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מדינת ישראל
משרד הממשלה
משרד ראש הממשלה

משרד

מס' חק

משרד ראש הממשלה -

ארכיון

12/1984 - 1/1985

המשק בקיץ 85 "



שם: לשכת ראש הממשלה שמעון פרס - אר

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כתובת

מחלקה

מס' חק מקורי, יולוס ל.ח.מ.

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28/2/84

תאריך

אל: כ"ה

מאת: יועץ ראש הממשלה.

מפי: בלב אשר (נשיא AIPAC) בזמן שיתוף
 עם סגלי (ס"ן) בראש ה'קולות' :

1. (ס"ן) לא קבל תשובה מ'קולות' ומ'אשר' ו'אשר'
 ה'קולות' הבלתי-מיועצת מ'קולות' כי כד' 'לחלום' זכרון
 ד'קולות'.

2. (ס"ן) הודיע ש'אשר' מפקח על העניין
 הבלתי-מיועצת "מ'קולות'" מ'אשר' לה'קולות' ד'קולות'.

3. (ס"ן) הודיע ש'אשר' ז'קולות'" ה'קולות' ד'קולות'
 ה'אשר' ז'קולות'" ה'קולות' ד'קולות'.

מ'אשר'.

דפים 2 מחוד 1
סיווג בטחוני:

אל: הסברה, מע"ח, לש' ממנכ"ל, יועץ רוח"מ לחקשורה, מצפ"א.
לש' יבר

דחיות:

דף: וושינגטון

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תאריך ח"ח:

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מס. מברק:

מאת: קהנא

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News Summary Dec. 31-Jan. 1, 1985

Columns

NYT-1/1 Flora Lewis "Better and Worse" Crucial changes are in the making, but they are ripening gradually. In the Mideast the shadow of war is not imminent. Both the Arabs and Israelis know that more talks are needed. Attitudes among Arabs have changed. The question is whether moderates on each side can help each other now more than extremists on each side have in the past.

The Press Reports

Israelis Says Syria Doesn't Want Deal

NYT-1/1 Friedman-Israeli military officials are becoming increasingly convinced that Syria is no longer interested in an agreement for the withdrawal of Israeli troops from Lebanon. Officials say that if the Lebanese, who are dictated by Syria, does not show some sign of willingness to agree to certain Israeli security conditions at the next session of talks, Israel will have no reason to continue with the talks and will have to act on its own. Several recent changes have occurred in the Mideast and Syria's position has changed as well. The Syrians have no desire to help other Mideast countries speak to Israel, which they will if Israel withdraws from Lebanon. The Soviet Union does not wish to see the US play a role in bringing about an Israeli withdrawal, this is said to be a reason Syria hardened its position. Israel has been trying to shore up relations with the Shiite Amal.

NYP-no byline 12/31-Peres said on "Meet the Press" that Israel can withdraw from Lebanon in a few months.

Arafat Assails Syria

NYT-AP photo of funeral of Kawasmeh. Arafat spoke at funeral and said that Syria was behind the plots against the PLO. He accused Damascus of implementing the policies of Zionism and America. (see DN-1/1-AP; NYP-1/1; DN & NYP 12/31).

Israel State Comptroller Criticizes Gov't

NYT-Reuters-In a long awaited report, Yitzhak Tunik blamed the Gov't and the central bank for ignoring the dangers of allowing commercial banks to manipulate their shares on the Tel Aviv stock exchange.

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חבר:

Peres appointed a committee to make recommendations on the report's findings. (see ND-Wash Post) 1/1

Sharon Trial

NYP-Nathanson-Sharon has been refused permission to take the stand again. But the jury may get to hear elements of a key piece of evidence--the secret appendix of the Kahane report. 1/1

Brits Eyed Invasion of Israel in 1954

NYP-no byline-Britain's military chiefs drew up contingency plans in 1954 to invade Israel from the south, according to records released. Britain had a treaty with Jordan. 1/1

Israeli Worker Eats Gems

DN-1/1-UPI-A diamond worker angered by his employer swallowed 30 diamonds.

Lebanon-Protests Over Missing

NYP-12/31-Photo of old woman with pistol protesting over the fate of thousands missing in Lebanon. Meanwhile, three journalists, two Americans and one Canadian, were robbed and held prisoner for 7 hours by militias.

Hasidic Heros

NYP-Rosenshon-Two Hasidic rabbinical students captured a man who mugged an elderly woman in Crown Heights.

Cartoons

DN-1/1-Old Father Time is telling the 1985 baby that "The Moslems hate the Hindus, that Iraqis hate the Iranians, that Arabs hate the Israelis, the Irish hate the English etc..."

HAPPY NEW YEAR
ITONUT



backgrounder

DATE: 12/30/84

1984: U.S.-SOVIET RELATIONS (2970)

(Fact Sheet: Agreements, negotiations and cooperation)

BACKGROUND

The policy of the United States toward the Soviet Union during 1984 has been guided by realism, strength and dialogue.

A realistic U.S. appraisal of Soviet objectives, and U.S. pursuit of the military, economic and social strength necessary to counter those goals, have been dictated by concern over Soviet activities.

Moscow has, for example, continued to: seek military superiority; occupy Afghanistan; try to impose an alien ideology on client states and allies, particularly Poland; repress human rights at home; deny exit permits to Soviet Jews wanting to emigrate; ship arms to Central America; and violate arms control agreements.

The United States has recognized the adversarial nature of its relationship with the Soviet Union. It has, however, made every effort to resolve bilateral problems and ensure the peace through dialogue, negotiation and cooperation.

Following is a list of significant contacts between the United States and the Soviet Union from January to December 1984:

AGREEMENTS ON ARMS CONTROL

MAY 28-JUNE 2, 1984: INCIDENTS AT SEA

At their 12th annual naval talks to review the 1972 Incidents-at-Sea Agreement, the United States and the Soviet Union agree in Moscow to renew the accord for three years. The agreement establishes rules to govern special situations involving the naval surface vessels and aircraft of the two countries.

JULY 17, 1984: THE U.S.-SOVIET "HOTLINE"

The United States and the Soviet Union initial a diplomatic note in Washington agreeing to technical improvements in the 21-year-old "Hotline." This Direct Communications Link (DCL) between the two capitals is for use in emergencies.

The new accord is designed to reduce the risk that accident, miscalculation or misinterpretation could lead to confrontation or conflict by providing for a more rapid exchange of messages between U.S. and Soviet heads of government in times of crisis, and for the exchange of graphs, maps, charts and drawings.

NOVEMBER 22, 1984: NEW U.S.-SOVIET ARMS CONTROL TALKS

The United States and the Soviet Union jointly announce their agreement to enter into new negotiations on nuclear and outer space weapons.

They also announce that Secretary of State George Shultz and Soviet Foreign Minister Andrei Gromyko will meet in Geneva January 7-8, 1985, to "reach a common understanding" on the "subject and objectives of such negotiations."

ARMS CONTROL NEGOTIATIONS AND PROPOSALS

JANUARY 16, 1984: NUCLEAR AND CONVENTIONAL FORCES

In a major public address on U.S.-Soviet relations, President Reagan renews the U.S. call for a resumption of the arms control talks suspended by the Soviets in November and December 1983 -- the Intermediate-Range Nuclear Force (INF) negotiations, and the Strategic Arms Reduction Talks (S.T.A.R.T.) in Geneva; and the Mutual and Balanced Forces Reduction (MBFR) talks in Vienna.



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JANUARY 17, 1984: CONFERENCE ON DISARMAMENT IN EUROPE

In a speech at the opening in Stockholm of the Conference on Confidence- and Security-Building Measures and Disarmament in Europe (CDE), Secretary of State George Shultz emphasizes U.S. hopes for a Soviet return to the arms control talks in Geneva and Vienna, and U.S. commitment to the CDE as a possible turning point in East-West relations.

JANUARY 24, 1984: CDE

The United States and its North Atlantic Treaty Organization (NATO) allies table the first proposal at the 35-nation Stockholm CDE -- a package of six concrete measures to strengthen mutual trust and security in Europe.

EARLY 1984: U.S.-SOVIET MILITARY CONTACTS

President Reagan suggests to Soviet leaders the desirability of exploring the possibility of regularizing high-level military contacts and discussions between the two countries "to increase mutual understanding and minimize the potential for misinterpretation and miscalculation."

FEBRUARY 1984: NUCLEAR NONPROLIFERATION

The United States and the Soviet Union hold their third round of bilateral consultations on preventing the spread of nuclear weapons.

MARCH 16, 1984: EAST-WEST CONVENTIONAL FORCES

The United States welcomes the Soviet Union's return, after an absence of three months, to the East-West MBFR talks in Vienna on conventional troop reductions in Central Europe, and urges the Soviets to resume the INF and S.T.A.R.T. talks.

APRIL 18, 1984: CHEMICAL WEAPONS; U.S.-SOVIET TALKS

At the United Nations (UN) Conference on Disarmament (CD) in Geneva, Vice President George Bush introduces a negotiable draft treaty for a worldwide ban on the development, production, possession, use, stockpiling and transfer of chemical weapons. The treaty has comprehensive verification provisions to check compliance. Following presentation of the draft ban, the United States and the Soviet Union begin bilateral talks on chemical weapons in Geneva on the margins of CD meetings.

APRIL 19, 1984: MBFR

The United States and its NATO allies present a major new initiative to the Soviet Union and its East European allies to break the East-West deadlock at the MBFR talks over the number of Warsaw Pact forces in Central Europe.

JUNE 4, 1984: CDE -- NON-USE OF FORCE

In a speech to the Irish Parliament in Dublin, President Reagan offers to discuss the Soviet proposal for a reaffirmation of the principle of non-use of force at the Conference on Disarmament in Europe, if the Soviet Union will "negotiate agreements which will give concrete new meaning to that principle."

JUNE 14, 1984: ANTISATELLITE WEAPONS; U.S.-SOVIET SUMMIT

President Reagan says at a news conference that the door is not closed to discussions with the Soviet Union on antisatellite (ASAT) weapons. He also says he is prepared to meet and talk to Soviet leaders "anytime."

JUNE 27, 1984: U.S. PROPOSALS IN "HOTLINE" TALKS

In a speech to the Conference on U.S.-Soviet Exchanges, President Reagan says that within the framework of U.S.-Soviet talks on improving the "Hotline," the United States has suggested discussions on: (a) potential terrorist incidents involving nuclear weapons; (b) the establishment of a joint military communications line; and (c) upgrading embassy communications in both countries.

JUNE 29, 1984: U.S.-SOVIET TALKS ON OUTER SPACE ARMS

The United States immediately accepts Moscow's June 29 proposal to meet in Vienna in September to begin talks on "preventing the militarization of outer space."

White House National Security Advisor Robert McFarlane says the U.S. will:

- discuss and define mutually agreeable arrangements, under which negotiations on the reduction of strategic and intermediate-range nuclear weapons can be resumed;
- discuss and seek agreement on feasible negotiating approaches which could lead to verifiable and effective limitations on antisatellite weapons;
- discuss any other arms control concerns.

JULY 1, 1984: VIENNA TALKS ON OUTER SPACE

A White House spokesman says the United States will attend the proposed September arms control talks with the Soviets in Vienna without preconditions. He adds that Soviet acceptance of a U.S. agenda which would include raising the question of Moscow's resumption of the INF and S.T.A.R.T. negotiations, is not a U.S. "condition" for the meeting.

SEPTEMBER 24, 1984: COMPREHENSIVE ARMS CONTROL

In a speech to the United Nations General Assembly, President Reagan proposes a broad "umbrella" framework for talks between the United States and the Soviet Union on arms control issues.

Reagan suggests that it would be mutually beneficial for the United States and the Soviet Union to consider:

- exchanging observers at nuclear test sites;
- exchanging the outlines of five-year plans for the development of weapons, and the schedules for intended procurement of arms;
- strengthening contacts between military personnel.

The United States, Reagan says, is committed to achieving the following results in U.S.-Soviet and multilateral arms control talks:

1. A complete ban on chemical weapons at the 40-nation Conference on Disarmament in Geneva;
2. Real reductions to lower and equal levels in Soviet and American, Warsaw Pact and NATO conventional forces, at the Mutual and Balanced Forces Reduction (MBFR) talks in Vienna;
3. Concrete, practical measures to enhance mutual confidence, to reduce the risk of war, and to reaffirm commitments concerning non-use of force, at the 35-nation Stockholm negotiations on confidence- and security-building measures in Europe;
4. Improvements in verification, essential to ensure compliance with the U.S.-Soviet Threshold Test Ban Treaty of 1974 to limit underground testing of nuclear weapons, and the Peaceful Nuclear Explosions Agreement, signed by the United States and the USSR in 1976;
5. Close cooperation to strengthen the international institutions and practices aimed at halting the proliferation of nuclear weapons;
6. A substantial reduction in U.S. and Soviet nuclear arsenals.

NOVEMBER 5, 1984: U.S. ARMS CONTROL POLICY

President Reagan says peace, disarmament, and a reduction of nuclear weapons in the world will be the "number one priority" of his second term.

NOVEMBER 28-30, 1984: NUCLEAR NONPROLIFERATION

The United States and the Soviet Union hold their fourth round of talks in Moscow on preventing the spread of nuclear weapons. They agree to "regularize" bilateral consultations on nuclear non-proliferation issues by meeting twice a year.

DECEMBER 3, 1984: NEW WORKING STRUCTURE AT CDE

The United States and the Soviet Union, together with the 33 other Western, neutral, nonaligned, and East European countries participating in the Conference on Confidence- and Security-Building Measures and Disarmament in Europe, agree to establish working groups.

The State Department says it hopes the new working structure will "encourage detailed examination of the possible areas of agreement" at the Stockholm talks, and that "serious negotiations on the concrete and practical confidence- and security-building measures introduced by the West" in January 1984, "will no longer be delayed."

HIGH-LEVEL U.S.-SOVIET DIPLOMATIC CONTACTS

JANUARY 18, 1984: In Stockholm for the opening of the Conference on Disarmament in Europe (CDE), Secretary of State Shultz and Soviet Foreign Minister Andrei Gromyko meet for five and one-half hours.

FEBRUARY 14, 1984: Vice President George Bush, in Moscow for the funeral of Soviet leader Yuri Andropov, meets new Soviet President Konstantin Chernenko.

SEPTEMBER 24, 1984: In his speech to the UN General Assembly, President Reagan suggests that the United States and the Soviet Union agree "to embark on periodic consultations at policy level about regional problems," and to "institutionalize regular ministerial or cabinet-level meetings between our two countries on the whole agenda of issues before us...."

SEPTEMBER 26, 1984: Shultz and Gromyko meet in New York, and discuss

U.S.-Soviet relations.

SEPTEMBER 28, 1984: President Reagan and Gromyko meet at the White House. Reagan reaffirms U.S. interest in establishing a more stable and constructive U.S.-Soviet relationship, and America's commitment to productive dialogue.

SEPTEMBER 28, 1984: Shultz and Gromyko meet in Washington.

NOVEMBER 3, 1984: Shultz and Premier Nikolai Tikhonov meet in New Delhi, where they are leading the U.S. and Soviet delegations to the funeral of Indian Prime Minister Indira Gandhi. Shultz stresses President Reagan's hopes for an expansion of the dialogue begun with Gromyko in September.

NOVEMBER-DECEMBER 1984: Soviet Minister of Agriculture Valentin Meysats visits the United States, and invites U.S. Secretary of Agriculture John Block to the USSR in 1985.

U.S.-SOVIET CONSULAR AGREEMENT

AUGUST 1, 1984: The United States and the Soviet Union exchange notes concluding an agreement on facilities, travel of exchange scholars, expediting the issue of visas, and the addition of two entry-exit points for diplomats.

U.S.-SOVIET SATELLITE AGREEMENT

OCTOBER 5, 1984: The United States and the Soviet Union sign in Leningrad a memorandum making their joint search and rescue satellite-aided tracking system (COSPAS/SARSAT) fully operational.

INFORMAL U.S.-SOVIET SPACE COOPERATION

DECEMBER 15, 1984: A U.S. experiment to analyze the dust of Halley's Comet rides aboard the Soviet Vega-1 spacecraft as it is launched from Kazakhstan in Central Asia.

A second, identical U.S. cosmic dust analyzer, designed and built by University of Chicago astrophysicists, is on board the Soviet Union's

Vega 2, launched December 22.

Several American scientists have key roles in the two Soviet missions to rendezvous with Halley's Comet in 1986.

U.S.-SOVIET DISCUSSIONS ON REGIONAL ISSUES

1984: The United States and the Soviet Union hold high-level diplomatic discussions in Washington and Moscow on third-country questions.

The United States expresses readiness to engage in detailed talks on regional issues of special concern, including southern Africa, and the Persian gulf.

NEGOTIATIONS ON U.S.-SOVIET MARITIME DISPUTE

JUNE 27, 1984: In a speech to the Conference on U.S.-Soviet Exchanges, President Reagan says the United States has offered the Soviet Union a fair and equitable resolution of their differences on the maritime boundary off Alaska.

During 1984, the United States and the Soviet Union hold two rounds of technical talks on the disputed maritime boundary in the Bering Sea.

U.S.-SOVIET EXCHANGES

CURRENT STATUS:

Of the 12 specialized agreements signed by the United States and the Soviet Union between 1972 and 1974 to sponsor exchanges in science, technology, education and culture, five failed to survive the 1979 Soviet invasion of Afghanistan, the imposition of martial law in Poland in 1981, and the shooting down of a Korean civilian airliner by the Soviet Union in 1983.

By late 1983, the level of activity under the remaining seven science and technology agreements was roughly 20 percent of that of late 1979. The U.S. government also funds, wholly or in part, exchange programs run by the National Academy of Sciences, and the International Research and Exchange Board (IREX).

U.S. MOVES TO REVIVE AND STRENGTHEN EXCHANGES

JUNE 27, 1984: In a speech to the Conference on U.S.-Soviet Exchanges, President Reagan outlines recent U.S. proposals to the USSR to promote dialogue, and a more constructive working relationship:

-- A resumption of preparations to open Consulates General in New York and Kiev;

-- Negotiations on a new U.S.-Soviet exchanges agreement to replace the previous accord that was allowed to expire in 1979, following the Soviet invasion of Afghanistan;

-- The beginning of preparations for meetings of the joint committees attached to the U.S.-Soviet agreements on cooperation in environmental protection, housing, health, and agriculture;

-- The beginning of preparations for a meeting of the U.S.-Soviet Joint Commercial Commission;

-- The renewal for ten years of the 1974 U.S.-Soviet Agreement to Facilitate Economic, Industrial, and Technical Cooperation.

President Reagan also says the Soviets have been offered the following proposals:

(1) A simulated space rescue mission in which U.S. and Soviet astronauts and cosmonauts would hold combined exercises in space to develop techniques for rescuing people from malfunctioning space vehicles;

(2) Discussions between the U.S. Coast Guard and the Soviet Ministry of Merchant Marine on search and rescue procedures to assist citizens of all countries lost at sea.

MARCH 21, 1984: The United States delivers a diplomatic note to the Soviet Union renewing the Memorandum of Cooperation between the U.S. National Bureau of Standards and the Soviet Academy of Sciences. The five-year extension was effective from December 1983.

JUNE 28, 1984: The Soviet Union agrees to the U.S. proposal to renew for five years the U.S.-USSR agreement of 1974 on Housing and Other Construction.

JUNE 1984: The United States and the Soviet Union agree to a ten-year extension of their agreement to facilitate economic, industrial, and economic cooperation.

JUNE 27, 1984: The United States informs the Soviet Union of its interest in reinvigorating environmental cooperation.

JULY 1984: U.S. and Soviet officials meet in Moscow to discuss the next joint committee meeting of the 1972 Agreement on Cooperation in Environmental Protection.

JULY 1984: The United States presents the Soviet Union with a draft text of a new General Agreement on Contacts, Exchanges, and Cooperation. Its provisions include the resumption of official support for exchanges of major exhibitions, academics, and individuals and groups associated with culture and sports.

The Soviet Union offers its draft of an agreement in August 1984.

SEPTEMBER-DECEMBER 1984: The United States and the Soviet Union hold detailed discussions in Moscow on a new General Exchanges Agreement.

DECEMBER 1, 1984: The United States and the Soviet Union jointly announce their agreement to revive scientific and technological activities related to agriculture.

This decision is expected to lead to the resumption of meetings, exchanges and cooperation under the 1973 U.S.-Soviet Agreement on Cooperation in Agriculture. Although that agreement was automatically renewed for five years in June 1983, the United States had suspended most cooperative activities following the Soviet invasion of Afghanistan in December 1979.

U.S.-SOVIET ECONOMIC ISSUES

APRIL 1984. FISHING AGREEMENT

The United States and the Soviet Union agree to extend their 1976 Fisheries Agreement for 18 months.

JULY 25, 1984. FISHING ALLOCATION

President Reagan announces that the United States will allow the Soviets to catch about 50,000 tons of fish in the U.S. exclusive economic zone.

Following the Soviet invasion of Afghanistan, the United States had terminated allocations to the USSR to fish within the U.S. 200-mile zone.

SEPTEMBER 11, 1984. U.S. GRAIN SALES TO USSR

President Reagan announces that the United States will make more grain available to the USSR for 1984.

The decision, which followed large Soviet purchases of U.S. grain during the summer, raises the ceiling for the second year of the five-year U.S.-Soviet grain agreement signed in August 1983, from 12 to 22 million metric tons of grain.

The U.S. Department of Agriculture estimates that U.S. grain exports to the USSR in 1984 could exceed the previous record of 15 million metric tons.

NOVEMBER 1984: The United States and the Soviet Union hold in Washington the second of their regular biannual consultations on grain sales.

1984: FUR SEAL CONVENTION

The United States and the Soviet Union agree in principle to extend the North Pacific Fur Seal Convention.



official text

DATE; 12/30/84

(Following material for release at 2000 GMT, January 3)

(TEXT) THE PRESIDENT'S STRATEGIC DEFENSE INITIATIVE (7670)

(Following is the text of a publication regarding the Reagan administration's research program against missile attack; the Strategic Defense Initiative. The publication will be released with other materials which relate to the January 7-8 Geneva talks. It is embargoed until 2000 GMT, January 3.)

(begin text)

PRESIDENTIAL FOREWORD

Since the advent of nuclear weapons, every president has sought to minimize the risk of nuclear destruction by maintaining effective forces to deter aggression and by pursuing complementary arms control agreements. This approach has worked. We and our allies have succeeded in preventing nuclear war while protecting Western security for nearly four decades.

Originally, we relied on balanced defensive and offensive forces to deter. But over the last twenty years, the United States has nearly abandoned efforts to develop and deploy defenses against nuclear weapons, relying instead almost exclusively on the threat of nuclear retaliation. We accepted the notion that if both we and the Soviet Union were able to retaliate with devastating power even after absorbing a first strike, that stable deterrence would endure. That rather novel concept seemed at the time to be sensible for two reasons. First, the Soviets stated that they believed that both sides should have roughly equal forces and neither side should seek to alter the balance to gain unilateral advantage. Second, there did not seem to be any alternative. The state of the art in defensive systems did not permit an effective defensive system.

Today both of these basic assumptions are being called into question. The pace of the Soviet offensive and defensive buildup has upset the balance in the areas of greatest importance during crises. Furthermore, new technologies are now at hand which may make possible a truly effective non-nuclear defense.

For these reasons and because of the awesome destructive potential of nuclear weapons, we must seek another means of deterring war. It is both militarily and morally necessary. Certainly, there should be a better way to strengthen peace and stability, a way to move away from a future that relies so heavily on the prospect of rapid and massive nuclear retaliation and toward greater reliance on defensive systems which threaten no one.

On March 23, 1983, I announced my decision to take an important first step towards this goal by directing the establishment of a comprehensive and intensive research program, the Strategic Defense Initiative, aimed at eventually eliminating the threat posed by nuclear armed ballistic missiles.

The Strategic Defense Initiative (SDI) is a program of vigorous research focused on advanced defensive technologies with the aim of finding ways to provide a better basis for deterring aggression, strengthening stability, and increasing the security of the U.S. and our allies. The SDI research program will provide to a future president and a future Congress the technical knowledge required to support a decision on whether to develop and later deploy advanced



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defensive systems.

At the same time, the United States is committed to the negotiation of equal and verifiable agreements which bring real reductions in the power of the nuclear arsenals of both sides. To this end, my administration has proposed to the Soviet Union a comprehensive set of arms control proposals. We are working tirelessly for the success of these efforts, but we can and must go further in trying to strengthen the peace.

Our research under the Strategic Defense Initiative complements our arms reduction efforts and helps to pave the way for creating a more stable and secure world. The research that we are undertaking is consistent with all of our treaty obligations, including the 1972 Anti-Ballistic Missile Treaty.

In the near term, the SDI research program also responds to the ongoing and extensive Soviet anti-ballistic missile (ABM) effort, which includes actual deployments. It provides a powerful deterrent to any Soviet decision to expand its ballistic missile defense capability beyond that permitted by the ABM Treaty. And, in the long-term, we have confidence that SDI will be a crucial means by which both the United States and the Soviet Union can safely agree to very deep reductions, and eventually, even the elimination of ballistic missiles and the nuclear weapons they carry.

Our vital interests and those of our allies are inextricably linked. Their safety and ours are one. They, too, rely upon our nuclear forces to deter attack against them. Therefore, as we pursue the promise offered by the Strategic Defense Initiative, we will continue to work closely with our friends and allies. We will ensure that, in the event of a future decision to develop and deploy defensive systems -- a decision in which consultation with our allies will play an important part -- allied, as well as U.S. security against aggression would be enhanced.

Through the SDI research program, I have called upon the great scientific talents of our country to turn to the cause of strengthening world peace by rendering ballistic missiles impotent and obsolete. In short, I propose to channel our technological prowess towards building a more secure and stable world. And I want to emphasize that in carrying out this research program, the United States seeks neither military superiority nor political advantage. Our only purpose is to search for ways to reduce the danger of nuclear war.

As you review the following pages, I would ask you to remember that the quality of our future is at stake and to reflect on what we are trying to achieve -- the strengthening of our ability to preserve the peace while shifting away from our current dependence upon the threat of nuclear retaliation. I would also ask you to consider the SDI research program in light of both the Soviet Union's extensive, ongoing efforts in this area and our own government's constitutional responsibility to provide for the common defense. I hope that you will conclude by lending your own strong and continuing support to this research effort -- an effort which could prove to be critical to our nation's future.

THE PRESIDENT'S STRATEGIC DEFENSE INITIATIVE

"What if free people could live secure in the knowledge that their security did not rest upon the threat of instant U.S. retaliation to deter a Soviet attack, that we could intercept and destroy strategic ballistic missiles before they reached our own soil or that of our allies?"

From President Reagan's March 23, 1983 speech

The President's Vision

In his March 23 address to the nation, the president described his vision of a world free of its overwhelming dependence on nuclear weapons, a world free once and for all of the threat of nuclear war. The Strategic Defense Initiative, by itself, cannot fully realize this vision nor solve all the security challenges we and our allies will face in the future; for this we will need to seek many solutions -- political as well as technological. A long road with much hard work lies ahead of us. The president believes we must begin now. The Strategic Defense Initiative makes a crucial first step.

The basic security of the United States and our allies rests upon our collective ability to deter aggression. Our nuclear retaliatory forces help achieve this security and have deterred war for nearly 40 years. Since World War II, nuclear weapons have not been used; there has been no direct military conflict between the two largest world powers, and Europe has not seen such an extended period of peace since the last century. The fact is, however, that we have no defense against nuclear ballistic missile attack. And, as the Soviet building program widens the imbalance in key offensive capabilities, introducing systems whose status and characteristics are more difficult to confirm, our vulnerability and that of our allies to blackmail becomes quite high. In the event deterrence failed, a president's only recourse would be to surrender or to retaliate. Nuclear retaliation, whether massive or limited, would result in the loss of millions of lives.

The president believes strongly that we must find a better way to assure credible deterrence. If we apply our great scientific and engineering talent to the problem of defending against ballistic missiles, there is a very real possibility that future presidents will be able to deter war by means other than threatening devastation to any aggressor -- and by a means which threatens no one.

The president's goal, and his challenge to our scientists and engineers, is to identify the technological problems and to find the technical solutions so that we have the option of using the potential of strategic defenses to provide a more effective, more stable means of keeping the U.S. and our allies secure from aggression and coercion. The Joint Chiefs of Staff, many respected scientists, and other experts believe that, with firm leadership and adequate funding, recent advances in defensive technologies could make such defenses achievable.

What is the President's Strategic Defense Initiative

The president announced his Strategic Defense Initiative (SDI) in his March 23, 1983, address to the nation. Its purpose is to identify ways to exploit recent advances in ballistic missile defense technologies that have potential for strengthening deterrence -- and thereby increasing our security and that of our allies. The program is designed to answer a number of fundamental scientific and engineering questions that must be addressed before the promise of these new technologies can be fully assessed. The SDI research program will provide a future president and a future Congress the technical knowledge necessary to support a decision in the early 1990s on whether to develop and deploy such advanced defensive systems.

As a broad research program, the SDI is not based on any single or preconceived notion of what an effective defense system would look like. A number of different concepts, involving a wide range of technologies, are being examined. No single concept or technology has been identified as the best or the most appropriate. A number of non-nuclear technologies hold promise for dealing effectively with ballistic missiles.

We do feel, however, that the technologies that are becoming available today may offer the possibility of providing a layered defense -- a defense that uses various technologies to destroy attacking missiles during each phase of their flight.

-- Some missiles could be destroyed shortly after they launch as they burn their engines and boost their warheads into space. By destroying a missile during this boost phase, we would also destroy all of the nuclear warheads it carries at the same time. In the case of ICBMs, they would probably be destroyed before leaving the territory of the aggressor.

-- Next, we could destroy those nuclear warheads that survive the boost phase by attacking them during the post-boost phase. During this phase we would target the device that sits on top of the missile and is used to dispense its warheads while it is in the process of releasing its cargo. By destroying this device, the post-boost vehicle, we can destroy all the warheads not yet released.

-- Those warheads that have been released and survive, travel for tens of minutes in the void of space on their ballistic trajectories towards their targets. While we would now have to locate, identify and destroy the individual nuclear warheads themselves, this relatively long mid-course phase of flight again offers us time to exploit advanced technologies to do just that.

-- Finally, those warheads that survive the outer layers of defense, could be attacked during the terminal phase as they approach the end of their ballistic flight.

The concept of a layered defense could be extremely effective because the progressive layers would be able to work together to provide many opportunities to destroy attacking nuclear warheads well before they approach our territory or that of our allies. An opponent facing several separate layers of defenses would find it difficult to redesign his missiles and their nuclear warheads to penetrate all of the layers. Moreover, defenses during the boost, post-boost and mid-course phases of ballistic missile flight make no distinction in the targets of the attacking missiles -- they simply destroy attacking nuclear warheads, and in the process protect people and our country. The combined effectiveness of the defense provided by the multiple layers need not provide 100 percent protection in order to enhance deterrence significantly. It need only create sufficient uncertainty in the mind of a potential aggressor concerning his ability to succeed in the purposes of his attack. The concept of a layered defense certainly will help do this.

There have been considerable advances in technology since U.S. ballistic missile defenses were first developed in the 1960s. At the time the ABM Treaty was signed (1972), ballistic missile defense prospects were largely confined to the attacking nuclear warheads during the terminal phase of their flight using nuclear-tipped interceptor missiles. Since that time, emerging technologies offer the possibility of non-nuclear options for destroying missiles and the nuclear warheads they carry in all phases of their flight. New technologies may be able to permit a layered defense by providing sensors for identifying and tracking missiles and nuclear warheads; advanced ground and space borne interceptors and directed energy weapons to destroy both missiles and nuclear warheads; and, the technology to permit the command, control and communications necessary to operate a layered defense.

In the planning that went into the SDI research program, we consciously chose to look broadly at defense against ballistic missiles as it could be applied across all these phases of missile flight: boost, post-boost, mid-course, and terminal. Although it is too early to define fully those individual technologies or applications which will ultimately prove to be most effective, such a layered approach maximizes the application of emerging technology and holds out the possibility of destroying nuclear warheads well before they reach the territory of the United States or our allies.

As President Reagan made clear at the start of this effort, the SDI research program will be consistent with all U.S. treaty obligations, including the ABM Treaty. The Soviets, who have and are improving the world's only existing anti-ballistic missile system (deployed around Moscow), are continuing a program of research on both traditional and advanced anti-ballistic missile technologies that has been underway for many years. But while the president has directed that the U.S. effort be conducted in a manner that is consistent with the ABM Treaty, the Soviet Union almost certainly is violating that Treaty by constructing a large ballistic missile early warning radar in Siberia (at Krasnoyarsk) which is located and oriented in a manner prohibited by the Treaty. This radar could contribute significantly to the Soviet Union's considerable potential to rapidly expand its deployed ballistic missile defense capability.

The United States has offered to discuss with the Soviet Union the implications of defensive technologies being explored by both countries. Such a discussion would be useful in helping to clarify both sides' understanding of the relationship between offensive and defensive forces and in clarifying the purposes that underlie the U.S. and Soviet programs. Further, this dialogue could lead to agreement to work together toward a more stable strategic relationship than exists today.

Why SDI?

SDI and Deterrence: The primary responsibility of a government is to provide for the security of its people. Deterrence of aggression is the most certain path to ensure that we and our allies survive as free and independent nations. Providing a better, more stable basis for enhanced deterrence is the central purpose of the SDI program.

Under the SDI program, we are conducting intensive research focused on advanced defensive technologies with the aim of enhancing the basis of deterrence, strengthening stability, and thereby increasing the security of the United States and our allies. On many occasions, the president has stated his strong belief that "a nuclear war cannot be won and must never be fought." U.S. policy has always been one of deterring aggression and will remain so even if a decision is made in the future to deploy defensive systems. The purpose of SDI is to strengthen deterrence and lower the level of nuclear forces.

Defensive systems are consistent with a policy of deterrence both historically and theoretically. While today we rely almost exclusively on the threat of retaliation with offensive forces for our strategic deterrence, this has not always been the case. Throughout the 1950s and most of the 1960s, the United States maintained an extensive air defense network to protect North America from attack by Soviet bomber forces. At that time, this network formed an important part of our deterrent capability. It was allowed to decline only when the Soviet emphasis shifted to intercontinental ballistic missiles, a threat for which there was previously no effective defense. Recent advances in ballistic missile defense technologies, however, provide more than sufficient reason to believe that defensive systems could eventually provide a better and more stable basis for deterrence.

Effective defenses against ballistic missiles have potential for enhancing deterrence in the future in a number of ways. First, they could significantly increase an aggressor's uncertainties regarding whether his weapons would penetrate the defenses and destroy our missiles and other military targets. It would be very difficult for potential aggressor to predict his own vulnerability in the face of such uncertainties. It would restore the condition that attacking could never leave him better off. An aggressor will be much less likely to contemplate initiating a nuclear conflict, even in crisis circumstances, while lacking confidence in his ability to succeed.

Such uncertainties also would serve to reduce or eliminate the incentive for first strike attack. Modern, accurate, ICBMs carrying multiple nuclear warheads -- if deployed in sufficiently large numbers relative to the size of an opponent's force structure, as the Soviets have done with their ICBM force -- could be used in a rapid first strike to undercut an opponent's ability to retaliate effectively. By significantly reducing or eliminating the ability of ballistic missiles to attack military forces effectively, and thereby rendering them impotent and obsolete as a means of supporting aggression, advanced defenses could remove this potentially major source of instability.

Finally, in conjunction with air defenses, very effective defenses against ballistic missiles could help reduce or eliminate the apparent military value of nuclear attack to an aggressor. By preventing an aggressor from destroying a significant portion of our country, an aggressor would have gained nothing by attacking in the first place. In this way, very effective defenses could reduce substantially the possibility of nuclear conflict.

If we take the prudent and necessary steps to maintain strong, credible military forces, there is every reason to believe that deterrence will continue to preserve the peace. However, even with the utmost vigilance, few things in this world are absolutely certain, and a responsible government must consider the remote possibility that deterrence could fail. Today, the United States and our allies have no defense against ballistic missile attack. We also have very limited capability to defend the United States against an attack by enemy bombers. If deterrence were to fail, without a shield of any kind, it could cause the death of most of our population and the destruction of our nation as we know it. The SDI program provides our only long-term hope to change this situation.

Defenses also could provide insurance against either accidental ballistic missile launches or launches by some future irrational leader in possession of a nuclear armed missile. While such events are improbable, they are not inconceivable. The United States and other nuclear-capable powers have instituted appropriate safeguards against inadvertent launches by their own forces and together have formulated policies to preclude the proliferation of nuclear weapons. Nonetheless, it is difficult to predict the future course of events. While we hope, and expect, that our best efforts will continue to be

successful, our national security interests will be well served by a vigorous SDI research program that could provide an additional safeguard against such potentially catastrophic events.

Today our retaliatory forces provide a strong sword to deter aggression. However, the president seeks a better way of maintaining deterrence. For the future, the SDI program strives to provide a defensive shield which will do more than simply make that deterrence stronger. It will allow us to build a better, more stable basis for deterrence. And, at the same time, that same shield will provide necessary protection should an aggressor not be deterred.

Insurance against Soviet Defensive Technology Program* While we refer to our program as the president's Strategic Defense Initiative, some have the misconception that the United States alone is pursuing an increased emphasis on defensive systems -- a unilateral U.S. action which will alter the strategic balance. This is not the case. The Soviet Union has always considered defense to be a central and natural part of its national security policy. The extensive, advanced Soviet air defense network and large civil defense program are obvious examples of this priority.

But in addition to this, the Soviets have for many years been working on a number of technologies, both traditional and advanced, with potential for defending against ballistic missiles. For example, while within the constraints of the ABM Treaty, the Soviet Union currently is upgrading the capability of the only operational ABM system in the world today -- the Moscow ABM defense system.

The Soviets are also engaged in research and development on a rapidly deployable ABM system that raises concerns about their potential ability to break out of the ABM Treaty and deploy a nationwide ABM defense system within the next ten years should they choose to do so. Were they to do so, as they could, deterrence would collapse, and we would have no choices between surrender and suicide.

In addition to these ABM efforts, some of the Soviet Union's air defense missiles and radars are also of a particular concern. The Soviet Union already possesses an extensive air defense network. With continued improvements to this network, it could also provide some degree of ABM protection for the Soviet Union and its Warsaw Pact allies -- and do so nominally within the bounds prescribed by the ABM Treaty.

Since the late 1960s, the Soviet Union also has been pursuing a substantial, advance defensive technologies program -- a program which has been exploring many of the same technologies of interest to the U.S. in the SDI program. In addition to covering a wide range of advanced technologies, including various laser and neutral particle beams, the Soviet program apparently has been much larger than the U.S. effort in terms of resources invested -- plant, capital, and manpower. In fact, over the last two decades, the Soviet Union has spent roughly as much on defense as it has on its massive offensive program.

