

**POLICE SECURITY INCREASED IN JERUSALEM FOLLOWING THE STABBING OF TWO BROTHERS IN THE OLD CITY**

By Hugh Orgel

TEL AVIV, Jan. 19 (JTA) -- Police have increased security here following the stabbing of two brothers on Saturday in an Old City bazaar. The victims, Avi Chayon, 24, and his brother, Shalom, 17, were reported in satisfactory condition after undergoing surgery. According to eyewitnesses, the two brothers were stabbed in the back by several Arabs who apparently had been lurking in an alley.

The brothers were stabbed in the Kahn E-Zeit bazaar where they had been strolling with Avi Chayon's fiancée, Leah Azulai. She was not harmed. Police sealed all gates to the Old City immediately afterwards and ordered Arab shops in the area closed for their protection. The closure order was later rescinded.

The incident brought to eight the number of Jews stabbed by Arab assailants in the Old City and other parts of East Jerusalem since August 1985. Last November a yeshiva student was stabbed to death. This touched off a wave of anti-Arab violence by Jewish militants. Mayor Teddy Kollek appealed to Jews following Saturday's incident not to attack Arabs or their property as they did in November.

But a number of Arabs were beaten up near the scene of the attack and four Jewish residents of the Musrara quarter where the Chayons live were detained for attacking Arab passersby. Riot police patrolled the streets in and around the quarter Saturday night and Sunday. A Jewish man was arrested Sunday evening near the Damascus Gate in possession of five Molotov cocktails. He was questioned about his intent.

Shamir Calls For More Police Presence

Premier Yitzhak Shamir called for increased police presence in Jerusalem. "Police have orders to strengthen security, to increase their guard and alertness," he said Sunday, "and we shall use all means to ensure such incidents do not recur."

Police Minister Haim Barlev briefed the Cabinet on the stabbing which police described as the work of Arab terrorists. He toured the Old City and complained afterward that although there were many eyewitnesses to the stabbing, no one, neither Jew nor Arab, came forward to tell police what actually happened.

Vice Premier Shimon Peres, who heads the Ministerial Committee on Jerusalem, said security forces were taking all necessary measures to apprehend the assailants. Israeli Police Chief David Kraus said his officers alone cannot solve the problem. He told reporters that Jerusalem is "an integrated city, and we must create conditions by which we (Jews and Arabs) can live side by side."

After the assault on the Chayon brothers, there were few tourists in the normally bustling marketplace. Barlev told the Voice of Israel Sunday that Jerusalem is one of the safest cities in the world. He urged more Jews and tourists in general to visit the Old City, but he cautioned

that they should do so preferably in groups and to be aware of what is going on around them.

SHAMIR SAYS IRAN-CONTRAS AFFAIR WON'T BE FOCAL POINT OF WASHINGTON TALKS

By David Landau

JERUSALEM, Jan. 19 (JTA) -- Prime Minister Yitzhak Shamir said Monday the Iran-Contras affair would not be the focal issue of talks with the Reagan Administration during his upcoming visit to Washington.

Shamir is to visit the U.S. capital in mid-February and will meet with President Reagan and top administration and Congressional leaders. But he conceded that he expected the media to focus on Irangate in their coverage of his visit to the U.S.

He said the Administration continued to be engaged in Mideast peacemaking efforts and its involvement had not been sidetracked by the Iran affair.

Shamir deplored the positions of certain Arab states which called for Soviet involvement in a peace forum on the grounds that Washington had lost credibility in the region as a result of the sale of arms to Iran.

He spoke to reporters after briefing the Knesset Foreign Affairs and Defense Committees in Jerusalem.

Shamir Rejects Territorial Concessions

The Premier told Committee members earlier that while he might support possible changes of tactics, he did not support the notion of territorial concessions in Judea and Samaria. He was responding to queries about an interview he gave last week to Reuters news agency in which he was quoted as indicating that Israel might, in the course of a negotiation, move to a position favoring some territorial flexibility.

Shamir has been attacked for this statement by Gush Emunim and there have been signs of disquiet within his own Likud Party.

Meanwhile, Vice Premier Shimon Peres is preparing for a European visit that will take him to three capitals. He is to meet with Prime Minister Margaret Thatcher in London, with President Francois Mitterrand in Paris, and with the Foreign Ministers of the European Economic Community countries in Brussels. He leaves Israel later this week.

