

מדינת ישראל
משרד הממשלה
משרד ראש הממשלה

משרד

המשרד לתיק 2

משרד ראש הממשלה -
אורח

2/1985

	
שם: לשכת ראש הממשלה שמעון פרס - אר	
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מחלקה

מס' תיק מקורי

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..... **מחיר**

ניו-יורק

בסתר

המשרד

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אל: הסברה, מעיית, מצפייא, ממנכ"ל, יגר, לשי רוה"מ, דובר צה"ל. דע: ניו-יורק.

NEWS SUMMARY - SUNDAY - FEBRUARY 10, 1985

THE PRESS REPORTS

King Fahd To Test Reagan's Resolve For Middle East Peace

WASH. POST-Oberdorder-King Fahd arrives this afternoon to test the willingness of a newly reelected Reagan to become more deeply involved in a drive for peace in the troubled Middle East. Fahd, in preparation for the Washington visit, held a 2½ hour meeting in his royal palace a week ago today with Arafat and sent senior emissaries to Syria, Jordan and other key Arab states.

Lebanese Christians Set Pullout

PHIL. INQUIRER-(Wires)-Antoine Lahd, said yesterday that he would pull his men out of Sidon, the region's largest city, a week before the Israeli army was scheduled to leave the region. He said his men would maintain control only of a checkpoint in the Christian suburbs east of Sidon, another checkpoint in near-by Jezzine, and a nearby crossing of the Awali River, Israel's present defense line.

Peres Gains Popularity In Israel

PHIL. INQUIRER-Pracker-Peres' popularity is soaring in public opinion polls. In low-income neighborhoods and towns where several years ago he was jeered and pelted with fruit, he now wins warm welcomes. The man derided for a decade as an untrustworthy loser has suddenly become the dominant force in Israeli politics.

Support Seen For Peace Plan

***PHIL. INQUIRER-Kempster-Jordan and the PLO may soon endorse Reagan's long-dormant Middle East peace initiative, which calls for a Palestinian entity in association with Jordan instead of an independent Palestinian state. Foreign Minister Esmat Abdel Meguid said Friday that Jordan and the PLO appeared to be on the verge of a formula "that will allow Hussein to speak for the Palestinians. Meguid urged the US to renew its support for the Reagan plan.

Search For Mengele Faulted

WASH. POST-(UPI)-Mengele is traveling among three South American countries, but Nazi hunters searching for him in Paraguay are on the wrong track, a former US Justice Dept. Nazi investigator said today. "The best information is, he's on the move between Chile, Argentina and Uruguay," said John Loftus.

היה פתרון קלע נכון הוא 1024-1-2

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February 10, 1985

His Excellency
Shimon Peres
Prime Minister of the
State of Israel
Jerusalem

Dear Mr. Prime Minister:

I want to thank you for your kind message as I begin my second term of office.

My administration will continue to work closely with Israel to obtain peace and security in the world for all people. With our combined efforts, I know that this hope for peace can become a reality.

In addition, I look forward during the next four years to further strengthen the already close relations between the United States and Israel. Please be assured, Mr. Prime Minister, of my deep personal commitment to the security and well-being of Israel.

Sincerely,

/s/

Ronald Reagan

דף 1 מתוך 3

אל: הסברה, סע"ת, לש' סמנכ"ל, יועץ רוח"ם לחקשורה, מנכ"א.

לש' יבר

דפ: רוסינגטון

דחירות:

תאריך ח"ח:

מס. מברק:

ממא: עתונות

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לש' סמנכ"ל

41 - 611

News Summary February 9-10, 1985

Columns

NYP-2/9-Evans & Novak "Courting Fahd" Corporate chief executives from across the country are "ready to kill" for an invitation with Fahd at the White House. The king's first visit has whetted Yankee appetite for legendary Saudi contacts despite the world oil glut. Still, the Saudis won't get the arms deal they want thanks to the current arms-sales pause.

Press Reports

New West Bank Study

NYT-2/10-Friedman-The total number of Jewish settlers in the West Bank has reached 42,500, many more than most previous estimates. Benvenisti believes that by the end of the decade there will be 170,000 Jews there. He says that new settlements are purely political statements, they have no geo-demographic meaning. A freeze on settlements, at this time, would be meaningless because most people live or move to the bigger existing settlements.

Life in Kiyat Shmona

DN-2/10-Michael Precker-The three-staged pullout of Israeli troops in South Lebanon is an acknowledged gamble, one felt most by the residents of northern Israel. People are uncertain and bitter. Who will fill the gap when Israel leaves? Few doubt that Kirat Shmona will be a target again. During the past few years, the town has flourished with an increase of population by 35%. (Dallas Morning News)

Fahd Visit-Reagan Keeps Distance

NYT-Week-in Review 2/10-Gwertzman-The Reagan administration is once again becoming involved in the Mideast but with little enthusiasm and few expectations of early success. Fahd though, will arrive with much fanfare for an unusually long visit. The Saudis see this visit as having "historic importance." The basic Saudi-Egyptian view is this: The time is just right for a major US push to revive Mideast diplomacy before extremists in the region can block future moves. Hussein is now working out diplomatic tactics with Arafat, the head of the "moderate" PLO, Iraq has restored relations with the US, Egypt and Jordan have established ties; Israel has begun to pull out of Lebanon and most significantly, the Israeli economy is critically dependent on US help. Reagan is viewed in the

תאריך: השולח: אישור מנהל התחלקה: חתימה:

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אל:

סיווג בטחוני:

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Mideast as being in an unusually strong position to pressure Israel to agree to terms with Jordan and Syria. The Arabs will accept either the Reagan Plan or UN resolutions 242. But the Reagan administration is unwilling to launch any major initiatives on its own, lest they fail. Washington says the Arabs humiliated the US when they didn't live up to promises concerning Lebanon. The US will tell Fahd to press Arafat for negotiations with Israel. But there is no sign that the Israeli Cabinet is willing to show flexibility, even after the assiduous courting of the past two years. (see DN-Rehm)

Italy Releases 2 of 7 Lebanese Held on US Embassy Plot

NYT-Dionne-2/9-An Italian judge freed 2 of 7 Lebanese men who were arrested last year on suspicion of plotting to blow-up the US Embassy in Rome. It was thought that the 7 belonged to Islamic Jihad but both that group and the arrested men denied involvement with each other. Since the arresteds, anonymous calls have threatened Italian interests if Italy pursued investigation.

Lebanese Group Warns Cyprus

NYT-2/10-AP-A Lebanese group that held a Cyprus airliner threatened to attack Cypriot installations worldwide unless Cyprus releases two jailed Lebanese.

