partisan leader in the Bialystok ghetto, said she expected the government of Israel to stand behind the WJC and publicly demand a full-scale inquiry into Waldheim's wartime activities.

THE WHO IS A JEW ISSUE IS RAISED AGAIN IN THE KNESSET

By David Landau

JERUSALEM, April 2(JTA) -- The religious party, Shas, succeeded Tuesday, in raising the Who is a Jew issue in the Knesset less than two months after the hotly controversial amendment to the Law of Return was overwhelmingly defeated in that body.

The amendment would add the words "according to halacha" to the definition of a Jew as a person born of a Jewish mother or converted. Its effect would be to invalidate conversions performed overseas by non-Orthodox rabbis. It was defeated on February 5 and, according to Knesset rules, may not be re-introduced for six months from that date.

Shas circumvented that restriction by placing on the agenda a new amendment that would give the Israeli rabbinical courts absolute authority to decide on the validity of conversions. This would exclude from automatic Israeli citizenship persons converted to Judaism by Reform or Conservative rabbis, which is the purpose of the original Who is a Jew amendment.

Knesset Speaker Shlomo Hillel struck the new measure from the agenda for that reason. But the Knesset House Committee overruled him Tuesday night by a 12-9 vote. Rightwing members of Likud and the opposition Tehiya Party voted with their religious colleagues to bring the new measure to the floor.

That does not mean, however, that Likud will support it in the plenum. The Who is a Jew amendment has always been defeated in the past by a combination of Likud Liberals, Laborites and other non-religious MKs. That was the case even in the administration of former Premier Menachem Begin who personally supported the amendment and assured his Orthodox coalition partners that he would see to its passage.

APRIL FOOL'S DAY CAPERS BACKFIRE
By Hugh Orgel

TEL AVIV, April 2 (JTA) -- Two April Fool's day pranks, one by a soldier in the Israel Defense Force intelligence corps and the other by Israel Radio journalists, caused severe embarrassment to the IDF and the Defense Ministry and touched off a panic among Israelis who have accounts in Swiss banks.

The soldier, not immediately identified, was promptly sentenced to 35 days in a military jail for perpetrating a hoax that Nabih Berri, leader of the mainstream Shiite faction in Lebanon, had been gravely wounded in an assassination attempt Tuesday.

Why the soldier thought this was "funny" could not be ascertained. But his joke had fairly serious consequences. The report of the fake assassination attempt appeared on official IDF stationery. The army passed it on to the Defense Ministry which immediately sent a copy to Defense Minister Yitzhak Rabin who was appearing before the Knesset's Foreign Affairs and Security Committee.

Rabin accepted the report as authentic and commented on it to the committee. The media obtained a copy and the report was broadcast by Israel Radio along with a lengthy commentary by one its Arab affairs experts on the implications of the alleged assassination attempt. The hoax was discovered only later and Rabin personally ordered the perpetrator punished.

Meanwhile, it is not clear what punishment may be meted out to the Israel Radio journalists who broadcast a report Tuesday that the Israeli and Swiss governments had signed a secret treaty under which the Swiss agreed to disclose the numbers of bank accounts held by Israelis in Swiss banks.

Israel Radio telephones were immediately flooded with calls, many from local bank managers who said their clients told them that if the reports was true they would emigrate from Israel immediately.

DAYLIGHT SAVING TIME IS A CONTROVERSIAL ISSUE IN ISRAEL
By David Landau

JERUSALEM, April 2 (JTA) -- Daylight saving time, a commonplace in virtually all Western countries, has become a fiercely controversial issue in Israel -- pitting ultra-Orthodox Jews who oppose it against what appears to be the great majority of their compatriots.

The Knesset Economics Committee called on the Interior Ministry Wednesday to introduce what in Israel is known as Summertime, forthwith. The committee acted after hearing testimony by experts in the scientific and social fields. It is supported by public opinion polls.

In Europe, in both eastern and western bloc countries, all clocks will be moved ahead by one hour this Saturday. In the U.S., daylight saving time begins on the last Sunday of April. But Minister of Interior Rabbi Yitzhak Peretz of the Orthodox Shas Party, is not legally bound by the Economic Committee's demand, though it reflects a powerfully growing body of public opinion.

Peretz told reporters Tuesday night that he needed a week or more to study the report of a panel of experts his ministry appointed a month ago to examine the issue. Histadrut companies,

the Communications Ministry and many public and private sector enterprises announced this week that they would implement Summertime on Saturday regardless of what Peretz eventually decides. Labor MK Micha Harish said he would apply to the Supreme Court to force Peretz's hand.

Some media reports claim the Interior Minister has been ordered by Shas' spiritual mentor, the aged Rabbi Eliezer Shach of Bnei Brak, to veto Summertime. Ultra-Orthodox circles argue that it would increase Sabbath violations and impose a burden on pious Jews who must pray at a certain time each day before going to work.

But religious opinion is not unanimous. The National Religious Party's Knesset faction resolved this week not to oppose Summertime if and when it comes before the Knesset. It had been opposed in the past by the NRP.

Among the advantages cited for Summertime are energy conservation and highway safety. Peretz said if there was strong evidence that Summertime would save lives on the roads, he would institute it without hesitation. But he claims he has seen no such evidence up to now.

PERES: U.S. - ISRAEL RELATIONS ARE BLOSSOMING
By Yitzhak Rabi

NEW YORK, April 2 (JTA) -- Israeli Premier Shimon Peres likened the cherry trees blossoming in Washington to the present state of relations between Israel and the United States, in remarks on returning here Wednesday afternoon from a day in the nation's capital where he had meetings with top Administration figures.

"Not only the cherry trees in Washington are blossoming, so too are the relationships" between Israel and the U.S. He said those relationships are at their peak and that Israel stands at the side of the U.S. "without neutrality and without apology."

Peres spoke to some 350 members of the American Friends of the Hebrew University at a meeting at the Pierre Hotel here. He said in his talks with Administration officials in Washington he received repeated compliments on Israel's economic recovery, including compliments from Vice President George Bush and Secretary of State George Shultz. He said the results of Israel's economic plan so far "are better than we expected."

Peres spoke mainly on the issue of higher education in Israel. He said that despite economic difficulties, the country must invest in its human resources and develop its educational, scientific and technological research. He cited specifically the role of the Hebrew University in contributing to Israel's economic and scientific future.

Peres was asked about the status of the Middle East peace process, during a question and answer period. He said he believed King Hussein of Jordan is sincere in his attempts to reach a peace agreement with Israel. He noted that Hussein's efforts failed when his agreements with Palestine Liberation Organization chief Yasir Arafat collapsed.

"Arafat is part of the problem," Peres said, but he is not "part of the solution." He referred to a report Tuesday which quoted Hussein as saying that if his efforts to bring other Arab partners into negotiations for peace are not successful, he will do it on his own.