

Rotation Is Completed:**KNESSET APPROVES SHAMIR'S CABINET;
NEW PREMIER STRESSES NATIONAL UNITY
By Hugh Orgel**

JERUSALEM, Oct. 20 (JTA) -- Premier Yitzhak Shamir's 25-member Cabinet won Knesset approval Monday by a vote of 82-17 with three abstentions. In a 40-minute address preceding the vote of confidence, Shamir said his government would focus mainly on economic affairs during the final two years of its tenure but would also vigorously pursue the peace process.

He stressed the "unity of the nation," said that U.S.-Israel relations were at an "unprecedented peak" and expressed hope that the Eastern European bloc, "first and foremost" the Soviet Union, would change their attitude toward Israel.

Shamir emphasized that "Like its predecessor, this government will be a government of national unity ... It will refrain from divisiveness and extremism, will strive for mutual respect and consideration for others, and will seek to augment the love of Israel within us."

Issue Is Not Aims But Tactics

He said that both Likud and the Labor Party shared the aim of a strong and economically sound Israel living at peace with its Arab neighbors. He said the differences between the main coalition partners were not over aims but over the tactics needed to achieve those aims.

"National unity is not just a matter of parliamentary convenience," Shamir said. "Those who conceived the idea of the unity government hoped and desired that by virtue of its very formation and existence, that government would project a message of unity, of drawing closer together, of love of Israel, and of true cooperation among the country's political leadership and between all the strata of the population in the country."

"These goals have already been achieved to a certain extent, and the government I head will indeed make the unity of the nation its chief concern," Shamir said.

Striving For A 'Zionist Economy'

Shamir termed the government's economic program a "Zionist economy." Its goals, he said, are "reducing inflation to acceptable levels in order to attract immigration and ensure economic growth with work available for all newcomers, and the settlement of the entire Eretz Israel--the Biblical land of Israel or Palestine."

According to Shamir, "The unity government which has just concluded the first half of its term of office, has already registered some not inconsiderable achievements -- in the economy, in labor relations, in foreign policy, in the war against Arab terrorism, and in fortifying Israel's security."

He expressed his "thanks and appreciation to the outgoing Prime Minister, Mr. Shimon Peres, for the understanding and cooperation he accorded me during the two years (of Peres' tenure), and to wish him the best in his next position" as Foreign Minister.

Shamir presented an essentially conservative economic program. "We have to adopt the rule of refraining as far as possible from any government intervention in the economic sector, unless the need to do so has been proven," he said.

"In any other case, there is no place for subsidies, for incentives, for grants, or for providing free services to everyone -- which constitute the reason for heavy taxation." He said however that encouragement should be given "any manifestation of initiative, action, originality and the assumption of personal responsibility."

He pledged that "Every working citizen will be able to earn a living with dignity and the State will be able to look forward to economic growth and augmented aliya, the Zionist goal for whose sake the State of Israel was established and exists."

Economic Revival Will Be Difficult

He conceded that reviving economic growth will be difficult. "Yet this is the true challenge. Economic growth does not mean only a growth in the national product that enables a higher standard of living and reduced dependence on foreign aid. Economic growth signifies, first of all, creating the conditions that will allow us to fulfill the country's Zionist goals -- and above all, aliya."

"This means that we must concentrate on those changes that will permit new immigrants to live and earn a living in this country. We will have to struggle to cut back on every non-essential government expenditure. We must place the emphasis on a concrete effort to reduce the burden of taxation -- a taxation which hinders the emergence of new places of employment for our young people, for demobilized soldiers, and for new immigrants."

Shamir added that it was no "exaggeration to term the economic system which the government will seek to forge a 'Zionist economy' -- an economy that will not be based only on solid economic principles but also on the Zionist values which must be our guide, and among them the supreme value of settlement throughout Eretz Yisrael. We will not discriminate between one part of the country and the other ..."