European Terrorism

NYT-Week in Review 2/10-Markham-West Germany, France and Italy are scrambling to join forces to combat a makeshift alliance of Marxist-inspired terrorist groups that recognize no borders in Europe. According to some accounts, the elimination of Palestinian camps in southern Lebanon by the Israelis may be a factor in the poorer training of the latest terrorists in Germany, who have botched several missions. Both far-left and far-right terrorists have been known to have trained in Lebanon before 1982.

Israeli Entertainers Blacklisted by UN

NYT-2/10-Scioline-Plans for a UN concert to raise money for African famine relief have been held up because some entertainers who were originally invited have performed in South Africa and are on a UN blacklist aimed at combating apartheid. The Israeli ballet dancers Valerie and Galina Panov are just two of many entertainers on the list.

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דף מסודר

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Iran Cuts Oil Prices

NYT-2/10-AP-Iran has lowered its oil prices in line with recently approved measures taken by OPEC. This is a turnaround for Iran who initially opposed the pricing structures.

Iranians in US

NYT-2/10-Howe-No one knows exactly how many Iranians are in the US but it is estimated that there are 800,000, mostly in Washington, NY and LA. They have different views. Some are monarchists who want the Shah's son to take over the throne. Others favor the revolution but not Khomeini. Still others, favor Khomeini but keep a low profile because of US hostility towards the regime. More Iranians received political asylum here than members of any other group. Probably the largest group here, opposed the Shah but now oppose Khomeini and support Iranian resistance.

NYP-2/9-Photo of anti-Khomeini protesters denouncing Iran in a rally near the White House.

Paid Ad-Tiberias Cemetary/Bank Leumi

NYT-Back page Week in Review 2/10-The World Rabbinic Committee for the Preservation of the Ancient Tombs in Tiberias took out one-third page ad for "A Plea of Humanity." They say that great responsibility for the shameful project rests with the Israeli Government which supports and encourages the project. "The Zionist State of Israel did not, does not, nor will it ever represent Torah-true Jewry."

Cartoons

Daily News Cartoon Section-G.B. Trudeau "Doonesbury" At the UN shouting is heard "Down With Israel, Long Live the PLO, Death to the Zionists." There is then a lunch break. Benin and Vietnam delegates discuss how the UN withdrawal from Unesco have hurt their vacations.

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Feb. 9, 1985

Informal Talking Points

SECRETARY SHULTZ HAS ASKED ME TO EXPRESS HIS SUPPORT FOR YOUR CONTINUING EFFORTS TO FIND A SOLUTION TO ISRAEL'S SERIOUS ECONOMIC PROBLEMS. THE CONCLUSION OF THE RECENT TRIPARTITE NEGOTIATIONS DEMONSTRATES AGAIN YOUR LEADERSHIP IN DEVELOPING A PUBLIC CONSENSUS FOR ECONOMIC REFORM.

THE NEW TRIPARTITE AGREEMENT IS INDEED AN IMPROVEMENT OVER THE PREVIOUS WAGE/PRICE RESTRAINT AGREEMENT. WE WELCOME THE SUBSTANTIAL CUT IN SUBSIDIES. THE AGREEMENT WILL ALSO ALLOW SOME UPWARD ADJUSTMENTS OVER THE COURSE OF THE AGREEMENT IN BOTH SUBSIDIZED AND NON-SUBSIDIZED GOODS. MOREOVER, THE ARRANGEMENTS WORKED OUT WITH THE HISTADRUT FOR ABSORBING SOME OF THE PRICE INCREASES WILL HELP REDUCE THE PASS THROUGH EFFECTS NORMALLY CAUSED BY WAGE INDEXATION.

WE ARE CONCERNED THAT THE GOVERNMENT INVOLVEMENT IN THE ECONOMY SEEMS TO BE INCREASING RATHER THAN DECREASING. WE ALSO HAVE SPECIFIC QUESTIONS AND RESERVATIONS ABOUT OTHER ASPECTS OF THE GOVERNMENT'S ECONOMIC POLICY.

FIRST, WE ARE CONCERNED THAT THE NEW "PACKAGE DEAL" WILL BE EXTREMELY DIFFICULT TO IMPLEMENT EFFECTIVELY OVER A PERIOD OF SEVERAL MONTHS. IF I UNDERSTAND IT CORRECTLY, GOVERNMENT AGENCIES, WITH THE APPROVAL OF A COMMITTEE REPRESENTING LABOR, MANAGEMENT AND GOVERNMENT, WILL BE ASKED TO DETERMINE PRICES OF MOST GOODS AND SERVICES PRODUCED IN ISRAEL EVERY MONTH. WE WONDER IF THIS CAN BE DONE IN A WAY WHICH DOES NOT GIVE RISE TO SERIOUS DISTORTIONS.

SECOND, YOU ARE ASKING PRODUCERS TO CONTINUE ABSORBING INCREASES IN THEIR COSTS. TOWARD THE END OF THE FIRST PACKAGE DEAL PERIOD THERE WAS ALREADY EVIDENCE THAT PRODUCTION OF SOME GOODS AND SERVICES ARE BECOMING UNPROFITABLE AND SHORTAGES WERE BEGINNING TO APPEAR. UNLESS PRICES ARE PERMITTED TO REFLECT PRODUCTION COSTS, THIS TREND WILL PROBABLY CONTINUE.

THIRD, WHILE THE CUT IN SUBSIDIES IS MOST WELCOME, IT SEEMS TO US THERE IS A DEFINITE POSSIBILITY THAT SUBSIDIES WILL INCREASE AGAIN, AS THEY DID DURING "PACKAGE DEAL I". HERE AGAIN, UNLESS PRICES ARE PERMITTED TO REFLECT COSTS, DISTORTIONS WILL REAPPEAR WHICH OVER TIME WILL BECOME SEVERE AND FORCE A REAPPRAISAL AND PROBABLY A REVERSAL OF POLICY.

LAST, AND MOST IMPORTANT, THE NEW PACKAGE DEAL DOES NOT DIRECTLY ADDRESS ISRAEL'S SERIOUS BALANCE OF PAYMENTS PROBLEM. I CAN UNDERSTAND YOUR GOVERNMENT'S RELUCTANCE TO EFFECT A SIZEABLE UPFRONT REALIGNMENT OF THE SHEKEL EXCHANGE RATE, AND

YOUR PREFERENCE FOR SMALL ADJUSTMENTS OVER THE COURSE OF THE TRIPARTITE AGREEMENT IN ORDER TO MINIMIZE THE CONSEQUENCES OF DEVALUATION ON PRICES. WE FEAR, HOWEVER, THAT SUCH A GRADUALIST APPROACH WILL NOT BE SUSTAINABLE AND WILL NOT BE SUBSTANTIAL ENOUGH TO REDUCE THE CURRENT ACCOUNT DEFICIT OR ALLAY THE FEARS OF INVESTORS AND ISRAEL'S COMMERCIAL CREDITORS, THUS PREVENTING A FURTHER REDUCTION IN ISRAEL'S FOREIGN CURRENCY RESERVES.