ISRAEL OFFERS THE UN SECURITY COUNCIL A NEW PLAN TO SOLVE THE UNSTABLE CONDITION IN SOUTH LEBANON
By Yitzhak Rabi

UNITED NATIONS, Jan. 19 (JTA) -- Israel has offered the Security Council a new plan aimed at reaching "a permanent solution" to the unstable situation in south Lebanon.

The Israeli plan calls for "an immediate and total cease-fire in the entire area of south Lebanon for a period of at least six months," Yohanan Bein, Israel's Acting Ambassador to the UN, declared. Bein introduced the Israeli plan Thursday night after the 15-member Council

unanimously approved the extension of the mandate of the United Nations Interim Force in Lebanon (UNIFIL) for another six months.

The Israeli delegate told the Council that once the cease-fire is established in south Lebanon, "It will then be possible to negotiate the territorial and obligational aspects of a permanent solution. These principles should in Israel's view constitute an accepted framework for a dialogue on lines similar to those envisaged in Security Council Resolutions 242 and 338."

Bein stressed that Israel does not consider the security zone it established in 1984 in south Lebanon to be permanent. Moreover, he said, Israel is worried that the current stalemate is harmful to all parties concerned.

Israel Seeking Permanent Solution

Israel, therefore, is interested in reaching a permanent solution for the security of its northern border, Bein said, adding: "For this purpose, Israel is willing to negotiate and cooperate with the Government of Lebanon or any other credible partner in that country that genuinely seeks and can ensure peace in Lebanon."

The Ambassador praised the contribution of UNIFIL in maintaining stability in the area. He rejected, however, the charge made last week by UN Secretary General Javier Perez de Cuellar that Israel was the major cause of the deteriorating security situation in south Lebanon.

Israeli diplomats said Friday that they had not received any response to their new initiative.

A spokesman for the Israeli UN Mission told the Jewish Telegraphic Agency that Israel forwarded its new plan for south Lebanon to UN Undersecretary General for Political Affairs Marrack Goulding.

Israel withdrew its forces from Lebanon in 1985. It maintained, however, a "security belt" in south Lebanon, extending three to 15 miles north from the Israeli-Lebanese border, as a buffer zone against terrorist attacks on Israeli villages and settlements in upper Galilee.

HISTADRUT LEADER PREPARED TO ENDORSE THE NEW ECONOMIC PLAN By Gil Sedan

JERUSALEM, Jan. 19 (JTA) -- Histadrut Secretary General Yisrael Kessar said Sunday he was prepared to endorse the government's new economic plan approved by the Cabinet last Tuesday.

The formal signing ceremony by the government, labor and management, originally scheduled for last week, was postponed when Histadrut refused to go along with a \$30 million cut in subsidies for Kupat Holim, the Histadrut sick-fund.

Likud members of the Histadrut Executive continued to oppose the economic package Sunday. But they were overruled by Kessar who had the support of the Labor Party majority in the Executive. Nevertheless, a number of strikes are threatening, directly or indirectly related to the economic reforms. Hospital administrators and service personnel began a walk-out Monday over wage demands. (See separate story.)

Kindergarten and elementary grade teachers said they would work only a half day Tuesday to protest cuts in the education budget.

Meanwhile, the Board of Governors of Hebrew University reviewed an economic recovery plan for the university which is faced with a

deficit of some 60 million Shekels. The plan calls for the dismissal of 500 academic, administrative and technical staff members and reductions in purchases and services.

Harvey Kruger, chairman of the Board, told the Governors that even with these cuts, the university will be in urgent need of government help and increased fund-raising abroad.

29 GOVERNMENT HOSPITALS HIT BY STRIKE By Hugh Orgel

TEL AVIV, Jan. 19 (JTA) -- More than 10,000 service and administrative personnel at the 29 government hospitals throughout the country began an indefinite strike of the hospital system Monday, in what was described by Health Ministry officials as one of the most serious crises in the strike-plagued government health services.

During the past three years the hospitals have been struck by physicians and nurses.

Hardest hit were the country's eight state-owned geriatric and the 10 psychiatric hospitals, which could not function Sunday night, and the 11 general hospitals. Many patients were sent home.