The SDI program is a prudent response to the very active Soviet research and development activities in this field and provides insurance against Soviet efforts to develop and deploy unilaterally an advanced defensive system. A unilateral Soviet deployment of such advanced defenses, in concert with the Soviet Union's massive offensive forces and its already impressive air and passive defense capabilities, would destroy the foundation on which deterrence has rested for twenty years.

In pursuing the Strategic Defense Initiative, the United States is striving to fashion a future environment that serves the security interests of the United States and our allies, as well as the Soviet Union. Consequently, should it prove possible to develop a highly capable defense against ballistic missiles, we would envision parallel U.S. and Soviet deployments, with the outcome being enhanced mutual security and international stability.

Requirements for an Effective Defense

To achieve the benefits which advanced defensive technologies could offer, they must, at a minimum, be able to destroy a sufficient portion of an aggressor's attacking forces to deny him confidence in the outcome of an attack or deny an aggressor the ability to destroy a militarily significant portion of the target base he wishes to attack.

The level of defense system capability required to achieve these ends cannot be determined at this time, depending as it does on the size,

composition, effectiveness, and passive survivability of U.S. forces relative to those of the Soviet Union. Any effective defensive system must, of course, be survivable and cost-effective.

To achieve the required level of survivability, the defensive system need not be invulnerable, but must be able to maintain sufficient degree of effectiveness to fulfill its mission, even in the face of determined attacks against it. This characteristic is essential not only to maintain the effectiveness of a defense system, but to maintain stability.

Finally, in the interest of discouraging the proliferation of ballistic missile forces, the defensive system must be able to maintain its effectiveness against the offense at less cost than it would take to develop offensive countermeasures and proliferate the ballistic missiles necessary to overcome it. ABM systems of the past have lacked this essential capability, but the newly emerging technologies being pursued under the SDI program have great potential in this regard.

Current Programs

Today, deterrence against Soviet aggression is grounded almost exclusively in the capabilities of our offensive retaliatory forces, and this is likely to remain true for some time. Consequently, the SDI program in no way signals a near-term shift away from the modernization of our strategic and intermediate-range nuclear systems and our conventional military forces. Such modernization is essential to the maintenance of deterrence while we are pursuing the generation of technologically feasible defensive options. In addition, in the event a decision to deploy a defensive system were made by a future President, having a modern and capable retaliatory deterrent force would be essential to the preservation of a stable environment while the shift is made to a different and enhanced basis for deterrence.

Arms Control

As directed by the President, the SDI research program will be conducted in a manner fully consistent with all U.S. treaty obligations, including the 1972 ABM Treaty. The ABM Treaty prohibits the development, testing, and deployment of ABM systems and components that are space-based, air-based, sea-based, or mobile land-based. However, as Gerard Smith, chief U.S. negotiator of the ABM Treaty, reported to the Senate Armed Services Committee in 1972, that agreement does permit research short of field testing of a prototype ABM system or component. This is the type of research that will be conducted under the SDI program.

Any future national decision to deploy defensive systems would, of course, lead to an important change in the structure of U.S. and Soviet Forces. We are examining ways in which the offense/defense relationship can be managed to achieve a more stable balance through strategic arms control. Above all, we seek to ensure that the interaction of offensive and defensive forces removes first strike options from either side's capability.

The U.S. does not view defensive measures as a means of establishing military superiority. Because we have no ambitions in this regard, deployments of defensive systems would most usefully be done in the context of a cooperative, equitable, and verifiable arms control environment that regulates the offensive and defensive developments and deployments of the U.S. and the Soviet Union. Such an environment could be particularly useful in the period of transition from a deterrent based on the threat of nuclear retaliation, through deterrence based on a balance of offensive and defensive forces, to the period when adjustments to the basis of deterrence are complete and advanced defensive systems are fully deployed. During the transition, arms control agreements could help to manage and establish guidelines for the deployment of defensive systems.

The SDI research program will complement and support U.S. efforts to seek equitable, verifiable reductions in offensive nuclear forces through arms control negotiations. Such reductions would make a useful contribution to stability, whether in today's deterrence environment or in a potential future deterrence environment in which defenses played a leading role.

A future decision to develop and deploy effective defenses against ballistic missiles could support our policy of pursuing significant reductions in ballistic missile forces. To the extent that defensive

systems could reduce the effectiveness and, thus, value of ballistic missiles, they also could increase the incentives for negotiated reductions. Significant reductions in turn would serve to increase the effectiveness and deterrent potential of defensive systems.

SDI and the Allies

Because our security is inextricably linked to that of our friends and allies, the SDI program will not confine itself solely to an exploitation of technologies with potential against ICBMs and SLBMs, but will also carefully examine technologies with potential against shorter range ballistic missiles.

An effective defense against shorter range ballistic missiles could have a significant impact on deterring aggression in Europe. Soviet SS-20s, SCALEBOARDS, and other shorter range ballistic missiles provide overlapping capabilities to strike all of NATO Europe. Moreover, Soviet doctrine stresses the use of conventionally-armed ballistic missiles to initiate rapid and wide-ranging attacks on crucial NATO military targets throughout Europe. The purpose of this tactic would be to reduce significantly NATO's ability to resist the initial thrust of a Soviet conventional force attack and to impede NATO's ability to resupply and reinforce its combatants from outside Europe. By reducing or eliminating the military effectiveness of such ballistic missiles, defensive systems have the potential for enhancing deterrence against not only strategic nuclear war, but against nuclear and conventional attacks on our allies as well.

Over the next several years, we will work closely with our allies to ensure that, in the event of any future decision to deploy defensive systems (a decision in which consultation with our allies will play an important part), allied, as well as U.S., security against aggression would be enhanced.

ASSERTIONS AND FACTS ABOUT SDI

INTRODUCTION

A key fact ignored by many critics of the Strategic Defense Initiative is that SDI is a research program, not a program to deploy weapons. The question of whether to proceed to deployment of an actual ballistic missile defense system would arise in the years to come when the SDI research generates options for effective defenses that are achievable and affordable.

Many misleading claims and charges are often made by critics of SDI:

ASSERTIONS

Assertion: SDI means a radical change in the fundamental concepts of U.S. military-political strategy.

Fact: Fundamental U.S. and NATO defense policy is to avoid war through deterrence. A mix of offensive and defensive systems is fully compatible with that objective.

The purpose of SDI is to determine whether there are cost-effective defensive technologies that could enhance deterrence and increase stability.

Technological advances inevitably have profound military and political effects. The course of statesmanship is not to ignore the advance of technology, but to look ahead, to study the promise and potential pitfalls of these advances, especially in their implications for international security. That is precisely what SDI is designed to do.

Assertion: SDI will leave our Allies defenseless and mean a return to "Fortress America."

Fact: The president made clear that no change in technology can or will alter our commitments to our allies. In particular, NATO's strategy of flexible response, which is the basis for deterrence and peace in Europe, remains as valid today as when it was first adopted in 1967. The president made our continuing commitment to our allies explicit in his March 1983 speech announcing SDI. Consequently, SDI is looking at the entire ballistic missile threat, including the shorter-range threat to our allies.

Assertion: The experts "know" that there is no point in even trying to defend against attack.

Fact: The history of the development of technology argues strongly against those who make flat statements that something is technologically impossible. Advances in physics, data processing, and

other fields offer ample justification to explore whether technologies in these and other fields can be applied to defend the U.S. and its allies. Arguments made by Western scientists over the feasibility of defending against ballistic missiles can only be resolved with further research.

This argument is also a favorite theme of the "concerned Soviet scientists" who argue in the West that the U.S. should refrain from even exploring whether it is possible to defend against offensive nuclear systems. In doing so, they carefully and intentionally refrain from noting the Soviet Union's own efforts at defense.

Assertion: Through SDI, the U.S. is unilaterally accelerating the arms race.

Fact: As noted, the Soviets are already hard at work on advanced technologies for BMD, including lasers and other directed-energy weapons. They also have active programs on more conventional approaches to BMD, including upgrading the anti-ballistic missile (ABM) system in place around Moscow (the only ABM system in the world), and research and development on a new rapidly deployable ABM system.

These Soviet programs have been going on without regard to U.S. efforts. Most were underway many years before the president's speech on strategic defense. There is no reason to believe they would stop if we now decided to do no research of our own.

Moreover, during the past decade the Soviets have engaged in a massive build-up of all categories of offensive weaponry as well, despite the existence of the ABM Treaty and the Treaty's commitment to corresponding reductions in offensive (as well as defensive) capabilities.

Assertion: Effective BMD would be fantastically expensive, and easily negated by countermeasures.

Fact: Judgments of technological feasibility of possible costs (including offense/defense cost ratios) are highly premature. When not the product of prejudgment or bias, many critics' assertions betray a static approach to complex questions of evolving technology and strategic deterrence, both of which are by their nature, highly dynamic.

Assertion: Ballistic missile defenses are intended to give the U.S. a first-strike capability.

Fact: The United States does not seek a "first-strike capability" and we will not attempt to acquire one. The president has reaffirmed that we do not aim for a unilateral advantage in BMD.

In fact, effective defenses against ballistic missiles, by increasing the uncertainty a potential attacker must confront, would be a powerful disincentive to anyone contemplating a nuclear first strike. This disincentive to first-strike can be further enhanced by reductions of offensive ballistic missiles -- precisely the objective we have been trying to achieve in arms control.

The basic U.S. arms control objective is to achieve balanced outcomes at the lowest possible level, with the forces of both sides deployed in a way that increases crisis stability. The U.S. strategic modernization program is designed both to provide incentives for the Soviets to move toward such an outcome, and to enhance deterrence and stability whether they do so or not.

Soviet commentators, of course, can be counted on to call any new U.S. weapon a "first-strike" system -- they have even applied the term to the Space Shuttle. Comparable Soviet systems -- including many deployed for years before their U.S. counterparts -- never earn this sobriquet. Their discussion of the SDI research program is fully consistent with this pattern.

Assertion: SDI violates the ABM Treaty.

Fact: The United States does not and will not violate its treaty obligations. The ABM Treaty explicitly permits the kind of research envisaged under SDI, and all such research will be conducted within its constraints. Critics who claim that SDI would violate this treaty or others are simply wrong -- often because they are critiquing an SDI program of a nature and direction of their own invention, rather than the research program the U.S. will actually carry out. Moreover, the Soviets have been conducting analogous research for many years. They have not called their own program a violation of the ABM Treaty -- nor

have we for that matter.

In contrast, the Soviet Union is constructing a large phased-array radar that will contribute to its ABM potential. Because of the location and orientation of this radar, it almost certainly constitutes a violation of the 1972 ABM Treaty.

The ABM Treaty provides for possible amendments and periodic review sessions in which possible changes can be discussed. When the SDI research has produced specific options to develop and deploy a BMD system, we would then address the question of availing ourselves of these procedures in order to modify the Treaty.

Meanwhile, however, the ABM Treaty specifically calls on the U.S. and USSR to take effective measures to reduce offensive nuclear weapons. The U.S. welcomes the Soviet Union's decision to return to such negotiations, which it has boycotted since late 1983.

Moreover, we have repeatedly told the Soviets we would like to discuss the implications of these new defensive technologies with them in a government-to-government forum. We have made suggestions about the venue and invited their ideas.

Assertion: SDI will mean "the militarization of outer space."

Fact: Recent Soviet propaganda has stressed the supposed need "to prevent the militarization of outer space." In fact, the Soviets have had a fully deployed anti-satellite (ASAT) weapon for over a decade; it is the only such operational system in the world. (A U.S. ASAT is still under development.) In the late 1960's, the Soviets developed a Fractional Orbiting Bombardment System, involving an orbiting nuclear warhead -- a system with no U.S. counterpart, then or now. Moreover, the "militarization of space" began in the late 1950's when the first Soviet ballistic missiles were tested. Thus, professed Soviet concerns about preventing the U.S. from "militarizing space" are disingenuous at best.

If a decision were made at some future time to deploy a BMD system, some components might well be based in space. Any such deployments would be defensive systems, aimed at preventing the use of weapons, which themselves go through space to attack targets on earth. It is hard to understand why it is wrong even to consider possible ways to use space to prevent nuclear devastation on earth.

Today, there are considerable "military" uses of space which directly help maintain stability and preserve the peace. Both the U.S. and the USSR, for instance, use space for such purposes as early warning and the monitoring of arms control agreements.

SDI QUESTIONS AND ANSWERS

QUESTION: What is the Administration's Strategic Defense Initiative (SDI) which is sometimes referred to as "Star Wars"? Does it mean we have lost confidence in deterrence?

ANSWER: Our nuclear deterrent has kept the peace for almost forty years. It has prevented not only nuclear conflict but also direct military conflict between the United States and the Soviet Union and between East and West in Europe. At the same time, as President Reagan pointed out in March 1983, it is important to examine the potential contribution of defensive technologies to see if we can reduce the risk of war even further. He described the vision underlying his initiative in this way: "What if free people could live secure in the knowledge that their security did not rest upon the threat of instant U.S. retaliation to deter a Soviet attack; that we could intercept and destroy strategic ballistic missiles before they reach our own soil or that of our allies? This could lead to a safer, more stable world in the future."

The Strategic Defense Initiative (SDI) is a research program to vigorously pursue important new technologies that can be used to create a defense against ballistic missiles which could strengthen deterrence and increase our security and that of our Allies. The research effort is designed to allow a future President and Congress to decide whether to go ahead with such a system. The Strategic Defense Initiative is fully consistent with all of our arms control treaty obligations.

Q: Why is the Administration pursuing the Strategic Defense Initiative now?

A: For three basic reasons. First, a defense against ballistic missiles could significantly enhance deterrence and stability. Second, recent technological breakthroughs suggest that it may be possible to overcome the difficulties in defending against ballistic

missiles. Third, the Soviets have long been hard at work in this area. We cannot afford to risk letting them gain a significant technological advantage that could in time be converted to a military advantage over us.

By pursuing SDI research now we learn more about the prospect for defense against ballistic missiles and have a prudent hedge against the possibility of a Soviet breakthrough in defensive technologies and breakout or abrogation of the ABM treaty.

Q: Specifically, what are the Soviets doing in the area of strategic defense?

A: The USSR has long devoted many more financial and human resources than we have to strategic defenses. The Soviets maintain and are upgrading the world's only operational anti-ballistic missile (ABM) system, which is in place around Moscow. They are building a new large phased-array radar in Siberia which almost certainly violates the ABM Treaty. The Soviets are also engaged in research and development on a potential ABM system which could be quickly installed and could form the basis of a nation-wide defense if they chose to go ahead with such a system. In addition, for more than a decade and a half, the Soviets have been vigorously pursuing research in advanced technologies -- including lasers and neutral particle beams -- with application to ballistic missile defense.

Q: What is the difference between the Strategic Defense Initiative and ASATs?

A: Both the Strategic Defense Initiative and our anti-satellite program aim at enhancing deterrence and strengthening strategic stability, but in different ways. Many of the technologies involved in the Strategic Defense Initiative research and the ASAT Program are related. However, the ASAT program is a near-term effort to develop an anti-satellite weapon intended to redress a specific military imbalance. The Strategic Defense initiative is a long-term research program to explore the future potential for defense against the threat of ballistic missiles and to provide insurance against any potential Soviet decision to deploy additional anti-ballistic missile (ABM) systems.

Q: Is the Strategic Defense Initiative permitted under the ABM Treaty?

A: Yes. The Strategic Defense initiative is a research program. The ABM Treaty permits research. The U.S. and, to a greater extent, the USSR have had research programs since the signing of the Treaty.

Q: How would defenses against ballistic missiles work? What good would it do to defend against ballistic missiles if we could still be attacked by bombers and cruise missiles?

A: There are a number of possibilities that our research effort is investigating. For example, one is whether new technologies can be combined to form a defense network -- perhaps a series of systems based on different technologies -- which could defend against ballistic missiles. Such a system or set of systems would be designed to defend against ballistic missiles in various phases of their flight, i.e., during their initial launch, during the course of their flight, and as they approach their targets.

We are focusing on defenses against ballistic missiles because these missiles, with their speed, short warning time and great destructive capability pose a greater threat to stability than do slower-flying systems such as bombers and cruise missiles. There are also efforts underway, however, to examine technologies for defending against bombers and cruise missiles.

Q: Won't the Strategic Defense Initiative lead to another arms race, and make the USSR even more reluctant to reduce offensive weapons?

A: The Soviet strategic defense program has existed -- and will continue to exist -- independently of U.S. efforts in this field.

Rather than stimulating a new arms race, the U.S. Strategic Defense Initiative could complement our efforts to seek equitable and verifiable reductions in offensive nuclear arsenals. This inter-relationship between offensive and defensive forces has long been an important consideration in our strategic thinking and in fashioning arms control agreements. To the extent that the SDI research proves successful and leads to the capability to defend against ballistic missiles, then those missiles could lose much of

their offensive value. That, in turn, would increase incentives for both sides to reduce the numbers of ballistic missiles greatly.

Q: Would a missile defense system lead to a point where vital defense decisions would simply be made by computers rather than by the president?

A: The United States has always placed the highest priority on ensuring that control of our deterrent forces remains in the hands of the president. Nothing in the Strategic Defense Initiative will change that. A major aim of the Strategic Defense Initiative research effort is to ensure maximum safety, reliability, and political control for any potential defensive system.

Q: Would having a ballistic missile defense mean that the U.S. would only protect itself and not the NATO Allies or Japan and our other Pacific security partners?

A: No. Our commitment to the defense of our allies remains intact. We will ensure that any defensive system which we might develop in the future would strengthen global stability and the security of our allies as well as of the United States. We are examining technologies for defense not just against ballistic missiles that can hit the United States, but also against the shorter range ballistic missiles that can strike our allies. We are consulting closely with our allies and other nations on the Strategic Defense Initiative and will continue to do so as the program progresses.

Q: How can we justify spending billions of dollars for research on something that might never be built?

A: Given the advances that the Soviet Union has made in this area, and the potential contribution that strategic defenses might make to deterrence, pursuit of this research program is a prudent and necessary investment in insuring our future. We estimate that Strategic Defense Initiative research will cost about 26,000 million dollars in fiscal years 1985 through 1990 -- about ten dollars a year for each American citizen.

If it succeeds in deterring war and at the same time reduces the importance and value of ballistic missiles, it will prove a worthwhile investment.

(end text)

(Preceding material for release at 2000 GMT, January 3)

Jerusalem

December 31, 1984.

Dear Lane,

Following our recent conversation concerning the strike in EL AL New York, I wish to advise you that since my return to Israel I have looked closely into the matter.

As you probably know, since December 5, 1982 EL AL has been managed by the Official Receiver as Temporary Liquidator - and he is guided and controlled by the Bankruptcy Court in Jerusalem. In view of the bankruptcy proceedings, which are similar to the Chapter 11 proceedings in the U.S.A., it is most difficult to intervene directly. However, I have asked the Official Receiver -- Mr. Amram Blum -- to personally handle the matter.

I have been informed that Mr. Blum has participated in several meetings with representatives of the IAM and that following the most recent round of talks held in Washington on December 10 and 11 under the auspices of the National Mediation Board, some progress has been made. Consequently, on December 27, 1984 Mr. Blum obtained the approval of the Bankruptcy Court to submit to arbitration the matter of the employees against whom charges of misconduct are pending.

Mr. Blum is well aware of the long-standing friendship between the Trade Unions and Israel, a friendship we cherish and wish to nourish. It is for this reason that Mr. Blum has agreed to submit all major issues to arbitration. I trust that you will agree that this is a step forward in our mutual effort to resolve the dispute.

I understand that another meeting under the auspices of the National Mediation Board is scheduled for January.

I hope that the parties involved will do their utmost to reach an early settlement which is acceptable to the Bankruptcy Court. I trust that you will use your good offices in that regard as well as in relaxing the constraints imposed on me and the Israeli Government by the fact that these Bankruptcy proceedings are in the hands of the Court.

Sincerely,

Shimon Peres

Mr. Lane Kirkland
AFL-CIO
815 16th Street, NW
WASHINGTON DC 20006

Jerusalem

December 30, 1984.

Dear Mr. President,

The holiday Season that is upon us is a most opportune reminder of the bright promise of peace and the awesome responsibility shouldered by those entrusted with this task by man and history.

As the leader of the Free World, responsible for global stability, and as a great friend whose commitment to Israeli security and wellbeing has been demonstrated repeatedly over the years, we are confident that your dedication to seeking peace in our region -- so boldly demonstrated during your first term in office -- is undiminished. Indeed, success in this holy endeavour requires such dedication along with the close coordination that exists between our two countries.

Presently focusing our attention on restoring stability to our economy and security for our northern population, and the earliest possible withdrawal of our troops from Lebanon, I am most encouraged by the knowledge that on both issues we can depend on your support.

On behalf of the people and Government of Israel please accept my warmest wishes for a happy and prosperous year to the people and Government of the United States. May 1985 be both challenging and rewarding to you personally, and may your family enjoy happiness and good health.

My best regards to Mrs. Reagan.

Sincerely,

Shimon Peres

President Ronald Reagan
The White House
WASHINGTON D.C.
United States of America

המחלקה הכלכלית

מס' 15/1/85
תאריך: 15/1/85
(מס' 15/1/85)
מס' 15/1/85



*The Director of Central Intelligence
and Mrs. Casey
send best wishes for the Holiday Season*

Jerusalem

December 30, 1984.

Dear Mr. Secretary,

It is with great pleasure that I write to wish you -- and yours -- a most enjoyable holiday season and rewarding year ahead. The thought of this cold and white season in Washington brings to mind the warm hospitality extended to me by your wife and you in your lovely home just a few months ago.

Hardly a long period in the life of one man -- let alone in the history of nations -- those few weeks have witnessed a chain of developments which -- if managed correctly -- could transform 1985 into a year of transition for our country with potential historical significance for our region and the world. At home -- from economic chaos to stability and the beginning of growth; on the peace front -- from stagnation and deterioration to progress and a possible breakthrough.

On both fronts I am confident that under the stewardship of President Reagan and yourself we can rely on the firm support of the United States.

Please be assured that I express the sentiments of the nation (to the extent that one can hope for unanimity in a pluralistic society such as ours) in conveying our gratitude for your ongoing support and friendly advice on issues of great concern to us. We shall continue to seek and cherish both.

Please convey my warmest regards to Mrs. Shultz.

Sincerely,

Shimon Peres

The Honorable
George P. Shultz
Secretary of State
WASHINGTON D.C.
United States of America

UNITED STATES OF AMERICA
WASHINGTON, D.C.
DEPARTMENT OF STATE
George A. Smith
The Honorable

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סוג בפחוני...
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תאריך וז"ח...
מס' פנקס...

שגרירות ישראל - ירושלים

אלו

בטחון 401
ניו יורק 121
המשרד 484

אל: הסברה, מע"ח, מצפ"א, ממנכ"ל, יגד, לשי' רוה"מ, דובר צה"ל. דע: ניו יורק.
NEWS SUMMARY - MONDAY DECEMBER 31, 1984

THE PRESS REPORTS

ISRAELI ECONOMIC REFORM NOT TOO SLOW, U.S. TOLD

WASH. POST. FRED HIATT Israeli Prime Minister rejected the U.S. suggestions that Israel is not reforming it's economy fast enough.

WASH. TIMES DONALD NEFF Fuad Kawasmeh a member of the PLO executive board and former mayor of Hebron, was gunned down Saturday in Amman, Jordan.

PLO RIFT RESURFACES - VIOLENTLY

CHRIS. SCI. MON. MARY CURTIUS The assacination of Kawasmeh was a reminder of the split in the PLO, between the mainstream Fatah already calling Kawasmeh a martyr, and the Syrian-backed Palestinian dissidents.

SHARON LIBEL TRIAL AWAITS ISRAELI DECISION ON 'SECRETS' AS CLOSING ARGUMENTS NEAR

CHRIS. SCI. MON. V. IRWIN The Israeli government has been considering how to disclose the information about secret documents requested by the judge

ARAFAT MOURNS SLAIN PLO OFFICIAL

PHIL. INQ. (W) PLO leader Arafat joined Arab mourners in paying respect to the family of Fahed Kawasmeh.

ISRAEL MAY QUIT LEBANON IN 3 MONTHS

Israel Prime Miniter Peres said yesterday ("Meet the Press") he belicves his country can withdraw it's troops from Lebanon "Within a few months".

EDITORIALS

WASH. TIMES. ABOVE THY DEEP AND DREAMLESS SLEEP...

In an unexpected move Israel Prime Minister Peres went to Bethlehem on Christmas eve, in his greeting he said that "1985 will be a year of political initiatives and moves toward solving the Arab-Israeli crisis".

עתיד
התאחדות העובדים הכללית

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ד.י.ל. מתוך.ל. דשים
סווג בסחובי גודל.
דחיות. רגיל.
תאריך ודית. 12.3.12. נ.נ.ד.
לשכת המס' מברק.

476

אל: המשרד

(6)

מצפ"א
אירופה 2

הנדון : מכירת נשק בריטי לירדן

ידיד ממחמ"ד סיפר שהבריטים סיכמו עם חוסיין עסקת נשק אך המפתח הוא תנאי
מימון ולאמריקאים לא ידועים (ז) תנאי המימון שסוכמו עליהם .

לדא דהה שרש חקט מ/חנס מ/פלו ח/חוצ מאז חס אמן סנל איחא ח/חנס

סיבל



המשך

483

State Dept Briefing Dec 31, 1984

מצפ"א, ממנכ"ל.

QUESTION: ONE THING. WHAT WAS IT THAT THE U.S. GAVE TO ISRAEL, FOR ECONOMIC GUIDANCE? THERE WAS SOME KIND OF A LETTER OR A PROPOSAL.

MR. ROMBERG: MARVIN, I ADDRESSED THIS LAST WEEK AND I REALLY DON'T HAVE ANYTHING TO ADD TO WHAT I SAID ABOUT IT AT THAT POINT. WE'VE HAD, CERTAINLY, A FULL EXCHANGE OF VIEWS. THEY HAD A DELEGATION HERE. WE HAVE VERY ACTIVE DIPLOMATIC CHANNELS AND SO ON. BUT I AM NOT GOING TO GET INTO EITHER THE SUBSTANCE OR THE SPECIFICS OF WHETHER THERE WAS A SPECIFIC KIND OF MESSAGE, AND SO ON.

QUESTION: PERES SAID THAT THE SECRETARY DID NOT OFFICIALLY, OR
EVEN UNOFFICIALLY, GIVE U.S. -- A U.S. BLUEPRINT, FOR EXAMPLE, FOR WHAT
ISRAEL SHOULD DO ECONOMICALLY. BUT HE DID SAY THAT THERE WAS SOMETHING PASSED ON
BY THE SECRETARY. AND I AM JUST WONDERING WHO WOULD HAVE -- FROM WHAT
SOURCE WOULD THIS COME FROM?

MR. ROSENBERG: I AM GOING, I AM AFRAID, TO STICK WHERE I AM ON THIS. THAT IS, I AM NOT GOING TO TRY TO COMMENT ON HOW OUR VIEWS HAVE BEEN PASSED, IN SPECIFIC TERMS. BUT THERE HAS BEEN A VERY RICH EXCHANGE AND I DON'T HAVE ANY PROBLEMS WITH THE DESCRIPTIONS THAT HAVE BEEN MADE OF IT BY MR. PERES. BUT I DON'T HAVE ANY SPECIFICS TO OFFER YOU.

למה היה זה נכון שיש להם שם זה?

483 $\frac{2}{2}$

QUESTION: PERES SAID THAT THE PRESIDENT HAD ASKED ISRAEL TO ESTABLISH THE VOA TRANSMITTER, AND THEY HAD SOME PROBLEMS WITH IT. CAN YOU SAY WHY THE U.S. WANTS ISRAEL TO PUT UP A VOA TRANSMITTER?

MR. ROMBERG: NO, I DON'T HAVE ANYTHING SPECIFIC. OBVIOUSLY, HE INDICATED, YES, WE HAVE MADE A REQUEST. BUT I DON'T HAVE DETAILS.

QUESTION: ANYTHING YOU WANT TO VOLUNTEER TODAY, ALAN, THAT WE ARE OVERLOOKING?

MR. ROMBERG: NO, I THINK THAT YOU'VE PROBABLY GOT THE SENSE OF THE FLOW OF NEWS FOR TODAY.

QUESTION: ON ANOTHER AREA, IS MR. MURPHY TURNING BACK TO THE MIDDLE EAST TO ASSIST LEBANON AND ISRAEL, BEFORE THE RESUMPTION OF THE TALKS ON JANUARY 7?

MR. ROMBERG: I DON'T HAVE ANY INFORMATION ON THAT. IF THERE IS SOMETHING DIFFERENT TO SAY, I WILL CHECK ON IT AND LET YOU KNOW. I THINK THAT, AS WE INDICATED, FOLLOWING HIS EXTENSIVE CONVERSATIONS OUT THERE, HE CAME BACK. WE ARE IN THE PROCESS OF EVALUATING BOTH WHAT HAPPENED DURING THE COURSE OF HIS TALKS, AND WHAT IS HAPPENING, GENERALLY, IN THE REGION AND SPECIFICALLY ON THE ISSUE OF SOUTHERN LEBANON.

BUT I DON'T HAVE ANYTHING AT THE MOMENT TO SUGGEST A SPECIFIC PLAN FOR HIM TO RETURN BEFORE THE NAQOURA TALKS WOULD RESUME. AS I SAY, I WILL CHECK ON THAT TO SEE IF THERE IS ANYTHING.

QUESTION: IS IT YOUR UNDERSTANDING THEY WILL BE RESUMED?

MR. ROMBERG: I THINK THAT IS SOMETHING YOU'D HAVE TO ASK THE EGYPTIANS -- EXCUSE ME, NOT THE EGYPTIANS -- THE LEBANESE, AND THE ISRAELIS. I DON'T HAVE ANYTHING SPECIFIC.

ENDING

שגרירות ישראל - וושינגטון

אל:

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דף.....מחור.....דפים
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תאריך וזיה.....דצמ' 1700 31
מס' פברק.....492

מצפ"א.

הנדון : שינוי בגישה הסורית ?

פלטרנו סיפר שלא ידוע לו דבר על ריכוך סורי או על כך כי הם מעוניינים בשליח אמריקאי רם-דרג. לא ידע להסביר את העתונות הישראלית ולא יכולתי להשכילו בכך.

קיבל



ליוויה רחוקה שבת מלחמה מלחמה מלחמה מלחמה מלחמה

משרד החוץ-מחלקת הקשר

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סודי ביותר

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עותק 7

אל: המשרד, נר: 472, מ: 1105
 דח: ר, סג: מ, תא: 311284, רח: 0900
 נד: קול אמריקה

סודי ביותר / רגיל

אל: שה"ח, מוכ"ל, מוכ"ל, מצפ"א, בר - (הועבר)
 מאת: השגריר / וושינגטון

משרד קול אמריקה, לקראת קבלת החלטה סופית בנדון, מציע
 להביא בחשבון הנתונים בדלקמן:

1) עמדתנו המסודרת נגד הצטרפות לכל מאבק אידיאולוגי נגד
 בריה"מ - היתה מוצדקת ללא ספק לפני - חורב - לפני שהיה
 קיים בין ארה"ב וישראל שיתוף פעולה, אסטרטגי צבאי גלוי
 ותרגילים משותפים - לדבות הסכמים כתובים בנדון.

2) על אף ההזדהות בה נהגנו כלפי בריה"מ לא הססה בריה"מ
 להפסיק העליה, לדחוף לומדי העברית, ולספק נשק ובמזון
 עצומות למדינות ערב - בנוסף לתעמולה האנטישמית בעתונות
 הסובייטית והתמיכה הגלויה באש"ף.

3) ההטנות לוקשת ארה"ב, וראת אחר שפורסם ברבים כבר שלא
 עשינו זאת בקלות-ראש - תובית לבריה"מ שיש מחיר ליחסה
 הטוב יותר כלפינו.

4) לא כל יום מקבלים אנו פניות מארה"ב להטנות לוקשה
 ספציפית, אותה עת שאנו מגישים בקשת סיוע מוגדלת מארה"ב -
 דחיית פנייתם מתקבל בשלילה לא רק בממשל אלא גם בקונגרס,
 תוכיח שהידידות איננה בה גדולה ואין אצלנו התחשבות רבה
 בפניות של ארה"ב אלינו.

5) ממליץ מאד שאם יוחלט שהתשובה חיובית שנעשה זאת מיד בי
 אחרת יתקבל הרושם שאנו נענים רק בגלל לחץ כבד מצד ארה"ב.

נדון

משרד החוץ-מחלקת הקשר

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****תפ:** שהח, דהח, מונבל, ממנבל, מצפא, מצאר, רובין שטיין

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משרד החוץ-מחלקת הקשר

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סודי ביותר

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מחור 20

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עמק 4

אל: המשרד, נד: 472, מ: 111

דח: ר, סג: מ, תא: 311284, דח: 8900

נד: קול אמריקה

סודי ביותר / רגיל

אל: - שהיית, מנכ"ל, ממנכ"ל, מצפ"א, בר - (נהוגבר)

מאת: השגריר / וושינגטון

משרד קול אמריקה, לקראת קבלת החלטה סופית בנדון, מציע
להביא בחשבון הנתונים כדלקמן:-

1) עמדתנו המסורתית נגד הצטרפות לכל מאבק אידיאולוגי נגד
בריה"מ - היחה מוצדקת ללא ספק לפני - חורר - לפני שהיה
קיים בין ארה"ב וישראל שיתוף פעולה אסטרטגי צבאי גלוי
ותרגילים משותפים - לדבות הסכמים כתובים בנדון.

2) על אף הזהירות בה נהגנו כלפי בריה"מ לא הססה בריה"מ
להפסיק העליה, לרדוף לומדי ומלמדי העברית, ולספק נשק בבמיות
עצומות למדינות ערב - בנוסף לתעמולה האנטישמית בעתונות
הסובייטית והתמיכה הגלויה באש"ף.

3) ההענות לבקשת ארה"ב, וזאת אחר שפורסם ברבים כבר שלא
עשינו זאת בקלות-ראש - תוכיח לבריה"מ שיש מחיר ליחסה
העויין כלפינו.

4) לא כל יום מקבלים אנו פניות מארה"ב להענות לבקשה
ספציפית. אותה עת שאנו מגישים בקשת סיוע מוגדלת מארה"ב -
דחיית פנייתם מתקבל בשלילה לא רק בממשל אלא גם בקונגרס,
תוכיח שהידידות איננה כה גדולה ואין אצלנו התחשבות רבה
בפניות של ארה"ב אלינו.

5) ממליץ מאד שאם יוחלט שהתשובה תיובית שנעשה זאת מיד כי
אחרת יתקבל הרושם שאנו נענים רק בגלל לחץ כבד מצד ארה"ב.

לדון

משרד החוץ-מחלקת הקשר

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מחנך 20
דף 2
עמק 4

***חפ: שהם, מנכ"ל, מנכ"ל, מצפא, מואר, דובי נשטיין

משרד החוץ-מחלקת הקשר

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סודי ביותר

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המשרד, נר: 471, מ: 111
ר: 1, סג: מ, תא: 311284, נח: 0900

סודי ביותר / רגיל

איל: - שהיח, מנכ"ל, ממנכ"ל

מאת: השגריר / וושינגטון

איל ריד, שגריר מצרים, אמר השבוע לאיש המטלחה האמריקני
לאוים שהסורים לא ישנו יחסים לשיחות נקודה אלא אם תהיה
התחייבות ישראלית לנצח את הגולן.

111

תפ: שהח, דהם, שהבט, מנכ"ל, ממנכ"ל, ד/מרכז, רם, אמן, מצפא, קיוד

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*9: מהם, מהבס, מנכל, ממנכל, ר/מנכל, דס, אמן, מצפא, קידר

משרד החוץ-מחלקת הקשר

249

אצ"א

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אלי: נוש. , במחון , ורי: חנוס 1819 , ס : המשרד
דח: ס , ס: ס , חא: 301284 , וח: 2000

סודי/מירי 556

לרון , דע : תא"כ דני יתום

לואסמה בהמשך לשלנו מהיום

התקשר פלאטן ואמר שטרפי מלפן כי על מנת למסור לנו שהאמריקאים
ליבנו שני מכוניות מהארמון בעמאן בבקשה שהאמריקאים ימכו
בבקשתם שנאפשר את הנויות של קיוסמה בחברון

הירדנים הודיעו שהם ניסו להעביר לנו את הבקשה במישרין
באמצעות הצלב האדום אך עו מסירת הדברים לא הצליחו

פלאטן הוסיף שכאור השקולים שסוחרנו עליהם הנוכח במהמ"ד מרם
החליטה באם להענות לירדנים ולתמוך בבקשתם

בר-און

פצ: שהח. דהס. שהבס. מנבכ. ממנככ. ר/מרבו. דס. אמנ. מצפא. ורי.
שסחים. מתאסשסחים. אליאנ. ארגכז. ממד

THE UNIVERSITY OF CHICAGO

משרד החוץ-מחלקת הקשר

19

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סמור

אכ: ווט, במחון, נר: חוום 1791, ס: המסרד
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סמור/מ"ד

דון-

מא"ל דני יתום

לונת קווסמה

המקשר פכאמן ושאל האם נותיר הלוויתו וחברון. אמרת כי שלא
יודע
ל" טדיין דבר אך אני מציע שיקה וחשבון את הסכון הבטחוני
המשוי להיות קשור בזה. אני במוח שאיש לא ירצה שהיוויה מהפך
לנעיה ובטחונות על כל אשר משתמע מכך באמור הדגשת שאינו
יודע דבר על עצם ההחלטה ושאינו אפילו לא יודע ואם לא קיימות
הכנות ללוויה בעמאן אך שאין לי ספק שהנעיות הבטחוניות
יבתיבו את השיקולים לגבי הענין
בר-און

אפ: שהח, דהם, שהבס, מנכל, ממנכל, ר/מרכו, רס, אמן, ממד, ורד.

משרד החוץ-מחלקת הקשר

שמות: סצפא, מתאספספח'ס

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מגירות ישראל - נוסטנגסון

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119 - Y

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אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY

SUNDAY, DECEMBER 30, 1984

UNEMPLOYMENT IS EXPLOSIVE SUBJECT IN ECONOMICALLY TROUBLED ISRAEL...CONCERN IS HEIGHTENED BY SHULTZ'S WARNING ON ECONOMY

Wash. Post, Walsh:...Throughout Israel, unemployment is subject to growing public apprehension. In a published interview earlier this month marking the first 100 days of the national unity government here, P.M. Peres said: "We must not reach the point where unemployment spreads on its own momentum. We must have this danger in view and adopt measures to prevent it. I'm not resigned to there being unemployment."

Peres, however, offered no prescriptions on how Israel is to avoid higher levels of unemployment as it attempts to stem triple-digit inflation and reverse a steep economic decline. It is an explosive subject that is at the heart of the national debate over how much austerity Israel can tolerate in the course of slashing the government budget and shifting many workers from service and government jobs to productive industries that are geared to the export market.