A GRADUAL APPROACH THAT MAINTAINS ISRAEL'S COMPETITIVE POSITION WOULD REDUCE THE CURRENT ACCOUNT DEFICIT OVER AN EXTENDED PERIOD. HOWEVER, THE DOLLARS 280 MILLION RESERVE LOSS IN JANUARY ONCE AGAIN DEMONSTRATES THAT A MORE DRASTIC APPROACH, SUCH AS A LARGE DEVALUATION, IS NEEDED TO STOP THIS HEMORRHAGE.

IN THIS CONTEXT IT IS PARTICULARLY IMPORTANT THAT YOU PURSUE YOUR PROGRAM OF GOVERNMENT EXPENDITURE REDUCTIONS AS QUICKLY AS POSSIBLE. YOU ARE MOVING IN THE RIGHT DIRECTION ON THE BUDGET. HOWEVER, WHILE THE FY85/86 BUDGET, RECENTLY APPROVED BY THE CABINET, REFLECTS SUBSTANTIAL REDUCTIONS FROM THE LEVEL OF ACTIVITY OF RECENT MONTHS, WE BELIEVE FIRMLY THAT MUCH MORE NEEDS TO BE DONE. AS WE PRESENTLY UNDERSTAND THE BUDGET, YOU WOULD START THE NEW, FY85/86 FISCAL YEAR WITH ABOUT THE SAME EXPENDITURE AND DEFICIT LEVELS AS AT THE BEGINNING OF LAST FISCAL YEAR.

ALTHOUGH THE PRESENT WAGE/PRICE PACT LIMITS SOME FREEDOM OF ACTION FOR THE NEXT FOUR-FIVE MONTHS, IT APPEARS TO US THAT THERE ARE SOME CRITICAL ACTIONS THAT YOU CAN STILL TAKE. THE PRIMARY CAUSE OF ISRAEL'S PRESENT CRISIS IS EXCESSIVE DEMAND WHICH HAS DRIVEN UP PRICES AND ENCOURAGED IMPORTS. A SHARP, UP-FRONT REDUCTION IN BUDGET SPENDING IS OF PRIMARY IMPORTANCE AND WOULD QUICKLY REDUCE DEMAND PRESSURES. BUDGET CUTS COMBINED WITH A FLOATING OF THE SHEKEL, OR A SHARP DEVALUATION, AND RESTRICTIVE MONETARY GROWTH WOULD QUICKLY REDUCE INFLATION AND RESTORE EXTERNAL CONFIDENCE.

THE FEAR OF REIGNITING INFLATION BY A SHARP DEVALUATION WOULD BE MITIGATED BY THE COMPLEMENTARY ACTIONS OF FISCAL AND MONETARY RESTRAINT. ADMITTEDLY, THERE WOULD BE A BURST OF INFLATION IMMEDIATELY AFTER THE DEVALUATION. HOWEVER, IT IS PREDICTABLE, REASONABLY QUANTIFIABLE AND WOULD BE SHORT-LIVED.

THERE ARE ALSO INSTITUTIONAL AND STRUCTURAL REFORMS THAT YOU CAN LAUNCH NOW TO INSURE THE CONTINUED VIBRANCY OF ISRAEL'S ECONOMY. WE'VE ALREADY ALLUDED TO AN INDEPENDENT BANK OF

ISRAEL. IN ADDITION, WE STRONGLY BELIEVE MEASURES MUST BE TAKEN TO ENSURE BUDGETARY DISCIPLINE. CHANGE IN LABOR LEGISLATION TO ELIMINATE RIGIDITIES ALSO COULD BE PASSED. EFFORTS TO SELL GOVERNMENT-OWNED INDUSTRIES AND SERVICES THAT COULD BE PROFITABLY RUN BY ISRAEL'S LARGE POOL OF ENTREPRENEURIAL TALENT IS A NECESSARY LONG RANGE OBJECTIVE. THIS LATTER EFFORT WOULD ALSO REDUCE BUDGET PRESSURES. FINALLY, AT A POLITICALLY OPPORTUNE MOMENT, YOU COULD REVIEW THE INDEXATION SCHEMES WHICH MAKE COPING WITH INFLATION SUCH A DIFFICULT PROBLEM IN ISRAEL.

AS YOU KNOW, THE U.S. IS PREPARED TO SEEK SUPPLEMENTAL ASSISTANCE TO SUPPORT A COMBINATION OF POLICIES THAT ADEQUATELY ADDRESS ISRAEL'S TWIN PROBLEMS OF HYPERINFLATION AND EXTERNAL IMBALANCE. BUT WE ALSO BELIEVE FURTHER PROGRESS IS NEEDED ALONG THE LINES JUST MENTIONED BEFORE WE CAN REQUEST SUPPLEMENTAL ASSISTANCE FROM THE CONGRESS.

WE UNDERSTAND FINANCE MINISTER MODAI MIGHT WISH TO PAY A VISIT IN EARLY MARCH TO DISCUSS ALL THE MEASURES WHICH YOU HOPE TO HAVE IMPLEMENTED AT THAT TIME AND DISCUSS THOSE ASPECTS OF YOUR PROGRAM OF CONCERN TO US. WE WOULD WELCOME HIS VISIT AS A VALUABLE OPPORTUNITY TO CONTINUE OUR DIALOGUE.

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NEWS SUMMARY - MONDAY - FEBRUARY 11, 1985

***BOSTON GLOBE-Michael Shiloh-"Mideast Prospects" Peace was uppermost in the minds of Israelis in the year 1984 but one cannot deny that the year brought with it some disappointments. The peace with Egypt was cool and lifeless; an agreement Israel had with Lebanon was canceled under Syrian pressure; Jordan did not respond to repeated invitations of the Israeli Prime Minister to start negotiations, etc. Did we enter 1985 with signs of hope? The isolation of Egypt among Arabs and Moslems may come to an end. This may bring other Arabs to the conclusion that punishment for making peace with Israel is, after all, bearable. The renewal of relations between Egypt and Jordan is another good sign. Egypt must not condition the fulfillment of its own obligations under the peace treaty on Israeli relations with a third state and a change in attitude on the part of Hussein is called for. As for the Palestinians, the possibilities of their self-rule or an accommodation with Jordan. If then, the goodwill and the real desire for progress prevalent in Israel would be matched in 1985 by a similar attitude of moderation among Egyptians, Jordanians and Palestinians, we should enter the year with some hope.