Dr. Moshe Mashiach, in charge of the Health Ministry's hospital department, said that while food and some laundry services could be contracted for from outside sources, the operation of the hospitals' electricity, provision of oxygen, sterile laundry services and janitorial services including sanitation, cleaning and garbage collections, could only be provided by in-house hospital staff.

The admission and discharge of patients were also hampered by the absence of clerical staff. Operations were kept to the minimum Monday.

Demands By The Staffs

The hospital staffs are demanding improvements in their pay and conditions -- which they say have been promised them repeatedly in recent years but not carried out -- to bring the level of their salaries up to that of similar personnel employed in the hospitals of the Histadrut's Kupat Holim (sick-fund).

The striking workers have threatened to step up their job actions beginning Tuesday -- without divulging what their next steps would be.

Meantime, their spokesmen denied statements by Health Ministry spokesmen that patients' lives were being endangered. They stressed that they had emergency staffs standing by in all hospitals to deal with unforeseen conditions.

POLL SHOWS PUBLIC IS LOSING CONFIDENCE IN LABOR AND LIKUD

TEL AVIV, Jan. 19 (JTA) -- The public is losing confidence in Labor and Likud, the principal partners in the unity coalition government, according to a poll published Friday. It indicated that both would lose votes if elections were held now. The beneficiaries would be parties on the left and right of the political spectrum.

According to the poll by the Hanoch Smith Research Institute, published in Davar, 38 percent of the electorate would vote for Labor and 27 percent for Likud. This represents a 4 percent loss for the Labor Party and 1 percent decline for Likud since a similar poll was conducted in September 1986.

Support for the leftist Citizens Rights Movement (CRM) rose from 4.5 percent last September to 6 percent now. The rightwing Tehiya Party

went from 6 to 8 percent approval by the respondents.

RIGHTWING AND LEFTWING KNESSET MEMBERS CLASH DURING A VISIT TO THE KNESSET BY A SOVIET DELEGATION **By Hugh Orgel**

TEL AVIV, Jan. 19 (JTA) -- Knesset ushers and guards were forced to intervene Monday in a clash between left-and right-wing members during a visit by a Soviet delegation.

The three-member delegation from the Soviet Peace Committee, visiting Israel at the invitation of the Hadash (Communist) Party, was taken to the Knesset by their hosts, who wished to show them the parliament and introduce them to members.

They met in a private dining room for about two hours with Knesset members from the Labor Party and leftwards, but when they entered the Knesset members' lounge and cafeteria they were met by Geula Cohen, Yuval Neeman and Eliczer Waldman of the rightwing Tei'eva Party displaying posters demanding free emigration for Soviet Jewry.

Communist member Charley Biton grabbed the banner from Cohen and tore it up. But the fiery Cohen, who had apparently anticipated his reaction, unfurled another poster.

Shoving And Fisticuffs

Insults soon gave way to shoving and fisticuffs, and the Knesset ushers intervened to stand between the rival factions, but not before Kach member Meir Kahane physically attacked Biton.

Cohen fell to the floor. She later claimed that she had been pushed down by Biton, but he claimed that she had lain down on the floor with her poster.

The guards escorted the Soviet visitors, appearing white and shaken, from the building.

Knesset Speaker Shlomo Hillel denounced the incident, described by parliamentary correspondents as one of the most serious ever seen in the Knesset. He said that he would ask the House Committee to give him increased powers to punish members who interfere with the normal work of the parliament and prevent visitors from coming to see Israel's parliamentary democracy in action.

Cohen and other rightwing members demanded that Biton be removed from the Knesset "for at least a year."

KREISKY RESIGNS IN PROTEST FROM HIS SOCIALIST PARTY POSTS **By Reinhard Engel**

VIENNA, Jan. 19 (JTA) -- Former Chancellor Bruno Kreisky resigned Thursday from his posts in the Socialist Party to protest the selection Wednesday of People's Party leader Alois Mock as Foreign Minister. The two parties comprise Austria's coalition government.

Socialist leaders said Thursday that they hoped Kreisky would reconsider his decision to step down as honorary chairman of the party and president of the Institute for International Policy and the Renner Institute, his party's academy.