ARAFAT SUPPORTER KILLED IN JORDAN - FORMER HEBRON MAYOR WAS ON PLO EXECUTIVE

Wash. Post, Reuter:A top Palestinian official and former mayor of the West Bank city of Hebron was shot to death here today, and diplomats said a statement by the Palestine Liberation Organization suggested that Syrian-backed rebels opposed to PLO leader Yasser Arafat carried out the attack.

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עגירות ישראל - וויסניגסון

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אל:

EDITORIALS

JEWS ARE STILL LIBERALS AND PROUD OF IT - FORGET ALL THE TALK OF A CONSERVATIVE SHIFT, NEO- OR NOT

Wash. Post, Lipset: As usual, the rumors about the Jews are wrong. They are not converting, they continue to be a stubborn people. In spite of the many public pronouncements hailing or decrying a Jewish move to "neo-conservative" intellectuals, American Jews remain the most liberal and Democratic white ethno-religious group.

HOW BETTER TO AID ISRAEL

Phil. Inq.: ...The worst thing that the United States could do for Israel would be to hand out a blank check for nearly \$5 billion in additional military and economic aid through 1986... Secretary of State George P. Shultz was correct to condition increased U.S. aid on economic reform if American help is to serve any constructive purpose. Perhaps such pressure will force Israel's quarreling parties to unite on the tough economic medicine for which their country is waiting.

BOMB KILLS FIVE, TOUCHES OFF FIGHTING IN LEBANON

The Sun, (AP): A car-bomb exploded outside the city hall of a Druze town south of Beirut yesterday, killing five civilians, including a mother and her two daughters. Beirut radio said the bombing in Shweifaf, 5 miles south of the capital, set off artillery exchanges between Druze and Christian militias in the nearby hills.

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עגירות ישראל - ישינגטון

473 - 12
 385 - 67
 108 - 7

אל:

NEWS SUMMARY/SATURDAY
 DEC., 29, 1984

SCHARANSKY REPORTED ILL

Wash Post, wires: Soviet authorities have informed the family of jailed Jewish dissident Anatoly Scharansky that he has been hospitalized, but they declined to give details of his illness, his wife said. Avital Scharansky, who lives in Jerusalem, said, "The fear is growing that perhaps something terrible has happened to him and that the authorities are trying to cover it up."

EDITORIAL

PASSING THE SHEKEL

28.12.84

Even. Sun, Safire: ...Needed now is some modern Joshua willing to break the bad news and rally the people to overcome it. Not with a craven and unjust "this is the terrible price of American aid," but with the grit of the generation that bled to create the region's sole democracy and instilled new pride in Judaism. Only then will come the kind of help that a vital ally deserves. With its hundred days of half-measures; with its failure to understand that an economic war of survival is under way, requiring all the fervor of mobilization; with its crafty dickering to position its best friend as its hard-hearted banker-Israel's government of national unity threatens to become a government of national disgrace.



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סגירות ישראל - וועינגטון

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אלו

MURDER LEADS PROBES INTO NEO-NAZI UNDERGROUND

Chicago Tribune, Coates: Investigation of the murder of a Jewish radio personality here has turned up details of a well-financed and technologically sophisticated group of latter-day American Nazis.

The group communicates via a network of home computers linked by phone lines to large terminals in Idaho and Texas. There also are strong indications that the Nazis have financed their activities by staging military-style raids on armored cars in California and Washington state, netting an estimated \$4 million in cash, according to court documents filed by the FBI.

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אל: המברה, מע"ח, לש' סמנכ"ל, יועץ רוח"מ לתקשורת, מצט"א.
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News Summary December 29, 1984

Editorials

DN "Hard Times in Israel" Israel's economy is in a desperate state. Even if the US provides all the aid that Israel requests, there's going to be painful austerity, unemployment and a dimming of dreams. The incursion into Lebanon has turned out to be an expensive occupation. West Bank settlements use money that should go into investment. The US is providing \$2.6 billion to Israel in economic and military aid. That's justified, important to the survival of America's most valuable ally in the Mideast. Israel has asked for more and Shultz pointed out to Peres that the US can't bail the Israelis out indefinitely. They will have to put their house in order themselves. US officials have a duty to American taxpayers to see that their money isn't wasted. Of course the US will help. But Israel should bring their homemade disaster-and-control... Only then should Congress provide long term investment capital that Israel must have to get back to prosperity.

The Press Reports

US Aid to Israel

DN-no byline-The US is prepared to increase military aid to Israel by \$500 million to \$1.9 billion next year with no strings attached, an administration official said yesterday. Any economic aid to Israel will be delayed until Israel adopts more stringent economic controls. He said that Israel needs the increase in military aid to insure its edge in weapons systems over the Arab nations.

Priests Battle in Bethlehem

DN-12/28-AP-Greek Orthodox and Armenian priests scuffled yesterday while cleaning the Church of Nativity and one clergyman was injured, military officials reported. The fracas began when one priest started cleaning a wall in the church and the other priest said it was their responsibility.

Shcharansky Hospitalized

DN-AP-Avital Shcharansky said that her husband was in a Soviet hospital and that she was concerned for his life.

OPEC

מאריך: השולח: אישור מנהל המחלקה: חתימה:

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NYI-Taclobue-OPEC countries agreed to set up a five-member committee to oversee an auditing of the group's oil pricing and production. It will be headed by the Saudi oil minister. Nigeria endorsed the plan. The plan is a last ditch effort to halt a steady decline in oil prices. The oil industry is casting doubts on the plan's success as US oil producers continue to slash their prices.

Letters

DN-Writer states that those who put Israel down for its relationship with South Africa should check their facts. Bishop Tutu recently said that he thanks God for the Jews "for being the most stalwart supporters of my efforts to end the discriminatory policies of the South African gov't. Your zeal for justice is something that should spread around the world."

Gossip-Libya

NYP-Johnson-Major Abdu-Salam Jaloud, Qadaffi's right hand man was recently in Rome for a private meeting with the Pope. Later at a party he climbed on a table and sang in a public restaurant.

Magzine Articles

PLO

The Nation-Scott MacLeod (Amman) (Freelance Journalist) "Al Fatah Is Now Running the Show" The winner in the recent PNC wasn't Arafat, it was Al Fatah. They held the meeting despite threats against them and their families by Syria. The National Alliance and Al Fatah made sure that no longer would small factions retain a veto policy. Delegates approved a subtly worded policy giving the Exec Committee, chaired by Arafat, wider latitude in making concessions in exchange for a Mideast settlement that would satisfy at least some aspirations of the Palestinian people. Al Fatah also won a resolution regarding Egypt. Arafat no longer leads on his own but collectively with Al Fatah. Yet, Syria cannot be ignored. It allows Palestinian guerrillas to operate on its territory. PLO leaders are favorable to resuming talks with Hussein and they also see the possibility of playing the "Egyptian card" once diplomatic ties are restored. This would increase the chances for a more moderate approach to negotiations with Israel and the US. By proposing an international conference, Hussein has adopted an idea proposed by the Soviet Union and rejected by Israel

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לשירות
מחלקת
הקשר

and the US. That he should do so is the latest expression of Arab disillusionment with Washington.

Trouble in Saudi Arabia

The Nation-Bird & Holland-"The Oil Money Runs Out" The Saudis are now facing their first recession in 30 years and the political pot is beginning to perk. King Saud has made the ritualistic pledge to temper his absolute rule with an elected "consultative assembly." Saudi's ability to maintain the status quo has declined as the economic pie shrinks. Some of the "poorer" princes, not to mention millions of commoners, are sure to look with increasing resentment on the immense wealth of a few major business families.

ITONUT

המלך סאוד - מלך ערב - מלך ערב

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סווג בסיווגי בלמים
דחיפות.....דחוף
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מס' מברק.....461

אל:

המשרד

אל :- מצפ"א. לשכת ראש הממשלה

תפילה / ארוחת בוקר למען ישראל

1. האגודה הארצית של משדרים בוצריים תקיים ועידתה השנתית בווינגטון בשבוע הראשון בפבר' וכרגיל תתקיים במסגרת הוועידה Prayer Breakfast for Israel. הנשיא ריגאן ימסור מסר של פחות משתי דקות בהקלטת ווידאו, ומבקשים מסר ברכה מוקלטת בווידיאו, גם מראש הממשלה (בין הנואמים השגרירים לאו"ם של ארה"ב וישראל). מנכ"ל ממשלה / אג
2. אנו מאד ממליצים להענות ומבקשים לקבל ההקלטה כאן עד ה-28 בינואר.

בתודה

יעקב

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שגרירות ישראל - ניו יורק

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דפים
סוג בטחוני גלוי
רגיל
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מאריך וזי"ח
מס' חבר

בטחון ניו יורק המשד
387 118 459

אל: הסברה, מע"ח, מצפ"א, ממכ"ל, יגר, לשי רוה"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY FRIDAY DECEMBER 28, 1984

THE PRESS REPORTS

SHULZONOMICS

WASH. TIMES (ED) Prime Minister Peres was given a clear message from Secretary Shulz: Israel would not get the financial aid it had asked for unless it would adopt Secretary Shulz economic advices.

ISRAEL'S FORTHCOMING CRUNCH

WASH. TIMES P. BUCHANAN The US should refuse the economic aid asked by the Israelis for their own good as well as the US.

EGYPT, ISRAEL REPORTED SET TO MEET ON LAST HURDLE IN RETURN OF SINAI

PHIL. INQ. W. G. PIPPERT Israel and Egypt have agreed to discuss control of a tiny disputed resort in the Sinai called Taba.

PRIESTS SCUFFLE AT BETHLEHEM SITE

PHIL. INQ. (AP) Greek Orthodox and Armenian priests scuffled briefly yesterday while performing the ceremonial cleaning of the Church of Nativity in Bethlehem, and one clergyman was injured.

GEMAYEL AND ASSAD HOLD TALKS

PHIL. INQ. (REUTERS) The presidents of Lebanon and Syria met in Damascus to discuss a plan to deploy the Lebanese Army down to the Israeli front lines in southern Lebanon.

BLAZE IN CONGREGATION BETH ISRAEL CALLED SUSPICIOUS

BOSTON GLOBE A fire in the Beth Israel congregation in Mladen MA. caused 1 million \$ in damage. Police chief said that the fire was "of undetermined but suspicious origin".

KAHANE KEPT OUT OF ARAB VILLAGE

BOSTON GLOBE (UPI) Rabbi Kahane was turned back yesterday in his first attempt to challenge the unprecedented law that supposed to keep him from entering Arab villages without permission.

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 מס' מברק

בטחון 387
 ניו יורק 118
 המשדד 459

אל:

אל: הסברה, מע"ח, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

GERMAN GREENS CAUSE STEER IN KNESSET

ON GLOBE CURTIS WILKIE A fight between several members of the Knesset broke the German Green party delegation was visiting the floor. The fighters were ally separated by Police Minister Bar-Lev.

TO RAISE MILITARY AID TO ISRAEL 36%

TRIB. HENRY TREWHITT The US has agreed to increase military aid to Israel year, probably in 500\$ million more.

IS HAVE A BAD YEAR

EVE. SUN (OP-ED) The country's oil output had dropped to it's lowest levels the early 70's, and other economical problems will demand major steps from Fahd

EL CURBS ACTIONS OF ANTI-ARAB KAHANE AS HIS POPULARITY RISES

STIAN SCIENCE MONITOR MARY CURTIUS Although the Knesset has voted to stop me from entering the Arab villages in Israel, his number of followers seemed now as a result of the country's economical and political situation.

IS NO ROOM FOR A DO-NOTHING US POLICY IN MIDEAST

S. SCI. MON. ROBERT R. BOWIE Last year no progress was made towards peace in the East and the Palestinian people's problem. The US should take this fact into consideration for it's next year foreign policy plan.

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שגרירות ישראל - ניו יורק

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387

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המשרד
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אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

W. GERMAN GREENS CAUSE STEER IN KNESSET

BOSTON GLOBE CURTIS WILKIE A fight between several members of the Knesset broke as the German Green party delegation was visiting the floor. The fighters were finally separated by Police Minister Bar-Lev.

US TO RAISE MILITARY AID TO ISRAEL 36%

CHIC. TRIB. HENRY TREWHITT The US has agreed to increase military aid to Israel next year, probably in 500\$ million more.

SAUDIS HAVE A BAD YEAR

THE EVE. SUN (OP-ED) The country's oil output had dropped to it's lowest levels since the early 70's, and other economical problems will demand major steps from King Fahd.

ISRAEL CURES ACTIONS OF ANTI-ARAB KAHANE AS HIS POPULARITY RISES

CHRISTIAN SCIENCE MONITOR MARY CURTIUS Although the Knesset has voted to stop Kahane from entering the Arab villages in Israel, his number of followers seemed to grow as a result of the country's economical and political situation.

THERE'S NO ROOM FOR A DO-NOTHING US POLICY IN MIDEAST

CHRIS. SCI. MON. ROBERT R. BOWIE Last year no progress was made towards peace in the Middle East and the Palestinian people's problem. The US should take this fact into consideration for it's next year foreign policy plan.

לאתר

מל: הסברה, מע"ח, לש' כמנכ"ל, יועץ רוח"ם לחקשורח, מצפ"א.
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 מס. מברק: 0778
 135 - 211

News Summary December 28, 1984

Columns

NYT-"Ways of Repairing the Israeli Economy"
Seffy Wertheimer "High Tech Expansion" Israel's economic future must lie in expansion, not curtailment of what has already been achieved. Economists, both in Israel and the US insist on cuts as a condition of increased aid. In reality-across the board cuts could inhibit development. Throughout the crisis, Israel's export related industries have remained a vibrant muscle in an ailing body. Export now comprises 25% of the GNP and this figure could double in the next few years, paving the way to economic independence. The new Zionist hero must be the man of industry. The process has already begun in high-tech fields. Now the Gov't must focus its efforts in enabling these industries to flourish.

Assaf Razin "American Incentives" Economists should see the logic of the new American approach in terms of aid to Israel. With no US bailout in sight, Israeli leaders may now be able to make the decisions needed to impose a tough austerity program. Without significant cuts in spending cuts already imposed cannot halt the snowballing national debt. Several signs indicate that a full-fledged crisis may be imminent. For every dollar that the US gives Israel, Israel should reduce Gov't spending by one dollar. Without US prodding, Israel's weak Gov't is unlikely to risk going beyond the proposed \$1.5 billion in cuts.

NYT-Flora Lewis (Cairo) "The Technique of Terror" The most effective retaliation for terrorism is not sheer force but a resourceful strike at the terrorists' own point of vulnerability, their need for secrecy and anonymity. The most successful anti-terrorist operation in a long time was Egypt's against Libya. The pain of humiliation cannot be overemphasized in the Arab world. Counterterrorism depends only on intelligence. The Israelis never cease repeating that. The willingness to use force is secondary.

The Press Reports

Egypt-Israel

DN-Rehm-For the first time in more than a year, Egyptian and Israeli negotiators will meet face to face on the deployment of an 11 nation peacekeeping force along Taba, diplomatic sources claim. It is a sign

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לשירות
מס
הקשר

that Egypt would like to stabilize relations with Israel.

Soviet Jews in Israel Split on US Radio Plan

NYT-special-A US request for permission to set up a transmitter in Israel to relay Voice of America broadcasts have set off a debate among Soviet emigres. Some say they fear Moscow will retaliate against Jews in the Soviet Union. Others argue that the only way to get anything from Moscow is assertiveness. The Israeli Gov't has not made an official reply but Amnon Rubinstein said the Gov't can't refuse, "beggars can't be choosers," he stated.

Greens Visit Holocaust Memorial

NYT-Reuters-A delegation from West Germany's radical Green Party paid a visit to Yad Vashem.

Syria Pledges Aid To Lebanon

ND-combined-Gemeyael and Assad discussed delays in the Lebanese government's efforts to extend its control over territories held by militias and stalled negotiations aimed at getting Israel to withdraw from the south. Assad pledged "all Syrian assistance to Lebanon to gain sovereignty on the entire Lebanese soil."

10 Refuseniks Get OK to Leave

ND-Klurfeld-The Soviet Union has apparently notified 10 refuseniks that they will be allowed to leave next month. The decision may signal easing of emigration restrictions just before arms control talks next month, US officials are cautious in expressing optimism because experts in the area stress that if anything, the Soviets have cracked down harder in recent months.

Refugee Influx Strains Sudan

NYT-p.1-Rule-Refugees by the tens of thousands are streaming into the Sudan from Ethiopia. The Sudan, a pro-Western country have enormous development problems: an economic quagmire, insurgents in the south, and demands placed on it by previous floods of refugees.

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NYT-Gwertzman-The US said it was giving priority to emergency shipments by air and sea to Sudan to help it cope with the new wave of refugees. The US is also quietly helping rebel relief organizations in Ethiopia.

OPEC

NYT-Tagliabue-All OPEC members except Nigeria agreed to a radical plan to audit the oil pricing and production of the groups's members. Nigeria said it would state its plan today. Its participation is considered crucial to the plan's success. (see WSJ-Ibrahim)

Koch-Black-Jewish Relations

NYP-Saifman & Wasserman-Koch said that a "substantial number of Black leaders are anti-Semitic." But he said his gut feeling was that the community as a whole does not share that feeling. Blacks and Jews expressed sadness at Koch's statement. (see ND-Rosenfeld)

Book Reviews-Nazism

NYT-Hechinger (Editorial Notebook) There is a manuscript by Dr. David Abraham, a professor of German History at Princeton, about the fall of the Weimar Republic. Some charge that he overstates the economic causes of the fall of the Republic. German industry, banking and business thought Hitler useful to promote their interests. The prospect of taking over Jewish run enterprises was not displeasing.

NYT-Bruckner reviews "Hitler and the Final Solution" by Gerald Fleming. Fleming sets out to prove Hitler's personal responsibility for the extermination of the Jews. He succeeds in his purpose.

ITONUT

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המשרד

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State Dept Briefing Friday Dec. 28 1984

מצפ"א. ממנכ"ל.

MR. ROMBERG: YES, I SAW THAT REPORT. THE FACT IS, AS WE INDICATED BEFORE, WE HAVE RECENTLY COMPLETED A SERIES OF USEFUL CONSULTATIONS WITH ISRAELI OFFICIALS ON OUR MILITARY ASSISTANCE PROGRAM, BUT NO FINAL DECISIONS HAVE BEEN TAKEN. AS WE NOTED, FOLLOWING THE MOST RECENT CONSULTATIONS, THE ADMINISTRATION EXPECTS TO SUBMIT A REQUEST TO CONGRESS FOR A LEVEL OF MILITARY ASSISTANCE THAT WILL ENSURE ISRAEL'S CONTINUED SECURITY AND MAINTAIN ITS QUALITATIVE EDGE.

MR. ROMBERG: WELL, AS I SAY, THERE HAVE BEEN NO FINAL DECISIONS
TAKEN AND
I THINK UNTIL WE HAVE SOMETHING SPECIFIC TO REPORT, WE WILL STAY AWAY
FROM
NUMBERS.

MR. ROMBERG: OUR POSITION ON THE PLO HAS NOT CHANGED AND OUR ACTIONS, CONSISTENT WITH THAT POSITION, HAVE NOT CHANGED. SO THAT SIMPLY ISN'T TRUE.

QUESTION: NOR AN AIDE?

MR. ROMBERG: RIGHT.

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דף... מתוך... דפים
סוג בסחובי
דחיות
תאריך וז"ח
מס' מברק

2/2 464

אל

QUESTION: IS THERE ANY PROGRESS REPORT ON THE U.S. TRYING TO GET THE U.S. HOSTAGES FREE IN BEIRUT?

MR. ROMBERG: NO, THERE IS NOTHING ON THAT. AS WE HAVE INDICATED BEFORE, THAT OBVIOUSLY IS AN IMPORTANT ISSUE. IT IS ONE WE PAY A LOT OF ATTENTION TO. WE ARE WORKING WITH VARIOUS OTHERS WHO MIGHT BE OF ASSISTANCE ON THAT. BUT OUR POSITION ALSO IS THAT TALKING ABOUT IT ISN'T GOING TO HELP THE SITUATION.

QUESTION: ANYTHING ON THE CONTINUING TALKS BETWEEN PRESIDENT GEMAYEL AND SAAD?

MR. ROMBERG: NO.

QUESTION: ANYTHING ON, SINCE THESE TWO LAWSUITS HAVE SOMETHING TO DO WITH THE FOREIGN POLICY --

MR. ROMBERG: I'M SORRY?

QUESTION: TWO LAWSUITS, ONE AGAINST CBS AND ONE AGAINST TIME MAGAZINE?

MR. ROMBERG: NO, I DON'T HAVE ANY COMMENT ON THAT. OKAY?

אחרי

הנה מידע על המשפט
העליון, המס' 464

משרד החוץ-מחלקת הקשר

9842

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יצא

סודי

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אלי קהיר, נוש, בטחון, נדו חוום 1742, מ: המשרד
דח: מ, סג: ס, מא: 291284, וח: 1600
נדו שיחה

סודי/מיידי

השגריר דע: שיאון

פגישת קורצר עם ארציאלי (27.12)

1. המיידתם לכתבה וחדשות הבוקר וביקש לדעת אם אכן בנר נכנס
תאריך כפגש באר שבע בענין מאנה - הבמ"ר, השבת שטום הוצע
תאריך
2. סיפר שקיבלו מברק מוסינגטון שגציגס במפגש יהיה היועמה"ש
קדצקו וכן
ישתתפו קורצר ואיש שגרירותם בקהיר (ביקרופס או שרמן)

הערות היטץ המשפטי: גם בשיחה קצרה עם היועץ המשפטי ב-27.12
מסר

ידיעה זו, היועמה"ש אמר כי בידוע לא אנו אלה שידחפנו
להשתתפות

ארה"ב במפגשים באלה (בענין המסך החיים באווד המהפכה) וגם
ארה"ב

עצמה לא התלהבה בקורצר אישרו, אך כמובן אם ארה"ב תרצה להשתתף
עם -

בנכחה, היועמ"ש מוסיף כי הסכמתנו העקרונית בנושא זה אמנם
א"נה

כתובה בהסכם ה-25.4 נהמתיידס בענין ארה"ב דק למי"מ
הפרוצדורלי) אך

נובע מהבנות שהיו עוד בעת כריתת ההסכם - הם לא השתתפו
במפגש מאי 62.

אך היו במפגש מדס 63.

משרד החוץ-מחלקת הקשר

3. התעניין בהערבתנו מצב יחסים עם מצרים ביום, האם מודגש
שינוי
מצידם וכו'. ציינתי שלמיטב ידיעתי אין לפי שעה אינדיקציה של
ממש לשינוי
מצב המצרים.

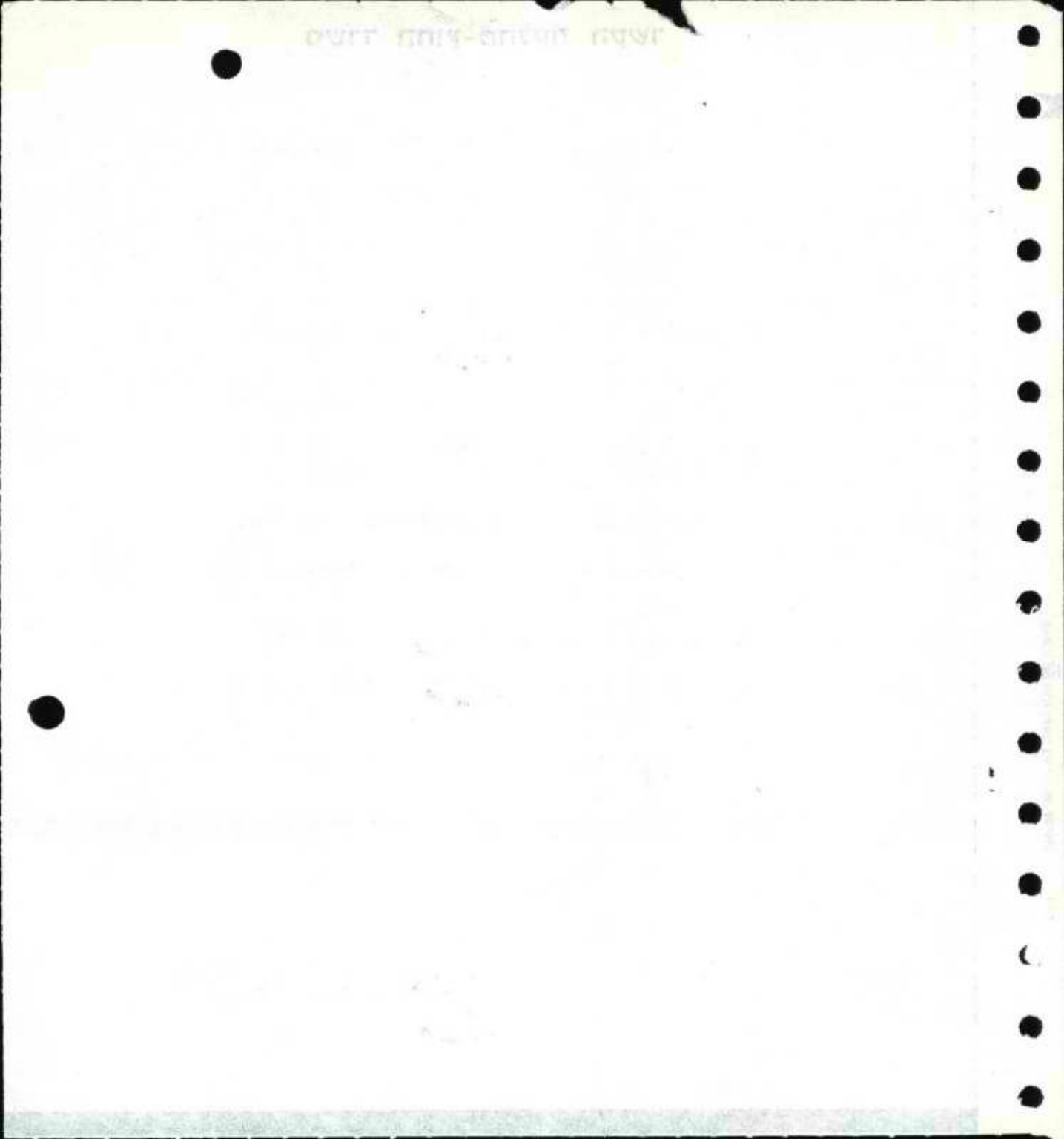
4. חזר והתייחס (נר' גם מברק דובינסקיין ח/1402 מ-12-21)
לרעיונות
שגרירותם באן (לובקהיר) לגבי נסיון לסיפוק תחילה בנושאים
"הומניטריים". כגון קנדה וגמסולב נעדרים ודקר. בתקופה
שהדבר עשוי
להיות צעד לסיפוד באוירה ושאל לדעתנו. לא התייחסתי ישירות
ועם זאת הוכרתי שהצעה דומה הועלתה ע"י המצרים נשיחת בסיסיו
המנכ"ל
ב-12-10 ונאמר להם שיש להתקדם בעת ובעונה אחת במכלול נושאים
במו
הסחר והמפגש הקונסולרי-משטרה.

5. התייחס לדברי מוברק לקונגרסמן קאסיץ כפי שדווח בהארץ
27-12-12
ושאל האם יש בהם משום שינוי או ש"הצגת הדברים בווזנה לאוניברסיטה

אמריקאיות" והשבת שאיפ"ת לדעת הנחתו השניה נכונה.

מצרים=

הפנ' שהח'רהמ, שהבט, מונכ, ממנכ, ד/מרכו, דמ, אמנ, קידור,
דובינסקיין, מצרים, מצפא, ממד



משרד החוץ-מחלקת הקשר

1017

(1)

אל: ווש, קהיר, נר: חוים 1696, מ: המשרד
דח: מ, סג: ס, תא: 271284, נח: 2000

סודי/מיד

דון

דע: ששון

לואיס שאל אותי היום האם כבר קבלנו תאריך למפגש באר שבע. ספר
בין השאר שהוא נפגש הבוקר עם בסיוני שגם בן העלה שאלה זו
אמרתי שהתאריך טרם נקבע אך יש להניח שיהיה לא יקח זמן רב מדי
עד שנוכל להציע מספר תאריכים

בר-און ==

תפ: שהח, דהמ, שהבט, מנכל, ממנכל, ר/מרכו, דס, אמן, מצפא, קידר,
מצרים, רובי נשטיין, ממד, שיאון

משרד החוץ-מחלקת הקשר

המדינה

ב. בקטע העליון שנמצא במסמך שהקשר הראשון ובהקשר בהמשך.

המדינה

המדינה על כה נראה בהקשר לעדכון והסיום האמון של הכריזמה של הכתב.

לא נמצא שום דבר אחר שיש לו לא שום אפילו הוציא העדכון נתן לנו

ציון של חובות בלתי

המדינה

השפה של נאמך בנע מה קלה ונחמך. ונדרש לו הוציא הדברים על

יד

ליו הנוכחים וגם פירג העמדות להוציא המלויים של הכריזמה

לא הוכיח

מוכר המדינה האמריקאית לא נשמו ולא בתוארו

נבקש להעביר ההבהרה הנל לירידת המוכר והנזקטים בדבר. שנו

מביאים

הבהרה במקביל לירידת שם ארהב

בוצר

19: שנת דהם מוכר ממכר. שרמאצר, במפא, רח' מרכז, ממד, דהנרי.

כלכליתא, דובינש'ין

הח' של הכריזמה

משרד החוץ-מחלקת הקשר

אל: ווש, נ, נר: חורם 1633, מ: המשרד
 דח: ב, סג: ב, תא: 271284, רח: 0100
 נד: שולץ-רה"מ

בהול/בלמיס

ווינגטון, דע נאומי

השגריר, הראל

מזכיר המדינה שולץ - דברי רוה"מ
 להלן מהמטנה למנכ"ל:

1. בנאום בפני פורום סגור של מפלגת העבודה בקבוץ רמת דחל
 אמר רוה"מ בולקמן:

א. מזכיר המדינה הינו אחד מידיוניו הטובים מאז ומעולם
 וכדוגמאות הביא את פעילותו נגד הוצאת ישראל מהאוי"ם
 ועבודתו בנושא הסדור.

1. באגרת המזכיר לא היה לחץ או עלבון, אלא עצה ידידותית
 לפעול במהירות ובנחישות בנושא הכלכלי.
 2. רוה"מ יופיע מחר 27 בחודש בשעה 10:00 שעונים בתוכנית
 GOOD MORNING AMERICA

עד כאן

תפ: שהח, רהמ, שהבט, מנכל, ממנכל, ר/מרכז, רם, אמן, סמד, מצפא,
 יגר, מעת, הסברה

$\frac{1}{2}$ 439

המסרד

מצפ"מ. ממכ"ל.

STATE DEPARTMENT BRIEFING THURSDAY DECEMBER 27, 1984

QUESTION: GIVEN HIS CURRENT POLITICAL ACTIVITIES, COULD YOU GIVE-US A STATUS REPORT ON MEIR KAHANE'S CITIZENSHIP?

MR. ROMBERG: THAT CONTINUES TO BE PROCESSED, THAT REVIEW.

QUESTION: DO YOU HAVE A POSITION ON HIS POLITICAL ACTIVITIES?

MR. ROMBERG: NO.

I MEAN, NOT OTHER THAN WHAT WE'VE SAID BEFORE. WE HAVE TALKED BEFORE ABOUT IT BUT I DON'T HAVE ANYTHING SPECIFIC TODAY ABOUT IT.

QUESTION: COULD YOU TAKE A QUESTION ON THE STATUS OF HIS CITIZENSHIP?

MR. ROMBERG: NO, I AM GIVING YOU WHAT THE STATUS IS. I HAVE LOOKED INTO IT, IN ANTICIPATION OF THAT QUESTION, AND THAT IS THE STATUS. IT IS UNDER REVIEW AND THAT PROCESS IS CONTINUING. IT ISN'T JUST SITTING THERE.

QUESTION: ALAN, HAS ISRAEL REPLIED YET TO THE U.S. REQUEST FOR
A TRANSMITTING FACILITY?

MR. ROMBERG: I DON'T THINK WE'VE TALKED ABOUT A U.S. REQUEST, BERNIE. I HAD SOME GUIDANCE ON THE FACT THAT VOA IS TALKING WITH A NUMBER OF COUNTRIES ABOUT TRANSMITTING FACILITIES BUT I DON'T HAVE ANYTHING SPECIFIC ON ANY GIVEN COUNTRY.

ଭାରତୀୟ ମାନବ ସମ୍ବଳ ଉନ୍ନୟନ ଓ ଶିକ୍ଷା ବିଭାଗ

טווג בטחוני גלוי...

דחיות... רגיל

מאריך וז"ח...

מס' מברק...

2/2 439

המשרד

מל

QUESTION: JERUSALEM RADIO REPORTED TODAY THAT A DELEGATION FROM EGYPT, THE UNITED STATES AND ISRAEL WILL CONVENE NEXT JANUARY FOR DISCUSSING MATTERS RELATING TO DEPLOYMENT OF A MULTINATIONAL FORCE IN THE TABAH (?) AREA. CAN YOU CONFIRM THAT REPORT?

MR. ROMBERG: NO, I CAN'T. I'M NOT GOING TO SPECULATE ON THE POSSIBILITY OF TALKS BETWEEN EGYPT AND ISRAEL ON TABAH, BUT IN GENERAL I WILL REPEAT WHAT WE SAID BEFORE THAT THE U.S. FAVORS DISCUSSIONS BETWEEN THE GOVERNMENTS OF ISRAEL AND EGYPT ON SUCH BILATERAL ISSUES, BUT I THINK YOU WOULD HAVE TO SEEK CONFIRMATION FROM THEM ON THE HOLDING OF ANY MEETINGS.

QUESTION: WHAT ABOUT U.S. PARTICIPATION?

MR. ROMBERG: WELL, I THINK THAT IF WE WERE ASKED BY THE GOVERNMENTS OF ISRAEL AND EGYPT TO PARTICIPATE, WE WOULD PARTICIPATE IN SUCH TALKS, YES.

QUESTION: ARE YOU NOW PREPARING FOR THIS MEETING OR NOT?

MR. ROMBERG: I'M NOT GOING TO GET INTO THE QUESTIONS OF PREPARATIONS OR NON-PREPARATIONS. I THINK IF -- IN TERMS OF THE MEETING BEING HELD, TALK TO THE EGYPTIAN AND ISRAELI GOVERNMENTS. OBVIOUSLY, IF THERE IS MEETING HELD AND WE PARTICIPATED, THAT WILL NOT BE A SECRET.

עיתונות

עגירות ישראל - וועינגטון

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המשרד

447

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97.....מחור.....דפיס

סוף בשחונ'י...זדז...

.....דחיפות

תאריך וז"ח..... 271700 דצמ

..... **התאחדות עובדי המס' מברק**

אירופה 1. ארבייל

נורבגיה. במהלך ביקור נימוסין שערך אצלי השגריר
הנורבגי החדש Elyassen המוכר לי מתקופת
היותי יועץ משפטי. מסר שנורבגיה הודיעה שהיא עומדת
להוציא את יחידותיה מיוניפיל ב-19.4.85 אם לא יושג
הסכם עד אז. היא לא תוציא את היחידות הנותרות שירותים
ליחידותיהן של מדינות אחרות.

772

שנת ה'תש"ח
 חתן: מר. משה משה
 חתן: מר. משה משה
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סגירות ישראל - 11:00

אלו

1400
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סוג בטחוני...
דחיפות...
מאריך וז"ח...
מס' חבר...

בטחון

ניו יורק

המשרד

379 / 115 / 429

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY - THURSDAY DECEMBER 27, 1984

THE PRESS REPORTS

ISRAEL'S AID REQUESTS

WASH. POST. ED. Israel has made it's formal requests for aid during the coming year, the White House is willing to endorse the whole sum and so would probably the Congress. It should be established as an iron law of American policy that arms should be transferred into zones of tension only when there is a parallel political strategy to treat the tensions.

Modai urges deep cuts

WASH. POST. Israel Finance Minister said Secretary of State's proposals for healing the ailing economy do not go far enough.

ALWAYS A 'BUT'

EVENING SUN FLORA LEWIS Jordan is now committed to seeking negotiations with Israel on the return of territory in exchange for peace., but it appears that there are too many "but" in King Hussain's way such as an agreement from the heads of the PLO.

ISRAEL BAN ON AIRING DETAILS OF ANTI-US PLOT IS LIFTED

BOSTON GLOBE (AP) An Israeli court partially lifted a ban yesterday on publications of details about the plot to attack the US Embassy in Tel-Aviv.

WARRANT FOR ARAFAT LACKS SUPPORT IN ITALY

BOSTON GLOBE SARI GILBERT After four months the charges against PLO leader Arafat of bringing weapons into Italy for terrorist purposes, are getting little public support.

SHARON'S SEIZING OF OPPORTUNITIES

BOSTON GLOBE PHILIP GEYELIN Israel political weather watchers are considering Sharon as a major threat on Israel's attempts to stabilize both political and economical situations.

ISRAELIS STOP KAHANE FROM VISITING ARAB VILLAGE

BOSTON GLOBE Police stopped Rabbi Kahane from entering the Arab village of Taibe and urging it's inhabitants to leave the country.

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סגירות ישראל - ווע. 11:00

אל:

המשרד	ניו יורק	בטחון
429	115	379

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

BEIRUT GIVES ARMY OK TO REOPEN ROAD SOUTH

THE SUN (AP) The Cabinet authorized yesterday the army to take over and reopen the coastal highway to southern Lebanon. The fighting that kept it close since Febuary still continues.

LEBANESE PREPARE FOR TALKS TO COLLAPSE

THE SUN G. JEFFERSON PRICE Israel is not the only party preparing for "alternatives" if negotiations with Lebanese remain in the deadlock in which they were after 11 meetings.

SHARON LIBEL TRIAL FOCUSES IN INTEGRITY AND WORK METHODS OF TIME STAFF

LA TIMES THOMAS ROSENSTIEL The attorney for Sharon was pressing Time Magazine chief of correspondents about the absolute confidence he had regarding the Time article of two years ago that was based on "highly reliable source".

AID TO ISRAEL

THE MIAMI HERALD ED. Uncle Sam's pockets may be deep but they don't extend to his ankles, and the Israeli erquest, if granted, would only deepen the US deficit crisis.