WASH. TIMES-Daniel Pipes-"More Military Aid For Saudi Arabia" King Fahd arrives today with a shopping list for arms totaling \$3 billion. The Reagan administration has decided to institute a comprehensive review before responding to his request. To sell the King what he is seeking will not improve the two countries' ties - more likely, they will be damaged. Ingratitude and perfidy are not the explanation for Saudi Arabia's actions- rather, the answer lies in the contrary needs of the Saudi and US govts. If a steady partnership is ever to be built with Riyadh, it will be based on modest and discreet relations, not on weapons and spectacles.

Four Israelis Die In Attacks In Lebanon

WASH. POST-Walsh-Four Israeli soldiers died today as a result of attacks in southern Lebanon, and Israeli warplanes attacked a suspected Palestinian guerrilla base in eastern Lebanon in apparent response to the casualties Israeli forces have suffered as they prepare to withdraw.

Syrians Voting On Assad

Syrians Voting On Assad
WASH. TIMES (Wires)-An expected 5 million Syrians began casting ballots yesterday in what was merely a formality to re-elect Assad to a third seven-year term. He was endorsed for another term last month by the 800-member Baath Party Congress. JH

[illegible]

Jerusalem, February 8, 1985

Dear Mr. President,

In the best tradition of your precedent - setting presidency, the coincidence of your second inaugural address with your 74th birthday, and the warm reception of both by the joint session of Congress, reflect the sentiment of many beyond the continental boundaries of the United States of America.

May I join the many who are awed at the youthful display of your presidency -- in person and in office -- opening a new and exciting chapter in American and world history, launching both to new horizons at the time when most of your predecessors retired to record their contribution.

My very best wishes for a happy birthday and as many happy returns as it may take to accomplish your dreams of a better and safer world.

Most sincerely,

Shimon Peres

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

אלו המשרד

משיחה עם אביגדון גטון

סוכם עם הסובייטים כי השיחות תיערכנה תוך מס' שבועות באירופה (לא פירט העיר). לא ידע להסביר למה ארה"ב ויתרה על קיום השיחות ברושנינגטון. ע"ס "להדג"ע" את ישראל, ארה"ב כנראה:

ב. לא תודע על מועד לסיבוב הבא.

ד. ידווחו לישראל תוך 30 יום לאחר השיחות.

שאלתי האם יוכלו להדגיש בפומבי, לפני פתיחת השיחות, שארה"ב איתנה בעמדותיה לגבי שלילת הועידה הבינ"ל והעובדה כי אין תחליף למו"מ ישר. הגיב שאם הדובר יישאל הדו" ישיב בחיוב על נשדדות אלו.

מסעם NEA יצטרף למרסי בנראה כריס רוס (אטוחח איתו).

סיפר שעד כמה שידוע לו פאהד אינו מביא רעיון חדש כלשהו. הוא יקרא להגברת פעילות אמריקאית וגיטור בין תכנית פאס לתכנית ריגאן. סיפר לי כי ארה"ב פנתה לסעודים בבקשה שאלו ישפיעו על ערפאת לבוא לקראת חוסיין. לאחר מכן האמריקאים שמעו מהירדנים שלא היה כל לחץ סעודי ממשי על ערפאת.

טיפר שהירדנים פועלים בתקיפות רבה נגד נסיונות טעילות אשי"פ משטח ירדני. כל הפעילות עד עכשיו באה לפי הנחיות טוריות. להערכתו, איבתו האישית של אסאד נגד חוסיין ואמונתו של אסאד כי חוסיין תומך באחים המוסלמים מונעים כל סיכוי להפשרת היחסים בין ירדן לסוריה.

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 דחיסות
 מערך וז"ח
 סיכומי חברת

מל:

3. לבכון

הסורים טוענים שהגיעו להסכמה עם גורמים מקומיים לתביעת שפיכות דמים. העיר שהסורים עדיין אינם מאמינים שישראל אכן תיסוג. יש להם ידיעות על החדרת לוחמים סוריים לאזור השופ וכמו כן מצפים למאבק בחור המהנות בין הפלנגות הפרו-סורים ופרו-ערפאת בתוך אש"פ. למרות עוינותו הפומבית של נבי ברי, האמריקאים רואים סיכוי שאמל יפעל נגד אש"פ ובן הברית של אש"פ יהיה ה-PSP. אינו מצפה לשינוי גישה סורית בנושא יוניפי"ל.

4. קוואסמה

הצגתי לו דברי מגיד על מגעים כביכול בין אמריקאים לקוואסמה. הגיב שלא היו כל מגעים כאלה לאחר בחירתו של קוואסמה להנהלת אש"פ.

5. טאבה

המצרים סיפרו להם שהיו מאד טבעי רצון מהשיחות. לא סיפרו לאמריקאים על תאריך להנשך השיחות.

6. כלכלת ישראל

סיפר שעדיין מאוכזבים בנקודות הבאות:

- לא ברור אם יופעל קיצוץ של מס בחקציב.
 - העדר מנגנון פיקוח על ביצוע תקציב, כדוגמאת O.M.B.
 - אי ביצוע חיזוק בנק ישראל.
 - אין שינוי בגודל המוגזם של הביורוקרטיה הממשלתית והציבורית.
 - העדר פיתוח גדול.
- לדעתו לא יהיה מנוס מכך שארה"ב תתנה תקציב נוסף supplementry במפורש בקיום תנאים מפורטים.

סיבל

משרד החוץ
 תל אביב
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אל: ממנכ"ל. ראש המרכז. ממנכ"ל מז"ת. מנהל מצפ"א. מנהל מצרים.
דע: לשכת רוה"מ.

שה"ח מצרים בועדת החוץ של הסנט

1. שה"ח מצרים צמת עכד אלמגיד נפגש אתמול אה"צ (7.2) עם חברי הועדה הנ"ל. השתתפו לוגאר (יו"ר), בושביץ, פל, קרל לוין, ספקטר וטריבל. נכחו גם עוזרים, פקידי מחמ"ד (פלטראו ואחד גוסף) ודיפלומטים מצריים.

2. להלן סיכום מבוסס על רשימות שנכתבו בעת הישיבה.

א. במרכז דברי הפתיחה של מגיד יחסי ישראל-מצרים. פירט בהרחבה את חטאי ישראל לפי הקטלוג הידוע (החל בסיפוח ירושלים, הפצצת חכור בבגדד וכו'). שיבח את רוה"מ פרס תוך הבעת שביעות רצון שחלה מפנה גב למדיניות הממשלה הקודמת וקובע קו חדש. טען ששיחות באר-טבע בנושא טאבה נבעו מיוזמה מצרית; הוסיף שמבחינת מצרים קצב ההתקדמות אינו מספיק; חזר ואמר שמצרים מעוניינת בבוררות. כתום דברי הפתיחה, הפציר בארה"ב להיות פעילה יותר במאמציה להשיג שלום כולל במזה"ת: קיימים כוחות החותרים נגד היציבות באזור ושעון הזמן ארוז.