According to a Socialist daily newspaper, Kreisky said he couldn't go along with a foreign policy designed by Mock, who was head of the People's Party during Kurt Waldheim's successful run to the Presidency last spring. Ugly anti-Semitic statements surfaced during the campaign

as the World Jewish Congress repeatedly raised allegations about Waldheim's Nazi affiliations and military activities during World War II.

Kreisky, who was controversial himself for his contacts with the PLO, Libya and North Korea, allegedly is afraid that a Conservative Foreign Minister will be unable to diminish the harm done by the Waldheim campaign to Austria's image abroad.

Moreover, foreign policy had been a Socialist domain for many years. Kreisky served as Secretary of State in the Foreign Ministry and later as Foreign Minister before serving as Chancellor from 1970-83.

Varied Reactions To Kreisky's Decision

Reaction varied to Kreisky's decision, telephoned Wednesday night to newly elected Chancellor Franz Vranitzky from the hospital bed here where Kreisky is ill with influenza. Mock called it incomprehensible, and both Vranitzky and Socialist Party chairman Fred Sinowatz said they wanted to ask Kreisky whether his decision was irrevocable.

Vranitzky down-played the importance of a Conservative Foreign Minister, explaining that foreign policy would be designed through close cooperation within government. He added that Austria has more important problems than a struggle over Mock.

The Socialist Party Council approved the coalition agreement Thursday, with 96 percent of 230 delegates voting affirmative.

KAHANE FACES TRIAL IN MID-APRIL

KANSAS CITY, Jan. 19 (JTA) -- A suburban Kansas City Judge, William Cleaver of the Overland Park Municipal Court, told the attorneys representing Israeli Knesset member Meir Kahane and two local Palestinians to be prepared for a mid-April trial. The three men face charges stemming from a November 18 incident here, at which Kahane spoke, the Kansas City Jewish Chronicle reported.

Kahane, a founder of the Jewish Defense League and now leader of Israel's ultra-right Kach Party, faces a disorderly conduct charge in conjunction with his appearance at a meeting, during which he allegedly attacked Mousa Shukair, a member of the Palestinian Human Rights Coalition, for disrupting his speech. Shukair and Rezek Muslet, another Coalition member, also face a disorderly conduct charge in connection with the incident. Shukair is charged with resisting arrest.

According to Kevin Moriarity, an Overland Park attorney defending Shukair and Muslet, the target date for the trial is April 8.

SWISS AIR FORCE PLANS TO BUY 48 ISRAELI AIRCRAFT

GENEVA, Jan. 19 (JTA) -- The Swiss Air Force plans to buy 48 Scout teleguided military aircraft from Israel at a cost of 50 million Swiss Francs, the Lausanne daily Le Matin reported last week.

Air Force chief Gen. Walter Duerig said Scouts purchased in 1985 were tested and found acceptable under local conditions. Hans Rudolf Strasser, a Defense Ministry spokesman, confirmed the Le Matin report. He said Switzerland wants to reach a licensing agreement with Israel so that local enterprise can have a hand in manufacturing the aircraft.

BEHIND THE HEADLINES THE SITUATION IN SOUTH LEBANON

By David Landau

JERUSALEM, Jan. 19 (JTA) -- Israel intends to maintain its present policy of supporting the South Lebanese Army (SLA) while keeping its own military presence in the area to a minimum, this despite the weakened condition of the SLA, a condition which is giving Israeli military policymakers much cause for concern.

This resolve to adhere to the policy that has been in force since Israel withdrew from Lebanon in June 1985, and to strengthen the SLA wherever possible, was enunciated this week by Chief of Staff Gen. Moshe Levy.

He indicated that the decision followed exhaustive deliberations within the defense establishment.

Thirteen SLA soldiers were killed in a number of recent clashes with Shiite Hizbullah units -- usually attacks by the Shiites at night on poorly staffed SLA positions. This weekend one such incident resulted in a Shiite defeat -- a development warmly welcomed in Israel. But the graver problem of defections from the SLA ranks, continues to concern Israeli policy makers.

According to informed estimates, some 20 percent of the 1,500-member force have melted away into the hills and villages of south Lebanon over recent weeks.