1 + 1 = 2
 2 + 2 = 4
 3 + 3 = 6
 4 + 4 = 8
 5 + 5 = 10
 6 + 6 = 12
 7 + 7 = 14
 8 + 8 = 16
 9 + 9 = 18
 10 + 10 = 20

טופס חבוק גלוי

מל: הסכרה, מע"ח, לש' סמכ"ל, יועץ רוח"מ לחקשורה, מצב"א.
 לש' יגב
 דע: רוסינגטון
 מאח: עתונות
 פיוג בסחוני:
 דחירות:
 תאריך ח"ח:
 מס. פברס:
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 735

News Summary December 27, 1984

Editorials

DN "The Message for Kanane" The Israeli Knesset has taken an unprecedented action against Kahane and it is right. Kahane says all Arabs should be expelled from Israel-by force if necessary. This clearly goes against the grain of reasonable Israelis who know that a formula must be found so Jews and Arabs can live in peace despite their differences. Kahane's form of hatred has no place in a country that prides itself on democracy.

Columns

NYT-Safire "Passing the Shekel" Shimon Peres is a monument to misplaced calm. He displays his not-to-worry smile as his country loses its economic vitality and hard-earned self-respect. Peres, his popularity rising, does not want to be blamed for enforcing the necessary economic discipline. He acts as if he wants to blame the US for demanding the suffering. Wages in Israel must be cut, indexation must be ended, the budget should be cut by \$3 billion and the shekel should be pegged to another currency. With its crafty dickering to position its best friend as its hard-hearted banker-Israel's Gov't of national unity threatens to become a Gov't of national disgrace.

NYP-Buchanan "It's Time for Israel to Face Reality" Israel has requested a virtual doubling of foreign aid-up to \$6000 for every Israeli family. In our own national interest, and Israel's as well, the US should say no. The new coalition has refused to address the crisis with the urgency it deserves. The components of Israel's crisis are well known. The '67 war and the Lebanon invasion left the IDF in possession of territories, the occupation of which is a constant drain on the treasury. The settlements cost millions a year. But it is socialism that is the principle cause of the problem. The Israeli currency is the most worthless in the world. The US should give Israel vital military supplies and weapons but economic aid should be phased down and out. It is in neither Israel's best interest or our own to have the country be a virtual colony of the US. This is a time in the US when students, farmers and gov't workers are being asked to take cuts in subsidies. The goodwill among the American people of Israel could be hurt if all the aid is granted.

תאריך: השולח: אישור מנהל המחלקה: חתימה:

:לח

:97

:חנכ

סיכום בשבועי:

דחיות:

המליץ ח"ח: }
סד. מברק: }

9AM30

735/130

The Press Reports

US Aid to Israel

NYT-Ruters-Israel's Finance Minister said Shultz' proposals for healing the ailing Israeli economy don't go far enough. Modai believes that deeper cuts must be made.

Kahane

NYT-special-Kahane tried to enter an Arab village but was turned back by police. He wanted to go and persuade Jewish woman married to Arabs to leave their husbands. The attempted visit aroused little interest. Work went on as usual, there were no gatherings in the street, and Kahane was peacefully halted by police. (see DN-combined)

Scuffle in Parliament-Green Party

NYT-special-A fracas broke out briefly when a six member delegation from the West German Green Party visited the Parliament. Two Parliament members raised signs of protest when the entered the visitors galley. Some Israelis have made it plain that the Greens are unwelcome because of reports that they are in favor of the PLO and other radical Mideast groups. MP's Neeman and Toubi began to fight as an argument got under way.

Sharon Trial

NYT-no biline-Two letters were released yesterday concerning continued efforts to obtain Israeli evidence for Sharon's trial against Time. Judge Sofaer asked Israel to allow lawyers for both sides to examine some secret documents in a procedure to obtain key evidence.

Anti-Semitism in US

*** NYT-King-A group of heavily armed anti-Semities that has robbed banks and armoured cars are thought to be part of a larger racist alliance with adherents in 6 Western and Southern states. The Silent Brotherhood says its aim is terrorism and violent overthrow of the Government. The group calls the US the "ZOG" or "Zionist Occupation Government" The group is linked to the KKK. Its headquarters are in Idaho and it is said that they have a mailing list of 6000 and 500 active members. Nazi groups are also involved. (see ND-Wash Post)

4 3

סמך

סיווג בטחוני:

תחומים:

תאריך חידוש:

סמך מנכ"ל:

ל:

ר:

ממ:

Blacks-Jews

Amsterdam News-no biline-Benjamin Hooks, Pres. of the NAACP and Rabbi Alexander Schindler, issued a statement condemning apartheid in South Africa and the persecution of Jews in the Soviet Union. (see photo of Jews demonstrating outside South African Consulate.

Iran-Iraq

NYT-AP-Warplanes bombed a Spanish supertanker in the Gulf, setting it on fire. Shipping sources say the planes were Iranian. The last two raids were apparently meant to avenge a series of Iraqi attacks on ships near Kharg Island. (see NYP; DN-AP; ND-AP)

Hijack Survivor Sues Kuwait Airline & Iran

ND-AP-John Costa sued Kuwait Airways and Iran for \$110 million, charging that they allowed terrorists to torture him aboard the jet hijacking early this month.

Book Reviews-Iran

WSJ-Pipes-Two books are reviewed, "The Gov't of God: Iran's Islamic Republic" by Cheryl Bernard & Zalmay Khalilzad considers how Iran caught Mideast specialists by surprise. There answers could help predict radical changes in countries that appear deceptively stable, such as Morocco or Tunisia today. "The Reign of the Ayatollahs: Iran and the Islamic Revolution" by Saul Rukhash, a former newspaper editor in Iran, gives a solid dispassionate account of conflicts among the shah's successors in Iran from 1979 to 1982.

NY Boy Bar-Mizvahed on Mt. Sinai

NYP-Jeremy Bernard celebrated his Bar-Mizvah on Mt. Sinai. The Egyptian Foreign Minister refused to give his permission for the ceremony but the family and rabbi were allowed to pass through the border and no trouble ensued.

Letters

NYT-Judith Varnai-Dranger, Firts Sec'y. (press) to the UN Mission in NY responds to a letter on UNESCO and she states that Israel is a party to criticism of the political nature of Unesco's activities. Israel, she

טופס מברק גלוי

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735/132 :מס. מברק } תאריך חידוש :
:מס. מברק } תאריך חידוש :

states, welcomes every effort to stop the unfortunate politicization of Unesco but it has been used as a forum which certain Arab and Communist states have waged political warfare against Israel.

Cartoons

DN-Danziger-Kahane is depicted as an animal tied to a stake in the ground. A man portraying the Knesset walks away after hammering the stake in the ground.

Yemen's Oil Find May Become a Boon

NYT-Miller (Sana, Yemen) Arab and Western diplomats in Sana say that the recent discovery of oil was likely to revolutionize its backward economy, strengthen the Gov't, and alter its diplomatic position. They disagree as to whether or not Yemen will tilt towards the West. Both the US and Soviet Union provides arms and training to Yemen.

Prophets Of The Holy Land

Harpers-December 84-"Israel and the Arab World in 1994" Harpers invited Arabs, Israelis and others long involved in the region to imagine scenes from the Mideast in 1994. Essays are written by Fouad Ajami, George Ball, Leon Wieseltier, Abba Eban, Conor Cruise O'Brian, Hassan bin Talal, Raja Shihadeh, Ehud Olmert and Meron Benvenisti.

ITONUT

החלקת הקשר - ניו-יורק
מס. מברק : 735/132
תאריך חידוש : 27/12/84

(2)

34

שגרירות ישראל - וושינגטון

ס ו ש ס ס ב ר ק

דף.....בתוך.....דפים

.....סוג בטחוני.....שמו

.....מדי.....דחיפות

תאריך וז"ח.....27.7.00 דצמ

.....מס' מברק.....

448

אל:

המשרד

בנצור. לשלך ח/1672. בהעדרו של המזכיר מן העיר נתתי כל
 . ההבהרות הדרושות לממלא מקומו המשנה למזכיר המדינה קנט דאס.
 הופעתו של רוה"מ הבוקר בתכנית Good Morning America
 שהתייחסה גם לנקודה זאת הבהירה המצב לאשורו.

9

רוז

איה היה ממש מ/מס נמצא שהיה אלו מ/מס
 מ/מס נמצא מ/מס מ/מס

ע ו ס מ ב ר ק

דף...!...מתוך...!...דפים

סוג בטחוני...שמו

דחפות...רגיל

תאריך וז"ח. 1130. 27 דצמ' 84

מס' מברק...422

אל: המשרד

(4)

אל - : מצפ"א

הנדון :- ידיעה על מגעים עם אשי"פ

השומת לבי הופנתה לכך שהידיעה באל קאוואט הכווייתי מה-18 דצמ', מתייחסת
לכך שעוזריו של מרפי, ולא מרפי עצמו, נפגשו עם מילמן וקאווסמה.
שאלתי את אבינגטון (מנהל הדסק בפועל) ולבקשתי הכחיש רשמית שעוזר כלשהו
של מרפי נפגש עם השניים.

מ' ב' ל

שדה רבא נפלה מנה מנה סמנה מנה
מנה רמ אמן



FRANK R. LAUTENBERG

Oct 26, 1984

Dear Shimon:

Not to encourage your
smoking, only to say
congratulation and best
wishes for a successful &
long Prime Ministership.
Always Frank

Not Printed at Government Expense

Jerusalem

December 26, 1984

Senator Frank R. Lautenberg
United States Senate
Washington, D.C. 20510
U S A

Dear Frank,

Thank you (once again) for your good wishes, and for
the very practical gift, which obliges me to think of you
frequently.

Please keep in touch.

With best wishes,

Sincerely,

Shimon Peres

January 10, 1950

Dear Mr. [Name]
[Address]
[City, State, Zip]
[Phone Number]

I am very glad to hear from you and hope you are well. I am
the same old [Name], still living in [City, State].

Very truly,
[Signature]

[Name]

[Address]

[City, State, Zip]

27.12.84 27.12.84

דעם... בתוך... דעם

סוג בשחוני גלוי

רגיל דחיות

מאריך וז"ח 26/12/84

412... משרד

אלו

המסרד

מצפ"א. ממנכ"ל.

STATE DEPARTMENT BRIEFING DECEMBER 26, 1984

- Q: Did the US have any demands or reforms as a prerequisite for a further aid.
- A: I am not going to get into the question of Diplomatic exchanges and so on, I would refer you to what John Hughes said on Friday, he talked about the Economic program (quotes). Israel is working towards adoption of an effective Economic program, they are keeping us informed, and we will support a program which will solve Israel's economic problems and gets it's Economy on the right track. As I said, I am not going to get into the diplomatic "back and forth", there was a delegation here last week, discussing these subjects, and you can take it as a given that what we have said publically we have said privately also.
- Q: Does the US have any reaction to the fact that Israel was using the Schulz's letter as a lever for internal politics.
- A: That is your description, I don't have any comment that a report has come out concerning our diplomacy, so I will stand on the substance of our position and not go into details.
- Q: Prime Minister Peres quoted from this letter in a public speech yesterday, did he quote accurately.
- A: I am not going to get into that beyond what I have just said.
- Q: The Israeli Embassy said today that there was'nt any letter, that these were only talking points in a personal meeting between Sam Lewis and Peres.
- A: So you have two different Israeli sources saying different things, I am not going to get into this. I have said what our position is on this is last week. There is no question that our views have been fully discussed with the Israelis.

תשובה

על מה שכתבתי לכם ב-27.12.84

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דף.....מחור.....דשים
סוג בשחוני...שטר.....
דחיפות לגיל.....
תאריך וז"ח. דצמ'. 26. 1430
מס' מברק.....

כמה דרכים
החזרה
20.12.84

ממנכ"ל. מצפ"א.
דע: מנכ"ל אוצר.
הלפרין, כאן

סיוע 86

להלן דיווח מפורט על התדרוך שנתן ווילקוקס ב"גבעה" ב-17/12. הצגת הדברים (הידועים לכם) בצורה זו בקונגרס לא תקל עלינו. ראו נא גם השאלות על הקשר עם קרן המטבע מאנשי צוות ועדת החוץ של בית הנבחרים.

318
ערן

מה ריה שיה מנס מ/אנס מלפניו לחיץ למז רם אמן
והינשטן מנס אורה שרהאורי ברה סטי

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TO: [REDACTED]
FROM: [REDACTED]
RE: BRIEFINGS ON MIDDLE EAST YESTERDAY

I. At the request of State, Phil Wilcox of the Israeli desk briefed staff members on the Israeli economy

He began by stressing the severity of the problem with Israelis consuming more than producing over the last 5 years. They have lived beyond their means with private loans, commercial loans, and U.S. assistance. Inflation is now at an annual rate of 850%.

Internal policies have encouraged this trend since Israel has no institution controlling monetary policy. Money creation has been used to fund Government deficits. The problems has been compounded by wage indexation and unemployment. The defense burden has been a problem but not the essential cause of the crisis. At times, defense has been even a larger portion of the GNP than now.

The currency is now unstable and productivity is stagnant. The new Government has adopted several administrative measures:

- 1) Controls not negotiations with taxes on luxury goods and money taken abroad
- 2) A major wage-price package with workers forgoing Cost of Living increases by 1/3 and Management restricting price increases by 2/3. Expected to reduce costs and encourage savings. But last month was disappointing with Cost of Living raising 19.5%
- 3) \$1 billion budget cuts. Extended over 18 months but ministries are still entering into new contracts

The U.S.-Israel Forum Joint Economic Group meets next ^{week} ~~month~~ to discuss the economy, plans, and Israeli growth. Perez plans to strengthen the private sector, eliminate restraints on foreign investments in Israel, and encourage and high tech and exports. The Free Trade Zone with the U.S. will help this plan.

The group will also discuss the role of U.S. aid. But before U.S. aid will have a real impact the Israelis must make further reforms or we will only perpetuate the problem. These additional reforms might be:

- 1) Increase budget cuts and make them more than just targets
- 2) Devalue the currency and encourage exports
- 3) Centralize the monetary system and not print infinite sum
- 4) Attack indexation but unlikely with tradition of security

Israelis not easily accept austerity and lower wages. Also problem of immigration and need for low unemployment now 5% which is about the highest tolerable level.

U.S. aid will continue to be substantial but for an additional amount beyond \$1.2 in ESF there must be reforms or we would only add to the problem. Many Israelis including Cabinet officials do not want additional aid since then they would never be forced to get their economy together.

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No formal request by the Israeli Government has been made for additional aid. Figures had been floated around like \$750 million in the supplemental and \$750 million in FY 86. Most Govt leaders do not favor an increase in aid.

State is not encouraged by the pace and new aid will not help them pull out without any reforms. The Administration levels for aid are not clear but Congress has indicated its preference for it to be based on Israel's debt service.

Van Dusen asked if State predicted a foreign exchange crisis before Oct 85 and Wilcox would not say but he hopes the Israelis will make the reforms to avoid this.

He then asked if State has considered creating a standby authority in case such a crisis develops and Wilcox claimed the U.S. will not intervene but it would likely help in a major crisis since Israel is a major ally in the area.

Wilcox claimed the Israelis do not want debt forgiveness or rescheduling since they fear the reaction of commercial banks.

The administration will likely request a higher FMS level.

Mike Finley asked why doesn't the U.S. ask Israel to go to the IMF as other nations must do. If we bail Israel out before they go the IMF we are playing their role. The IMF is suppose to handle crises like Israel now faces. Wilcox said Israel holds talks with the IMF every spring but usually ignores their recommendations due to political problems.

Egypt and Israel both ignore the IMF and go for Commercial banks and U.S. aid to help them.

Second meeting with an Egyptian delegation on FMS

Naturally they stressed the need for closer U.S. military cooperation including coproduction.

They also requested an additional \$400 million in FMS to improve their navy due to the mining of the Red Sea which has changed their priorities

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אלו

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בסחון
354

ניו יורק
114

המשרד
417

81-26-1630
דמיפוח
תאריך וזמן
מס' מברק

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY WEDNESDAY DECEMBER 26, 1984

THE PRESS REPORTS

Israel in Lebanon

WASH. POST. OP-ED Israel eager to end casualties and to put a bad war behind it had wanted to negotiate it's way out of Lebanon. But the Lebanese government, powerless and bound by Syrian high strategy, has made it impossible for now. Broadly speaking the Israelies have three choices: do nothing which is impossible because of casualties and other expances. The second complete withdrawal is impossible because of the Likud party, and the third partial withdrawal, which is what Prime Minister Peres is aiming for.

How much Aid for Israel

WASH. POST. Evans & Novak President Reagan's intention to provide several Arab allies with military equipment could be used by Israel to fatten it's arms aid proposals.

US Warns Israel on Economy

WASH. POST. Walsh Secretary of State G. Schulz has warned Israel that a substantial increase in US aid depends on the implementation of a much more extensive economic reform and austerity program than has been enacted so far.

Time's Lawyers seem confident

WASH. POST. Denton Time lawyers exuded confidence that the jury will find that the former Israeli Defense Minister failed in the 6 week trial to meet the stiff standard for proving libel of a public figure.

Israeli Bank Executives are ordered to staand trial

WALL STREET JOURNAL (REUTER) An Isreali court has ruled that the heads of Israel's four largest banks must stand trials on charges they formed a cartel to reduce interest rates on negotiable certificates of deposit.

Kahane 's movements limited by parliament

THE SUN (AP) Israel's parliament yesterday took the unprecedented step of limiting the immunity and freedom of movement of one of it's members: anti-arab extremist Rabbi Meir Kahane.

German Greens Member turned back by Israel

THE SUN Israel barred Brigitte Heinrich, a leading member of the West German Green party, from entering the West Bank yesterday because of her reported ties to terrorist groups including the PLO.

Israel Political Gridlock

THE SUN OP-ED The two major parties found themselves again catering to the narrow interests of the small religious parties.



מזל טוב לנשיא מדינת ישראל

אל:

ס 1
ס 2
דף.....מחון.....דפים
סווג בסחונני גלני
דחיסות.....רגיל
תאריך וז"ח
מס' פנקס

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בטחון 354
ניו יורק 114
המשרד 417

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לשי רוה"מ, דובר צה"ל. דע: ניו יורק.

Jewish Groups take their Turn in Apartheid protest

THE SUN (REUTER) Demonstrators from several Jewish organizations took over the daily apartheid protest at the South African Embassy yesterday to allow their Christian colleagues to spend Christmas at home.

VOA plans 1.5 \$ billion expansion

THE SUN (NY Times) The Voice of America has signed agreement with five nations for improving broadcast equipment within their borders. The VOA is also pressing Israel to set up installation there to broadcast to the Soviet Union.

How US can help Arab Peace Moves

THE SUN Hamdi Salch The new Arab peace initiative is still debated in Cairo and Amman but the essential points remain clear: The Arabs would go for a peace agreement with Israel, if Israel is willing to respect the Palestinians right for self determination in the West Bank and Gaza.

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דעם.....מאנאך.....דעם
טאג בעסונג...גלוי
דחיות.....רגיל
מאריך וזיח.....84
.....מבוק

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בסחון
354

ניו יורק
114

המשרד
417

אל: הסברה, מעיית, מצפ"א, ממנכ"ל, יגר, לשי רוח"מ, דובר צה"ל. דע: ניו יורק.

THE PRESS REPORTS

NEWS SUMMARY TUESDAY DECEMBER 25, 1984

THE PRESS REPORTS

Hostilities and Hope Usher in Christmas

WASH. POST Homan In Bethlehem Israeli Prime Minister Shimon Peres, a Jew, made a precedent-breaking Christmas Eve visit that Christian Arab leaders saw as a sign of hope.

PACT NEAR ON VOA TRANSMITTER

WASH. POST. Goshko The US and Israel are close to an agreement on locating a Voice of America transmitter in Israel that could beam broadcasts into the Soviet Union.

PERES, SUDDENLY POPULAR IN ISRAEL, APPEARS TO HAVE FINESSED SHAMIR

N.Y. TIMES Friedman After 100 days in office, Mr. Peres appears to have clearly outmaneuvered his political rival and coalition partner, Shamir, and established himself as the dominant political figure in Israeli politics.

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טופס מברק גלוי

מחלקת הקשר - ניו-יורק

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דף 1 מתוך 4

אל: חסברה, מע"ח, לש' מפנכ"ל, יועץ רוח"מ לתקשורת, מצפ"א.

לש' יגר

דע: וושינגטון

שיווג בטחוני:

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מאת: עמנונה

News Summary December 25-26, 1984

All entries are from 12/26 unless otherwise noted.

Editorials

*** ND "A More Moderate Iraq" In recent years Iraq has presented a more moderate image. Once it was viewed as the most radical of Arab states. It says it will not condemn Arab states for making peace with Israel. It endorses Jordanian-Egyptian reapproachment and it portrays itself as the protector of the Persian Gulf. This still doesn't explain why the US resumed diplomatic ties with Iraq. The most likely reason is the war between Iran and Iraq. Iraq wants the flow of arms to Iran to stop and the US has come to see Iran and Islamic fundamentalism as a greater threat than Iraq to Mideast peace. The resumption of US-Iraqi ties suggests that US support for Israel need not hinder better relations with Arab states.

Columns

*** NYT-12/25-Flora Lewis (Damascus) "No Glow From Damascus" In Damascus there is not much of a feeling that there will be peace on earth or that men owe each other good will. The road to Syria from Jerusalem has been closed for two decades. Damascus remains a city of secrets and apprehensions. There is general agreement that Assad is once more in complete control. Assad is not likely to be another Sadat with a dramatic offer of peace. He is a calculator that will veer, not plunge. In terms of peace with Israel, Assad puts Syria in the position of ascendancy. The US has been slow to realize that. The tide may be turning. An evolving Egypt-Jordan-Iraq axis is isolating Syria. If Iraq's Gov't stays intact, Syria will have a problem on its eastern border. Assad lost the battle with Arafat and while Syria has the upper hand in Lebanon, Lebanon remains a handful of scorpions. Syria's economy is stagnant. The US can't afford to dismiss Syria but the country's sudden surge in influence is waning and the US should be patient.

*** NYP-Evans & Novak "Israel Taking Case to Congress" The administration is not looking forward to Israel's quest to receive nearly \$5 billion in new grants. Stockman's apparent refusal to go along with anything more than a fraction of the half-billion-dollar arms aid boost now gives Israel a pre-text to bypass Shultz and take its case for vastly increased aid, economic and military, directly to Congress. Israel will tip toward a hard-line attitude centered on the historic probability that Congress will give Israel what it wants. Once again it seems that Congress will go with Israel.

האריך: השולח: אישור מנהל המחלקה: חתימה:

ד"ר אהרן יערי
מנהל המחלקה

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סדר

סיכום בטחוני

דחיות

תאריך תחילת

מס. מברק

מס. מברק

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NYT-Andrew Cockburn-"An Unsound South African Tie" The ties between the US and South African intelligence communities is longstanding. Some aspects are hardly secret, others however remain totally unpublicized. The US provides South Africa with intelligence on black African nations, while the South Africans provide landing facilities for US intelligence-gathering aircraft. Washington should now be aware of the perils of getting too close to a foreign intelligence ally. The October 73 Mideast war caught the US by surprise because the US believed everything the Israelis told them.

The Press Reports

Peres's First 100 Days

NYT-p.1-12/25-Friedman "Peres, Suddenly Popular, Emerges As the Dominant Figure in Israel" Peres appears to have outmaneuvered his political rivals and has established himself as the dominant political figure in Israeli politics. Public opinion polls show Peres way ahead of Shamir. Peres has exploited his position adroitly. Many think this is due in part to the surprising ineffectiveness of many Likud Cabinet Ministers. Hannech Smith says that Likud policies receives a substantial amount of public support though. Few political commentators believe that Shamir and Peres will trade places when the time comes. Peres's main achievement, and one that is appreciated at home and abroad, is that he has introduced a new style into Israeli politics. Israel's image abroad has seemed to benefit from this change. But, colleagues say that Peres will have to deliver on some key issues if he is to remain in power. The economic crisis continues and there have been no real new conditions apparent for a Mideast peace breakthrough. Israeli troops are still stuck in Lebanon. (cabled)

NYT-special-Peres visited Bethlehem on Christmas Eve, becoming the first PM to make such a gesture since Bethlehem came under Israeli rule in 1967. Peres was applauded when he appeared at a reception given by Maoy Freij that was attended by 400 people. In a speech, Peres said, in English, that he was bringing a greeting of peace to all who seek peace.

Shultz Warns Israelis on Aid

NYT-special-Peres said that Shultz sent him a letter of warning that Israel needed to take urgent measures for economic recovery and asking Israelis to show some restraint in consumption. Gad Yacobi criticized Shultz and said that Israel does not need "Moral preaching." Most Israeli economists

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694/122

תאריך חידוש:

מס. מבוק:

לשם
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agree with the Shultz proposal. (see DN-UP1)

Israeli Bank Execs Ordered to Stand Trial

WSJ-Reuters-An Israeli court has ruled that the heads of Israel's four major banks must stand trial on charges they formed a cartel to reduce interest rates on negotiable certificates of deposit. They face a maximum penalty of 8 months imprisonment if found guilty.

Kahane

NYT-AP-The Israeli Parliament voted to limit immunity of Kahane. He denounced the action and said he intended to go to an Arab village on Wednesday to pursue the goal of expelling all Arabs from the Jewish state. The legislation was aimed at allowing the police to bar Kahane from entering trouble spots. (see DN-AP; NYP-wire)

Voice of America-Israel

*** NYT-p.l-Gwertzman-The Voice of America has signed agreements with five countries to improve its transmitting ability and is also pressing Israel for permission to set up equipment there to broadcast to Soviet Central Asia and Afghanistan. The project in Israel is deemed so important to Reagan that he sent a special message to Peres. It is said that Israel has agreed in principle to the request. Israel does not wish to further antagonize the Soviet Union due to concern for Soviet Jews.

Jewish Groups Protest South African Policies

NYT-Reuters-Demonstrators from several Jewish organizations took over the daily protest against racial separation policies in South Africa to allow their Christian colleagues to spend Christmas at home. Participating groups included the New Jewish Agenda, the American Jewish Committee and the Jewish Community Council. (see ND-Banner)

Koch on Black-Jewish Ties

DN Lombardi-Koch says that relations between Black and Jews in this city is far better than the relationships of Blacks and any other ethnic group. Koch criticized Bill Tatum and Rabbi Brickner once again in the interview.

חתימה:

אישור מנהל המחלקה:

השולח:

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Lebanon

NYT-AP-Riots broke out at Beirut's race track when four favorite horses tripped and fell at the start of the race. Meanwhile, artillery battles broke out between Christians in southern Lebanon. (see DN-AP; NY UPI)

Egypt-Oil

WSJ-Reuters-Egypt's current output of 900,000 barrels per day will barely meet domestic consumption by the 1990's.

Iran-Iraq

NYT-AP-An Indian supertanker was attacked and set afire by warplanes in the Gulf. Shipping sources say the attacking plane was Iranian. (see ND-AP; DN-UPI)

NYT-Reuters-A car bomb exploded in a crowded district in Teheran killing at least four and wounding 50 others. (see ND-Reuters)

Samaritans

NYT-Page-Rare liturgical Samaritan music was heard in NY this week. Only a few hundred Samaritans are left in Israel. Their music is never written down and is only for voice.

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תאריך: 26.12.77 חשולח: 17.12.77

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משרד החוץ-מחלקת הקשר

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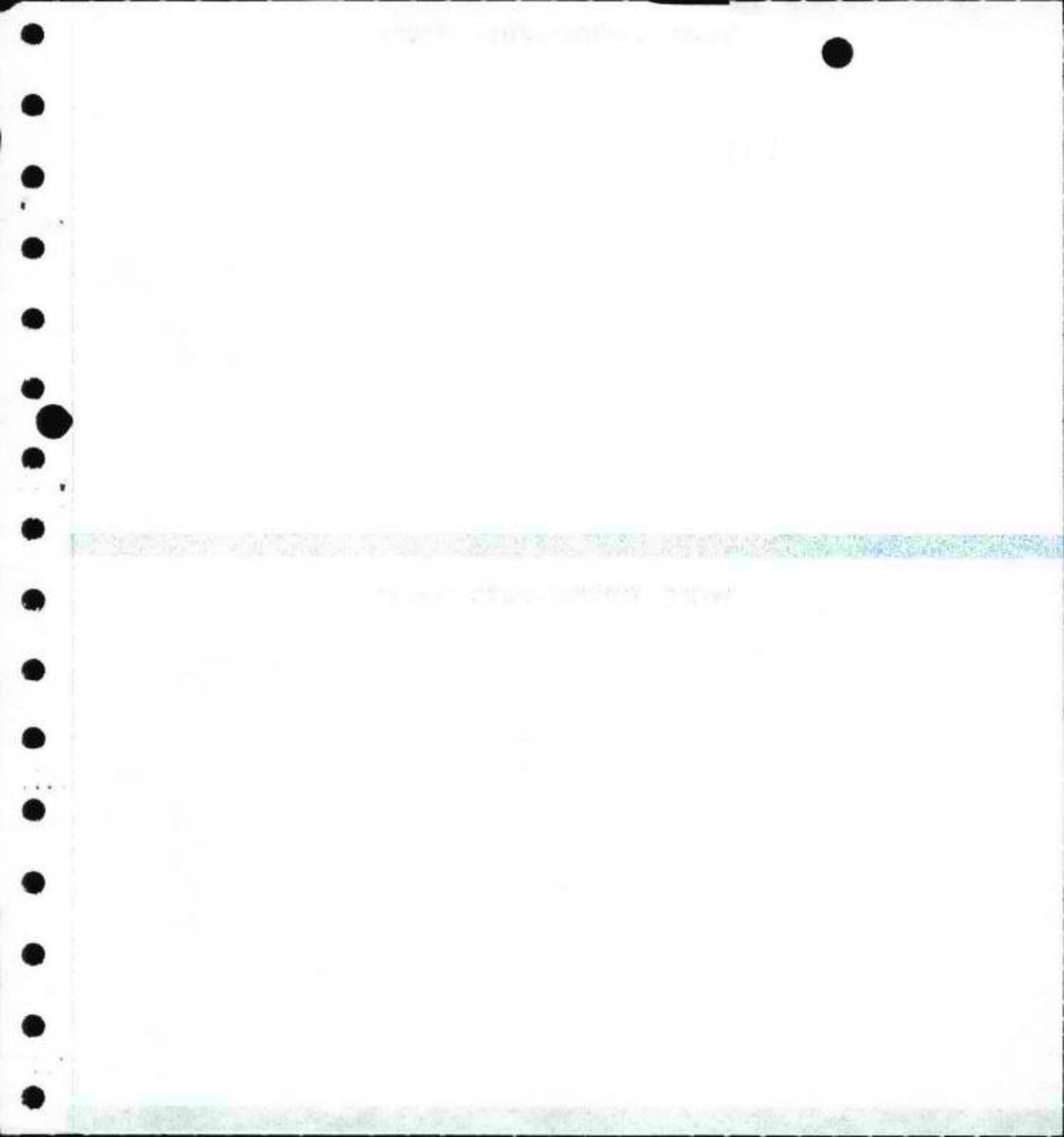
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מס. 111, 658 ברן 658 מ. 1008



משרד החוץ-מחלקת הקשר

הצבעה בענין זה נעשה ביום חמישי שנת ה'תש"ז
8. לוקאטט קו"מא פגישת נפרדת עם "קרפ נושא דוח" קרפ ציפו
נוכחים: גבי לוי, בנראה לשמוע ביקורת חריפה על השלטונות
ו"אובדן" מה גם שגבי קרפ מחמת על ערכים לבוא למרות
לדעתי

מפגש

199: שהם ידעו שהבול מוכר ממכר ל"מ"ר, רם, אמן, ממו, מצפא
הממל, ל"מ"ר, צ"ר

1947-1948

1947-1948

משרד החוץ-מחלקת הקשר

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סודי ביותר

מס' 1
מס' 14

דף 1
עמ' 4

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מל: המשרד, נד: 381, מ: 1000
ד: סג: מ, תא: 241284, וח: 1000

סודי ביותר / רגיל

מל: ממנכ

לע: ממנכ אוצר

מנכל במחן

הלפרין, באן (הועבר)

סיוע 86

משימה באירוע חברתי עם וונדי צ'מברליין

1. הויכוח על גובה הסיוע הצבאי עדין נמשך בממשל. היא טעריכה

שלא יוכלו להסכים ליותר מ-1.8. מאידך, הסכימה עם העובדה

שאילו היינו הולכים ישר ל'גבעה' ניתן היה להשיג 1.9.

2. קיבלו בחיוב את הצגת הדברים של מנכ"ל אוצר אם כי מצפים

לביצוע. לדעתה אם אכן ייראו סימנים לכך נוכל לקבל 1.2 ואת

השאר - SUPPLEMENTAL

ערן.

תפ: שהח, מהמ, מנכל, ממנכל, מנכלאוצר

משרד החוץ-מחלקת הקשר

5409

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סודי ביותר

מס' 1
מס' 14
מס' 7

מס' : 381, נד' : 1000
מס' : 241284, נד' : 1000

סודי ביותר /רגיל

מס' : 86

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מס' : 86

מדינת ישראל

תאריך

אל:

מאת: לשכת ראש-הממשלה.

למח, /

— חגית לוריא

2 חצות. קיבלתי ולדו

חלוקה.

חלוקה

EMBASSY OF ISRAEL
WASHINGTON, D. C.



שגרירות ישראל
ושינגטון

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24 בדצמבר 1984

220

לכבוד

ישראל קיסר

מזכ"ל ההסתדרות

בית הועד הפועל של ההסתדרות

רח' ארלוזורוב 93

תל-אביב

ישראל היקר,

כפי שכבר למדת בוודאי מן העתונות השיחות הכלכליות בווינגטון לא הוכתרו בהצלחה יתירה והסיכויים להגדלת הסיוע הכלכלי בתנאים הנוכחיים הם קלושים ביותר. לכך מספר סיבות: הבעיות התקציביות האמריקאיות ואי - הפופולריות של הגדלת סעיף תקציבי כלשהו, ובמיוחד סיוע חוץ; תחושת הממשל האמריקאי שישראל לא נקטה צעדים דרסטיים נאותים, על פי השקפתם הכלכלית; הגישה הפסיבית בה נקטה ממשלת ישראל בהצגת עמדותיה וצעדיה הכלכליים ואי-הכנה מראש של דעת הקהל הכללית והיהודית כאן.

מערכת ההסברה הכלכלית כאן אינה קלה במיוחד כאשר הממשלה הנוכחית כבולה קואליציונית מלהטיל חלק ניכר מהאשמה על מעשי קודמותיה. לדעתי, יש צורך במערכת הסברה שתנוהל, אולי, על ידי גוף חיצוני לממשלה, בעזרת מאמרים, שיחות רקע וכו' על ידי חברי כנסת שאינם שרים, כלכלנים, תעשיינים וכו'; ואשר תסביר את מצבה הכלכלי והחברתי של ישראל בכנות, ללא כחל וסרק, ותדגיש שאין לדרוש מממשלת ישראל הנוכחית בשלושה חדשים לתקן מה שנעשה במשך שבע שנים, כאשר הממשל האמריקני הגדיל סיוע ולא הפעיל לחצים מול ה"כלכלה הנכונה" והגישה של ל"היטיב עם העם".

דומני שההסתדרות וגורמים אחרים צריכים להיות פעילים ביוזמה בכיוון זה בדחיפות.

בברכה,


דני בלון

העתק: אברהם אלון, מח' לקשרים בינ"ל.
אליעזר רפאלי, ניו יורק

388

המשרד

ס. ו. פ. ס. ס. ב. ר. ק.
דף...ג...מתוך...דפים
סוג בשחוני...שחור
דחיסות...רגיל
תאריך וז"ח: 30:2413 דצמ' 84
מס' מברק

ממנכ"ל - מצפ"א

מזהרים עם סטיב רוזנפלד ("וויסנגטון פוסט") ולאחר שעדכנתי אותו על שיחות נאקורה והטיבוב האחרון בעיניני סיוע הוא סיפר:

— המאבק הנטוש כעת בין שולץ לבין החוגים השמרנים סביב מינוי מחמ"ד ועל ה-SOUL של הנשיא עדיין לא הסתיים. בינתיים ידו של שולץ על העליונה וסביר להניח כי הוא יצליח להעביר את רב המינויים כולל זה של פיקרינג. עם זאת החוגים השמרנים - המודאגים ממילא מעזיבתם האפשרית של אד מיז וקירקפטריק - רואים נושא המינויים בראיה אידיולוגית מובהקת ולא כענין של "רוטציה תקופתית ושגרתית" כפי שהמזכיר מציג אותו.

— פיקרינג הינו very personal choice של שולץ. רוזנפלד מיוודד עמו (הם גם שכנים בוויסנגטון) מזה זמן רב, מחלק לו ציונים גבוהים, מ"שכמו ומעלה" ואף "כמה דרגות מעל דיפלומטים מקצועיים מן הסוג של וליוטס וויטס".

בעיני רוזנפלד יש משמעות מסוימת לעובדה שפיקרינג שירת בירדן מעבר לנסיון שרכש בעיניני איזורנו. למרות הדעה הרווחת הוא סבור כי המזכיר לא בואש מהמזיית ולא מן הנמנע כי בעתוי שיראה בעיניו הולם יפעיל מחדש את תוכנית רייגן עם שינויים ותיקונים מקויתים.

אליבא דרוזנפלד ה-Middle East agenda של שולץ נראה בערך כך:
1984 - לבנון; 1985 - כלכלת ישראל; שלהי 85 ו-86 - ישראל ירדן.

עד כאן דברי סטיב.

הראל



שמה היה נראה מנהל מנהל מנהל מנהל
רמ"מ

ט ו פ ס

דף 1... מתוך 1... דפים

סוג בשחוני... שחור...

דחפות... רגיל...

תאריך וז"ח 24.15:00

ומשרד

מס' מברק 400340

ממנכ"ל - יגר - מצפ"א

מינוי מחמ"ד בתיקשורת

מאז נודע ברבים על כונות שולץ לערוך שורה של חילופי גברא במשרות בכירות במומ"ד החל הנושא להכות גלים ומיקד התענינות התיקשורת ובעיקר "הושינגטון פוסט" וה"ניו-יורק טיימס". לכאורה נושא זה מציב את המזכיר מצד אחד כמנטה להביא למינוי מקצוענים משורות מחמ"ד ומולו חוגים שמרנים - בבית הלבן ובגיבעה המתנגדים לכונותיו בתוקף והחוששים מאובדן השפעה בעניני חוץ במהלך הכהונה השניה של רייגן. אך ככל הנראה ולפי התרשמותו של ג'ון גושקו שעקב מקרוב אחרי ההתפתחויות הנ"ל המדובר הוא בנסיון המזכיר ל"התפטר מכמה אפסים" שאינם תורמים דבר לעבודת מחמ"ד ובראשם Richard McCormack עוזר המזכיר לעניני כלכלה ו-James Malone עוזר המזכיר לעניני מדע. מן הטעם השוב שמות אלו לא הוזכרו מפורשות בכתבת תחקיר ארוכה של גושקו וקאנן (הכתב של הבית הלבן) ב-23.12.84 "יושפוסט". למעשה הראשון שבישר על כונות שולץ היה זה ג'ון קראפט לפני שבועיים ואחריו אבנס ונובק במאמר השמצה על המזכיר רצוף ביטויים כגון "State Department's Vengeance" ו-"Shultz purging Reaganite assistant secretaries....".