An Invitation To A Dialogue

He said, "We want to assure the Arab residents of Judeaea, Samaria (West Bank) and the Gaza district a life of dignity and a life of peaceful co-existence with their Jewish neighbors. It is our aspiration that these Arab residents will be able to run their affairs by themselves. But the necessary condition for this is absolute severance from the various terrorist organizations. The PLO with its various branches poses the danger to their future and well-being and it is the obstacle to a settlement and to peace."

He invited the Arabs "of the administered territories who reject terrorism to enter into dialogue with Israelis. He also promised "to ensure Israeli Arabs their rights and the advancement of their living conditions." He appealed to Arab "public figures and educators" in Israel "to exert their influence in order to deepen the affinity and loyalty of Israeli Arabs toward the State" and

to serve as "a bridge between Israel and its Arab neighbors ... (to) expedite understanding and peace in the region."

Relations With Jordan

Shamir pledged that "The government will continue indefatigably to create conditions that will enable Israel and Jordan to live in peace alongside each other. But we will not be able to attain this without free, direct, face-to-face discussion. No international forum can serve as a substitute for direct negotiations."

"It is also perfectly clear that peace and the terrorist organizations cannot coexist, and therefore we are following with interest Jordan's trend to free itself of any relationship with the PLO," Shamir said. He expressed regret that "despite efforts of the government, with the assistance of representatives of the United States government, Jordan has not yet responded to our call to come to the negotiation table."

"The State of Israel has more than once proved its sincere desire for peace through the difficult and painful sacrifices made, both in life and property, within the framework of the various agreements with its neighbors, up to and including the peace treaty with Egypt," Shamir said.

He said that although there are disputes within the government over tactics, "not over essence and goals," there is "no point or purpose in fanning the dispute amongst ourselves so long as the Arab side has not presented a proposal that is acceptable to even part of the government."

But Shamir stressed that "We shall not sit idly by. The government will continue to initiate and seek ways to peace and we shall not let the initiative fall from our hands."

Quest For Peace Process To Continue

He said the government will continue to adhere to the basic guidelines continuing the peace process, as agreed to at Camp David. But within those guidelines "Israel will oppose the establishment of an additional Palestinian state in the Gaza district and between Israel and Jordan and will not negotiate with the PLO."

Shamir hailed Israel's relations with the U.S. which, he said, reached an "unprecedented peak" after President Reagan's 1983 endorsement of strategic cooperation between the two countries. "President Reagan thus laid the foundation for a very close framework of cooperation which has increasingly developed since," Shamir said.

"In the past two years, we continued to consolidate and foster these important relations. Today we have reached a situation when Israel and the U.S. are allies in many spheres, and formal expression should be given to this network of relations. The government will persist in developing special relations with the U.S., our great friend, and will give this topic high priority."

Shamir expressed hope that there will be "a change of heart on the part of the Eastern bloc countries" toward Israel, "first and foremost the USSR."

"Nonetheless," he said, "it is our duty as a Jewish State to demand of the Soviet government to change its attitude toward our people living in its territory and to allow them to live as Jews, to unite with their people and to immigrate to their homeland."

In his peroration, Shamir declared: "From Jerusalem must go forth a call to our people in

all parts of the diaspora: Come back home, for Eretz Yisrael is your place. We will receive you with open arms in order to continue marching together toward the great and glorious chapter in the history of our people: The chapter of perfect redemption of the Jewish people in its land."

MEMBERS OF SHAMIR'S CABINET

JERUSALEM, Oct. 20 (JTA) -- The 25-member Cabinet presented to the Knesset Monday by incoming Premier Yitzhak Shamir differs only slightly from the outgoing national unity Cabinet headed by Simon Peres. It consists of 10 Likud Ministers, including the Premier, and nine Labor Ministers. The remaining six Ministers represent the minor parties in the coalition.

The new Cabinet is as follows:

Premier -- Yitzhak Shamir (Likud-Herut).

Vice Premier and Foreign Minister -- Shimon Peres (Labor).

Deputy Premier and Minister of Housing and Construction -- David Levy (Likud-Herut).

Deputy Premier and Education Minister -- Yitzhak Navon (Labor).

Defense Minister -- Yitzhak Rabin (Labor).