Israel has sought to stanch this hemorrhage by increasing the salaries that it pays the SLA men -- these are henceforth to be paid in U.S. dollars, no longer in the steadily plummeting Lebanese currency -- and by insisting that south Lebanese civilians can only cross the border daily to work inside Israel if they have a member of their family serving in the SLA.

Concern Over PLO Buildup

In addition to Israel's worries over the complement and fighting-fitness of the SLA, there are deepening concerns here over the steady buildup of PLO forces in south Lebanon -- north of the United Nations Interim Force in Lebanon (UNIFIL) line.

Some Israeli sources have been quoted as citing a figure of 3,000 Palestinian fighting men now grouped in the areas around Tyre and Sidon. These Palestinian units, moreover, are buoyed by their recent success in holding their own against numerically superior Shiite Amal forces -- especially around the village of Maghdoushe where the Amal was beaten in pitched battles.

Israel was peripherally involved in that fighting: its naval craft shelled PLO positions on the coast. Also, the Israel Air Force has been used frequently of late to bomb and strafe Palestinian -- and occasionally Hizbullah -- terrorist targets in various parts of Lebanon.

But there is a feeling among some observers here that Israel may have been overestimating the military strength of Amal, which, though numerically large, seems badly organized and badly commanded.

Particularly chastening to Israel is the fact -- and it is by now a proven fact -- that the PLO has enlisted the aid of the Beirut Christian forces in infiltrating men and materiel back into south Lebanon. Israel has clear evidence that the Christians -- both the government circles around President Amin Gemayel and the Phalangists -- have actively enabled the PLO to use the Chris-

tian-controlled port of Junieh, north of Beirut, as an entry point.

While Israeli naval craft frequently arrest and search small craft en route to Lebanon, and have recently turned back the regular ferry from Cyprus because it was carrying PLO reinforcements, Israel cannot impose a total blockade on the busy waters off Lebanon.

In June 1982, when Israel invaded Lebanon, the enemy was the PLO and the ally was the Christian community.

Now it seems, in the ever-shifting pattern of alliances that accompanies Lebanon's endless civil strife, the Christians are moving towards Syria and the PLO, and disavowing any vestigial involvement with Israel. Last week, in a Christian Radio Broadcast monitored here, Israel was referred to as "our Zionist enemy."

This setback, from the Israeli standpoint, could be better countenanced if Israel's efforts to reach a reliable understanding with Amal seemed likely to succeed.

But, as throughout the past years, Amal is still proving a reluctant and unpredictable target of Israel's overtures. Moreover, its own failure to defeat the PLO in battle, and the steady rise of the fanatical Hizbullah within the Lebanese Shiite Community, has rendered Amal itself a less attractive target for such overtures.

Behind the rise of Hizbullah, according to Israeli experts, lurks an increasingly active and influential Iranian involvement in the religious, political and military life of Lebanon.

Two Unpleasant Prospects

Israel, therefore, is faced by two equally unpleasant prospects across its northern border: a growing PLO presence and an ascendant, Iranian-backed Hizbullah which is driving the Shiite moderates onto the defensive.

And if Israel's outlook for accommodation with the indigenous forces in south Lebanon is bad, its relations with UNIFIL have reached an all-time low.

The killing last week of an Irish corporal by Israeli tank fire has triggered a flurry of openly condemnatory statements by UNIFIL officers in the field, and by UN officials and contributing nations. The incident is seen as topping a wave of SLA attacks on UNIFIL positions -- for which the UN directly blames Israel.

Israel, which only belatedly admitted that its own tanks had killed the corporal, has now offered monetary compensation to his family.

ISRAEL OFFERS TO PAY COMPENSATION TO FAMILY OF SLAIN UNIFIL SOLDIER

JERUSALEM, Jan. 19 (JTA) -- Israel has offered to pay compensation to the family of Cpl. Dermot McLaughlin, a soldier in the Irish contingent of the United Nations Interim Force in Lebanon (UNIFIL) killed by Israeli shells fired at a suspected terrorist position in the south Lebanon security zone January 10.

The sum offered was not disclosed but was described as substantial. McLaughlin, 33, was the father of five children.

Chief of Staff Gen. Moshe Levy told reporters Sunday that the incident was a "shameful mistake." He said he had received a report by a special investigating officer and it will be up to the Military Adjutant General to decide whether further action will be taken.