א. פל- מתי יחזור השגריר המצרי לישראל?
מגיד- לכשתהיה תזונה בשאלת הפלסטינית.

ג. בושביץ- התבטא בנימה כועסת נגד דברי הפתיחה של מגיד. הצביע במיוחד על זה שמצרים חוזרת ומוסיפה תנאים חדשים למען החזרת השגריר המצרי.

מגיד- ניסה להטעים בחשיבות העדרות השגריר. לדבריו, מתנהל דיאלוג בין שתי המדינות; שגריר ישראל נמצא בקהיר בעוד דיפלומט מצרי בכיר נמצא בתל-אביב. ישראל לא החזירה את סיני במאת האחוזים (הכוונה לטאבה). ישראל לא עשתה כל טובה למצרים; החזירה לנו את חסריטוריה ואת הנפט שלנו, ולעומת זאת אנחנו נתנו להם שלום. יתר על כן, אין ארה"ב עושה למצרים כל טובות: "יכולנו לתת למצב באזור to run out of hand, ואתם (האמריקאים) תחיו הנפגעים".

מה ראש המרכז (א) / מ"מ (ב) / מ"מ (ג) / מ"מ (ד) / מ"מ (ה) / מ"מ (ו) / מ"מ (ז) / מ"מ (ח) / מ"מ (ט) / מ"מ (י) / מ"מ (יא) / מ"מ (יב) / מ"מ (יג) / מ"מ (יד) / מ"מ (טו) / מ"מ (טז) / מ"מ (טז)

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.....מדינת ישראל

... 178 ... 190

ד. טריבל - במאמץ להסיר את המתרחות שנוצרה בעקבות תשובתו האחרונה של מגיד, פתח בדברי טבח למצרים ולמגיד עצמו. מכאן עבר ואמר שנפגש לפני כחודשיים עם רה"מ פרס. מצא אותו מסור לחלוטין לעניין השלום, שמאז ישראל נקטה צעדים במגמה לשפר את היחסים בין שתי המדינות (לבנון, שטחים וטאבה). לדעת טריבל, הושגה התקדמות בכל אחד מהחזומים האלה, ועתה תגיע תורה של מצרים להשיב. טריבל סיים בשאלה על אש"פ.

מגיד - קיימים מגעים עם פרס מראשית עלייתו לשלטון, ומסרים הועברו אף לפני הבחירות האחרונות (לא פירס). באשר לאש"פ, אנו חייבים לעודד את המתונים. ועידה מל"פ היוותה פריצת דרך. ירון מקבלת 242 אך אש"פ דוחה החלטת זו מפני שאין בה התייחסות לעם הפלסטיני וזה אחד מהקשיים. בניגוד לישראל, תומכת מצרים בחוכנית ריגאן מאחר והיא מבוססת על קמפ-דיוויד. אמלים "הזכויות הלגיטימיות של העם הפלסטיני" בקמפ-דיוויד, פירושן מתן חגדרה עצמית לעם הפלסטיני.

ה. ספקטור - תחזרת הסגיר השגירי הינה אקט סימלי ומהותי כאחד. חתימתם להבטחה בנושא זה
שנתן לו מובראכ בתארי 83 והזכיר שבעת ההיא מובראכ גם ביקש מספקטור לפעול למען השגת
יותר גמישות בתנאי ה- AID האמריקאי. בהנחה שהסגיר יוחזר, כתב ספקטור סכתב בנידון
למקרטון ושלח העתק למובראכ. ב-29.6.83 לאחר שהסגיר לא הוחזר ("תוך שבועות מספר"),
התלונן ספקטור במכתב נוסף למובראכ (ספקטור מסר למגיד העתקים של התכתבות זו). לדברי
ספקטור, אף צד אינו עושה טובות לאף אחד. כל אחד פועל בהתאם לאינטרס העצמי שלו.
רצונו לדבר בכנות ובצורה גלויה: לארה"ב כיום כעיות תקציביות חמורות; אנשים ברוחב
אינם מבינים מדוע הקונגרס מצביע בעד סכומים גדולים בסיוע חוץ בו בזמן שמקצצים תכניות
תברחיות ואחרות בבית. אנו משתמשים בסיוע החוץ לצרכי קידום האינטרסים שלנו. העובדה
שמובראכ נתן לי אישית הבטחה להחזרת הסגיר בלא תנאים, ולא מילא אחרי הבטחה זו, חכבד
עלי כנסטור להצביע בעד סיוע משמעותי עבור מצרים, ללא החזרת הסגיר.
מגיד - לא השיב ישירות. אמר שסיוע חשוב למצרים, שטובלת ממצב כלכלי קשה אף היא;
קטנו תכנסותיה ממכירת הנפט, מהרומות המצרים המתגוררים בחו"ל, מהיטלי תעלת סואץ
מהתיירות. מצרים פונה לידיד ומבקשת עזרה. מסכים שכל אחד פועל מתוך אינטרס עצמי שלו.
אך עם זאת טען שמצרים תורמת חלקה בתהליך השלום. מצרים איננה גורסת שהיא חייבת לקבל
סיוע ברמה זאת. לזו שמקבלת ישראל, אך על ארה"ב להתחשב בקשיים הכלכליים של מצרים ובמעשי
למען השלום.

טפקטר - בהדגישו שהוא חבר חת הועדה ל- Foreign Ops. של וועדת ההתעבות בסנט, העיר שחייבים לגלות מנהיגות באזור: מוכראכ מסוגל וצריך להסגין מנהיגות. המצרים אינם עושים דבר; אפילו הדבר הפשוט ביותר - החזרת תשגריד לישראל - אין היא עושה.

מס' 2 מתוך 1

אל: המברק, מע"ת, לש' סמנכ"ל, יועץ רוח"מ לתקשורת, מנכ"א.

לש' יגד

סיווג בטחוני:

רפ: ורשינובסון

דחיות:

081330

תאריך חידוש:

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מס. מברק:

לש' סמנכ"ל
לש' יגד
לש' ורשינובסון

מאת: עתונות

39-011

News Summary February 8, 1985

Columns

NYT-Kenneth Bialkin "Keep the Russians From the Mideast" Mideast peace is best served by avoiding an international conference because such conferences tend to develop their own dynamics, which may reduce US options. Shultz assured Rabin that the US is opposed to this type of conference. Once the Soviets are involved it would be difficult to reverse. The Arab-Israeli situation has only made progress, in the past, when the Soviets were kept out. The Kremlin has done nothing to warrant their inclusion in talks. It has shown great hostility towards Israel, severing diplomatic contact and refusing all overtures towards cordiality. It supports both wings of the PLO, spurred the Syrians to disrupt Lebanon, fosters anti-Zionism in the UN, anti-Semitism at home and supplies both sides of the Iran-Iraq conflict.