Finance Minister -- Moshe Nissim (Likud-Liberal).

Minister of Trade and Industry -- Ariel Sharon (Likud-Herut).

Minister of Economic Coordination -- Gad Yacobi (Labor).

Agriculture Minister -- Aryeh Nahamkin (Labor).

Minister of Justice and Minister of Tourism -- Avraham Sharir (Likud-Liberal).

Minister of Transport -- Haim Corfu (Likud-Herut).

Minister of Energy and Infrastructure -- Moshe Shahal (Labor).

Minister of Communications -- Amnon Rubinstein (Shinui).

Minister of Interior -- Yitzhak Peretz (Shash).

Minister of Public Security -- Haim Barlev (Labor).

Minister of Health -- Shoshana Arbeli-Almoslino (Labor).

Minister of Immigration and Absorption -- Yaacov Tsur (Labor).

Minister of Labor and Social Affairs -- Moshe Katzav (Likud-Herut).

Minister of Science and Technology -- Gideon Patt (Likud-Liberal).

Minister of Religious Affairs -- Zevulun Hammer (National Religious Party).

Ministers-Without-Portfolio: Moshe Arens (Likud-Herut); Yigael Hurwitz (Ometz); Yosef Shapira (Morasha); Ezer Weizman (Yahad); Yitzhak Modai (Likud-Liberal).

TEL AVIV (JTA) -- A top-level delegation of Israel's Magen David Adom will go to Geneva this week for the 25th quadrennial conference of the International Committee for the Red Cross (ICRC). But their status will be only as observers. The ICRC has refused, for political reasons, to recognize the MDA, which is Israel's equivalent of the Red Cross. Israel has repeatedly sought full membership in the ICRC, which recognized the Moslem Red Crescent shortly after the Red Cross was established in 1907. Israel's first application was submitted in 1949.

BEHIND THE HEADLINES A CONTROVERSIAL CASE

By Margie Olster

(Part One Of A Three-Part Series)

NEW YORK, Oct. 20 (JTA) -- Attorneys for some of 17 defendants including four Israelis charged here with conspiracy to illegally sell American weapons to Iran have made motions to dismiss the charges on grounds of entrapment, lack of jurisdiction for the case in New York and prejudicial pretrial publicity.

A hearing on the motion before a federal judge in the Manhattan U.S. District Court was scheduled to begin late Monday. After hearing from the defense and prosecution, the court will decide whether to dismiss the charges.

An affidavit filed late last month in support of this motion by Paul Grand, one of the attorneys representing Sam Evans who is the alleged middleman in the conspiracy, contends that high-ranking Administration, State Department and Pentagon officials considered and eventually approved covert arms sales of American military hardware to Iran, using some of the defendants as agents.

Grand also alleges that U.S. Customs agents and a government informant in the case pressured the defendants to use illegal means to obtain the weapons for Iran, while the defendants insisted on using legal means.

Claims Made About U.S. Officials

Grand's affidavit, based on some 200 tapes the government recorded with the help of the informant and numerous interviews with defendants in the case, claims that Vice President George Bush, Secretary of Defense Caspar Weinberger, Marine Corps commandant Gen. P.X. Kelley and unnamed State Department and Pentagon officials were in contact directly with several of the defendants and were involved in an active debate over changing U.S. government policy to begin covert arms sales to Iran on a quiet level.

Grand and other defense attorneys received access to copies of the government tapes as part of the discovery process in criminal cases. In his affidavit, Grand quotes from taped conversations between the defendants and the government informant in which the defendants say they met with Bush's aides in West Germany to discuss an arms deal with the Iranians and that Bush had given "the green light."

The affidavit also cites press reports in which an unnamed White House official acknowledged "a secret tilt toward Iran after six years of mutual hostility," within the Reagan Administration. This official reportedly stated the U.S. hopes to solidify relations with "reasonable" leaders in Teheran and "regularize" the arms flow from the U.S. directly to Iran instead of going through middlemen, one of which was identified as Israel.