ועוד כיו"ב.

עיקרי החילופים אמורים להתבצע בסגירות ארה"ב באמ"ט ונקרב האחראים על שיחות הגבלת מירוץ החימוש ואינם נוגעים במישרין לעניננו - פרט אולי למינוי פיקריינג. אך גם כאן אומר לי גושקו דאגת החוגים השמרנים היא מי יבוא במקומו באל סלבדור ולא ממנוינ בארץ. סביר להניח כי הנושא בכללותו ובשל השלכותיו הפוליטיות ימשיך לתעסיק התיקשורת הושינגטונית בימים הקרובים.

הראל

שהח ורמ לרמ אונכ אונכ אלכא ר/ארכא אמר
רמ אלכא יגר אלכא הכורה

טופס חברת גלוי

מחלקת הקשר - ניו-יורק

דף _____ סתוד _____ דפים _____

אל: _____ המשרד _____

סיווג בטחוני: _____

דחיות: _____

דף: _____

מס' תאריך ח'ח': _____

מאת: _____ עתונות _____

מס' מברק: _____

מע"ה. הסברה. לש' ממנכ"ל. לש' יגר. יועץ רוח"מ לחקשורת. מצפ"א. ר' של' הולד

להלן מאמר מערכת שהתפרסם בנניו יורק טיימס היום:

What Israel Needs, Before Money

After 100 days of coalition government, bankrupt Israel has concluded that the boldest way out of crisis is to bank on the sympathy and treasury of the United States. Its two-party Government has so far cut \$400 million, or 1.6 percent, from the national budget while preparing to ask for 12 times that amount in new American aid. It's no favor to Israel for the United States to endorse such a ratio of self help to welfare.

Having already used up most of the \$2.6 billion in American aid for the fiscal year that began three months ago, the Israelis now ask for \$600 million more in early 1983 plus \$4.05 billion in the early months of the next fiscal year. All the aid sought and sent is in grants, not loans, half for military equipment and half to be spent at will.

The Labor-Likud coalition began by saying it would not seek massive American aid before demonstrating domestic discipline and sacrifice. Now it says its main austerity measures await more help and pressure from the United States. The Israelis were right the first time.

Even if America were not running \$200 billion deficits, \$5 billion is a lot of money. Even from a stout ally, requests for doubling aid year after year will not be kindly received in a Congress struggling to make its own severe budget cuts.

Israel bears a great military burden. Yet this crisis was self-induced, and rather cynically at that. Though already carrying one of the world's largest per-capita foreign debts, former Prime Minister

Begin chose in 1981 to grease his way to re-election by printing more money to finance a consumer spree. The resulting inflation was accommodated by printing still more money for indexing. Israelis kept raising their wages and prices and propelled themselves into a speculative frenzy.

The inflation rate has soared to about 800 percent, making the shekel useless. True prices are figured in dollars, whose cost grows daily, even hourly.

The people are said to be ready for great sacrifice. But their leaders, though insulated from political assault, have been slow to act. They now talk of cutting \$1.4 billion more from the \$24 billion budget and ending food and fuel subsidies. But labor, welfare and ministerial lobbies resist. The Government is particularly afraid of the high unemployment that it thinks recovery temporarily requires. Unemployment offends both Socialist and Zionist doctrine and could drive many Israelis to emigrate.

Israel needs money and deserves support. But first it needs to commit itself, convincingly, to austerity measures that would put America's emergency aid to constructive use. If Congress is to consider the sums now sought, it needs to be shown a timetable for matching aid to the pace of progress. If Israel's leaders need American pressure at their backs, let Americans provide it by holding back, as the State Department has proposed, until Israel shows how much it is willing to help itself.

המנהל הכללי של המשרד להגנה מפני טרור
המנהל הכללי של המשרד להגנה מפני טרור

אריך: _____ השולח: _____ חמי שלי 24.12.84
מנהל המחלקה: _____ חתימה: _____

שגרירות ישראל - וושינגטון

אלו

המשרד

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סדוג בטחוני...ללז...

דחיסות...רגיל

תאריך 1315ח 24.12.84

387...מס' פנקס

מצפ"א. ממנכ"ל.

STATE DEPARTMENT BRIEFING - MONDAY - DECEMBER 24, 1984

Q:Anything on the U.S. wanting reform in Israel's economy before increased aid levels?

A:No comment.

Q:Does the U.S. look to an international conference as a last resort to Middle East peace?

A:We have made our position clear and we have said that an international conference is not a fruitful approach to solving Middle East problems.

Q:Do you have anything on the U.S. requesting or approving weapon sales to Saudi Arabia and Jordan next year?

A:When we have something to notify we will..

Q:Has the U.S. asked Israel to put up a VOA transmitter?

A:No comment.

870105

ההחלטות של ממשלת ישראל
הן חלק מההחלטות של ממשלת ישראל

טופס מברק גלוי

דף 1 מתוך 4

סיווג בטחוני:

דחיות:

תאריך חתימה:

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מס. מברק:

אל: הסברה, מע"ח, לש' ממנכ"ל, יועץ רוח"ם לחקשורת, מכס"א.

לש' יגד

רע: רוסינגטון

מאח: עמנואל

114 - 111

News Summary December 24, 1984

Editorials

NYT-"What Israel Needs, Before Money" Bankrupt Israel has concluded that the boldest way out of its crisis is to bank on the sympathy of the US. Its two-party Gov't has so far slashed 1.6% of its budget while preparing to ask for twelve times that amount from the US. It's no favor to Israel for the US to endorse such a ratio of self-help to welfare. Israel bears a great military burden. Yet this crisis was self-induced, and rather cynically at that. The people are said to be ready for great sacrifice. But their leaders, though insulated from political assault, have been slow to act. Israel needs money and deserves support. But first it needs to commit itself, convincingly, to austerity measures that would put America's emergency aid to constructive use.

Columns

DN-George Will "Hitler's Ghost Over Russia" The Soviet regime regards a desire to emigrate as evidence of mental illness. Nadezhda Friedkova is considered a "parasite" because she wished to emigrate to Israel. She has been sent to torture institutions known as mental hospitals after she fasted. The "doctor" who treated her shouted "Zionist whore" while shooting her up with muscle relaxants. There is now virulent anti-Semitism in the Soviet Union today. The newspapers print damaging cartoons and stories about Jews, the KGB plants drugs in the homes of Jews. The day Margaret Thatcher cooed about how much she liked Gorbachev, Avital Shcharansky sat and wondered where her husband was.

NYT-Carol Kur (Exec ed of Moment mag) "Jews, at Christmas" This is a season when many Jews feel marginal. We Jews do not always cope well. Witness the "Hanukkah bush" or the fact that many Jewish families congregate and exchange presents. All of this infringes on traditions that do not belong to us. Perhaps future generations of young Jews will be armed with a stronger sense of identity about themselves. But until that time, the seasonal identity crisis will be a problem.

The Press Reports

Congressional Caucus on Soviet Jewry

NYT-Weaver & Farrell-Leaders of both parties in the Senate and House are planning to organize a new interest group: the Congressional Coalition for Soviet Jews. The group will work in cooperation with the National

תאריך: _____ חשולה: _____ אישור פנהל המחלקה: _____ חתימה: _____

טופס' מברק גלוי

דף 4 מתוך 2

:אל

סיווג בטחוני:

:צד

דחיות:

:אמח

תאריך חתימה:

670/114 מס. מברק:

Conference on Soviet Jewry and will work to promote emigration, cooperate with the Reagan administration and disseminate information.

US Embassy Plot in Israel

NYP-no biline-An Israeli court partially lifted a ban on publication of details about a foiled plot on the US Embassy in Tel Aviv. The suspects were acting on their own and did not belong to a terrorist organization.

Christmas in Israel

ND-Rabinovich-15,000 foreign pilgrims are expected in Bethlehem. The sharp edge dividing communities in the Holy Land will be blurred by the Christmas season as Jews and Moslems assist the Christian community in celebrating the birth of Jesus. (see NYP-photo of soldier in Bethlehem)

Sharon Trial

Village Voice 1/1-Stokes-Drill's piece in American Lawyer has already had some impact on the press. It seems as though Time will settle. The dailies have missed the boat on this one.

Black/Jewish Coalition

Village Voice-1/1-Davis-"Powerful Friends" The NYT recently ran two-page one stories on the Black/Jewish coalition. As we begin the battle to oust Koch do we need to build relationships between the only groups that said no to Reagan: blacks, Jews and Latinos. But it is the blacks and Latinos that have most in common, their relationship needs to be built first and foremost. It is of interest that the NYT would not put a page one story of black and Latino leaders meeting. There appears to be an unwillingness in America to recognize that Jews do not face the same denial of opportunity that blacks and Latinos face. Jews have consistently voted for progressive candidates. Without a black candidate for mayor, Herman Badillo, a Puerto Rican, is the best choice.

Amsterdam News-12/22-no biline-Prominent leaders of the Black and Jewish communities pledged last week to help forge closer ties and to speak out against "racism and oppression of others."

חתימה:

אישור מנהל המחלקה:

השולח:

תאריך:

טופס, מברק גלוי

מחלקת הקשר - ניו-יורק

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דף מחור

אל:

סינון בטחוני:

רשימות:

עד:

תאריך חתימה: 6/70/11/4
דפוס: מברק

מאמ:

Anti-Semitism in Mass-Part II

★ Village Voice-1/1-Hentoff-"Jews Abandoned by the Jewish Community"
Susan Shaipro, the high-school student who refused to salute the American flag is backed up by the Constitution. Because Susan is Jewish, her family has received many threats, calls, cards and letters. For example, one card stated "Because Hitler didn't finish the job right, we are going to." Susan is under special security in school and her family obtained fire arms. Here were Jews under seige because they were Jews. And, they have been abandoned by the Jewish community of the town and its leading rabbi. Jews in Boston do not ban together anymore. Only the ADL and the newspaper the Jewish Advocate helped. The ADL has also stuck by the Shapiro's while the American Jewish Congress and American Jewish Committee as well as the Jewish Community Council of Metropolitan Boston has lost interest. Most helpful of all to the Shapiros has been the the Civil Liberties Union of Mass., a non-Jewish group. Mrs. Shapiro believes that the Jews of Boston are ashamed of being Jewish. The President of the temple in the small town of Randolph states that Susan was wrong.

Gambling Among Jews

NYT-Brozan-The Federation of Jewish Philanthropies of NY has set up a panel to study the Jewish attraction to gambling. Very few Jewish leaders are willing to confront the problem. In NYC alone it is estimated that there are 250,000 compulsive gamblers, 20% of whom are Jewish.

Lebanon

ND-combined-Druse militamen stormed Beirut airport, diverting the attention of leaders trying to arrange a security plan for the coastal road.

Book Reviews-Jews and the Woman Question

Village Voice 1/1-Tax-Two Books are reviewed that deal with Jewish women. Jewish and Female: Choices and Changes in Our Lives" by Susan Weidman Schneider and "On Being a Jewish Feminist" by Susannah Heschel, are discussed. Jewish womens battles are sure to change the face of Judaism. Sexism is fundamental to the forces of political conservatism in the Jewish community. The first target of the arrogance and elitism taught many Jewish boys is not gentiles, or blacks but it is Jewish girls. Jewish tradition is one of men.

החתימה: _____: המחלקה: _____: המעלה: _____: המעביר: _____

מחלקת הקשר - ניו-יורק

טופסי חברק גלוי

דף 4 מתוך 4

אל:

סיווג בטחוני:

דחירות:

97:

תאריך חי'ח:

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מס. מברק:

לשימוש
מס.
מקשר

Saudi Arabia-Stock Market

WSJ-special-(Riyadh) Saudi Arabia's 11 commercial banks will take control of the country's modest stock exchange, a move the gov't hopes will promote price stability among the 35 publicly held Saudi stocks.

Letters

NYT-Mary Appelman, chairman of the American-Israel Council for Israeli-Palestinian Peace, writes that the PLO is clearly offering peace and that it is Israel that rejects the offer. Arafat called for an international conference under UN auspices, to negotiate Mideast peace.

NYP=Liz Holzman writes that the reason she helps track down Mengele is because he is one of the most notorious Nazi criminals alive. His continued freedom for 40 years sends a frightening message of encouragement to anti-Semites everywhere.

ITONUT

2-1-4200 מברק חסר

חתימה:

אישור מנהל המחלקה:

תאריך: 24.12.54 השולח: [חתימה]

27.2.84 17
 דף...1...מחזור...1...דפים
 סוג בטהוני...177
 דחיות...177
 84 Dec 24 1030 ח"ד
 ...מס' ...

בטחון / ניו יורק / המשור
 77 / 106 / 384

אל:

אל: הסברה, מע"ת, מצפ"א, ממוב"ל, יגר, לשי רה"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY - MONDAY - DECEMBER 24, 1984

THE PRESS REPORTS

VOA Transmitters Urged On Israel

WASH. TIMES-(Wires)-Reagan has appealed to Peres to authorize installation of Voice of America transmitters for broadcasting to the Soviet Union. The officials said Israel had not decided on the request but leaned toward approval, partly because the VOA specializes in news programming rather than propaganda.

Time Editors Cite Sharon 'Propaganda' Fight

***WASH. POST-(UPI)-Editors of Time magazine, in a letter to the editor in today's New York Times, charged Sharon with conducting "a propaganda campaign" in his libel suit against Time Inc. Time editor-in-chief Henry Grunwald and managing editor Ray Cave also charged that Sharon brought the suit because he could not sue the Israeli public or the Kahan Commission.

Lebanon Crisis Threatens Israeli Leadership

CHICAGO TRIBUNE-McNulty-Israeli govt. leaders appear on a collision course over their occupation army in south Lebanon. The Lebanese issues is more serious and could break up the three-month-old national unity government. The growing policy split pits the Likud and the Labor Party against each other on when and how far to pull back the estimated 15,000 Israeli troops in Lebanon.

Arafat Discusses Jordanian Plan

WASH. TIMES-(Wires)-Arafat began talks yesterday with Jordanian Prime Minister Ahmad Obeidat on a formula proposed by Hussein to achieve Middle East peace. The Palestinian National Council, has endorsed the international conference as the only acceptable mechanism for ending the 36-year old Arab-Israeli conflict, but reiterated PLO rejection of Resolution 242.

Airport In Beirut Overrun

PHIL. INQUIRER-Smerdon-Druze militiamen stormed Beirut airport yesterday, paralyzing air traffic for two hours as they threatened to blow up a plane. This incident diverted the attention of political and military leaders who were working on a final plan to station the Lebanese army along the coastal highway. The route runs from Syrian front lines in northern Lebanon to Israeli front lines in the south. A cabinet meeting was expected to give the go-ahead to the deployment within a few days and troops to secure the road by New Year's Day.

28
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אל: 3
 מסמך: 1
 מסמך: 1

אל: המברה, סמ"ח, לש' סמנכ"ל, יועץ רוח"ם לחקשורת, סנכ"א.

לש' יגד

רע: רוסינגטון

רשימות:

מאת: עזרנה

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News Summary December 22-23, 1984

The Press Reports

US Bars Emergency Aid to Israel

NYT-12/22 p.1-special-The State Dept. said that the US would not meet Israel's \$800 million emergency grant request until Israel adopted a much tougher economic austerity program. The State Dept. did promise to recommend to Congress "continued substantial levels of economic and military aid" for the next fiscal year. Israel has taken some steps to reduce its budget but US officials said not enough was done. The Israeli delegation to Washington said that Israel had to proceed cautiously because of the social situation there. Unemployment in Israel is on the rise, this could cause many Israelis to leave or prevent Jews from coming. The administration is expected to propose aid for 1986 at the same level as it is now. Military aid might be increased so Israel could maintain its "qualitative edge" over the Arabs. Israeli diplomats expressed disappointment at the inability to persuade the Administration to be more generous. (see DN-12/22)

Plot on US Embassy in Israel

NYT-12/22-AP-A US diplomat said six people had been arrested for plotting to attack the US Embassy in Tel Aviv. Israeli security forces foiled the attack. Six Palestinians from Gaza are now in Israeli jails. The US diplomat refused to comment on the case as did the Tel Aviv police. A court order has banned publication of any information about the case.

Sharon Trial

NYP-12/22-Johnson-Some believe that Sharon and Time will settle out of court but both Time and Sharon deny the rumors. Sharon's lawyer said that Sharon would probably accept a retraction, apology and payment of legal fees.

Islamic Parley Ends in Discord

NYT-Miller (Sana, Yemen) A five day meeting of foreign ministers from 45 Islamic countries ended amid discord on how to end the Iran-Iraq war. Iran's foreign minister said that as long as Hussein was President of Iraq, Teheran would continue to oppose efforts to end the war. Several of the groups resolutions were critical of the US and its support for Israel.

תאריך: _____ השולח: _____ אישור פנהל המחלקה: _____ חתימה: _____

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112/0649

מס. מברק:

US Considered Using Army if Plane Left Iran

NYT-12/23-p.1-special-The US had plans to use commando units to free hostages on the Kuwaiti airliner but only if the plane was forced to go to another country. Officials said that the US had not planned to storm the plane in Teheran. The State Dept. believes that Iran did not plan the hijacking but it blames Iran for creating the climate for terrorism in Lebanon. It also believes that the hijackers knew they would be treated with sympathy in Iran.

Beirut Blast

NYP-12/22-wire-A car bomb ripped through a Druse school killing four and wounding 32, including 19 schoolchildren. Artillery battles broke out between Druse and Christian militiamen soon after the bomb exploded.

Nazi Deported

NYT-Blumenthal-12/22-Fyodor Fedorenko was deported Friday night to the Soviet Union, ending seven years of litigation. It is not clear as to what will happen to Fedorenko in the Soviet Union. He might have a wife and child there. He was the sixth Nazi deported in recent months from the US. (see NYP-Peritz; DN)

Koch & the Black-Jewish Coalition

NYT-12/22-Rbberts-News Analysis-Political strategists believe that Koch may have played into his adversaries hands by repsonding angrily to his critics. Many believe that Koch's hopes for re-election lies with generating a heavy turnout among white voters, particularly Jews. Others warn Koch that he stands to lose only if he is percieved as a destabilizing effect. That may explain why Koch was more conciliatory in his later remarks on the coalition. In the coalition, Koch's most outspoken critics included Rabbi Balfour Brickner, Stanley Lowell and Bill Tatum.

Kosher Deli Cited

DN-Nagourney-A Manhattan Deli was cited \$25,800 for selling non-kosher products falsely labled as "kosher." (see NYP-12/22)

חתימה:

אישור מנהל המחלקה:

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מס. מברק:

112/0649

לשירות
המ
משרד

Travel-Jerusalem

NYT-12/23-Travel Section-2page article on Jerusalem-Friedman-Jerusalem is variety. What is unique about Jerusalem is not the Western Wall, the Dome of the Rock or Calvary, but the fact that they are all there and all accessible to tourists of all faiths. Jerusalem is a small walk-able town. Transportaion is excellent. Shopping, eating, sightseeing and culture are discussed.

Bethlehem

NYT-Franks-Pilgrims still tread the road to Bethlehem in search of the miracle of Christ's birth. Bethlehem today is a kind of Coney Island of Christianity. It is facinating though.

Letters-Sharon vs Time

NYT-12/23-Henry Grunwald, the ed-in-chief and Ray Cave, the managing editor of Time writes that as the trial goes on Sharon is conducting a propoganda campaign for himself in NY. He tells all that will listen that Time called him a "murderer." In fact this is false. The case has been brought in the wrong place and the wrong time. The Kahane commission declared that Sharon made the decision to send in the Phalange. He can't sue the Kahane commission or the Israeli public for this. Instead he is suing Time in the hopes of earning political vindication at home and to enhance his overriding ambition to be Prime Minister.

ITONUT

המחלקה מברק גל. 23.12.84

תאריך: 23.12.84 הסולח: [חתימה] אישור מנהל המחלקה: [חתימה]

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בסחון
 312

ניו יורק
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המשרד
 378

אל:

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגר, לש' רוה"ת, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY - SATURDAY - DECEMBER 22, 1984

KHADAFY: 2 SPANISH CITIES ARE ARAB

Phil. Inq., Mooney: Khadafy has touched off a storm in Spain by openly questioning Spanish possession of two cities in North Africa. Khadafy, on a rare visit to Western Europe, told a news conference here Thursday that the cities Ceuta and Melilla, which have been held by Spain for nearly 500 years, were Arab.

SHARON, BACK IN ISRAEL, SAYS HE WILL PAY FOR TRIAL

Phil. Inq., AP: ...The absence of the industry and trade minister at a time when the government has been trying to bring Israel's soaring inflation rate under control has drawn sharp criticism from some politicians and the public. "The Israeli taxpayer will not have to pay a single penny for the costs of conducting the trial or our stay abroad," he said. "I'm covering all costs, including days I spent working on behalf of the ministry, just to shut up the criticism." ...His expenses were estimated at \$200,000.

SOVIET HARASSMENT OF JEWS IS INCREASING, SHAMIR SAYS

Phil. Inq., Reuters: ... "We hear of almost daily arrests of Jews on trumped-up charges of terrible beatings by police and bullies employed by Soviet authorities."

Shamir said at a Jerusalem meeting with delegates of the Public Council on Soviet Jewry.

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Chic. Tribune, Wires: American officials are seeking a safer home for the United States Embassy in Tel Aviv, Israel Radio reported Thursday. The state-owned radio said the search for new quarters was ordered by Washington as part of precautions taken worldwide after attacks on the U.S. Embassy and Marine barracks in Lebanon

CARE PACKAGE FOR ISRAEL IS TOO BIG

L.A. TIMES:...Some augmentation of U.S. aid to Israel next year is probably unavoidable to prevent a complete depletion of the foreign-currency reserves that Israel must have for essential imports. Beyond that, the best thing that the United States can do is reject even consideration of Israel's aid requests until the Israeli government demonstrates by deed that it is in fact serious about facing the economic crisis. Perhaps the shock of rejection is precisely what the government needs-or is waiting for - as an incentive to bestir itself at last.

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 דף... שחור... דפים
 סוג בעמודי...
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המסרד	ניו יורק	בעתון
378	104	312

NEWS SUMMARY - SUNDAY - DECEMBER 23, 1984

Wash. Post, AP:St. Paul, Minn., A synagogue here has sold one of its sacred scrolls to aid starving people in Ethiopia. The Temple of Aaron Synagogue sold its primary torah, considered its most precious possession, to a new synagogue in Freehold, NJ, for an undisclosed amount, according to Rabbi Bernard Raskas.

The Sun, Price: "Ma fi hukume" is one of the commonest Arabic expressions one hears these days in Lebanon. It means "there is no government," and among a population numbed by the knowledge that its government does not bother going after murderers and kidnappers, much less provide reliable electricity or telephone service, the expression usually is accompanied by a shrug. ...Since ma fi hukume is so much a part of the prevailing condition, the news that fi hukume ("there is a government") can come as a big surprise. No one perhaps was more surprised earlier this year when the new national unity government was announced than Salim al Hoss, a former prime minister and a Sunni Muslim. He was just walking out of his apartment when he heard the radio announcement of a new government and paused long enough to hear to his astonishment that he was a minister in it.

The Sun, Price:...For the last two months, Mr. Hoss, a former prime minister serving as a minister in the present government, and others in the cabinet,

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אלו

The stakes are high, in Mr. Hoss's view. They include the need to demonstrate to the Lebanese that their government and its army are symbols of genuine authority rather than of the hodgepodge of political and religious rivalries that have historically plagued the country, and the need to demonstrate the same to the Israelis.

Editorials/Columns

STILL STALINIST, STILL ANTI-SEMITIC

Wash. Post, Will:...Soviet society was never seriously de-Stalinized, but even the small extend of de-Stalinization is being undone, and with special viciousness against Jews, as Stalin would have relished. Coinciding with today's rehabilitation of Stalin (the Soviet entry that won the gold medal at the Leipzig, East Germany, film festival celebrates Stalin) is virulent anti-Semitism. It features, for example, a cartoon in Izvestia-yes, Izvestia-which could have come from any Nazi paper. It illustrates an ancient theme of anti-Semitism-Jews poisoning wells (this time in Lebanon). The KGB has taken to planting, in the homes of Jews, narcotics supposedly used in religious rituals. This hoary libel belongs in the hands of the Soviet regime. Since the extermination of the Third Reich, the Soviet Union's partner until a falling out, the Soviet regime has been the world's foremost anti-Semitic regime.

THE SPECTER OF SHARON

Wash. Post, Geyelin: ...Ariel Sharon has "wrapped himself in the flag of Israel, but he does not wear it well," Perlmutter went on, portraying Sharon as the man who "planned and led the Lebanese war, who misled his own prime minister, misinformed his Cabinet and allied Israel with the Lebanese faction that eventually oversaw the massacres in Sabra and Shatila...who ordered the bombing of Beirut, in open disregard of Israel's traditional concern to fight only just wars."

And yet, two years after Sharon sent Israeli forces into Lebanon, election-

.....טווג בעהונג
.....דחופות.
.....האריך וז"ח.
.....הס' פערט

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MORE ARMS TO THE MIDEAST

Wash. Post, Anderson:...In the end, the administration's decision to substitute arms sales for diplomacy could wind up costing the American taxpayers a bundle. The reason: Israel would certainly demand an infusion of new and better defensive systems to balance the threat of arms supplied to Arab neighbors. And unlike the Saudis, the Jordanians and the rest of Israel's enemies who can afford to pay for their munitions Israel cannot. The United States would have to add it to the tab.

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זמנות

משרד החוץ-מחלקת הקשר

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יציא

סודי

אל: ווש, קהיר, נר: חורם 1402, מ: המשרד
דח: ר, סג: ס, תא: 211284, זח: 1600

רגיל/סודי

משיחה עם קורצר משגארהב באירוע חודשי 19 12 נקודצר בידוע
מפנקד על ענייני מצרים וידון במחלקה הפוליטית:
א. מצרים

1. לדבריו הוא מדבר עם בסיוני מיה חודשים על ידיחיפה
בנושאים ההומניטריים כמו נעדרים. הוא עצמו כורך כך גם את
מחנה קנדה הסברתי עמדתו.

2. המחקר המצרי הפנימי בעניין טאבה נעשה יוצדורותיי, לא
לאורך כל התקופה. החומר ההיסטורי ידוע בראש וראשונה לדייר
וחיד רפאת הוקן (לא למשפטני משה'יח כמו אל-ערבי), והמצרים
התלוצצו בשעתו כי הוא מכיר את החומר שכן הוא רובב את התקופה
של 1906

3. לשאלה בלתי פורמלית בדבר היי'קייסי' שלנו אמרת כי הוא
מוצק ומעורר כבוד וכי עשינו התקדמות גדולה במחקר במשך
השנים. הוספתי כי יתכן שאילו נוהל עתה מוי'מ', עם כל מה
שידוע לנו ביום, לא היינו צריכים להגיע להליכים (הוכיח כי
בעבר, לפני אפריל 1982, הוחלט מידע בין ישראל למצרים). עוד
הוספתי יש מבקרים הדואים חולשה בעמדתנו כיוון שאנו מבקשים
פישור ולא בוררות, ולא היא: יש לזכור כי זו הפילוסופיה
הבסיסית של ישראל - יישוב סבסובים עם מדינה ידידותית בדרבים
נינוחות ולא בפתרונות ימשפטיים, וגם בסוי'מ' על תורה

משרד החוץ-מחלקת הקשר

השלום היינו אנו בעד פישור כשהמצרים דיברו על בוררות, לפני
שמישהו חלם על טאבה ובעיותיה. אמר כי גישת ארה"ב היא
שלבית, ולא היתה רוצה להתחיל דווקא מבוררות אלא פישור לאחר
המו"מ.

ב. ירדן

===

1. הגם שיכול לתת סיבות טובות רבות מדוע יש מקום לתקוות
מו"מ, איננו תולה בכך תקוות של ממש, גם בגלל מבנה ממשלת
ישראל.

2. לשלאתו על דיווחים בעתונות בדבר פגישות מאדפי עם מקודב
אש"פ' בירדן טען כי המדובר בדיווח מעוות בויית שאינו אמין,
ומכל מקום אין לשגרירות ידיעה. לדעתו נפגש אולי מאדפי בעבר
עם קואסמה לאמריקנים דבים, כולל קורצר עצמו, נפגשו עמו, אך
אינו מניח שנפגש עמו אחרי שנבחר לוטה'פי של אש"פ'
במל'פי.

3. ויפס השגריר האמריקני הקודם בירדן נשהיה בעבר ציר
בשגרירותם כאן פרש בלא פופולריות יתרה. אחר שהבטיח רבות
אשתקד כי חוסין יבוא לתהליך ואיכזב השגריר החדש בוקר התחיל
בהירות, אך גם הוא מושפע עתה בעבודתו ומתבסס מהעובדה שהוא
בא במגע עם המלך והנסיך הסן.

4. בקשר לירדנים היכדתי כי חוסין, בנאום בלונדון לאחרונה,
דיבר על התפתחות הרפואה בירדן וטען כי תושבי "השטחים"
הכבושים אינם נהנים ממנה, וישראל מונעת אפילו מינימום
מקובל של טיפול רפואי להם. האמת כמובן ידועה.

ג. על פיקדינג המועמד לשגררה"ב כאן: מפי עמית בשגרירות
המכיר אותו אמר כי הוא בן תרבות בעל נימוסים אירופיים ואיש
מקצוע מעולה. דרייפר רצה מאוד בתפקיד, אך לא היו לו סיכויים
של ממש.

ד. ציין כי קרקצו יועמ"ש מז"ת במחמ"ד נכידוע אחד המומחים
לתהליך ומייאבותי. תכנית ריגן חושב על פרישה לפרקטיקה
בהעדר ACTION י"י במומ"מים.
ה. תחושתי במגעים עם אנשי השגרירות כאן היא של והירות
בהצעות ובייג'ומות. הן כיוון שנכדו בעבר בענייני מצרים
וירדן והן בגלל הערכתם את בעיות ממשלת ישראל.
רובינשטיין.

משרד החוץ-מחלקת הקשר

תפ: שהח, רהט, שהב, מנכ, ממנכ, סמנכ, ממד, רם, אמך, מצפא,
מצרים

משרד החוץ-מחלקת הקשר

מא: המשרד, נר: 377, ס: 105
דח: ר, ס: 105, מא: 211284, (ח): 1630
נו: סיוע צבאי

מודי בנות/רנני

אלי מובל, ממובל, בוצר

למען'ס בלבד

הנדון ושיחות הסיוע הצבאי

1. וציני מערכת הבטחון, לפי בקשת האמריקאים, הציגו ההשפעה על
הכניות הרבש באם נרד מהרמה המבוקשת של 2.2 עד לרמה של 1.7
האמריקאים מצדם הציגו טכאות דומות אך עם ירידה עד 1.4
2. המסלחת הציגה הרקע לבקשתנו כי - OFFSET, הוסבר שהדבר נחוצ
הן להגדרת התעשייה הבטחונית, והן לאפשר בושר ייצור סקום
ההספקת צדדים בטחוניים בארץ בעת הצורך
השדורי פרט המסר המדיני-בטחוני החמור שיימסר עיי ירידה ברמת
3. OFFSET, האמריקאים מצדם הסבירו שממך OFFSET לישלח
מהדורה תקדים למדינות אחרות הדורשות זאת אף הן הסבירו שהדבר
4. נוגד העקרון הבסיסי של הסיוע האמריקאי לפיו הסכומים יוצאו
בארהב.

5. האמריקאים הובו לשאול לגבי תכניותינו למסוס הכביא, ציטטו
מהמאמרים בארץ המתקיימים את הפרוייקט ביניהם שייכמשה ארהב
6. נדרשת לשלם כל הוצאות ייצור המסוס, מדון פרט עמדתנו וציין
7. ג'ין היחד כי מדם סובס איוה אחוו מחקי המסוס ייוצד בארהב אך
8. נדרר שזה יהיה חלק משמעותי מהמסוס

9. האמריקאים דרשו החמרת משטר הפיקוח על הודמת המומנים
10. לא הושג סבוס לגבי גובה הסיוע הבטחוני וגובה ה- OFFSET

ALUMINUM ELECTROLYTE BATTERY

ALUMINUM ELECTROLYTE BATTERY

דף 2 ממוך 2
טות 4 מת
משרד החוץ-מחלקת הקשר

**משימות פרטיות המרשמו כי מתמדי ומשרד ההגנה מובנים לסבס על
**סיום בטחוני בגובה 1.8 אך משרד האוצר זה- OMB
**מתוגדים המרשמו שמוך מספר שבוטות ממקל החלטה כנראה בגובה
**1.8 כמו כן סביר שיאושר OFFSET בגובה שסובס עליו בזמן
**במועצה לבטחון לאומי. דהיינו, 200 מליון

סיב

**חפ: שהח, דהמ, שהוט, מנוכל, ממנוכל, ל/מרבנו, דס, אמן, מצפא



official text

DATE: 12/21/84

President's Hanukkah Message:

REAGAN FINDS INSPIRATION IN JOYOUS JEWISH HOLIDAY (216)

Washington -- President Reagan, in his Hanukkah message, paid tribute to the historic efforts of the Jews to possess their own state and practice their religion.

Hanukkah, said the president, commemorates the victory of the Maccabees over their oppressors. "Two thousand years ago, God blessed their efforts to retain an independent Jewish commonwealth and to preserve the Jewish religion. Today their descendants have been similarly blessed," he wrote in his annual message.

Following is the text of the president's message, released December 21:

(begin text)

Nancy joins me in sending our warmest greetings to all those celebrating one of the most joyous times in the Jewish calendar, Hanukkah -- the Festival of Lights.

This holiday commemorates the Maccabees' victory over their oppressors and the valiant spirit of their battle. Two thousand years ago, God blessed their efforts to retain an independent Jewish commonwealth and to preserve the Jewish religion. Today, their descendants have been similarly blessed. Truly, Hanukkah is a festival whose celebration is meaningful in a contemporary as well as an historical context.

The candles of the Menorah attest to the victory of freedom and righteousness. May their light be a source of strength and inspiration to all of you and to all mankind.

(end text)



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ס' ב' ל

למה רחמי עליך מלך מלכות מלכות מלכות מלכות מלכות

התאחדות רבנים

פגירות ישראל - וויסנגטון

אל:

המשרד

2930 0010

0127.....9170.....97

.....סווג בסחוני שמור.....

.....דתיסות

תאריך וד"ח. 211200.25

356..... מברק מס' 1

מצפ"א.

החקר עמי ג'ו סיסקו ומסר לי שיגיע ארצה עם רעיתו
ב-6 בינואר בטיסת TWA 800 ישתה בארץ עד
ל-9 בינואר כשיעבור לירדן. מעונין לפגוש את הנשיא,
רוה"מ, שר הבטחון והשר גד יעקבי. מסר שגארה"ב מטפל
בקביעת הפגישות.

רוזן

କାଗଜର ଉପରେ ଲେଖା ହେଉଥିବା ଲେଖା

376 - י' פ

310 - ג

ש ו י ס
ד... 2... 2... דפים
טווג בשחוני
דחיות
מאריך וז"ח
מכירת נס"י מברק

רפאל העיר שאף מהערכים אין לחץ בנושא תהליך השלום. חוסין מנסה להגיע להסדר עם הפלסטינאים ולא ביקש התערבות אמריקאית בנושא.

באשר לעיראק העיר רפאל שטארק עזיז עשה רושם חיובי ביותר בעת ביקורו כאן אך הוא, רפאל, אישית עדין לא יודע אם אכן יש כאן "עיראק חדשה". לשאלה השיב שבעבר עיראק ביקשה נשק אך הנושא כמעט ולא עלה בעת ביקורו של טארק עזיז. האמריקאים תבעו לעיראקים שנושא הספקת נשק לא בא בחשבון. במיוחד לאור המשך מלחמת איראן - עיראק. הספקת נשק אמריקאי לעיראק עלולה להזיק לטיעונים האמריקאים בבוררות המתקיימת בהאג. הדבר היה מפריע גם בענין עיסקות הנשק שנחתמו בזמנו עם השאח, אשר איראן שלמה עבורו, אך עוכבו ע"י ממשלת ארה"ב. להערכתו של רפאל מלחמת איראן - עיראק תסתיים רק כאשר חומייני ימות. לכהני הדת אינטרס להמשיך במלחמה מאחר וזה מרחיק את הצבא מטהראן, מגבש את העם תחתם ונותן פורקן לשנאה האיראנית הנצחית כלפי הערבים.

ס י ב ל



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.....גלוי.....גלוי
.....גלוי.....גלוי
84 Dec 21 1200R "11" 11
.....גלוי.....גלוי

המשרד ניו יורק בטחון
357 98 289

אל: הסברה, מע"ת, מצפ"א, ממנכ"ל, יגד, לשי רוח"מ, דובר צה"ל. דע: ניו יורק.

NEWS SUMMARY - FRIDAY - DECEMBER 21, 1984

THE PRESS REPORTS

NO AGREEMENT YET ON U.S. ISRAELI AID

WASH. TIMES-Andrews-No agreement was reached yesterday between US officials and a visiting Israeli negotiator on a request to nearly double American military and economic aid to Israel and its faltering economy, sources said. Although no date was set to resume discussions, lower-level talks will continue through normal diplomatic channels.

Prospects Dimmer For Lebanese-Israeli Security Agreement

WASH. POST-Walsh-The 12th and possibly last session in the Israeli-Lebanese troop-withdrawal negotiations in southern Lebanon ended today with no sign of progress, leaving Israel to face a series of unattractive choices. Brig. Gen. Amos Gilboa, issued a statement threatening to break off the negotiations before their scheduled resumption on Jan. 7. If Lebanon does not reply positively to Israel's proposals during the scheduled two-week holiday pause in the negotiations, Gilboa said, "the government of Israel will find itself obliged to consider whether there will be any further purpose in the continuation of the talks at Naqura."

Ethiopians Hide Extent Of U.S. Aid

WASH. POST-Harden-As hundreds of thousands of tons of food and relief supplies flood into Marxist Ethiopia, the govt.-controlled press has displayed more than a little politics in what aid it decides is news. The Ethiopian Herald announced Tuesday on its front page that Abie Nathan, "who is noted for his humanitarian concern," arrived in Addis Ababa last Sunday in a cargo plane with the makings of a complete refugee camp for 8,000 famine victims. The paper did not mention that Nathan is an Israeli, that his \$300,000 gift came from Israel or that it was paid for by contributions from Jews around the world.

Israel Resolves First Crisis Of Unity Cabinet

WASH. POST-(Wires)-A dispute between two small religious parties was resolved late last night before it triggered a full-scale crisis. Shas was given control of the Interior Ministry and the National Religious Party was left in charge of the smaller Religious Affairs Ministry. The key element in the settlement involved an agreement that the two parties share control over the budgets of Israel's local religious councils.