NYT-2/4-Gideon Rafael "Slow the Mideast Race" The administration's decision to suspend new arms sales to the Mideast was a dramatic and welcome step. The next step should involve both superpowers in a comprehensive effort to slow the arms race in the Mideast. Instability is endemic to the region. The area from Kabul to Casablanca is overstocked with arms. The purpose of these arms are to wage local wars. Oil is the Mideast's most coveted currency and arms are used as payment. But the arms trade is hardly dependent on oil. Israel hasn't remained aloof from the arms race but it has been a lonely voice, proposing time and time again to put an end to the mad competition. The burden to end this is on the superpowers, arms control talks may offer an occasion for consultation on the Mideast arms race.

Press Reports

Israel Accepts Voice of America Transmitter

NYT-p.1-Freidman-Israel has informed the US that it will permit the installation of a Voice of America transmitter in Israel to enhance US broadcasts to the Soviet Union. The decision was conveyed to the US weeks ago. The Israeli gov't refused to comment for fear of drawing more attention to the transmitter, which they fear might cause problems for Soviet Jews. US officials thought it important for Israel to grant the request. Senior Israeli officials believed there was no way to turn down the request.

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סיווג בטחוני:

דחיות:

תאריך תח"י:

סדר גלוי:

197/39

מס' ת"י
מס' חב"ק

Egypt to Allow Bail for Briton in Plot

NYT-Miller-The Egyptian gov't is prepared to release a Briton who was detained in connection with a purported plot to kill an exiled political opponent of Qadaffi. He will not be allowed to leave Egypt but he will be allowed out on bail for humanitarian reasons. Egypt has hard evidence of continued efforts by Libyan agents to engage in terrorist attacks in Egypt.

Taba

NYP-Egypt requested arbitration to settle the question of who owns Taba.

Shiites Seize, Then Free Plane

NYT-UPI-Gunmen seeking freedom for jailed associates seized a Cyprus Airways jet at Beirut airport and threatened to kill 12 hostages, but surrendered 5 hours later.

Letters

DN-Malcolm Hoenlein states that the DN editorial that agreed with Italy in freeing Walter Rader was morally offensive. Prison terms can never be enough punishment for Nazi killers.

The Nation on Sharon

Nation-2/9-Editorial "Sharon Defamed?" The jury was forthcoming about Time's mistakes. It might have been candid about Israel, its politicians and its military commander in the invasion and occupation of Lebanon. Others, however have been more forthcoming, and some of the sharpest criticism has come from Israel itself, where Sharon has filed suit against Time but not against any local media. Exerpts of reaction from Israeli press is given. These include quotes by Hirsh Goodman, Simcha Ehrlich and Avraham Tal.

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המספר בעתון ב-11 יורס
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Abstract

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מגירות ישראל - וועינגטון

אלו הם שרד

דד...ממון...דמים
סודי
דמימות...מילדי
פבר' 8 1000
מדין וזימ...

157 1/2

ממנכ"ל. מצפ"א.

ארה"ב - התהליך המדיני

מצ"ב דברי פטר רודמן ממחמ"ד בכנס סגור בסוף ינואר '85. הדברים משקפים את תערכת המצב בחוגים הקרובים למזכיר המדינה.

Peace Process

A senior administration official, with unusual exactness and candor, set forth this week the basic principles underlying the Administration's approach to the peace process.

First, having a peace process underway is essential, for three reasons:

- a) keeping alive the possibility that it may accomplish something in the region;
- b) securing U.S. control of the initiative in order to keep potential mischief-makers off balance;
- c) preventing pressures and frustrations from building.

The official stated that, "There is no doubt in the minds of the top U.S. policymakers that it is imperative to make progress and succeed."

Second, at the same time, it is not in the U.S. interest to act and fail at moments when conditions are not right for progress. We owe it to our friends in the region to know when the moment is right.

Third, nothing can be achieved except through direct negotiations between the Arabs and Israel; this may seem obvious to us, but it is essential to communicate it to our Arab friends who sometimes think that they can conduct their negotiations solely with the United States. To the Arabs we say: we do not have the power to impose an outcome; our influence (over Israel) is greatest during a negotiation; it is therefore in the Arab interest to get something started (on the peace process). To Israel we say: the status quo in the West Bank and Gaza is not viable over the long run; we can fix it through negotiations.

.....FROM THE

 $157 \frac{2}{2}$

This is not only the Administration's policy, but they also believe they have an opportunity to put it into practice in the next few months. They are pleased that Arab leaders are now talking about talking and are optimistic about King Hussein actually entering into the peace process (anytime in the next 6-12 months). They see Arafat's advisors split over whether or not to go with Hussein, which paralyzes Arafat in the process. When King Fahd of Saudi Arabia comes to Washington in two weeks, the Administration is expected to tell him to back up Hussein in the peace process and publicly accept U.N. Resolution 242. In the process, the Administration hopes to create a "context" that will justify an arms sales both to Jordan and Saudi Arabia, possibly linking movement on the peace process to approval of a sale.

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Wien und sind in Wien (1872) bei der Wiener

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ממנכ"ל, מנהל כלכלית, מצפ"א, לשכת ראש הממשלה.
דע: אברהם אלון, מנהל לקשרים בינ"ל של ההסתדרות, תל-אביב.

עו"ד כלום מוסר כי השיחות עם איגוד המכונאים בחסות חתיווך הפרדלי התנהלו באווירה טובה. המכונאים, בניגוד לעבר, לא דחו על חטף את הצעותיו של כלום והסכימו לעיין בהן ולהגיש הצעות נגדיות בפגישה הבאה שבקבעת ל-25/2. הם אומנם דחו את הצעת כלום להגיש את השאלות חשניות במחלוקת לבוררות, אך ייתכן וזו לא עמדה סופית.

יש יסוד לתקוה שתפתחות זאת תאפשר לנו לעבור את מועצת האיגודים בפלורידה בשלום.

דגני בלונד

החל מיום שבת 17/12/2010 עד יום שבת 24/12/2010
החל מיום שבת 24/12/2010 עד יום שבת 31/12/2010

(620) $\frac{1}{7}$ 178

דע: ת/מנכ"ל. מנהל מצע"א. מנהל מאו"ר,
לשכת רוה"מ.
לשכת שר האוצר.

8. יחד עם דה-קונסיני בוטעים אשתו (סוזן), ובאמור, ארל כ"ץ.