Issue Of Legality

The weapons allegedly under negotiation included F-4 and F-5 fighter jets, C-130 transport planes, thousands of TOW missiles, Hawk missiles, Sidewinders, Sparrow guided missiles and Skyhawk aircraft.

According to the indictment, the weapons were already in the possession of Israel and three unnamed countries and the defendants were conspiring to resell the arms without obtaining

the proper licenses for resale from the State Department. The State Department is the ultimate authority for approving foreign military aid.

Under the U.S. ban imposed on selling American arms to Iran, those licenses called end-user certificates could not be obtained legally. Both the Israeli defendants and their attorneys claim the Israeli government was aware of the alleged negotiations. Since 1979, a number of reports of Israeli sales of American-made spare parts and weapons have surfaced in the press. Israel has steadfastly denied the allegations and press reports.

American government officials responded to the allegations in the affidavit with consistently firm denials of any involvement of U.S. officials or government agencies in approving the covert sale of American weapons to Iran.

51 Counts Of Conspiracy

The indictment issued in April charged 17 defendants with 51 counts of conspiracy to resell some \$2.5 billion of American weapons earmarked for Israel and three other unspecified countries to Iran. Other charges included mail and wire fraud.

Three Israelis and one American resident of Israel are among the 17 defendants charged in the conspiracy. The four are out on bond awaiting their trial scheduled for late November in U.S. District Court in Manhattan.

The case broke with the arrest of Evans, an American, and the four Israelis upon their arrival in Bermuda on April 29. They believed they were going to sign the contracts for the arms deal.

But in cooperation with the U.S. government, the Bermudian government had placed the five on a Stop List and upon their arrival they were arrested for illegal entry. One month later, the Bermudian government extradited the five to the U.S.

Affidavit Claims Sting Operation

The U.S. Customs Department and the U.S. Attorney's Office of the Justice Department built their case on what Grand's affidavit claims was an elaborate sting operation conducted with the cooperation of a former Iranian arms procurement agent, Cyrus Hashemi, who was indicted in the U.S. in 1984 for selling American-made weapons to Iran.

Hashemi, who posed as an arms buyer for the Iranian government, agreed to record various meetings and phone conversations with the defendants as part of a cooperation agreement made with the government in which he would not stand trial immediately for 1984 indictment.

Hashemi, the government's key witness, died of acute leukemia in a London hospital in July. After an official investigation into the cause of death, the U.S. Attorney's office in Manhattan concluded that Hashemi died of "apparently natural circumstances," indicating that there were no suspicious circumstances surrounding his death between the indictment and the trial.

The government's case now relies almost entirely on some 200 tapes of phone conversations and meetings between Hashemi and the defendants.

Grand used excerpts from the tapes in his affidavit to show that Hashemi attempted at every step of the negotiations to encourage the defendants to obtain American arms illegally. The excerpts show that the defendants insisted on exhausting all the legal channels for obtaining the arms with legitimate American approval. The

excerpts also show that the defendants were convinced that U.S. officials were going to give that approval.

In the tapes, Hashemi also turned down several of the defendants' offers to sell Iran non-American weaponry, including French Mirage jets.

(Tomorrow: Part Two)

THREE TERRORISTS ARRESTED FOR GRENADE ATTACK IN JERUSALEM

By Hugh Orgel

TEL AVIV, Oct. 20 (JTA) -- Police announced Sunday the arrests of three members of a "terrorist squad" responsible for the grenade attack on Israeli soldiers and their families in the Old City last Wednesday in which one man was killed and 69 soldiers and civilians were wounded.

The suspects were described as members of an extremist group known as the Islamic Jihad (Holy War), all in their '20s. Further identification was withheld by court order. Two of them, residents of Silwan village on the outskirts of Jerusalem, were apprehended Thursday, within 24 hours of the attack. The third, who lives in the nearby village of Abu Tor, was taken into custody Friday morning. They were arraigned in magistrates court Friday and remanded in custody for seven days.