Time Lawyers Rest Defense After Calling No Witnesses

***WASH. POST-Denton- In a surprise move, lawyers for Time Inc. announced in court this afternoon that they would not call any witnesses to defend the magazine against Sharon. The company did not believe that Sharon had proved that the magazine had defamed him.

2720 - 2720
 2720...2720...2720
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 2720...2720...2720

357 - 22
 289 - 62
 98 - 41

שגרירות ישראל וושינגטון
 אל:

Egypt Comes Under Fire At Arab Nations' Meetings

THE SUN-(Wires)-Syrian and Egyptian delegates clashed yesterday at a meeting of the Political Committee of the 45-member Islamic Conference Organization. The Syrian delegation bitterly attacked the 1978 US sponsored Camp David accords between Egypt and Israel. They said the the Syrian delegate blamed all the present ills in the Middle East, including inter-Arab divisions and Israel's occupation of south Lebanon, on the accords. Egypt's delegate, Omran Shafei, told the committee, "I am afraid if one if the the three delegates (from Syria, Libya and Iran) stumbled and fell at the conference door, he would blame Camp David."

Alleged Nazi-Era War Criminal To Be Deported To Soviet Union

WASH. POST-Thornton-Feodor Fedorenko, accused of lying about his World War II activity as a concentration-camp guard, was in federal custody in New York yesterday, waiting to become the first alleged Nazi-era war criminal deported from the US to the Soviet Union.

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סיווג בטחוני:

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תאריך חיד:

מס. מבקר:

אל: הסברה, מע"ח, לש' מפנכ"ל, יועץ רוח"ם להקשורת, מפנ"א.

לש' יגר

ד:7: וועניגסון

מאמ: קהרונה

News Summary December 21, 1984

Columns

NYT-Flora Lewis "Peace Is Wanted But..." Hussein is committed to seeking negotiations with Israel on the return of the territories in exchange for peace. But... There's always a but in the Middle East. Hussein will not move without a formal agreement from the PLO to join in the effort. Arafat makes elaborate arguments to avoid coming to the point. Amman is trying to pin Arafat down by persuading the people around him that there is no other choice. Despite his efforts, Hussein feels blocked. Jordan is now most concerned about Syria. Assad is furious. Some say Syria will try to militarily stop a Jordanian-PLO agreement, especially if an Israeli pullback frees some Syrian divisions. Barriers to real progress look unsurpassable. But there are changes. People are talking about peace. Yet, a new impatient generation of Arabs is rising and their societies cannot offer them much satisfaction. None of the leaders are willing or able to move quickly to get the peace process going again.

The Press Reports

Israel-Lebanon

NYT-p.1 Photo of Israeli delegation in Naqura. Friedman-Israel told the Lebanese Gov't either to agree to the expanded deployment of UN troops or run the risk of Israel quitting the withdrawal talks and taking independent actions. Senior Israeli officials think the talks are over. They believe Syria is preventing Lebanon from making concessions. It is clear that there will be a major fight in Israel over how far to pull back troops. Peres said he would like to pull back to the international border and taking the risk. Shamir said he would oppose any withdrawal without adequate security arrangements. It is highly questionable whether the Syrians want Israel to leave, since their withdrawal would enable Shiite Amal militias to expand its domain into the south. That would make the Shiites a more serious and independent force for the Syrians to contend with in the future. (see ND-UPI)

Religious Parties in Israel Resolve Their Fight

NYT-special-A dispute that threatened to break-up Israel's national unity Gov't was resolved. The Cabinet crisis ended when the two religious parties agreed on how to spend state funds. Burg will become Minister of Religious Affairs and Peretz, Minister of Interior.

חידושים:

אישור מנהל המחלקה:

השולח:

תאריך:

טופס מברק גלוי

מחלקת הקשר - ניו-יורק

2 3

אל:

שיווג בטחוני:

דחיות:

97:

המס' היח':

מאח:

מס' מברק:

לשירות
מס'
הקשר

07 / 0620

Sharon Trial

NYT-Lubasch-Time abruptly rested its case without calling any witnesses surprising Sharon's lawyer. Gould had wished to call Sharon back to the stand for some rebuttal testimony. Time's lawyer said he believed Time should "quit while its ahead." Sharon went home for the holidays. (see NYP-Feiden; DN-Clark & Landa)

Tripoli - Many Guerrillas Remain

NYT-special-The Lebanese Army, in an effort to end months of factional fighting, took over control of the northern port of Tripoli from private militias. This was the first time the national army took control of Tripoli in 10 years. According to the UN Relief and Works Agency for Palestinian refugees there are 2000 guerrillas in the Palestinian camps there.

Christmas in Bethlehem

NYT-AP Photo of Norwegian soldier on leave from Lebanon talking to priest in Bethlehem.

Qaddafi in Spain

NYT-Schumacher-Qaddafi said his meeting with PM Gonzalez had been amicable and had dealt mostly with developments in northwest Africa. Gonzalez acknowledged that the US would probably be angered at the secret meeting but he said Spain would follow its own policies. Qaddafi also has recently met with Mitterand and Papandreou, ending a US sponsored international isolation of Qaddafi. Most Spanish newspapers called the meeting "shameful."

Yemen Discovers Oil

NYT-Miller-(Sana, Yemen) President Saleh said that his country had discovered "large" quantities of oil that could be exported through the Red Sea within two years. This development could revolutionize the economy of this backward country and alter its diplomatic position. Yemen is one the world's poorest countries and relies on massive aid from Saudi Arabia and the Soviet Union.

OPEC

NYT-Tagliabue-OPEC oil ministers agreed to propose to their governments a strict enforcement mechanism in a desperate attempt to coerce

חתימה:

אישור מנהל המחלקה:

השולח:

תאריך:

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אל:

סיווג בטחוני:

פר:

דחיפות:

מאח:

תאריך ח"ה:

מס. מברק:

107 / 0620

members to adhere to quotas under OPEC's overall production ceiling. But several members doubt that the plan would work. It is said that the announcement was made to divert attention away from the dissention that has marred the groups meeting. (see ND-UPI)

Press Freedom Declines

NYT-AP-The International Press Institute said that press freedom continued to wither in 1984 as dozen of countries intimidated journalists with threats of expulsion, imprisonment and murder. A report by the organization said even countries such as the US and Britain tried to restrict freedom of information and increase official secrecy. The report also blamed the press of failing to report abuses of basic human rights.

Groups Divided on Religious Displays

NYT-Goodman-Courts, local officials, religious groups and civil liberties groups around the country are contesting the legality of nativity and menorahs placed in public. (see NYP-Shain; DN-Marques)

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חתימה:

א-סור. מנהל המחלקה:

תאריך: 21.12.84 שולח: 15.12.84

טגירות ישראל - ווסינגטון

אל:

המשרד

363 $\frac{1}{2}$

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דף... J. ...מחור... דפים
סוג כשהוני. שמור
דחיפות... הגל
תאריך וזיהוי 21 דצמ' 84
מספר תיק

אל :- מצפ"א , מזתי"ם

דע :- אנקרה

תורכיה.

משיחה עם TASER היועץ התורכי ב-21 דצמ'.

ארה"ב

1. אישר שרה"מ אוזל יבקר כאן במהלך מרס 85.

2. אחד הנושאים שעומדים על הפרק - מאמץ תורכי לנסות ו"להוריד" מן יחי של הקונגרס, קרי הועדה לזכויות האדם את ההתעסקות במה שהתורכים מכנים "עניינים פנימיים" - ארמנים כורדים וכד'.

3. היועץ העמיד זאת בצורה כזו: לא יתכן שתורכיה תחשב כבעלת ברית וכאחד מהנדבכים החשובים של נאט"ו (צבאה הוא השני בגודלו בארגון אחרי ארה"ב) ומצד שני תושב על כסא הנאשמים. בנושאים הנ"ל לא תתכן שום פשרה. מבחין בהרעת מעמדה של תורכיה בגבעה.

4. אין לכך השפעה על יחסי ההבנה עם הממשל ואין לכך כמובן השפעה על אספקת רכש. התורכים יבקשו עוד מטוסים, הבעיה היא מימון.

ברה"מ

5. סיפר שרה"מ סיכובוב יבקר באנקרה בינואר - פברואר 85. אחד הנושאים המרכזיים שהתורכים יעלו ענין הטרור קרי נמחתרת הארמנית. לדעתו זו שואבת השראתה מארפניה הסובייטית בעידן הקרמלין וכשאחת מזרועות הביצוע - היא פוריה (רי להלן).

6. צפוי שהסובייטים יציעו שיפור יחסים תמורת החלשת קשרי תורכיה עם נאט"ו, יתר ש"פ עם יון ופתרון בעית קפריסין.

יו

7. פפנדריאו לא יכול היה לדבריו לשרת יותר טוב את הענין התורכי מאשר הצהרתו בלבר היות "תורכיה אויב". להערכתו הדבר נובע מלחצים פנימיים עליו, לאו דווקא בנושא התורכי.

9. אינו צופה התפתחויות "דרמטיות" בין שהי המדינות, אך המדאיג הוא הענין העקרוני לסוחר ארוך. תרגום הקביעה "תורכיה: אויב" לערך חינוכי ביון.

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למה רחם שיהא מנסה איתנו מלחמה
(למרות מלחמה עם אמן מלא איתה למטה רובינשטין)

2/2 363

סגירות ישראל - וושינגטון

דף... 2... מתוך... דפים

סוג בטיחותי

דחופות

מחיר וז"ח

מחיר מסי מברק

סוריה

10. אנקרה משוכנעת שסוריה מלבה את הטרור הארמני ע"י קיום מחנות אימונים ומעבר בגבול. התורכים ניסו כמה פעמים להעלות את הנושא על סד"ה! הסורים השיבו בהתממות שאינם מסייעים ולא ידוע להם דבר.

11. בעקבות זאת החליטה אנקרה על מדיניות שונה. הודיעה לסוריה שמעתה כל תופעה של טרור ארמני או כורדי בגבול התקל בתגובה תורכית מתאימה, כשהמשמעות ברורה.

12. הודה שלנושא אין השפעה (כביכול) על היחסים הפורמליים אבל מתחת לפני השטח העניינים מתחממים. סוריה, כך אמר, נחשבת לאויב בה' הידיעה של תורכיה. העיר (לא בפעם הראשונה) של ישראל ולתורכיה "אין מזל עם שכנים טובים".

13. בצד זאת ננקטו צעדים מעשיים. הוקמה יחידה/יחידות ללוחמה בטרור בגבול (השטח הררי) כ"כ הוחלט לחמש חלק מהאוכלוסיה באזור שתופקד על שמירת השקט (הדבר כרוך בשינוי פרוצדורלי שכן עפ"י החוק רק לכוחות צבא/בטחון/משטרה מותר לשאת נשק).

ישראל

14. רמז שישראל צריכה לעשות כל מאמץ להגביר ש"פ בין שתי המדינות באמצעות התחומים של ש"פ צבאי (מבין שקיים כבר), לוחמה בטרור (אמר שבאנקרה נקלטה בחיוב התבטאותו של השגריר נתניהו בהופיעו בטלביזיה כאן בקטר למטוס הכווייתי משציין את תורכיה בין הבודדות שנלחמות בטרור למיניהן) וע"ס החשש המשותף מבר"מ. הודה שמתחום הפוליטי העניינים "מסובכים יותר".

15. הודה לי על הסיוע בנושא הבטחת סדרת מספרי מכוניות הדיפי כאן בעקבות החלפת השלטים בידי מחמ"ד. הובטח להם סידור דומה לשלנו.

אלי אבידן

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Government of Israel



Ministry of Finance

CONFIDENTIAL

ISRAEL'S NEED FOR U.S. AID FOR FISCAL YEAR 1985

Jerusalem, December 1983

Government of Israel



Ministry of Finance

CONFIDENTIAL

ISRAEL'S NEED FOR U.S. AID FOR FISCAL YEAR 1985

Jerusalem, December 1983

PREFACE

The purpose of this document is to present:

- Israel's foreign exchange requirements for the financing of military imports from the United States;
- the uncovered financing gap in the non-military current account of Israel's balance of payments.

An effort is being made to provide the U.S.G. with background information required for its evaluation of Israel's needs for military and economic aid, for AFY 1985.

The paper summarizes major economic developments in the years 1982 and 1983. It outlines the strategy of Israel's economic policy and the measures implemented recently and offers a preliminary forecast of major economic trends, in particular, balance of payments developments for the period 1984-1987. Emphasis is being placed on Israel's defense requirements and their impact on the balance of payments.

It should be noted that the estimates for the current year and forecasts for the coming years presented in this paper must be viewed with greater caution than generally applied, as they are based on partial data and because of the major changes in policy and some changes in trends which occurred in the second half of 1983. Thus, the annual averages for 1983 do not reflect these changes in trends which will be fully expressed only in the annual figures for 1984. It is assumed that the policies implemented and additional measures to be introduced as required, will ensure the continuation and intensification of the new favorable trends in 1984 and thereafter, according to the targets set in the forecast presented in this paper.

It should be emphasized that, even after the improvement in trends and assuming that the favorable trends will continue, Israel will still need increased economic aid in the transitory period 1984-1985. The continued

PREFACE

improvement in Israel's balance of payments, which is expected to commence already in 1984, will bring about a decline in the need for aid only towards the end of the period under review.

Following is an outline of the presentation:

- Chapter I : Summary of Financing Requirements for 1985
- Chapter II : Major Economic Developments in 1982 and 1983
- Chapter III : Economic Policy Concepts and Current Policy Measures
- Chapter IV : Economic Prospects for 1984-1987
- Chapter V : Non-Military Financing Requirements, 1984-1987
- Chapter VI : Financing Requirements for Defense, 1984-1987

Appendices and a Table of Contents are to be found at the end of the paper.

Chapter 1: SUMMARY OF FINANCING REQUIREMENTS FOR 1985

A. HISTORICAL BACKGROUND

Since its establishment, the State of Israel has experienced a large deficit in the current account of its balance of payments. Exports increased at an average annual rate of 17 percent in the years 1955 to 1982, signifying the doubling of exports every 4-5 years. At the same time, non-military imports increased at a lower average annual rate of only 13.5 percent.

In spite of the faster average growth rate of exports as compared to the growth rate of imports, the non-military deficit continued to grow. This was due to the initial low level of exports in the base year as compared to the level of imports. It is, however, self-evident that if the average growth rate of exports exceeds the growth rate of imports for a sufficient number of years, a decrease in the deficit must eventually follow.

The years 1982 and 1983 were difficult years for the Israeli economy in general and for its balance of payments in particular, due to developments which are described in detail in Chapter II.

There are good reasons, and initial indicators, to believe that the disruption in the basically sound trends in the development of the Israeli economy and in its balance of payments is temporary and that the favorable trends, which characterized the period up to 1982, will be restored in the coming years, a meaningful improvement in the balance of payments expected to take place already in 1984.

The relative improvement in the balance of payments over time, despite the growth of the deficit in dollar terms, is demonstrated by the decline in the ratio of the non-military deficit to total resources (excluding direct military imports), from 11 percent in 1975 to 5 percent in 1981. In the years 1982 and 1983 this ratio increased up to 8 percent and 11 percent respectively, as the deficit grew at a faster rate than total resources. As

1: Summary

of 1984 it is expected to fall again, reaching 4 percent in 1987.

The growth in the volume of imports (and of the deficit) over time has been determined by two major factors: the great direct and indirect foreign exchange expenditures on defense and the rapid economic development. Fast growth was dictated by the need to absorb mass immigration, with most of the immigrants arriving in Israel without any financial means or industrial background.

Israel's dependence on imports is also determined by its limited natural resources and its dependence on imports of raw materials. Prices of imported goods have increased substantially, by 196 percent, in the period 1973-1982.

Another factor contributing to the increase in imports was the fast rising interest payments resulting from the growing foreign debt. In the period 1973-1982, about 60 percent of the current deficit had to be financed by foreign borrowing.

Debt redemption has become a heavy burden both on the balance of payments and on the government budget. Had it not been for the high cost of debt-servicing, reaching 3.6 billion dollars in 1983, Israel would have been able by now to finance both its development and military procurement abroad from its own resources, without resort to foreign aid.

The major share of the debt burden (40 percent in the years 1971-1982) originated from the need to service debts incurred in connection with direct and indirect military foreign exchange expenditure.

In spite of the problems Israel has had to face, it should be noted that a sound economic and social base has been established. Israel's economic achievements are manifested in the productive absorption of mass immigration, the establishment of a sound social and economic infrastructure, the extensive increase in productive capacity in manufacturing industries, agriculture and services, and particularly in the rapid growth of exports. In the course of time, a structural change in

1: Summary

investment, production and employment has taken place, reflected in the increasing weight of exports in total production and in the development of a whole range of sophisticated export products and services sold in all major export markets.

B. THE INCREASED DEPENDENCE ON AID IN RECENT YEARS

Since the Yom Kippur War, Israel's need for both military and economic aid has grown considerably. The greater needs stem, to a large extent, from factors beyond Israel's control. These include:

- the growth in direct and indirect military expenditures in foreign exchange since the war, which increased from 660 million dollars in 1972 to 2.2 billion dollars in 1983;
- the rise in the price of oil and other vital imports which resulted in a cumulative rise in the prices of imported goods of 196 percent in the years 1973 to 1982;
- the growing burden of external debt servicing which increased from 610 million dollars in 1972 to 3.6 billion dollars in 1983.

The cost of oil imports in 1982 was 1.9 billion dollars, an increase of 1.8 billion dollars since 1972. Had it not been for the return of the Sinai oil fields to Egypt within the framework of the Peace Treaty, Israel could have been totally independent of oil imports by now, and in a position to do without any economic aid and with substantially less military aid.

Debt-servicing is estimated at 3.6 billion dollars in 1983, an amount far exceeding total aid received in recent years. Debt-servicing to the U.S.G. alone is estimated at 905 million dollars in 1983, an amount exceeding economic aid approved in recent years.

I: Summary

In 1982 and the first half of 1983 a deterioration occurred in the balance of payments accompanied by a very high rate of inflation. The deterioration in the balance of payments is mainly attributed to a considerable slowdown in the growth of exports, resulting from the lag in the devaluation of the Shekel and from the decline in returns on exports (in dollar terms) to non-dollar markets, due to the strengthening of the dollar.

The military activities and recent redeployment in the Lebanon added mainly to domestic military expenditure, thus contributing indirectly to the increase in the current deficit and to inflationary pressures.

Recent implementation of economic measures, as described in Chapter III, is expected to reverse the negative trends and enable the economy to revert to a favorable course.

Partial data concerning exports and imports for the second half of 1983, which should be viewed with caution, show first signs of a favorable change in trends in the trade account.

C. ECONOMIC AID REQUESTED FOR 1985

The financing gap in Israel's non-military balance of payments in AFY 1985 is forecast to amount to about 1.3 billion dollars, as compared to an estimate of about 1.1 billion dollars made in last year's aid request.

This increase in the gap and in aid requirements for 1985, despite the expected improvement in the balance of payments trends in 1984, results from the worsening of trends in 1982-83 which caused an increase in the uncovered gaps of about 1 billion dollars in 1983 and 1.4 billion dollars in 1984. To cover these gaps, Israel has had to rely heavily on short and medium term borrowing and reconcile itself with the need to reduce its foreign exchange reserves by about 350 million dollars in 1983.

TABLE NO. 1

NON-MILITARY FINANCING NEEDS IN FOREIGN EXCHANGE
CALENDAR YEARS 1982-1987
(MILLIONS OF US DOLLARS)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
1. Non-Military Deficit	3,168	3,895	3,195	2,895	2,435	1,935
2. Self Financed Military Imports	220	250	250	250	250	250
3. (=1+2) <u>TOTAL FINANCING REQUIREMENTS</u>	<u>3,388</u>	<u>4,145</u>	<u>3,445</u>	<u>3,145</u>	<u>2,685</u>	<u>2,185</u>
4. Net Capital Imports excl. US Aid (Appendix No.4)	1,521	1,835	1,645	1,575	1,445	1,435
5. Increase in Short-Term Borrowing (+) and decline in Reserves (+)	869	190	-	-	-	-
6. Financial Investments from abroad	-	892	-	-	-	-
7. (=4+5+6) <u>TOTAL RESOURCES excl. U.S. AID</u>	<u>2,390</u>	<u>2,917</u>	<u>1,645</u>	<u>1,575</u>	<u>1,445</u>	<u>1,435</u>
8. (=3-7) <u>FINANCING REQUIREMENTS BEFORE AID</u>	<u>998</u>	<u>1,228</u>	<u>1,800</u>	<u>1,570</u>	<u>1,240</u>	<u>750</u>
9. <u>TOTAL ECONOMIC AID APPROVED</u>	<u>1,009</u>	<u>1,165</u>	<u>1,075</u>	<u>135</u>	<u>..</u>	<u>..</u>
a) Economic Aid	806	785	910	..		
b) Utilization of Redeployment Aid (1)	203	380	165	135		
10. (=8-9) <u>REQUIREMENTS BEFORE ADDITIONAL AID</u>	<u>(-)11</u>	<u>(+)63</u>	<u>725</u>	<u>1,435</u>	<u>1,240</u>	<u>750</u>
11. Aid Utilized in Previous Year	403	392	455	930	800	700
12. Drawing on Future Aid	392	455	930	800	700	500
13. Military Aid Converted (2)	-	-	250	250	250	250
14. (=10+11-12-13) <u>NON-MILITARY FINANCING GAP - CALENDAR YEAR</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315</u>	<u>1,090</u>	<u>700</u>
15. <u>NON-MILITARY FINANCING GAP - AFY</u>	<u>..</u>	<u>..</u>	<u>..</u>	<u>1,315</u>	<u>1,145</u>	<u>800</u>

(1) Utilization of special aid for redeployment for the financing of local construction and the local component of the construction in 1982 of airbases.

(2) F.M.S aid used for procurement in Israeli industry.

1: Summary

it is therefore evident that economic aid of the order of magnitude approved in previous years will be insufficient to cover Israel's urgent needs. Israel requests that:

- a) the United States Government grant Israel economic aid for 1985 at a volume sufficient to cover as great a share of the financing gap as possible;
- b) the whole amount of economic aid be given in the form of grants as in previous years;
- c) as large a share of the aid as feasible be made available at the beginning of the American fiscal year so as to reduce the need to resort to short-term financing.

D. MILITARY FINANCING REQUIREMENTS

The assessment of Israel's security needs is based on the assumption that the Peace Treaty with Egypt and the results of the signing of an agreement with Lebanon will enable Israel to maintain its security, without having to increase the size of its "order of battle" or change its original military procurement list from the U.S.

At the same time, the refusal of Arab confrontation states to join the peace process in accordance with the Camp David Accords, and their continued rapid military buildup, force Israel to maintain its qualitative edge by improving and upgrading its military capability.

The financing needs for military imports from the U.S., as described in this paper, are based upon the list of weapon systems presented to the U.S.G, which is basically the same list as presented in the aid requests of previous years.

TABLE NO. 2

MILITARY FINANCING REQUIREMENTS IN FOREIGN EXCHANGE
AMERICAN FISCAL YEARS 1983-1987
(MILLIONS OF US DOLLARS)

	<u>1983 - 1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>A. FINANCING REQUIREMENTS</u>				
1. Military Imports to be Financed by Aid	2,883	1,831	2,356	2,798
2. Net Financial Adjustments	486	137	(-)556	(-)898
3. (=1+2) Total Payments on Direct Military Imports from U.S. (1)	<u>3,369</u>	<u>1,968</u>	<u>1,800</u>	<u>1,900</u>
4. Procurement from Israeli Industry	250	250	250	250
5. (=3+4) Total Requirements	<u>3,619</u>	<u>2,218</u>	<u>2,050</u>	<u>2,150</u>
<u>B. AVAILABLE RESOURCES</u>				
6. Aid Approved for 1983-1984	3,400	..	..	..
7. Unutilized aid from Previous Years	487	268		
8. (=6+7) Total aid approved	<u>3,887</u>	<u>268</u>	<u>..</u>	<u>..</u>
<u>C. (=5-8) Financing Requirements</u>	<u>-268</u>	<u>1,950</u>	<u>2,050</u>	<u>2,150</u>

(1) Net advance payments on future imports (+).

I: Summary

1. Total financing needs for military procurement in the U.S. in 1985 will amount to 2,218 million dollars. After deducting 268 million dollars of unutilized FMS funds approved for previous years, total military financing needs will amount to 1,950 million dollars. The military procurement includes 1,136 million dollars for the financing of as yet unsigned transactions, 832 million dollars for transactions signed as of March 31, 1983 and 250 million dollars for procurements from local industry, mainly for the "Lavie" project.

The new transactions include 336 million dollars for major items and 800 million dollars for follow-on support and other non-major items.

2. In view of the accumulation of unutilized FMS funds approved for past years, as a result of delays in signing of contracts for certain major items, Israel proposes that the request for FMS aid for 1985 be reduced by 300 million dollars. This amount will be reflected as additional financing requirements to be spread out over the years 1986-1988.
3. In view of its heavy debt servicing burden, Israel requests that the total amount of military aid be given as a grant. This will alleviate Israel's future debt burden and the need for additional economic aid earmarked for debt servicing. It will also reassure Israel's standing in international financial markets.
4. Israel requests of the U.S. Government to enable the drawing of the grant component of approved military aid before drawing on the loan component (instead of the present practice of drawing equal shares of loans and grants)
5. Israel requests that a sum of 250 million dollars of FMS funds be approved for the procurement of items from Israeli industry, mainly in connection with the "Lavie" project.

I: Summary

6. Israel requests that the 300 million dollar FMS funds which have been approved for financing of research and development in the U.S. for the "Lavie" be permitted to be spread out over the whole period of the R & D.

E. THE ENCOURAGEMENT OF ISRAELI EXPORTS TO THE U.S.

The long-term solution to Israel's balance of payments problem, and hence its dependence upon foreign aid, lies in increasing exports and import substitution on competitive terms.

There is a limit of the extent to which the current deficit can be reduced by cutting down imports, without causing economic stagnation. Therefore, the major contribution towards both improving the balance of payments and securing a satisfactory level of growth and employment, lies in increasing exports.

Cognizant of the budgetary difficulties in meeting Israel's financing requirements, Israel repeats its request to the U.S. Government to take steps towards removing barriers and assisting in the promotion of Israeli military and other exports to the U.S. This request is in accordance with the 1979 Memorandum of Agreement, the fulfilment of which has unfortunately been far from satisfactory thus far. Compliance with this request would enable Israel to achieve its ambitious export growth targets.

It is requested that the U.S. Government assist Israel in this respect in the following ways:

- a) By expediting the discussions between the two Governments aiming at an agreement for the establishment of a free trade area between the U.S. and Israel.

1: Summary

The aim of such an agreement is to open the U.S. market to Israeli exports free of customs duties, while reducing and eventually eliminating duties in Israel on American goods.

Such an agreement would be of mutual benefit to both states:

- it would ensure continued growth of Israeli exports to the U.S. in the event of changes in the GSP system;
 - it would eventually enable U.S. exports to compete on the Israeli market on an equal footing with exports from the EEC;
 - it would avoid the risk of the U.S. losing special customs benefits it enjoys in Israel in case of major changes in the GSP arrangements.
- b) By facilitating direct sales of Israeli-made military equipment, ammunition and services to the U.S. armed services and introduction of non-military items into the MOA list.
- Israel asks that the Memorandum of Agreement expiring in March 1984, be renewed and improved, so as to grant Israel equal or similar treatment, to the NATO countries, in order to enable Israel to compete on equal terms with European firms in supplying the U.S. army and other services.
- c) by facilitating direct Israeli sales to non-military U.S.G. agencies, and participation of Israeli firms, in tenders to supply such agencies.
- d) By refraining from placing obstacles in the way of buy-back agreements negotiated, on a competitive basis, between American companies exporting military equipment to Israel and Israeli manufactures.
- e) By permitting Israel to sell military products to third countries, benefitting from American military aid, including the sale of products which include major American-made components.

1: Summary

- f) By enabling Israeli companies to participate as contractors in the planning and execution of development projects undertaken by AID and other projects which are directly or indirectly financed by the U.S.G. in third countries. This, in view of Israel's successful experience in these fields in several developing countries.
- g) By exercising a liberal policy with regard to reciprocal transfers of advanced technologies, to assist in the modernization of the Israeli military and non-military industry.

Chapter II: MAJOR ECONOMIC DEVELOPMENTS IN 1982-1983

A. GENERAL

The years 1982-83 were difficult years for the Israeli economy, mainly with regard to its balance of payments and inflationary developments. The non-military deficit increased in the two years 1982-1983 by 1,750 million dollars, amounting to about 3,900 million dollars in 1983; external debt increased by about 4.9 billion dollars amounting to about 23.1 billion dollars at the end of 1983; and debt service increased by about 250 million dollars and is estimated to amount 3.6 billion dollars in 1983.

The rate of inflation in 1982 was 131 percent and is estimated to increase in 1983 to about 180 percent, following the accelerated devaluation and cut in subsidies towards the end of the year.

The worsening of Israel's balance of payments resulted from a combination of internal and external factors. The lag in the depreciation of the Israeli Shekel, behind the rate of inflation and behind the price increases of production inputs, jeopardized the profitability of exports and increased the orientation of manufacturers towards the local market. The weakening of European currencies against the dollar, reduced profitability of exports to European countries, while at the same time causing a relative decline in import prices from Europe in dollar terms. These factors also explain the increase in imports due to a decline in their relative prices.

Another major factor contributing to the increase in the non-military deficit was the increase by 430 million dollars in the imports of capital services (mainly interest payments) during 1982-1983, estimated to amount to 2.7 billion dollars in 1983.

In 1982 there was no increase in Israel's GNP. In 1983, some acceleration in activity took place, and the GNP is estimated to have increased by 2 percent. Growth is being prompted by a desired increase in investment, an undesirable

II: Eco.Dev.

increase in private consumption, and an increase in domestic military consumption due to the Lebanese war.

In the last quarter of 1983, indicators showing a decline in GNP became apparent. The continuation of these trends will result in a decline of GNP by 2-3 percent in 1984, accompanied by an increase in unemployment.

In the last quarter of 1983, signs of an improvement in economic trends, became apparent. This followed the implementation of a conservative economic policy, including far-reaching measures to reduce excess domestic demand, especially the demand for private consumption, while ensuring reasonable profitability of exports and economic substitution of imports mainly through a proper exchange rate policy. This policy will ensure the devaluation of the Shekel at a rate in line with local inflation, following a major devaluation in October. At the same time, subsidies on essential consumption goods were cut considerably, while fuel and electricity prices were raised substantially. These measures resulted in a one time accelerated increase in the pace of inflation, in the last quarter of the year. It is however expected, that after some time lag, inflation will be reduced gradually.

Exports increased in the last quarter of 1983 above the level prevailing at the beginning of the year, while imports stabilized. At the same time liquidity in the economy declined drastically, with consumption falling and the pace of economic activity slowing down. These developments were accompanied by indications of an increase in unemployment.

II: Eco.Dev.

B. THE LEVEL OF ECONOMIC ACTIVITY1982

Total resources and uses increased in 1982 by 2.5 percent, as a result of a slight decline (-0.2 percent) in the GNP and a 4.2 percent increase in

1)
imports.

The stagnation in GNP followed an average annual growth rate of the GNP of about 3.5 percent in the years 1974-1981. In 1982 investment in fixed assets increased by 5 percent, domestic public consumption by 4.5 percent, private consumption by 7.5 percent, while exports declined by 2.5 percent.

The product of manufacturing industries, transport and communications did not rise in 1982. The product of the construction sector decreased by about 4 percent, while the product of the agricultural sector increased by 10 percent and of commerce and services by 2.5 percent.

The stagnation in the GNP, resulted in a decline in productivity of 1.5 percent, after an average annual growth of 1.5 percent in productivity in the years 1974-1981. It is only due to the decline in productivity that no further rise in unemployment occurred in 1982, after the rise of 2 percent in the unemployment rate between 1979 and 1981.

1983

Total resources and uses are estimated to have increased by 3.5 percent in 1983, as a result of a 2 percent increase in GNP and a 6.5 percent increase in imports. Most of the growth in 1983, emanated from an increase of about 6.5 percent in investment, in private consumption and in

1) According to National Accounts Definition

II: Eco.Dev.

domestic public consumption. Most of the growth in the latter took place in domestic military consumption (+ 8%), while an increase of 1 percent is estimated in civilian public consumption. Exports are estimated to

1)
increase by 2 percent.

1. INVESTMENT1982

The change of the trend in investment, which began in 1981, following several years of decline, was intensified in 1982. Investment in fixed assets increased by 5 percent, following a cumulative slowdown of about 18 percent in the period 1974-1980. The main increase in investment was in investment in machinery and equipment (+12%) and in transportation equipment (+33%). Thus the production capacity grew at a more rapid rate than the overall increase of investment.

Investment in manufacturing industries increased by 22 percent, after a cumulative decrease of about 15 percent in the period 1979-1981, in which investment lagged behind the growth of the national product.

Investment in residential building decreased by 4 percent, the most marked decrease taking place in investment in public construction (-22%), while private investment in housing increased by about 4 percent.

1) According to National Accounts Definition

II: Eco.Dev.

1983

Investment in fixed assets is estimated to have increased in 1983, by 6.5 percent. The continued increase in investment will create the necessary productive base for the growth of exports and import replacement in the coming years.

According to statistics for the first three quarters of 1983, investment in machinery and equipment increased by 27 percent over the same period of 1982. In the period January-November 1983 imports of machinery and equipment increased by 33 percent above imports in the same period in 1982.

The decline in investment in housing continued in 1983. During this period, construction starts were 6.5 percent lower than in the same period of 1982.

2. PRIVATE CONSUMPTION AND SAVINGS1982

In 1982, several policy measures effecting a reduction in private consumption, were implemented. These included an increase in VAT from 12 to 15 percent, the imposition of a compulsory loan of about 4 percent on income, a 3 percent import levy, and the imposition of a travel tax.

All these measures, although resulting in a 3 percent decline in real disposable private income and a 0.3 percent decline in real wages, did not attain the desired decrease in consumption. The public avoided an immediate reduction of its standard of living by drastically reducing savings. The rate of saving decreased from 33.6 percent in 1981 to 26.4 percent in 1982. Had the rate of saving which prevailed in 1981 been maintained in 1982, per capita private consumption would have decreased by

II: Eco.Dev.

close to 2 percent in that year.

The increase in private consumption occurred in all consumption categories. The most marked increase was in consumer durables (+19%). This resulted from a decline in relative import prices, especially from the non-dollar countries, due to the fast depreciation of their currencies against the dollar, while the depreciation of the Shekel lagged behind the rate of inflation. Another factor which encouraged the purchase of consumer durables, was the anticipation of a major devaluation, which would result in an increase of import prices.

1983

On the basis of partial indicators, it is estimated that in 1983 private consumption will increase by about 6.5 percent, or a per-capita increase of 4.5 percent. The increase in consumption will probably be accompanied by a further decline in private savings.

In the last quarter of 1983 a drastic change in consumer behavior occurred and consumption seems to have declined considerably. The main factors effecting the decline in consumption were the following: the reversal of the expectation of a large devaluation following considerable advance procurements in the past year; the reduction of purchasing power following the devaluation and the cut in subsidies; the slowdown in economic activity and income, and the fear of a possible increase in unemployment. Another important factor affecting the propensity to consume was the steep decline in the public's wealth as a result of the fall in share prices.

3. PUBLIC CONSUMPTION

1982

There was a 6.5 percent decrease in total public consumption in 1982. This decrease was wholly accounted for by a 640 million dollar decline in direct military imports (-31%) due to delays in the delivery of military

II: Eco.Dev.

equipment, especially aircraft. Total military imports amounted to 1,550 million dollars.

1982 was the third consecutive year in which non-military public consumption remained stagnant, the level of per-capita non-military public consumption decreasing by about 6 percent in the 3 year period.

Military consumption decreased in 1982 by approximately 10 percent, as a result of the fall in direct military imports.

An increase of 9 percent took place in domestic military consumption primarily due to expenditures connected with the war in the Lebanon, as well as from domestic expenditures for the redeployment of the IDF in the Negev, following the Peace Treaty with Egypt. Expenditure in local currency on the war and deployment in Lebanon was equivalent to 900 million dollars in 1982. These costs will be financed over three fiscal years, the share of 1982 was 500 million dollars, of 1983 250 million dollars and of 1984 150 million dollars. Other current domestic military consumption, continued to decrease by about 10 percent following a cumulative decline of 6.5 percent since 1975.

1983

Total public consumption this year is estimated to have remained on the level of 1982 as a result of a 22 percent decline in direct military imports and an 8 percent increase in domestic military expenditure, due to the IDF activities in the Lebanon.

Direct military imports are estimated to have continued to decline this year by an additional 290 million dollars, amounting to 1,260 million dollars.

Non-military public consumption is estimated to have increased by 1 percent, a 1 percent decline per capita.

II: Eco.Dev.

4. MANPOWER AND EMPLOYMENT1982

At the end of 1982 the population of Israel numbered 4.064 million - an increase of 74 thousand from the end of 1981 (+2.1%). Gross immigration to Israel amounted to 14 thousand persons while net emigration amounted to 5 thousand. Emigration is estimated to have declined to 9 thousand persons as compared to 24 thousand in the previous year.

The total labour force amounted to 1.367 million persons, an increase of 1.3 percent.

The unemployment rate remained at the level of the previous two years, approximately 5 percent of total labour force. This unemployment rate is about 2 percent above the frictional unemployment rate of 3 percent, existing under full-employment conditions.

1983

The population at the end of 1983 is expected to reach 4.140 million. The number of immigrants is estimated at approximately 18 thousand, while net emigration is estimated at about 8 thousand.

The unemployment rate, which declined to about 4.5 percent at the beginning of the year is expected to surpass 5 percent at the end of the year, and a further increase is expected in the following year.

C. MONETARY DEVELOPMENTS

The major monetary developments were:

- a. In 1982 the increase in money supply (M1) lagged behind the rate of

II: Eco.Dev.

inflation by 9 percent. In the period January-October 1983 the lag increased to 16 percent. This lag did not result in a decline in monetary demand, due to a considerable increase in the turnover of money, the turnover of demand deposits in 1982 increasing by 25 percent an additional 8 percent in the period January-October, 1983.

b. In the same periods, M2 (money supply plus time deposits) increased by 6 and 15 percent respectively.

c. In 1982 total banking credit increased at a rate similar to the rate of increase of inflation. In January-October 1983 the increase in banking credit lagged 10 percent behind inflation. The decline in banking credit occurred both in credit directed to exports, which declined 18 and 3 percent respectively, while regular credit declined by 13 percent in the period January-October 1983, after a rise of 13 percent in 1982.

d. In the second part of 1983 a decline in the liquidity of the economy took place reaching its lowpoint in October and November, following a steep drop in stock prices. The total value of stock owned by the public declined in the period January-mid-November by 59 percent. The prices of stock of the commercial banks declined by 38 percent in the same period.