מחיר המכירה 1000 ש"ח

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178 $\frac{3}{7}$

DC ROME ADDIS NAIROBI TEL AVIV DC

Saturday, February 9 - Monday, February 18, 1985

Saturday, February 9

1:50p dpt NAT TN 846

Sunday, February 10

9:00a arr ROME

overnight: Ambasciatori Palace Hotel
70 Via Vittorio Veneto
001 396 47 38 31

Monday, February 11

dpt ROME VIA Air Force
arr Khartoum
meet w/President Gaafar Nimeiri

Overnight: Khartoum

Tuesday, February 12

6:00a dpt Khartoum via Air Force
9:00a arr Addis Ababa

overnight: Addis Ababa Hilton
tel. 448400

Wednesday, February 13

7:30a dpt Addis via chartered aircraft (30 seat Stol aircraft)
3:30 arr Gonder (tour Falasha villages)

overnight: Goha Hotel, Gonder

Thursday, February 14

7:30a dpt Gonder
9:00a arr Makelle
visit feeding/relief sites
4:00 meeting w/Chairman Mengistu
Addis
7:30p dinner w/Charge David Korn, Ethiopian
officials

Friday, February 15

8:00a dpt Addis via Air Force
9:30a arr Nairobi
Ald/Meal: for Millions Representative Mary Adiedo Okumu to meet plane
Tel. 42308

Friday, February 15, 1985

Visit Kawangware Project and Dandora w/Mary Adiedo Kumu

Reuben Johnson and Altrena Murkuria (Tel. 233-6678)

Family Planning International Assistance

Overnight: Intercontinental, City Hall Way, tel. 33 555 0

Saturday, February 16, 1985

8:00a dpt NAIROBI via Air Force plane

NOON arr TEL Aviv- *

Monday, February 18, 1985

7:10a dpt TEL AVIV TW 803

2:05p arr JFK (stops in Paris en route)

4:10p dpt JFK TW 749

5:19p arr NAT

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GUIDELINES FOR ACTION ON FAMILY REUNIFICATION

BACKGROUND - See enclosed background paper, talking points, trip reports from Representatives Wolpe and Ackerman, and correspondence between Representative Wolpe, Goshu Wolde and the State Department.

OBJECTIVE - To reach an agreement to allow Ethiopian Jews to be reunited with their families in Israel (see specific objectives in enclosed background paper).

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FAMILY REUNIFICATION OF ETHIOPIAN JEWS

Background

While over 13,000 Ethiopian Jews are now in Israel, at least 4,000 are believed to be stranded in refugee camps in the Sudan, and 7,000-10,000 remain in Ethiopia. Most of the latter group are women, children, elderly men, and the infirm who are not physically fit to make the dangerous and extremely arduous overland journey by foot to Sudan. Most of those Jews still in Ethiopia have relatives in Israel and virtually all of them wish to leave Ethiopia to be reunited with their families.

The Ethiopian government has traditionally refused to recognize a right of emigration for any Ethiopian citizens and has treated the desire to emigrate as an affront and an expression of disloyalty. People apprehended while trying to leave the country illegally are often harshly treated. In practice, of course, hundreds of thousands of Ethiopians have left the country to escape political oppression and starvation but, legally speaking, emigration is still prohibited.

In the last couple of years, several efforts have been made to secure the government's agreement to allow Ethiopian Jews to leave the country to rejoin family members in Israel. Rep. Howard Wolpe met with Foreign Minister Goshu Wolde in 1983 and secured his oral agreement to allow designated Ethiopian Jews to leave for Israel. Wolpe subsequently passed to Goshu a list of names of Ethiopian Jews seeking reunification with their families in Israel. Goshu said if these people would travel from their Gondar villages to the capital, Addis Ababa (a 250 mile journey which requires an authorized travel permit), they could apply for exit permits to leave the country for Israel. This process was never tried as no one was ever appointed within Ethiopia to coordinate and supervise either the movement of Ethiopian Jews from Gondar to Addis and the processing of their papers in Addis (see Family Reunification Objectives).

Objectives

1. To secure agreement in principle (and in writing if possible) from the Ethiopian government -- if possible from Chairman Mengistu himself -- to allow Ethiopian Jews to leave the country to be reunited with their families in Israel.
2. To secure authorization for the appointment of two people mutually agreed upon by Senator DeConcini and For. Minister Goshu Wolde (one person each to be proposed by the Senator and the For. Minister) who would organize, facilitate, and oversee the process whereby Ethiopian Jews can apply in Addis for emigration (on the grounds of family reunification).
3. To secure permits for the Ethiopian Jews to travel from Gondar to Addis where they will apply for exit permits to leave the country.
4. To obtain the names of those Ethiopian government officials with whom Senator DeConcini will correspond on this issue upon his return to the US.
5. To assure Goshu Wolde that the person who Senator DeConcini appoints to coordinate the family reunification process will begin working as soon as possible and that they will provide an up-to-date list of Jews in Ethiopia and their relatives in Israel.
6. To ensure that the State Department and the American Embassy in Addis Ababa follow up on any agreement reached with the Ethiopians.

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Talking Points

-- I have come to Ethiopia, in part, to follow up on a matter which several Members of Congress have raised in the past -- the reunification of Ethiopian Jewish families.

-- We are concerned about the fact that several thousand Jews in Ethiopia are separated from their families -- husbands from wives, and parents from children -- now outside of Ethiopia. They seek only to be allowed to exercise the universally recognized right of family reunification. This could be done quietly and at no cost to the Ethiopian government.

-- This is a humanitarian issue of great concern to many Members of Congress. Among others, Congressman Wolpe, Chairman of the House Africa Subcommittee, and Congressman Gary Ackerman have discussed it with you before. Frankly, it is difficult for American legislators to understand why, at a time when we are providing massive assistance to alleviate potential starvation for millions of Ethiopians, the Ethiopian government is reluctant to make a simple humanitarian gesture to relieve the personal suffering of a few thousand people who have been separated from their families.

-- As you know, legislation is now being sought in Congress to provide several hundred million dollars worth of famine relief for Ethiopia over the next year. These efforts are encountering considerable resistance because of recent reports -- true or not -- about diversion of food, interference with distribution of food to starving people, and a variety of other human rights problems.

-- The efforts of the friends of Ethiopia to authorize a generous famine relief program, and to overcome these Congressional misgivings, would be greatly helped if I could report privately to influential Members of Congress that the Ethiopian government was taking a humane and forthcoming position on the issue of the reunification of Jewish families.

-- What we seek is a set of orderly and recognized procedures through which all Ethiopians who have close relatives in Israel can apply for permission to leave the country and be reunited with their families. Once the presence of close relatives in Israel is confirmed, I would hope that the necessary documentation would be provided and departure would be permitted in short order with a minimum of obstacles. We would hope that this procedure could be open to all those Ethiopian Jews who wish to rejoin their families abroad.