Police sources said the investigation is continuing and other arrests are possible. According to a police statement, the suspects were recruited in Jordan in 1985 by agents of El Fatah, the terrorist arm of the Palestine Liberation Organization. The sources said they had planned for nearly two years to carry out a major assault in Jerusalem.

The soldiers and their families, attacked following a swearing-in ceremony for Israel Defense Force recruits at the Western Wall, were a target of opportunity, security sources said.

It was believed earlier that the soldiers had been a premeditated target which would have indicated new and bolder terrorist tactics. Armed IDF personnel are usually avoided by terrorists who concentrate on civilian targets.

The police statement said the arrests were made by security forces in cooperation with the police and that "In the course of the investigation, weapons and combat materiel that were in the squad's possession were handed over to the authorities."

ISRAEL'S PARTICIPATION IS SDI ASSURED BY AN AMENDMENT TO A PENTAGON BILL

By David Friedman

WASHINGTON, Oct. 20 (JTA) -- An amendment that could have prevented Israel's participation in some research for the Reagan Administration's Strategic Defense Initiative (SDI) has been deleted from the Defense Department's appropriation bill for 1987.

The amendment proposed by Sen. John Glenn (D. Ohio) was removed during the Senate-House conference on the appropriations bill, largely through the efforts of Rep. Jim Courter (R. NJ), according to Howard Kohr, deputy director of the National Jewish Coalition. The Glenn Amendment was not aimed specifically at Israel, but at all foreign countries that would compete with American firms in bids for SDI research.

This was noted by Lt. Gen. James Abrahamson, director of the Department of Defense's SDI Office during a recent address to a group of Jewish leaders. He said it would not have affected research on tactical weapons but could have prevented other research such as on lasers that Israel is now doing under the SDI program.

Israel and several West European allies have accepted the Reagan Administration's invitation to participate in the SDI program, popularly known as "Star Wars."

Israel is particularly interested in defending itself against short-range tactical ballistic missiles such as the SS-21 which the Soviet Union has supplied Syria. But Israel is also interested in the jobs SDI research and development will bring to Israel as well as other benefits to the Israeli economy. Initial contracts now total about \$10 million, but are expected to expand greatly.

AUSTRIAN RAPS ISRAEL FOR ITS DECISION TO DOWNGRADE DIPLOMATIC REPRESENTATION IN AUSTRIA

VIENNA, Oct. 20 (JTA) -- Alois Mock, chairman of President Kurt Waldheim's conservative Peoples Party, sharply attacked Israel Sunday for its decision to downgrade its diplomatic representation in Austria.

According to a report in the daily Neue Kronenzeitung, Mock, a candidate for the office of Prime Minister, told a press conference in Carinthia province that Israel's attitude was outrageous and that he would suggest to Waldheim that Austria recall its Ambassador to Israel.

He was speaking of the announcement by Israel's then Foreign Minister Yitzhak Shamir following Waldheim's election victory last July, that Israel would not replace its Ambassador in Vienna, Michael Elizur, when the latter retires shortly. A new envoy would have to present his credentials to Waldheim, whose Nazi past was exposed during the election campaign. The Vienna embassy therefore would be left in the hands of a Charge d'Affaires, Shamir said.

According to Neue Kronenzeitung, Mock said Shamir's statement and decision reflected the views of a few fanatics in Israel. "Austria must not accept any recipes from Israel, from a country that has always been supported internationally," Mock was quoted as saying. He also expressed anger over the continuing campaign by the World Jewish Congress against Waldheim.

JEWISH FILM FESTIVAL IN PARIS

PARIS, Oct. 20 (JTA) -- The Jewish Film Festival will be inaugurated Wednesday by Cultural Affairs Minister Francois Leotard. The festival was cancelled last month, by the owner of the cinema where it was to be held, at the height of the terrorist wave which struck Paris. Festival organizer Emile Weiss protested at the time, saying that it was "giving in to terrorist threats" and promising that the festival would be held as planned.

Weiss told the Jewish Telegraphic Agency Monday that the month-long festival during which 65 films will be shown will be held at the Paris Jewish Community Center. He said that some 10,000 people are expected to attend.