Total liquid assets declined in the same period by 36 percent.

The steep decrease in both liquidity and in the value of stocks had far reaching restrictive effects on the behavior of business and individuals alike, and was a major factor in changing the economic trends in the last quarter of the year.

D. INFLATION, PRICES AND WAGES

1982

In the period 1981 through the third quarter of 1983, the annual average rate of inflation has stabilized around 125 percent. Fluctuations around

II: Eco.Dev.

this average were mainly due to changes in indirect taxes and to changes in the prices of government controlled goods and services such as subsidized basic products.

During 1982, the consumer price index rose by 131 percent, after rising by 101 percent in 1981. The prices of foodstuffs rose in 1982 at a faster than average rate (153%) due to a cut in subsidies.

In 1982, nominal wages increased by 119 percent, while the average level of the consumer price index rose by 120 percent. Thus, real wages declined by about 0.3 percent. Following the imposition of a compulsory loan of about 4 percent in June, real disposable wages declined by about 2.5 percent.

1983

The consumer price index is expected to rise by about 180 percent in 1983. This acceleration in the rate of inflation is wholly due to the economic policy measures implemented in the last quarter of 1983, which resulted in a 51 percent devaluation in October-November of the Israeli currency; a 75 percent increase in the prices of subsidized goods; and an 80 percent increase in fuel and electricity in the same period. This policy is a departure from the price policies adopted in the last quarter of 1982, which attempted to reduce the rate of inflation by stabilizing the price rises of some of the major elements affecting the prices of inputs (i.e. the rate of depreciation, interest rates, prices of subsidized products, fuel and electricity prices and government fees), by a monthly rate of 5 percent. The annualized inflation rate for the first three-quarters of 1983 was about 135 percent - similar to the price performance of the previous two years.

According to partial figures available, the level of real wages will not rise in 1983, following the introduction of the measures outlined above. The sharp decline in real wages in the last quarter of the year, is

II: Eco.Dev.

expected to result in a level of real wages below the level at the beginning of the year, and a level substantially lower in 1984.

E. THE BALANCE OF PAYMENTS

1. GENERAL

In 1982, unfavorable trends prevailed in Israel's balance of payments, as expressed by an increase of 400 million dollars in the current deficit, and of 2.7 billion dollars in the foreign debt. Total Net Capital Imports (including short-term borrowing) sufficed to cover the deficit and enabled an increase of 150 million dollars in foreign exchange reserves.

The unfavorable trends of 1982 continued in the first three-quarters of 1983. Partial data for the last quarter of the year appear to indicate the beginning of a reversal of these trends, expressed by a growth in exports and stabilization of imports, as compared to the beginning of the year.

The continued implementation of the economic measures introduced towards the end of the year, especially the reversal of the exchange rate policy and the restriction of domestic demand, is expected to ensure the continued improvement of trends in the balance of payments.

2. THE NON-MILITARY DEFICIT

In 1982, the non-military deficit increased by about 1 billion dollars amounting to 3.2 billion dollars.

The faster than expected growth in the deficit is to be attributed to the 760 million dollar growth in imports and to the 270 million dollars decrease in exports. The slowdown in exports was caused mainly by the decline in the prices of exports to Europe (in dollar terms) following the weakening of the European currencies against the dollar. The lag in the depreciation of the Israeli currency behind inflation since September 1982, contributed to a further loss of profitability of exports. All this took place against the

11: Eco.Dev.

background of slack demand in the export markets. The lag in the depreciation of the Shekel effected at the same time, a relative decline of import prices resulting in a fast growth in imports.

Another factor causing an increase in imports and in the deficit was the increase in interest payments by 415 million dollars.

Israel's terms of trade improved in 1982 by about 3.5 percent, as export prices declined by about 6 percent while import prices declined by 8 percent. In 1983, the terms of trade are expected to continue to improve by about 4 percent.

In 1983, the non-military deficit is estimated to have increased further by about 730 million dollars, amounting to 3.9 billion dollars. The unfavorable factors mentioned above continued during the first three quarters of the year, resulting in an estimated decrease of 150 million dollars (-1.5%) in exports and an increase of 580 million dollars in non-military imports (+4%).

3. THE DEFICIT IN THE CURRENT ACCOUNT

The current deficit amounted in 1982 to 4.7 billion dollars, an increase of 400 million. In 1983, a further increase of 430 million dollars is estimated, the deficit amounting to 5.2 billion dollars. The slower increase in the current deficit as compared to the non-military deficit in 1982 and 1983, is due to the 640 million dollar decrease in military imports in 1982 and a further decrease, estimated at 290 million dollars, in 1983.

4. EXPORTS1982

The long term trend of a rapid growth in exports did not continue in 1982, when the value of exports of goods and services decreased by 270 million dollars (-2.5%), amounting to 10.5 billion dollars.

II: Eco.Dev.

The main factors causing the decline in exports were:

- the weakening of the European currencies against the American dollar.
This adversely affected Israel's exports to non-dollar countries, especially to Europe;
- the uncertainty of exporters regarding future exchange rates and the decline of profitability in exports due to the lag in the rate of depreciation of the Shekel behind inflation;
- the fast increase in local demand, especially in private consumption and investment, against the background of the uncertainty regarding profitability of sales to export markets.

The decrease in exports in 1982 was both in dollar and in volume terms. The value of exports of goods decreased by 5.5 percent, a decrease of 1.5 percent in real terms.

Industrial exports decreased by 5.5 percent, a decline in real terms of 1.5 percent. This decline was wholly due to the continued decrease in the export of polished diamonds, which decreased by 15 percent (-10% in real terms). Industrial exports, excluding diamonds, decreased by 3 percent as a result of a decrease of 4 percent in price and an increase in volume of one percent.

The process of the restructuring of industrial exports continued in 1982. This process was characterized by a growth in the weight of exports of know-how intensive products and a decline in the share of the export of consumption goods in total industrial exports. While exports of sophisticated products of the metal, machinery, chemical and electronic industries held their own, increasing by 2 percent, other industrial exports excluding diamonds decreased by 7 percent. In 1976, exports in the electronics, machinery, metal and chemical industries accounted for 35 percent of total industrial exports (excluding diamonds), while in 1982, this

11: Eco.Dev.

percentage rose to 50 percent.

In 1982, exports of electrical and electronic equipment increased in real terms by 23 percent, after a cumulative growth of over 110 percent in the two previous years. Exports of metal goods increased in real terms in 1982 by 6 percent, after a cumulative growth of 23 percent in the previous two years.

The value of agricultural exports declined by 8 percent mainly due to a decline of 14 percent in prices, while volume increased by 7 percent. Citrus exports declined by 25 percent, emanating from both a decrease in the volume of 10 percent and a fall in prices of 16 percent. Other agricultural exports (excluding citrus), increased by 4 percent, their volume increasing by 19 percent while their prices declined by 13 percent.

Export of services, increased by about one percent. Capital service exports increased by 12 percent as a result of the rise in interest rates. Exports of other services decreased by 3 percent. Income from tourism declined by 8 percent, as the number of tourists entering Israel amounted to 998 thousand, a decrease of 12 percent. Exports of transportation services declined by 9 percent.

1983

In the first three quarters of 1983, the negative trends prevailing in 1982, continued. Exports of goods and services are estimated to have decreased slightly in 1983 (-1.5%), amounting to about 10.4 billion dollars. Exports of goods are estimated to have declined slightly (-1%) amounting to 5.5 billion dollars, an increase of 3 percent in real terms, while prices are estimated to have declined by 2 percent.

Exports of services are estimated to have amounted to 4.8 billion dollars, a decline of about 150 million dollars, mainly due to the decline in interest receipts.

II: Eco.Dev.

Since August 1982, the devaluation of the Shekel has lagged behind the domestic increase in prices. In the period September 1982 - April 1983, the cumulative lag against the currency basket was 22.6 percent. As of May 1983, the devaluation was accelerated and surpassed the pace of inflation. In the period May-November 1983, the Shekel devalued by 82 percent against the basket, while local prices increased by 64.4 percent. During October alone, a major devaluation was enacted when the Shekel depreciated by 31.5 percent.

Between July 1980 and November 1983, the basket of European currencies depreciated against the dollar by 56 percent. As a result, the process of diversion of exports from non-dollar countries to dollar countries, which began in 1981, took momentum. The percentage of exports of goods directed to Europe fell from 49 percent in 1980 to 42 percent in January-August 1983, while exports to the U.S. rose from 17 percent in 1980 to 24 percent in 1983. It is expected that this process of diversion of exports to the dollar markets will be intensified in the coming years.

In the period January-November 1983, export of goods decreased by 2.5 percent as compared to the same period last year. This decline emanates from a 6 percent decrease in industrial exports excluding diamonds, and an 9.5 percent decrease in agricultural exports. Exports of diamonds increased by 12.5 percent.

In the second half of 1983, first signs of a positive change in export trends are discernable. It is expected that the measures to restrain domestic demand, and the devaluation of the Shekel catching up with rate of inflation and other measures to encourage exports, will intensify these positive trends in the coming months.

In June-November monthly average export of goods ^{was} ~~were~~ 2 percent above the level of the same period in 1982. The level of exports of goods, excluding diamonds, ships and aircrafts, was 7.5 percent above the level of the period January-May this year.

11: Eco.Dev.

Exports of services are estimated to have declined by 150 million dollars (-3%). The export of capital services are estimated to have declined by 250 million dollars (-15%) mainly due to the lower interest rates. Other services, (excluding capital services), have increased by about 100 million dollars (+3%).

Income from tourism is estimated to increase slightly. Tourism started to recover in mid-1983 after a setback in this sector, affected by the Lebanese campaign. The number of tourists entering Israel in 1983 is estimated at 1.2 million, an increase of 20 percent over 1982.

5. IMPORTS

1982

Total imports of goods and services amounted to 15.2 billion dollars in 1982, an increase of 125 million dollars (+1%).

Direct military imports amounted to 1,550 million dollars, a decrease of 640 million dollars, mainly due to delays in the delivery of military equipment.

Thus, non-military imports of goods and services, increased in 1982 by 760 million dollars (+6%).

Non-military imports include, by definition, the indirect import component of domestic military expenditure, estimated to amount to 900 million dollars. Of this amount, about 100 million dollars in 1982 are estimated to originate from expenditures connected with the Lebanese War, out of a total foreign exchange component estimated at 300 million dollars, financed over three years.

11: Eco.Dev.

The relatively fast increase in non-military imports may be attributed to the following main factors:

- the increase in domestic demand (+4%) especially the increase in investment (+14%) and in private consumption (+7.5%);
- the slower increase in import prices as compared to local price increases, resulting from the lag in the devaluation of the Shekel against the European currencies;
- advanced procurement of imported goods, in anticipation of a large devaluation of the Shekel;
- increase of interest payments on the external debt by 440 million dollars.

Total imports of goods amounted to 7.9 billion dollars, an increase of 110 million dollars (+1.4%). This increase resulted from a 10 percent rise in volume, accompanied by an 8 percent decline in prices.

The renewed growth of investment in 1982, after many years of decline, was accompanied by a fast increase in the imports of investment goods (+19%) which added 260 million dollars to total imports in that year.

Imports of consumer goods increased by 75 million dollars (+10%).

Imports of inputs declined by about 200 million dollars (-3%). Imports of oil declined by 130 million dollars (-6%), due to a 13 percent decline in oil prices, while volume increased by 7.5 percent. The imports of inputs (excluding diamonds and oil) decreased by 120 million dollars (-3.5%). Imports of rough diamonds increased by 40 million dollars (+8%), after declining sharply in 1981. This rise was due to the recovery in diamond exports and the need to replenish stocks which had been reduced considerably during the previous two years. (See Appendix 7)

II: Eco.Dev.

Imports of services amounted to 5.7 billion dollars, an increase of 650 million dollars (+13%). Imports of capital services (mainly interest payments), increased by 440 million dollars (+19%), while imports of other services increased by 220 million dollars (+8%). The rise in interest payments, was therefore the main contributor to the increased non-military deficit.

1983

In 1983, imports of goods and services are estimated to have increased by 285 million dollars (+2%), amounting to 15.5 billion dollars. Imports of goods are estimated to amount to 8.4 billion dollars (+6%). Imports of services are estimated to amount to 5.8 billion dollars (+2%).

Direct military imports are estimated to have declined further by 290 million dollars, amounting to 1.3 billion dollars. The indirect military import component is estimated at 960 million dollars.

Non-military imports are estimated to have increased by approximately 575 million dollars (+4%), amounting to 14.2 billion dollars.

The increase in imports is a result of a continuation, in the first three quarters of 1983, of the negative factors which operated in the previous year.

As a result of the depreciation of the European currencies a diversion of imports of goods from non-dollar countries to dollar countries continued. The share of imports of goods from non-dollar countries increased from 44 percent in 1980 to 50 percent in the period January-August 1983, while the imports of goods from dollar countries declined from 51 percent in 1980 to 42 percent in the period January-August 1983.

II: Eco.Dev.

The increase in imports of investment goods continued in 1983, by an estimated 400 million dollars (+30%). Imports of inputs are estimated to have declined by 80 million dollars (1.5%) mainly due to the estimated decline of 330 million dollars (-17%) in oil imports, which are estimated to amount to 1.6 billion dollars. This decline in oil imports is due mainly to the reduction in oil stocks.

The import of rough diamonds is estimated to have increased by 230 million dollars (+40%).

Since September 1983, a slowdown in imports has become apparent. In the period September-November 1983, the monthly level of imports of goods (excluding diamonds, ships and aircraft) remained on the same level as the average for the eight preceeding months. These developments are attributed mainly to the rise in import prices in the domestic market due to the acceleration of the devaluation of the Shekel, and the first signs of a decline in local demand and consumption following the slowdown in economic activity.

The full effect of the above factors will only become evident during the course of 1984.

F. CAPITAL IMPORTS

Gross capital imports in 1982, amounted to 5,050 million dollars, a decline of 340 million dollars, as compared to the previous year. In 1983, gross capital imports are estimated to have increased slightly, amounting to 5,200 million dollars (see Appendix 4).

After redemptions of 1,050 million dollars in 1982 and of 970 million dollars in 1983 and investments abroad of 150 million dollars in 1982 and an estimated 100 million dollars in 1983, Net Capital Imports amounted to 3,850 and 4,115 million dollars respectively.

II: Eco.Dev.

Unilateral Transfer Payments amounted to 2,620 million dollars in 1982, a decline of 315 million dollars. In 1983, unilateral transfers are estimated to have declined again slightly, amounting to 2,575 million dollars. The decrease in 1982, was due to a 170 million dollar decline in institutional transfers and of 160 million dollars in U.S.G. military grants, caused by delays in the delivery of military equipment. In 1983, USG military grants are estimated to have declined by a further 65 million dollars.

Unilateral Transfers comprised about 51 percent of Gross Capital Imports in 1982 and 1983.

U.S.G. grants for military and economic aid, amounted to 1,260 million in 1982, representing about 48 percent of total unilateral transfers. In 1983, U.S.G. grants are estimated to have amounted to 1,195 million dollars, comprising 46 percent of total unilateral transfers.

Long and medium-term loans amounted to 2,270 million in 1982, a decline of 90 million dollars as compared to 1981. In 1983, these loans are estimated to have increased to 2,420 million dollars. The decline in 1982 was due mainly to the 150 million dollar decline in commercial and financial loans and a decline in FMS loans by 40 million dollars. In 1983, commercial and financial loans are estimated to have increased by 155 million dollars, while FMS loans are estimated to have increased by 20 million dollars.

Long and medium term loans comprised about 46 percent of Gross Capital Imports in 1982 and 1983.

U.S.G. Aid

In 1982 total U.S.G. Aid amounted to 2,330 million dollars, comprising 46 percent of gross capital imports. In 1983 total aid is estimated at 2,285 million dollars. 54 percent of total aid in 1982 and 52 percent in 1983, were grants, the residual being FMS loans.

II: Eco.Dev.

Total debt service to the U.S.G. amounted in 1982 and in 1983 to 910 million dollars. These amounts do not include an estimated 150 million dollar debt service to the U.S. banking sector, and an unknown amount of debt service to the non-banking business sector.

Gross Foreign Investments amounted in 1982 to 160 million dollars, an increase of 65 million dollars as compared to the previous year. In 1983, these investments are estimated to have increased by a further 40 million dollars.

G. THE EXTERNAL DEBT

Israel's external debt grew in 1982 by 2.7 billion dollars, reaching 20.9 billion dollars at the end of the year. In 1983, an increase of 2.2 billion dollars is estimated, the debt at the end of the year amounting to about 23.1 billion dollars. (See Appendix 5)

In 1982, 71 percent of the debt was long term, 14 percent medium term and 15 percent was short term debt, the latter amounting to 3 billion dollars. In 1983, the share of long and medium term debt is estimated to have increased to 87 percent while the share of short term debt is estimated to have declined to about 13 percent, amounting to 3.1 billion dollars.

Debt-service totalled 3.7 billion dollars in 1982, up from 3.3 billion dollars in 1981. Interest payments, in 1982 amounted to 2.6 billion dollars, while principal payments amounted to 1,050 million dollars. In 1983, total debt service is estimated to have declined by 100 million dollars, principal payments declining by 80 million dollars amounting to 970 million dollars, while interest payments are estimated to have remained at the level of 1982.

11: Eco.Dev.

The share of interest payments in total debt-servicing increased from 66 percent in 1981 to 71 percent in 1982 and is estimated to have continued to rise in 1983 to 73 percent.

The debt to the U.S.G. at the end of 1983 is estimated to have amounted to 9.2 billion dollars, 40 percent of the total debt. The debt to the holders of Government of Israel Bonds is estimated at about 15 percent of total debt; the debt to the financial and commercial institutions is estimated at about 29 percent; and the debt to other foreign governments, international institutions, surplus credit and others is estimated at about 16 percent. *suppliers*

H. FOREIGN CURRENCY RESERVES

Net Bank of Israel foreign currency reserves grew by 145 million dollars in 1982, totalling 2,995 million dollars at the end of the year. Net reserves are estimated to have declined by about 300 million dollars in 1983, amounting to about 2.7 billion dollars by the end of the year. The reserves were sufficient to finance 11.5 weeks of non-military imports in 1982, down from 13.5 weeks in 1978. In 1983, reserves are estimated to have covered 10 weeks of non-military imports.

Chapter III: ECONOMIC POLICY CONCEPTS AND CURRENT POLICY MEASURES

The Israeli Government is determined to introduce immediately and to implement in the coming years an economic policy, which will bring about a turning point in economic trends and ensure a gradual and consistent improvement in Israel's economic situation. Recognizing the gravity of the problems Israel is facing, the Government will not hesitate to introduce the necessary measures, even though this will hurt the public by substantially reducing its standard of living and bring about a temporary slowdown in economic activity, resulting in an increase in unemployment.

The Government will cooperate with the Labour Federation (Histadrut) and Employers' Associations in implementing its policy. Recent surveys show that the public is aware of the severity of the economic situation and is willing to cooperate and make the necessary sacrifices. This atmosphere enhances the chances of the policy's success.

A. ECONOMIC POLICY CONCEPTS

1. GOALS

The major goal of Israel's economic policy in the medium and long term is to substantially reduce the non-military current deficit in the Balance of Payments. At the same time, the policy aims at gradually reducing inflationary pressures. The major policy instruments applied to deal with the deficit, and especially the measures to restrain domestic demand, serve at the same time to reduce inflationary pressures, even though some of the measures result in an immediate one time rise in prices.

The immediate targets of economic policy are thus the following:

- a) an increase in exports and reduction of imports so as to reduce the current deficit in the balance of payments;
- b) a gradual reduction in the pace of inflation;

III: Policy

- c) controlled and selective economic growth to be led by an increase of production for exports and import substitution while simultaneously restraining private and public consumption;
- d) avoidance of a rate of unemployment above a level which is socially tolerable;
- e) a just distribution of the burden while taking cognizance of the weaker social strata;
- f) assuring the credibility of and stability in the capital markets, while simultaneously raising the rate of savings.

It should be emphasized that because of the magnitude of the economic problems which Israel is facing and the desire to avoid social turbulence, these targets cannot be attained in full in the short term. Some progress is, however, expected to manifest itself already in the course of 1984, with the major improvement in trends being realized towards the end of that year and beyond.

2. MEANS

The policy goals are to be achieved by the following means:

- a) the implementation of a restrictive budgetary policy. This is to be achieved by means of across the board and selective cuts in government and other public sector expenditures, leading to a reduction in public consumption, cuts in subsidies and other transfer payments, on the one hand; and by a raising of fees paid by the public for government services, on the other hand;
- b) greater efficiency in direct and indirect tax collection;
- c) the implementation of a restrictive yet flexible monetary policy,

III: Policy

responsive to changes in the economic situation;

d) a reduction in private consumption and of the standard of living, as a result of a slowdown in economic activity and income growth, intensified tax collection, a restrictive wages and incomes policy and the encouragement of savings;

e) the assurance of export profitability.

B. CURRENT MEASURES

The measures adopted and being introduced as this paper is being written are as follows:

A. Measures to restrict domestic demand

The restriction of local demand aims at reducing the demand for imports, releasing means of production to be directed to export industries, and reducing demand pressures on prices.

1. Budgetary policy: expenditure

Major cuts in budgetary expenditure to be introduced in the current year, will be reflected fully only during the course of the next fiscal year. The far-reaching target of cutting budgetary expenditure will inevitably result in a contraction of essential services such as defence, education, health, welfare payments, development and settlement.

a) the planned budgetary cuts for 1983-1984 are estimated to amount to about 1.5 billion dollars, a cut of about 12 percent of the budget excluding debt payments and foreign exchange military expenditures.

III: Policy

Of this amount, 300 million dollars will be cut from the "regular" defense budget, representing a decrease of 8 percent in domestic military consumption in 1984 and 1985 respectively. In addition, it is expected that actual expenditure related to operations in Lebanon will decrease substantially.

A further 270 million dollars will be cut from other Government departments representing a cut of 12 percent from their respective budgets.

The reduction in subsidies of basic products and services introduced already in recent months, (when prices of subsidised items were increased by about 100 percent) will reduce expenditure in the budget by 350 million dollars, thereby eventually reducing the level of subsidization on these items to about 25 percent of the consumer price.

The acceleration in the rate of devaluation of the Shekel at the end of 1983 and the continued devaluation of the Shekel in accordance with the rise in domestic prices in the future, will result in a reduction of about 550 million dollars in expenditure on the exchange rate insurance policy.

These cuts may be accompanied by increased budgetary expenditures in case of redeployment in Lebanon, due to the "Lavie" project, and as a result of outstanding agreements such as salary increases to medical doctors and teachers.

Thus, the net result of these budgetary cuts, will be a decline of 2 percent in domestic public consumption in 1984 and an additional decline of 1 percent in 1985.

III: Policy

- b) the number of Government employees will be reduced by about 2 percent. Only half of the posts vacated will be remanned automatically. A quarter will be abolished immediately and another quarter will go to a general pool for reallocation amongst the various Ministries after thorough examination;
- c) several fringe benefits enjoyed by employees in the public sector, such as over-time pay, travel allowance and subsidized loans, are being substantially reduced;
- d) average oil prices to the consumer, which were raised by 66 percent (gas prices being raised by 80 percent) in the period September-November, will be further increased in accordance with changes in world oil prices and the rate of devaluation of the Shekel. The prices of electricity and water will be increased accordingly, so as to considerably reduce their subsidization.

2. Budgetary Policy: income

- a) - the Value Added Tax was increased from 12 to 15 percent;
- a 2 percent turnover tax on sales on stock exchange was introduced;
- a 2 percent import levy was imposed, in addition to a 1 percent levy on procurement of foreign exchange;
- a travel tax (substituting VAT) was introduced and recently raised from 50 dollars to 75 dollars plus 7.5 percent of the ticket cost;
- a 15 percent import deposit was recently renewed and its scope was expanded;

III: Policy

- a 10 percent sales tax on luxury goods was introduced.
- b) an income tax on the child allowance, (for the first two children of families with no more than three children), is to be introduced.
- c) withholding taxes will be raised from 35 to 45 percent;
- d) a new 66 percent income tax bracket will be introduced.
- e) fees for elementary, secondary and higher education, which were previously non-existent or extremely low, were introduced or raised. Similarly, fees for medical services are being considered.

Premia paid by the public, both for health insurance and social insurance, will be raised.

3. MEASURES AFFECTING PRIVATE CONSUMPTION

A restriction in private consumption is expected to result from the following factors:

- a) a decline in real income, accompanied by some increase in unemployment, resulting from the restriction of local demand;
- b) a restrictive wages and incomes policy, resulting in a possible decline in real wages;
- c) the far-reaching decline in the value of financial assets owned by the public, as a result of the fall in the market prices of stock;

III: Policy

- d) steep rises in the prices of subsidized consumer goods and services, resulting from cuts in all subsidies, as well as in oil and electricity prices;
- e) the introduction or rise in fees charged for several public services;
- f) the higher burden of taxation;
- g) the increase in import prices, resulting from the recent major devaluation of the Shekel;
- h) the increase of interest rates on consumer credit;
- i) an expected increase in the rate of savings.

4. MONETARY POLICY

Monetary policy will remain a major instrument to regulate local demand and economic activity in general, complementing fiscal policy, while ensuring availability of credit for the financing of the activity of the export sector.

The targets of monetary policy in 1984 will be:

- a) to bring about a restricted growth in the money base (as determined by the budgetary deficit, Central Bank lending and net conversion of foreign exchange);
- b) an increase in the volume of banking credit at a rate lagging behind inflation;

III: Policy

c) a decline in the money supply, as a result of (a) and (b), above.

While formulating the monetary policy, consideration will be given to the great decline in liquidity in the last quarter of 1983, following the severe decline in the price of shares.

The volume of credit will be determined mainly by the Central Bank liquidity and interest rate policy.

High interest rates were introduced in the fourth quarter of 1983: a 215 percent regular annual interest rate, (equal to a monthly rate of 10 percent); and a 406 percent penalty rate on credit beyond individual credit ceilings, (equal to a monthly rate of 14.5 percent).

Directed export credit will be made available at a sufficient volume for the financing of the export production process and marketing. Interest rates on directed credit, which were raised in 1983, will be maintained at, or close to, market rates, reducing the subsidy element in export credit.

New monetary instruments will be created, like short term (1-3 months) unlinked government debentures (treasury bills). This will serve as an instrument for short term investment and enable the development of a non-linked monetary market, thus intensifying open market operations by the Central Bank.

5. WAGES AND INCOMES POLICY

The Government will use its influence, in cooperation with the Histadrut and the Employers Association, to ensure a restrictive wage and incomes policy. The aim of this policy will be to bring about a temporary decline in real wages and incomes.

III: Policy

The following factors are expected to contribute to the achievement of this goal:

- a) The cost of living allowance will compensate wage earners only partially for the rise in the consumer price index (by 80-90 percent), the payment being delayed by 1-3 months.
- b) The rise of basic wages will not exceed the increase in productivity;
- c) Wages in the public sector will rise at a lower rate than wages in the business sector and fringe benefits will be cut;
- d) Greater efficiency in and intensification of tax collection will have a moderating effect on disposable income;
- e) The expected increase in unemployment and slack demand will reduce the pressure for irregular wage increases and the raising of prices at a rate higher than warranted by the rise of input prices;
- f) Efforts will be made to prevent monopolistic pricing practices.

6. POLICIES TO ENCOURAGE SAVINGS

It is assumed that, following two years of decline in the rate of savings, caused primarily by speculative advance procurement of consumer durables, a rise in savings is expected in the coming years. On the basis of past experience, a rise in the propensity to save may be expected in a period of slowdown in economic activity. The following factors will contribute to a higher level of savings:

III: Policy

- a) various savings programs will be offered on attractive terms, including the introduction of short-term, non-indexed treasury notes;
- b) as long as a high rate of inflation prevails, the real value of savings and government debentures will be protected by means of indexation. Savings will bear an interest rate of 3-4 percent above the rate of inflation.
- c) incentives will be offered to encourage savers to reinvest savings which have reached maturity.
- d) the Government will assist in creating conditions for stabilizing the Stock Market, in order to re-establish it as a major instrument for channeling savings into investment.

7. MEASURES TO PROMOTE EXPORTS AND ECONOMIC SUBSTITUTION OF IMPORTS

The promotion of exports and the economic substitution of imports will be the priority of economic policy. The following factors will contribute to the attainment of this goal:

- a) restriction of local demand will lead to a direct decrease in imports and will make resources available for export production;
- b) the exchange rate policy will be the main instrument to ensure both the profitability of exports and to make imports more expensive. Following the recent major devaluation of the Shekel (31.5 percent in October alone), the Bank of Israel will intervene in the foreign exchange market to ensure that the Shekel will depreciate at a similar pace to the rate of inflation, or even slightly above this rate;

III: Policy

- c) credit will be made available for all stages of production and marketing of export goods.
- d) the restrictive wages and incomes policy will assist in maintaining the competitiveness of Israeli products in export and local markets;
- e) the exchange rate insurance scheme will provide exporters with the additional assurance that future rates of exchange will keep in line with the increase in production costs;
- f) the continuation of the policy of encouraging investment in export and import substituting industries, to be done through grants, loans and tax concessions, will ensure the necessary broadening of the economy's productive base;
- g) the increased travel tax is expected to result in a decline in the number of Israelis travelling abroad and will thus reduce the expenditure on import of tourist services;
- h) the temporary system of import deposits will be continued as well as the 2 percent import levy and 1 percent levy on the purchase of foreign currency. These will result in higher import prices and in a slowdown of imports.

8. CAPITAL IMPORTS POLICY

The financing of the current deficit will be ensured, while maintaining an adequate level of foreign reserves, by a continued and sufficient volume of capital imports. The following factors will ensure Israel's credit-worthiness:

III: Policy

- a) the sound basis of Israel's economic and social infrastructure and industry;
- b) the comprehensive economic policy package, implemented with determination, which promises to lead to a discernable improvement in Israel's balance of payments;
- c) the continued backing of the U.S.G. aid and the financial support of the Jewish Community around the world.
- d) Israel's punctual servicing of its debts.
- e) In addition to its resort to the international banking system, Israel can rely on the extensive network of branches and subsidiaries of Israeli banks abroad, to continue to be an instrument for mobilizing capital and for establishing and increasing credit lines.

Efforts will be continued to attract foreign investors to invest in the Israeli economy.

Chapter IV: ECONOMIC PROSPECTS FOR 1984-1987

This chapter presents a preliminary forecast of the main macroeconomic developments for the period 1984-1987. The forecast provides data on major items of the national accounts and other information needed to determine the order of magnitude of economic aid required during this period. The forecast does not present a comprehensive economic plan and should be regarded merely as a scenario representing the targets of economic policy in the coming years and general trends of development.

Long term forecasts concerning the Israeli economy, which always involve difficulties due to the multiplicity of external factors are especially difficult this year. The forecasts are being prepared at a time when far-reaching policy measures are still in the process of formulation. Therefore it is extremely difficult to predict when a turning point in the economic developments will take place.

The basic assumption of these forecasts is that in the coming months and year, necessary policy measures will be implemented to bring about the desired turning point and establish the trends outlined in the forecasts.

A. AUTONOMOUS AND EXTERNAL FACTORS

In preparing these forecasts the following assumptions were made regarding the major autonomous and external factors operating on the Israeli economy.

- the population and labor force will grow by about 2 percent per annum, taking into account an annual immigration of 20,000 and a net immigration balance of 15,000;
- Israel will continue to maintain a high level of military preparedness, but no large scale military confrontation will occur.

IV: Prospects

- long and medium term capital imports will be at a level sufficient to finance the current deficit, with no need for substantial short term borrowing or a reducing of foreign exchange reserves;
- No new trade barriers will be imposed and the disequilibrating fluctuations in the exchange rates amongst the major currencies will not continue, while demand in major export markets will recover.
- the expansion of the European Community through the membership of Spain and Portugal will be accompanied by measures to safeguard the present share of Israel's agricultural exports to the Community.
- the slowdown in the world rate of inflation will continue, and the prices of oil and other raw materials will not increase at a rate higher than the increase in average prices of traded goods.

B. THE LEVEL OF ECONOMIC ACTIVITY

These forecasts assume that the period under consideration will be characterized by a low level of economic activity, far below the full employment level, and considerably below the long term growth trends experienced in the past. It is only towards the end of the period under consideration that an acceleration in economic activity is expected.

Since these forecasts assume an increase in productivity at a rate above the predicted growth of the labor force, an increase in the unemployment rate is to be expected. Under the assumption that output per employee will increase by an annual average of about 0.5 percent, the unemployment rate may reach 7 percent by 1985 compared to a level of 4.5 percent in 1983.

Beginning in 1986, the unemployment rate is expected to decline gradually towards the full employment level. If unemployment should surpass the rate mentioned above - which is considered as the maximum socially tolerable rate under Israel's special circumstances - a re-evaluation of the growth

IV: Prospects

targets adopted in this forecast may become necessary so as to avoid mass unemployment. A high unemployment rate is considered highly problematic since Israel is an immigration country, with internal tensions on an ethnic background and under permanent threat of war.

C. PRIVATE CONSUMPTION AND SAVINGS

The main contribution to restricting local demand is expected to come from a decline in private per capita consumption which, together with the expected decline in civilian public consumption, will result in a considerable drop in the standard of living.

The decline in per capita consumption is assumed to be steep at the beginning of the period (-7% in 1984). It is assumed that there will be no change in average annual private consumption in the four years 1984-87, leading to an average annual decline of 2 percent in per capita private consumption. Even after a limited rise in 1986 and 1987, the per capita private consumption in 1987 will be 7 percent below the 1983 level. The decline in private consumption will result from a reduction in disposable income, following a slow growth in national product and the continuation - and possible intensification - of the high level of direct taxation. Real wages are assumed to fall at the beginning of the period under review and stabilize, or increase only slightly towards the end.

Transfer payments are assumed to decline following a reduction in subsidies on basic consumer goods and services and to exports.

These forecasts also assume that the rate of savings will revert to its long term level, after a decline in 1982-1983, and that the share of taxes in national income will increase slightly.

D. NON-MILITARY PUBLIC CONSUMPTION

These forecasts assume an annual average decrease in non-military public

IV: Prospects

consumption of about 0.3 percent during the period 1984-1987, which implies an average annual decrease of about 1.5 percent per capita.

This decrease will result from cuts in real terms in budgetary expenditure, including a freeze, and even some decline in public sector employment. This will necessarily involve a reduction in the level of public services as well as greater efficiency in the utilization of public service budgets.

E. MILITARY CONSUMPTION

The trend of a decline in regular domestic defense consumption (excluding expenditures on the redeployment of the Israeli army in the Negev and IDF expenditures in the Lebanon) which started in 1975 will continue during the period of this forecast. A steep annual decline of 8 percent in domestic military expenditure is expected in the years 1984 and 1985.

The volume of direct military imports is expected to increase from 1.3 billion dollars in 1983 to 2.5 billion dollars in 1986 and 2.9 billion dollars in 1987.

Indirect military imports are forecast to remain on a level of about 900 million dollars per year in the period 1984-1987.

F. INVESTMENT

In 1984 a sharp decline in investment is expected, both in fixed assets and in inventories. This decline is partially due to the slowdown in economic activity but is mainly explained as a reaction to the accumulation of inventories and advance procurement of investment goods in 1983, in anticipation of a great devaluation of the Shekel.

IV: Prospects

After a decline of 10 percent in investment forecast for 1984, investment is expected to grow in 1985-1987 at an average annual growth rate of about 6 percent. The rate of increase in investment will ensure a large enough production base, capable of supplying a growing volume of goods and services for both exports and import substitution, while enabling technological progress and an increase in productivity.

G. EXPORTS

The fastest growing sector in the coming years will be the export sector. The major contribution to the expected rise in exports will be made by manufacturing industries, and by knowhow and science based industries in particular.

To meet this target, exports of manufacturing industries are to increase at an average annual rate of 13 percent in real terms, leading to a cumulative increase of 60 percent in the period 1984-1987.

The volume of total exports is assumed to increase at an average annual rate of 10 percent, or a cumulative increase of 45 percent in this period. As a result, the value of exports should reach about 17.7 billion dollars in 1987.

This target, although ambitious, is attainable, assuming the focusing of economic policy to the promotion of exports. An even more spectacular growth of exports was achieved in the period 1976-1980, when the volume of industrial exports increased by an annual average rate of 16 percent.

It is assumed that profitability of exports will be assured, domestic competitive demand restrained and barriers to trade removed.

IV: Prospects

H. GNP AND AGGREGATE DEMAND

GNP is forecast to grow by an annual average rate of 2.5 percent during the period 1984-1987, accelerating gradually from a decline of 2 percent in 1984 to a 5.5 percent growth rate in 1987.

The GNP of the business sector is forecast to increase by an annual average of 4.5 percent. In the period as a whole the growth of GNP will be led wholly by exports. In the years 1985-1987 investment will contribute 0.6 percent to the average annual growth of GNP. It is only in the last two years of the forecast that private consumption is planned to grow again, contributing 1 percent to the average annual growth of GNP in these two years.

I. THE RESTRUCTURING OF THE ECONOMY

The process of restructuring the economy, which characterized developments in the last decade, is assumed to continue and intensify.

There are two aspects to this restructuring: there will be a further increase in the share of science and technology intensive industries in investment production and employment. At the same time, the share of exports and investment in total uses will grow. The share of total resources (excluding military imports) allocated to exports will continue to increase from 19 percent in 1975 and 27 percent in 1982 to 35 percent in 1987. The share of investment will increase from 13.5 percent in 1982 to 14.5 percent in 1987. This will be the result of the allocation of 77 percent of additional resources in the period 1984-1987 to exports, and 17 percent of additional resources in the period 1985-1987 to investment.

IV: Prospects

At the same time, the share of total resources allocated to private consumption is forecast to decline from 41 percent in 1975 and in 1982, to 37 percent in 1987.

The share of domestic public consumption is forecast to fall from 17 percent in 1982 to 13.5 percent in 1987 reflecting the growing role of the business sector in economic activity.

The share of domestic military consumption in total resources (excluding military imports) is expected to decline from 9.7 percent in 1982 to 7.2 percent in 1987. At the same time, the share of total military expenditures (including military imports) will decline from 19 percent in 1973, and 14 percent in 1982, to 11.5 percent in 1987.

Chapter V: NON-MILITARY FINANCING REQUIREMENTS FOR 1984-1987

A. DEFINITIONS

Israel's non-military financing requirements are defined as the excess of non-military foreign currency expenditure over foreign currency income other than U.S. aid.

Expenditures are composed of non-military imports (including self-financed military imports) and repayment of principal on the foreign debt.

Foreign exchange income includes income from exports, capital imports other than U.S. aid and free foreign exchange available from conversion of military aid funds (for the financing of building activity in Israel, in connection with the redeployment of the IDF in the Negev; and for military procurement from the Israeli industry).

Israel expects the non-military aid from the U.S. to be at a volume which will cover, as far as possible, the financing gap as defined above, so as to avoid further depletion of Israel's reserves, or increasing its excessive short term borrowing.

The following forecasts concerning Israel's balance of payments, represent the main parameters for the determination of the size of its requirements for non-military aid.

B. FACTORS AFFECTING THE NON-MILITARY DEFICIT

In analysing Israel's large non-military current deficit, one must distinguish between external and long range factors, which determined the basic high level of the deficit and which in the short run, are beyond the control of policy measures, on the one hand; and short and medium term developments which caused an increase in the deficit in 1982 and 1983, on

V: Non-Mil.Fin.

the other hand.

The growing deficit over the years, is largely attributed to the fast increase in foreign exchange expenditure on imports, which has been greater in dollar terms, than the increase in income from exports. This is despite the fact that the increase in exports has nonetheless been impressive, as shown by the higher percentage increase in exports over the percentage increase in imports. However, this development is due to the initial low level of exports in the base period, as compared with the level of imports, hence the growing deficit.

The rapid growth of civilian imports has been determined by the following factors: the increasing indirect foreign exchange expenditures on defense; the expenditure on procurement of investment goods; the rising price of oil and of other commodities which Israel must import, since 1973; and the heavy burden of interest payments on the external debt.

a) The indirect foreign exchange expenditures on defense, include raw materials and other inputs into Israel's military industry, and the foreign exchange components of non-military domestic procurements of the IDF. The indirect defense expenditures are recorded in the civilian import statistics. These expenditures are estimated to have increased from 400 million dollars in 1977 to 960 million dollars in 1983.

b) The great foreign exchange expenditures on investment goods have been largely dictated by the need to sustain Israel's rapid economic growth. This rapid growth has been determined by the need to absorb mass immigration, much of which has consisted of immigrants arriving in Israel without any financial means or industrial background. The foreign exchange component in investments increased from about 1 billion dollars in 1977 to 2 billion dollars in 1983.

c) The sharp increase in oil prices since 1973, and the handing over to Egypt of the Sinai oil fields developed by Israel, were responsible for Israel's greatly increased oil bill. The rise in oil prices contributed

V: Non-Mil.Fin.

1.6 billion dollars to the growth of Israel's current deficit between 1972 and 1982. Had Israel not handed over the Abu-Rhodeis and Alma oil fields to Egypt they could by now have supplied 75 percent of its oil consumption, given the good prospects of these fields eventually covering Israel's total oil requirements after further development. Thus, in 1982 45 percent of the non-military deficit would have been eliminated due to savings on oil expenditure.

d) Import prices on goods other than oil, increased in the period 1972-1982 by 92 percent. Due to Israel's high dependence on imports (constituting over 40 percent of total resources), the rise in these prices increased Israel's non-military imports (excluding oil) in this period by about 1.7 billion dollars.

e) The heavy burden of interest payments on the external debt was the major contributor to the increase in imports of services. Interest payments grew by 2.5 billion dollars between 1972 and 1982. A major portion of the interest payments are on account of debts incurred to finance past military imports.

The elimination of any one of the above mentioned factors would have reduced the non-military deficit to manageable dimensions, releasing Israel from dependence on capital aid, enabling it to maintain an adequate level of reserves while reducing its short and medium term debt and, in due course, to finance a growing portion of its military imports from its own resources. The cumulative effect of the above-mentioned factors on the current deficit is much too great for the Israeli economy to finance without recourse to aid.

The worsening in Israel's balance of payments in the years 1982 and 1983, (as described in detail in Chapter II) resulted from both a decline in export revenues and an increase in expenditure on imports in this period

V: Non-Mil.Fin.

Although Israel's exports fared better in 1981 and 1982 than did world trade in general, it did not manage to sustain its growth in 1983, due to the weakening of the European currencies against the dollar, which meant that the dollar returns from Israel's exports to non-dollar countries, fell. At the same time, imports from non-dollar countries became cheaper, a trend reinforced by the relatively slow depreciation of the shekel against the basket of currencies (the German Mark, the French Franc, the Pound Sterling and the Dutch Guilder). This resulted in an considerable increase in the volume of total imports - from Europe in particular.

C. THE NON-MILITARY CURRENT DEFICIT 1984-1987

The forecasts for an improvement in Israel's balance of payments in future years, as presented in this paper, are based on the assumption that effective policy measures will be implemented to ensure export profitability and to restrain the competing domestic demand (as detailed in Chapter III). This will result in a reduction of the non-military current deficit, (which has reached 4 billion dollars in 1983), in the period 1984-1987.

The non-military deficit is forecast to decline in 1984 by about 700 million dollars, in 1985 by about 300 million dollars, and by a further 450 million dollars in 1986 and 500 million dollars in 1987, amounting in the latter, to 1.9 billion dollars, as compared to 3.9 billion in 1983. The faster decline forecasted for 1984 results from the take-off effect in exports while imports are expected to decline more than the rate of economic activity due to a depletion of inventories following their speculative growth in previous years.

The improvement in the balance of payments will be reflected in a decline in the ratio of the non-military deficit to total resources (excluding defense imports). This ratio is expected to decline from 11 percent in 1983 to 6.5 percent in 1985 and 3.5 percent in 1987. At the same time, the

V: Non-Mil.Fin.

share of non-military imports financed by export revenues is forecast to increase from 73 percent in 1983 to 82 percent in 1985 and 90 percent in 1987.

These forecasts are based on realistic though optimistic assumptions. The optimism of the forecasts is not so much in the magnitude of the yearly targets but rather in the overall assumption that all favorable trends in all major components will persist during the entire 4 year period of the forecast. The main message of these forecasts is that if favorable trends are established, a considerable improvement may take place in a relatively few numbers of years. Disruptions caused by external factors may prolong the period of recovery but should not necessarily remove the economy from the right track.

D. NON-MILITARY IMPORTS

Non-military imports are forecast to grow at an average annual real rate of 4 percent during the period, as compared to an average annual increase of 2.5 percent in GNP. Import prices are assumed to rise by 2 percent in 1984 and 5 percent in the years thereafter.

The forecasts for growth in the volume of imports are based on the assumption of little growth in domestic demand, with a shift of total demand from consumption, with a relatively low import component (25 percent), towards exports and investment, with a relatively high import component (of 44 percent and 40 percent respectively). Thus, the increase in imports will be at a faster pace than the increase in total utilization and of GNP. Import requirements have been calculated for the main uses, by applying import coefficients based on updated input-output tables.

It is assumed that the share of coal in Israel's energy basket will increase from zero in 1981 to 15 percent in 1983, to 24 percent in 1987, and to 37 percent in 1988. Total savings in foreign exchange, due to the

V: Non-Mil.Fin.

replacement of oil by coal are estimated to be 110 million dollars in 1983 and 340 million dollars in 1988. In 1983 the price of coal (ton oil equivalent) was 42 percent lower than that of a ton of oil.

E. EXPORTS

It is assumed that in 1984 the change in export trends, first signs of which were already discerned in the second half of 1983, will be reinforced, and will partially compensate for the delay in export growth in 1982 and the first half of 1983.

The average annual increase in exports in the period 1984-1987 is assumed to be about 9.5 percent in real terms. The average annual increase in the volume of exports of manufactured goods (excluding diamonds) is forecast to be 12 percent.

These export targets though rather high, are not unrealistic, since they have been surpassed in the past over a prolonged period. Thus, in the period 1967-1972, exports of goods increased by an annual average of 13 percent in real terms, while industrial exports excluding diamonds increased by 18 percent.

Among industrial exports, exports of knowhow intensive such as metal products, machinery, military products, electronics and chemicals are expected to grow at a faster than average rate. It is also expected that the share of products based on Israeli research and development will increase, growing at an annual average rate of 20 percent, and amounting to about 55 percent of total industrial exports (excluding diamonds) in 1987, as compared to 35 percent in 1975 and 50 percent in 1982.

Agricultural exports are forecast to grow at an average annual rate of 10 percent. The scarcity of water and difficulties expected in the marketing of Israeli produce in EEC markets following the accession of Israel's competitors in the production of Mediterranean fruits and

V: Non-Mil.Fin.

vegetables - Spain, Greece and Portugal - are the main reasons for the expected slow-down in agricultural exports.

The forecasts take into consideration an increase in exports of tourist and transportation services by an annual average rate of 8 percent, following the favorable change in the trend of tourism in 1983.

These ambitious export targets are based on the assumption of the implementation of policies designed to reduce local demand and to maintain, or even enhance, export profitability. It is also assumed that sufficient foreign exchange funds, on reasonable terms, will be available to finance the necessary growth in production capacity for exports.

It is also assumed that conditions will be assured for the intensification of the last two years' increase in Israeli exports to the U.S., at a faster pace than the average. This will result in exports of goods to the U.S. more than doubling during the period of the forecast.

In 1987, export earnings are forecast to finance 90 percent of non-military imports, up from 83 percent in 1980 and 65 percent in 1975.

F. CAPITAL IMPORTS

Gross capital imports (excluding U.S. Aid) are forecast to increase from 2.9 billion dollars in 1983 to 3.2 billion dollars in 1985, and to 3.4 billion dollars in 1987. Net capital imports are expected to decline gradually from 1.8 billion dollars in 1983, to 1.4 billion dollars in 1987, following an accelerated increase in debt repayment from 1 billion dollars in 1983, to 1.5 billion dollars in 1985 and 1.8 billion dollars in 1987. (See Appendix 4).

In the period covered by these forecasts, transfers by institutions and individuals, receipts from the sale of Israel Bonds and foreign investments in Israel, are expected to grow moderately.

V: Non-Mil.Fin.

Receipts from long and medium term loans other than aid and Government of Israel Bonds, are expected to increase by 150 million dollars during the period under review.

Unilateral transfers comprised in 1983, 47 percent of gross capital imports excluding aid, while long and medium term loans comprised 46 percent. In the period 1983-87, unilateral transfers will average 47 percent of gross capital imports excluding aid, per annum. Long and medium term loans will average 45 percent of total capital imports during the same period.

G. THE BURDEN OF EXTERNAL DEBT

The need to finance a large share of the current deficit over a period of several years by borrowing, resulted in a very large foreign debt. A major part of the debt originated from the need to finance direct and indirect military imports.

In the period 1972 - 1983 total defense expenditure in foreign exchange (including expenditure on direct and indirect imports and interest payments on the military debt to the US), amounted to 26 billion dollars. In this period approved FMS military grants to Israel amounted to 7 billion dollars. Consequently, Israel was obliged to borrow 19 billion dollars over this period, of which 9.5 billion were FMS loans, for the financing of its military foreign exchange expenditure. Were it not for the large amount of foreign exchange needed to service the debt, Israel would be independent of United States capital aid.

According to updated statistics, the total outstanding debt at the end of 1983 amounted to 23.1 billion dollars, and is forecast to increase to 24.9 billion dollars by 1987. (See appendix no. 6)

V: Non-Mil.Fin.

It is estimated that per capita debt will increase from 5,600 dollars in 1983 to 5,902 dollars in 1985 and will decrease back to 5,600 dollars in 1987, being by far the highest per capita debt amongst industrial and developing countries

In recent years, total long term capital imports fell short of financing Israel's current deficit. For many years Israel has managed to avoid financing the gap by drawing on its foreign exchange reserves, thus jeopardizing its standing in capital markets and its ability to mobilize long term funds on regular market terms. Nevertheless, in 1983 a 300 million dollar decline in reserves became unavoidable.

As a result of Israel's desire to avoid reducing its foreign exchange reserves, it was obliged to avail itself of substantial short term borrowing. Thus, Israel's short term debt increased from 190 million dollars in 1973 to 3.1 billion dollars in 1983.

Any gap between Israel's financing requirements and the U.S. aid actually provided, will necessarily result in an additional increase in short and medium term borrowing, or a further decline in reserves.

The annual debt-service in 1982 amounted to 3,770 million dollars, of which 2,620 million dollars were interest payments and 1,050 million dollars were principal maturities. Since 1979, the total debt-service has exceeded total economic and military aid received from the US.

In 1983, the total debt-service is estimated to amount to 3,575 million dollars and it is forecast to increase to 5 billion dollars in 1987. A considerable increase in the high principal repayment schedule, resulting from the heavy borrowing after the Yom Kippur War, will gradually begin to manifest itself in the figures of 1985, and will further increase in subsequent years, when the ten year grace period for FMS loans expires. Thus, in 1985, debt-service is forecast to be 2.5 times greater than the total economic aid needed for this year, and 7 times greater in 1987.

V: Non-Mil.Fin.

In 1973, interest payments contributed 19 percent to the total non-military deficit. This ratio increased to 83 percent in 1982, and under the assumptions of this forecast will decrease to 67 percent in 1983, and increase to 163 percent in 1987, due to both the fast increase in interest payments and the expected decline in the non-military deficit.

The debt service/export ratio (total debt service compared to total exports of goods), reached 66 percent in 1982, as compared to 61 percent in 1973. It is expected to decline gradually to about 51 percent in 1987 as a result of the rapid increase in exports. (See appendix 6)

At the end of 1982, outstanding debt to the USG amounted to 8.3 billion dollars, comprising 40 percent of the total debt. It is estimated that it will reach 10.4 billion dollars at the end of 1987, comprising 42 percent of the total debt.

Total debt-servicing to the U.S.G. amounted to 910 million dollars in 1982 and is estimated to amount to 1,065 million dollars in 1985 and 1,120 billion dollars in 1987 (see appendix No. 5). Since 1982, total economic aid has fallen short of the debt-servicing to the U.S.G.

The debt calculations in this paper are made under the assumption that the whole amount of military and non-military aid will be in the form of grants.

H. ISRAEL'S NON-MILITARY FINANCING REQUIREMENTS

Israel's non-military financing gap for calendar year 1985 is estimated to amount to 1,315 million dollars (see Table No. 1). According to the scenario of this forecast, the non-military financing gap in 1986 is expected to decline by 225 million dollars and by a further 390 million dollars in 1987, amounting to 700 million dollars.

V: Non-Mil.Fin.

The estimate of the financing gap in 1985 assumes the utilization of 135 million dollars from special aid funds designated for the redeployment of the Israeli Army in the Negev. It also assumes that the request by Israel, to use 250 million dollars of FMS aid for procurement in Israeli industry, will be approved. These amounts are sources of foreign exchange for the non-military account.

In 1982 and 1983 approved aid fell short of financial needs by 870 and 1,080 million dollars respectively. These shortfalls were covered by an increase in short and medium term borrowing, by 1,750 million dollars and a decline of about 200 million dollars in foreign exchange reserves.

Taking into consideration that Israel has to minimize the financing of future gaps by further drawing on her foreign exchange reserves or increasing short term borrowing, Israel requests that the economic aid funds for 1984 and 1985 should be made available at the beginning of the American Fiscal Year.

Chapter VI: FINANCING REQUIREMENTS FOR DEFENSE 1983-1986

A. GENERAL

The major goals of Israel's defense policy are the following:

- to maintain Israel's military strength as a deterrent against hostile activities by the confrontation states and terrorist organizations;
- to ensure its ability to repulse the enemy in the event of hostilities breaking out;
- to be able to negotiate peace from a position of strength.

The assessment of Israel's defense needs in the coming years is based on the following premises and considerations:

- a) The tranquility which has prevailed along Israel's southern border, following the Peace Treaty with Egypt will continue, despite the appearance of violations in Egypt's fulfilment of its obligations under the Treaty.
- b) The Agreement signed between Israel and Lebanon, which provides for the withdrawal of all foreign forces from Lebanese territory, will eventually be ratified and fully implemented, thereby enabling Israel to withdraw its forces to the international border, and encouraging the involvement of additional Arab states in the peace process.
- c) The expulsion of a large number of terrorists from Lebanon and the destruction of their military bases and infrastructure will reduce the threat of terrorist activities and subversion along Israel's borders and secure peace for the Galilee.
- d) The Arab confrontation states which persist in their refusal to join the peace process initiated by Israel and Egypt are accelerating their

VI: Defense Req.

military buildup in both quantitative and qualitative terms, purchasing arms from both western and eastern sources, and thus creating a ratio of forces highly unfavorable to Israel.

- e) The political and military instability in the Middle East will continue, characterized by the threat of a further spread of Moslem fundamentalism and intensified Soviet efforts to increase its penetration into the region.

The first three premises enable Israel to maintain the balance of power in the region without having to increase the size of its "order of battle" (ORBAT). The latter two considerations imply, however, that Israel must ensure its qualitative edge over its adversaries by improving and upgrading its military capability. This is in keeping with the spirit of President Reagan's letter to Prime Minister Begin of April 20, 1982, on the eve of Israel's final withdrawal from the Sinai.

Israel must preserve its air superiority, raise the operational capability of its armoured units, increase the mechanization and mobility of its infantry units and improve its intelligence-gathering apparatus as well as its early-warning system.

Further, if an ORBAT decrease is forced upon the IDF, due to budgetary or other constraints, the need for qualitative improvements will become even more vital. Under the circumstances, a reduction in expenditure for advanced systems and modernization of equipment is not in sight in the coming years.

B. FOREIGN EXCHANGE FINANCING REQUIREMENTS FOR MILITARY IMPORTS

1. REQUIREMENTS FOR 1985

It is estimated that the total financing requirements from F.M.S. funds for military procurements from the U.S. in AFY 1985 will amount to 2,218

VI: Defense Req.

million dollars. It is estimated that 266 million dollars of unutilized F.H.S. funds approved for previous years will be used for the financing of 1985 needs. This leaves 1,950 million dollars to be financed from 1985 aid program. Of this sum, 1,136 million dollars are for the financing of new transactions (transactions not yet signed as of March 31, 1983), 632 million dollars for the financing of signed transactions (signed prior to March 31, 1983 but includes the F-16 Aircrafts signed after 3.31.1983) and 250 million dollars are for the financing of procurement of military equipment from Israeli industry, mainly for the "Lavie" project.

The estimate for financing requirements is based on the same agreed procurement lists as presented in the request of the previous year, after updating prices of some specific items.

It should be noted that the purchasing power of U.S. military aid in general has eroded considerably in recent years, due to the increase in prices of military equipment, which has considerably exceeded the general pace of inflation.

Using the consumer price index (in absence of an index of prices of military equipment) as a measure of the erosion of the purchasing power of military aid, we find that the purchasing power of the 1.7 billion dollars of military aid approved, for 1984 is equivalent to about 800 million dollars in 1974 prices.

Domestic military procurement has a 22 percent import component. Total indirect military imports are estimated for 1985 at about 850 million dollars. Indirect military imports from the U.S. are estimated to amount to about 250 million dollars.

2. FINANCING REQUIREMENTS FOR AFY'S 1983-1987

Total financing requirements for regular military imports for AFY'S 1983-1987 are estimated at 10 billion dollars.

VI: Defense Req.

The forecasted utilization of FMS funds in AFY 1983 and 1984 will amount to 3.6 billion dollars, while resources available (including unutilized funds approved in previous years) will amount to 3.9 billion dollars. This leaves a sum of 266 million dollars of unutilized funds for the financing of 1985 requirements.

The under-utilization of FMS funds in AFY 1983 and 1984 is due mainly to the deferment by the U.S.G., of the signing of some major contracts, such as the contract for the procurement of 75 F-16 aircraft, which is responsible for the under-utilization of some 110 million dollars in AFY 1983-1984.

The delays in procurement in 1983 and 1984, coupled with price increases of military items, is reflected in some increase in financing needs in each of the years 1985-1987.

The breakdown of the amount of financing requirements for 1983-1987 is as follows:

<u>Billion dollars</u>	
<u>Total requirements</u>	<u>10.0</u>
New transactions	4.7
Signed transactions	4.3
Procurement from Israeli industry	1.0

Following is the breakdown of new transactions in billions of dollars:

<u>Total New Transactions</u>	<u>4.7</u>
Major support	1.5
Follow on support and non-major items	3.2

VI: Defense Req.

After using unutilized funds amounting to 268 million dollars, additional resources of 6,150 million dollars will be required for the period 1985-1987, amounting to a yearly average of 2,050 million dollars.

3. SPECIAL AID FOR REDEPLOYMENT

The estimate for total expenditure on IDF redeployment in the Negev is about 5 billion dollars at current prices. Due to the restrictive fiscal policy, the expenditure on redeployment had to be carried out over several years.

Payments made to American contractors for the construction of the two Negev airbases amounted to about 1,100 million dollars, as compared to 1,040 million dollars originally estimated. Total aid of 3.2 billion dollars for redeployment was approved. Of this amount, 800 million dollars were financed by the grant component of the special aid, the remainder of 2.4 billion dollars to be financed by loans.

It is estimated that by the end of AFY 1983, 2,786 million dollars of the approved redeployment aid will have been utilized. An additional 202 million dollars for construction other than airbases, will be utilized in 1984 and the remaining 214 million dollars in 1985.

C. THE ECONOMIC BURDEN OF DEFENSE

The burden of defense on the Israeli economy has rapidly increased in past years, as measured both in domestic and foreign exchange expenditures.

According to the scenario presented in this paper, Israel will neither be able to reduce the ORBAT, nor the level of major activity of the IDF in the near future. The increase in domestic military consumption in 1983, by an estimated 8 percent, is wholly due to expenditures related to the

VI: Defense Req.

deployment of the IDF in Lebanon. For 1984 and 1985, a decline of 8.5 percent and 8 percent respectively in domestic military consumption, is forecast. This decline originates mainly from the cut in the 'regular' expenditures, reflecting economic constraints, thus continuing the trend which began in 1975.

A 300 million dollar cut in the domestic component of the defense budget will be made in the period 1983-1985, resulting in a decline of about 10 percent in the 'regular' domestic military expenditures.

Total foreign exchange expenditure related to defense (including direct and indirect military imports and interest payments on the military debt), amounted to 3.1 billion dollars in 1982, 3 billion dollars in 1983 and is forecast to reach 4 billion dollars in 1987.

Indirect military imports, which include primarily imports of inputs for the local military industry, are estimated at 900 million dollars in 1982 and are expected to remain on the same level through 1987.

In 1982 foreign exchange expenditures related to defense constituted 65 percent of Israel's current balance of payments deficit. In recent years, total aid received (both military and economic) fell short of total foreign exchange expenditure related to defense (See Appendix 3).

The share of total defense expenditure in the government budget, which reached about 40 percent in the three years 1974-1976, declined gradually to 29 percent in 1978, and remained at this rate in 1980 through 1982. This reduction is mainly due to the increase in the share of debt service in the budget. In 1983-84, the share of defense expenditures in the budget is forecasted to decline from the 1982 ratio.

APPENDIX NO. 1

THE CURRENT ACCOUNT IN THE BALANCE OF PAYMENTS
CALENDAR YEARS 1982-1987
(MILLIONS OF US DOLLARS)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
A. <u>NON-MILITARY IMPORTS</u>	<u>13,675</u>	<u>14,250</u>	<u>14,680</u>	<u>16,055</u>	<u>17,690</u>	<u>19,645</u>
Percentage increase:						
a. Nominal	5.9	4.2	3.0	9.4	10.2	11.0
b. Volume	13.3	8.5	0.8	4.2	5.0	5.7
c. Price	-6.5	-4.0	2.2	5.0	5.0	5.0
B. <u>EXPORTS</u>	<u>10,508</u>	<u>10,360</u>	<u>11,485</u>	<u>13,160</u>	<u>15,255</u>	<u>17,710</u>
Percentage increase:						
a. Nominal	-2.5	-1.4	10.9	14.6	15.9	16.1
b. Volume	-0.6	-1.4	8.4	9.1	10.4	10.6
c. Price	-1.9	0.0	2.3	5.0	5.0	5.0
C. <u>NON-MILITARY DEFICIT</u>	<u>3,168</u>	<u>3,895</u>	<u>3,195</u>	<u>2,895</u>	<u>2,435</u>	<u>1,935</u>
D. <u>DIRECT MILITARY IMPORTS</u>	<u>1,552</u>	<u>1,260</u>	<u>1,760</u>	<u>1,855</u>	<u>2,525</u>	<u>2,890</u>
E. <u>CURRENT DEFICIT</u>	<u>4,720</u>	<u>5,155</u>	<u>4,955</u>	<u>4,750</u>	<u>4,960</u>	<u>4,825</u>

APPENDIX NO. 2

(1)

FINANCING REQUIREMENTS IN FOREIGN EXCHANGE FOR MILITARY PROCUREMENT
AMERICAN FISCAL YEARS 1983-1987
(MILLIONS OF US DOLLARS)

	<u>1983 - 1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
I. <u>FINANCING REQUIREMENTS</u>	<u>3,619</u>	<u>2,218</u>	<u>2,050</u>	<u>2,150</u>
1. <u>Signed transactions</u> (2)	<u>2,236</u>	<u>832</u>	<u>677</u>	<u>614</u>
a. F.H.S.	1,338	731	584	524
b. Commercial	898	101	93	90
2. <u>New Transactions</u> (3)	<u>1,133</u>	<u>1,136</u>	<u>1,123</u>	<u>1,286</u>
a. Major items	397	336	302	414
b. Follow-on support and non-major items	736	800	821	872
3. <u>Procurement from Israeli Industry</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
II. <u>AVAILABLE RESOURCES</u>	<u>3,887</u>	<u>268</u>	<u>..</u>	<u>..</u>
1. Aid approved for 1983-1984	3,400	..	..	..
2. Unutilized aid from previous years	487	268	-	-
III. (=I-II) <u>ADDITIONAL RESOURCES REQUIRED (+)</u>	<u>(-) 268</u>	<u>1,950</u>	<u>2,050</u>	<u>2,150</u>

(1) Not including expenditures in connection with redeployment ("Ramon").

(2) Including F-16 Aircrafts signed after 3.31.1983

(3) To be signed after 3.31.1983 and before 9.30.1987.

APPENDIX NO. 3

FOREIGN EXCHANGE EXPENDITURES RELATED TO DEFENSE
CALENDAR YEARS 1983-1987
(MILLIONS OF US DOLLARS)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
1. Imports Financed by FMS	1,040	1,510	1,605	2,275	2,640
2. Financial Adjustment (1)	15	500	320	(-)450	(-)750
3. Self Financed Military Imports	220	250	250	250	250
4. <u>(=1+2+3) Total Payments for Direct Imports</u>	<u>1,275</u>	<u>2,260</u>	<u>2,175</u>	<u>2,075</u>	<u>2,140</u>
5. Indirect Military Imports	960	915	850	885	920
6. <u>(=4+5) Total Direct and Indirect Imports</u>	<u>2,235</u>	<u>3,175</u>	<u>3,025</u>	<u>2,960</u>	<u>3,070</u>
7. Interest Payments on Defense Loans (2)	715	840	920	930	925
8. <u>(=6+7) Total Foreign Exchange Expenditure for Defense</u>	<u>2,950</u>	<u>4,015</u>	<u>3,945</u>	<u>3,890</u>	<u>3,995</u>

(1) Net advance payments on future military imports (+).

(2) Including interest on loans for financing direct imports for redeployment.

APPENDIX NO. 4

CAPITAL IMPORTS EXCLUDING U.S. AID
CALENDAR YEARS 1981-1987
(MILLIONS OF US DOLLARS)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
1. <u>Gross Capital Imports</u>	<u>2,856</u>	<u>2,721</u>	<u>2,905</u>	<u>3,050</u>	<u>3,170</u>	<u>3,290</u>	<u>3,410</u>
a. Unilateral Transfers	1,514	1,362	1,375	1,425	1,475	1,525	1,575
b. Gross Foreign Investment	96	159	200	220	250	280	310
c. Israel Bonds	518	557	580	590	600	610	620
d. Other Medium and Long Term Loans	728	643	750	815	845	875	905
2. <u>Medium and Long Term Debt Maturities</u>	<u>1,119</u>	<u>1,053</u>	<u>970</u>	<u>1,250</u>	<u>1,450</u>	<u>1,700</u>	<u>1,825</u>
3. <u>Repatriation of Investments (1)</u>	<u>191</u>	<u>147</u>	<u>100</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
4. <u>(=1-2-3) Net Capital Imports (excl. U.S. Aid) (2)</u>	<u>1,546</u>	<u>1,521</u>	<u>1,835</u>	<u>1,650</u>	<u>1,570</u>	<u>1,440</u>	<u>1,435</u>

Memo Items (end of year)

a. Total U.S. Aid	2,533	2,329	2,280	2,630	..	..	..
b. Gross Capital Imports (incl. Aid)	5,389	5,050	5,185	5,680	..	..	..
c. Net Capital Imports (incl. Aid)	4,079	3,850	4,115	4,280	..	..	..
d. Foreign Debt	18,230	20,920	23,120	25,110	25,330	25,210	24,900
of which: Short Term	2,390	3,210	3,100	3,100	3,100	3,100	3,100
e. Net Bank of Israel Reserves	2,847	2,994	2,700	2,700	2,700	2,700	2,700
f. Weeks of non-military Imports Covered by Reserves	11.5	11.4	9.9	9.6	8.7	7.9	7.1

(1) Including investments of Israelis abroad.

(2) Not including short term capital movements.

APPENDIX NO. 5

(1)

FORECAST OF ISRAEL'S FOREIGN DEBT SERVICE
CALENDAR YEARS 1982-1987
(MILLIONS OF US DOLLARS)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
1. <u>Outstanding Foreign Debt (2)</u>	<u>20,920</u>	<u>23,120</u>	<u>25,110</u>	<u>25,330</u>	<u>25,210</u>	<u>24,900</u>
To U.S. Government	8,287	9,220	10,450	10,680	10,540	10,370
Of which: Defense Loans	6,797	7,760	9,020	9,270	9,160	9,020
2. <u>Principal Maturities</u>	<u>1,053</u>	<u>970</u>	<u>1,250</u>	<u>1,450</u>	<u>1,700</u>	<u>1,825</u>
To U.S. Government	177	155	125	110	140	165
Of which: Defense Loans	145	125	95	85	110	140
3. <u>Interest on Long and</u> <u>Medium-Term Loans (3)</u>	<u>2,224</u>	<u>2,170</u>	<u>2,360</u>	<u>2,525</u>	<u>2,600</u>	<u>2,715</u>
To U.S. Government	731	750	875	955	965	955
Of which: Defense Loans	703	715	840	920	930	925
4. <u>Interest on Short-Term</u> <u>Loans (4)</u>	<u>395</u>	<u>435</u>	<u>480</u>	<u>445</u>	<u>450</u>	<u>430</u>
5. <u>=(3+4) Total Interest</u> <u>Payments</u>	<u>2,619</u>	<u>2,605</u>	<u>2,840</u>	<u>2,970</u>	<u>3,050</u>	<u>3,145</u>
6. <u>=(2+5) Total Debt Service</u>	<u>3,672</u>	<u>3,575</u>	<u>4,090</u>	<u>4,420</u>	<u>4,750</u>	<u>4,970</u>
To U.S. Government	908	905	995	1,065	1,100	1,120
Of which: Defense Loans	848	840	935	1,005	1,040	1,060

(1) Assuming that aid in 1985-1987 will be given at the requested amounts, all economic and military aid to be given as grants.

(2) Total debt includes Gross Government and Non-Financial Private Sectors debt plus the net debt of the Financial Sector (liabilities minus assets).

(3) Interest payments refers to gross debt including gross debt of the financial sector

(4) The interest on short-term debt is calculated on a net basis (liabilities minus assets). It includes suppliers credit, debt of branches and subsidiaries of Israeli banks abroad and the short-term credit from banks abroad.

APPENDIX NO. 6

MAIN INDICATORS OF EXTERNAL DEBT BURDEN
SELECTED CALENDAR YEARS 1970-1987

	<u>1970</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
	<u>Million dollars</u>										
1. Total Foreign Debt	2,622	5,093	11,096	16,624	18,230	20,920	23,120	25,110	25,330	25,210	24,900
2. Of which: Short Term	115	187	873	1,779	2,390	3,210	3,100	3,100	3,100	3,100	3,100
3. Total Debt Services	389	682	1,432	2,754	3,325	3,670	3,575	4,090	4,420	4,750	4,970
4. Debt per Capita (dollars)	900	1,500	3,000	4,200	4,600	5,100	5,600	6,000	5,900	5,800	5,600
	<u>Percentages</u>										
5. Short-term Debt as % of Total Debt	4.4	3.7	7.9	10.7	13.1	15.3	13.4	12.3	12.2	12.3	12.4
6. Debt as % of GNP	50	58	80	84	86	91	98	109	109	103	96
7. Interest Payments as % of Non-Military Deficit	20	19	49	86	103	83	67	89	103	126	163
8. Debt Service as % of Value Added of Commodity Exports*	90	83	81	88	106	124	123	126	119	110	100
9. Debt Service as % of Total US AID	-	147	80	150	167	165	144	157	137	151	179
10. Debt Service to U.S.G. as % of Total Debt Services	-	-	29	22	20	25	25	23	24	23	23

* The value added on commodity exports (excluding administered territories) is estimated at 60 % of total commodity exports

APPENDIX NO. 7

THE TRADE ACCOUNT IN THE BALANCE OF PAYMENTS
 CALENDAR YEARS 1980-1982
 JANUARY-NOVEMBER 1983
 (MILLIONS OF US DOLLARS)

	1980	1981	1982	I - XI		% Change I - XI 1983 compared to 1982
				1982	1983	
A. <u>TOTAL IMPORTS OF GOODS</u>	<u>7,776</u>	<u>7,823</u>	<u>7,932</u>	<u>7,431</u>	<u>7,870</u>	<u>+5.9</u>
Of which:						
1. Consumption Goods	544	756	832	756	882	+17.7
2. Investment Goods	969	1,037	1,295	1,181	1,560	+32.1
3. <u>Production Inputs</u>	<u>6,431</u>	<u>6,112</u>	<u>5,906</u>	<u>5,494</u>	<u>5,428</u>	<u>-1.2</u>
Of which: Oil	2,116	2,043	1,914	1,761	1,459	-17.1
Diamonds	1,120	529	572	507	722	+42.4
Other Production Inputs	3,195	3,540	3,420	3,226	3,247	+0.6
4. Other Imports (2)	-168	-82	-101	-	-	-
B. <u>TOTAL EXPORTS OF GOODS</u>	<u>5,798</u>	<u>5,903</u>	<u>5,573</u>	<u>4,453</u>	<u>4,340</u>	<u>-2.5</u>
Of which:						
1. <u>Industrial Exports</u>	<u>4,749</u>	<u>4,704</u>	<u>4,437</u>	<u>3,971</u>	<u>3,904</u>	<u>+1.7</u>
a. Diamonds	1,409	1,067	905	828	931	12.4
b. Industrial Exports excl. Diamonds	3,340	3,637	3,532	3,143	2,973	-5.4
2. <u>Agricultural Exports</u>	<u>556</u>	<u>600</u>	<u>553</u>	<u>482</u>	<u>436</u>	<u>-9.5</u>
a. Citrus	231	246	186	165	156	-5.5
b. Other	325	353	367	317	280	-11.7
3. <u>Other Exports (3)</u>	<u>493</u>	<u>599</u>	<u>583</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. <u>DEFICIT IN TRADE ACCOUNT</u>	<u>1,978</u>	<u>1,920</u>	<u>2,359</u>	<u>2,978</u>	<u>3,530</u>	<u>+18.5</u>

(1) Data according to foreign trade statistics, excluding trade with the Administered Territories and before adjustments

(2) Includes trade with Administered Territories, other imports and adjustments

(3) Includes trade with Administered Territories, other exports and adjustments

TABLE OF CONTENTS

	<u>Page</u>
PREFACE	1
CHAPTER I: SUMMARY OF FINANCING REQUIREMENTS FOR 1984	3
A. Historical Background	3
B. The Increased Dependence on Aid in Recent Years	5
C. Economic Aid Requested for 1985	6
D. Military Financing Requirements	8
E. The Encouragement of Israeli Exports to the U.S.	11
CHAPTER II: MAJOR ECONOMIC DEVELOPMENTS IN 1982 AND 1983	14
A. General	14
B. The Level of Economic Activity	16
1. Investment	17
2. Private Consumption and Savings	18
3. Public Consumption	19
4. Manpower and Employment	21
C. Monetary Developments	21
D. Inflation, Prices and Wages	22
E. Balance of Payments	24
1. General	24
2. The Non-Military Deficit	24
3. The Deficit in the Current Account	25
4. Exports	25
5. Imports	29
F. Capital Imports	32
G. The External Debt	34
H. Foreign Currency Reserves	35
CHAPTER III: ECONOMIC POLICY CONCEPTS AND CURRENT POLICY MEASURES	36
A. Economic Policy Concepts	36
1. Goals	36
2. Means	37
B. Current Measures	38
1. Budgetary Policy: Expenditure	38
2. Budgetary Policy: Income	40
3. Measures Effecting Private Consumption	41
4. Monetary Policy	42
5. Wages and Incomes Policy	43
6. Policy to Encourage Savings	44
7. Measures to Promote Export	45
8. Capital Import Policy	46

	<u>Page</u>
CHAPTER IV: ECONOMIC PROSPECTS FOR 1984-1987	48
A. Autonomous and External Factors	48
B. The Level of Economic Activity	49
C. Private Consumption and Savings	50
D. Non-Military Public Consumption	50
E. Military Consumption	51
F. Investment	51
G. Exports	52
H. GNP and Aggregate Demand	53
I. The Restructuring of the Economy	53
CHAPTER V: NON-MILITARY FINANCING REQUIREMENTS, 1984-1987	55
A. Definitions	55
B. Factors Affecting the Non-Military Deficit	55
C. The Non-Military Current Deficit, 1984-1987	58
D. Non-Military Imports	59
E. Exports	60
F. Capital Imports (Excluding U.S. Aid)	61
G. The Burden of External Debt	62
H. Israel's Non-Military Financing Requirements	64
CHAPTER VI: FINANCING REQUIREMENTS FOR DEFENSE, 1984-1987	66
A. General	66
B. Foreign Exchange Financing Requirements for Military Imports	67
1. Requirements for 1985	67
2. Financing Requirements for AFS, 1984-1987	68
3. Special Aid for Redeployment	70
C. The Economic Burden for Defense	70

TABLES

No. 1: Non-Military Financing Needs in Foreign Exchange	7
No. 2: Military Financing Requirements in Foreign Exchange	9

APPENDICES

No. 1: The Current Account in the Balance of Payments	72
No. 2: Financing Requirements in Foreign Exchange for Military Procurement	73
No. 3: Foreign Exchange Expenditures Related to Defense	74
No. 4: Capital Imports (excluding U.S. Aid)	75
No. 5: Forecast of Israel's Foreign Debt Service	76
No. 6: Main Indicators of External Debt Burden	77
No. 7: The Trade Account in the Balance of Payments	78