-- To ensure that a family reunification program is run smoothly, it would be necessary to appoint two coordinators to assist those Jews who want to leave the country. These facilitators would be mutually agreed upon by Senator DeConcini and Foreign Minister Goshu Wolde. They would be stationed in Addis Ababa in order to maintain liaison with your government. They would help Jews to obtain the necessary permits and make travel arrangements. These facilitators could be either Ethiopian or non-Ethiopian.

-- I will advise the American Embassy in Addis Ababa of these discussions and will ask the Charge d'Affaires to stay in close contact with the Foreign Minister concerning implementation of any agreement.



official text

DATE: 02/07/85

U.S. TO DEAL 'FLEXIBLY, CONSTRUCTIVELY' IN ARMS TALKS

(Excerpts: McFarlane on 'Worldnet') (3,730)

WASHINGTON -- White House National Security Affairs Adviser Robert McFarlane says the United States will enter arms control talks with the Soviet Union in Geneva beginning March 12 "prepared to deal flexibly, constructively, with the entire agenda of strategic systems" as well as with INF systems.

The talks offer the prospect of "finally beginning to move down the road toward the reduction of nuclear weapons," McFarlane said February 7 in a satellite television news conference with journalists in Western Europe and Asia over the U.S. Information Agency's "Worldnet" transmission.

Following are excerpts from the transcript of the news conference:
(BEGIN EXCERPTS)

MODERATOR: Last night, before a joint session of the Congress of the United States, President Reagan delivered the first State of the Union Message of his second administration. The address covered a broad range of subjects, both domestic and foreign....

I'd like to ask a bit about the President's call for a second American revolution, as it pertains to foreign policy. He mentioned, of course, a number of specifics, trade negotiations, arms control, space, and support for freedom fighters. If you were to summarize it, does this add up to a more activist foreign policy in the second administration? If so, how?

MR. MCFARLANE: I think the President was expressing what is made possible by the renewed strength of the United States, achieved in the past four years, economic strength as well as strength sufficient to deter aggression, and that he believes it possible, in the coming years, to apply those resources, economic mostly, to a program of intense nation building, to foster development in third world countries, to continue to deter conflict by maintaining our strength, and to apply this dynamism that has come into the United States economy and is now emerging in other industrialized countries, in your audience today, to a collective effort to make the world a safer place, mostly through economic development and the application of high technology, to the improvement of the human condition.

MODERATOR: Thank you, Mr. McFarlane. We'll go now directly to our audiences overseas for their questions, and we'll begin first with The Hague.

QUESTION: My first question concerns the speech, the State of the Union. President Reagan said that the United States is the leader of the free world. And he would support freedom fighters all over the world. Is there a certain understanding for the tradition in the Soviet policy, after the Second World War, that they surrounded their territory with satellite states, with states with friendly governments? What's the position of the government in Washington about that?

MR. MCFARLANE: To begin with, the United States and our friends in Europe acknowledge that the World War II accords promised a number of things on both sides, and from the Soviet side the promise included elections, free choice, free institutions, in all of the liberated countries. Unfortunately, this simply hasn't happened, yet.



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The president's reference last evening was focused primarily upon those countries in which people have had removed from them, were disenfranchised, the ability to express themselves through normal institutions of press, religion, labor organizations, and so forth, and he saw, and stated, his view that the United States and other countries have an obligation to support people struggling for freedom.

He specifically mentioned from Afghanistan to Nicaragua. And it's my expectation that trying to respond to requests for help by countries who are under pressure, from these locations, an act of self defense will be an important priority of this country, in the coming years.

Q: Aren't you afraid that the president's position of a strong, superior, America, will have a negative effect on relations with the Soviet Union, and European allies as well? I mean this. You can be a champion of peace and freedom without boasting about your own strength.

A: It isn't a matter of boasting, nor is that the president's intention. I think a simple examination, though, of recent history makes clear the correlation between deterrence and peace and stability, which has been the record of the past four years, versus what happens when this country and our friends become weak. We can recall the period of the late 1970s, in which the United States and our friends had allowed our strength to decline, to include our economic strength. You will recall that was accompanied by a greater willingness on the part of the Soviet Union to take risks, to expand their influence directly or indirectly, and we saw that accelerating pace from Afghanistan, Angola, Ethiopia, South Yemen, Indochina, Nicaragua, but in the past four years, as together we have sought to renew our strength and sense of purpose, that trend has been arrested.

Q: (inaudible) -- Star Wars program for the protection of Europe? The European governments don't like the program. It will increase the developments in NATO and the war will be playing above Europe. What's your reaction to that?

A: I'm not sure I got the first part of your question. If it refers to the Strategic Defense Initiative and how it relates to continued deterrence and defense in Europe, it's clear that, while this is a research program that will take many, many years to define and examine, that from the beginning our responsibilities in Europe, and the imperative of European defense, will be central to this program, that clearly any technology that develops and is proven as feasible for the defense against ballistic missiles would be applied against those in Europe as well.

Now, clearly, this is an undertaking that is uncertain, but if it offers the possibility of non-nuclear defense, over time, it's a possibility worth pursuing and, I think, one that would be welcome to the people of Europe as well as those in the United States....

Q: Secretary Shultz said in Geneva that the United States has new constructive ideas to explore in the negotiations with the Soviets. Can you -- is it possible for you now, after a month, to enter into specifics, especially in the field of -- especially in relation to the INF?

A: The United States has had a year in which to reexamine its approaches, both to the intermediate-range nuclear talks, and to the strategic-range talks. We spent that time very well, in a very thorough examination of alternative approaches to the outcomes.

Now, our fundamental principles for the conduct of the INF talks you mentioned haven't changed. That is, that it is important to our allies and to us that the outcome be equal, that we have equal entitlements on a global basis. Also, that these not deal with, because they are not a part of this negotiation, the forces of France or the United Kingdom.

But, in this context, we have examined what alternative approaches might hold some promise of getting results. I don't think it's appropriate that we discuss those in open fora such as this, but it's given us a number of ideas, flexibility, and the ability to deal constructively with what we hope will be new ideas on the part of the Soviet Union.

We've applied this same process to the strategic arms talks and will enter those prepared to deal flexibly, constructively, with the entire agenda of strategic systems. So, we look forward to this. We think it offers the prospect of finally beginning to move down the road toward the reduction of nuclear weapons.

Q: I would like to ask you about concrete details of the announced increased support by President Reagan for the freedom fighters in Nicaragua and in Afghanistan.

A: The president, last night, referred to his sense of obligation to support those struggling for freedom, in a global sense. He did make particular reference to the regime in Nicaragua which has practiced a policy of repressing the exercise of free press, religion, assembly, organization of labor unions, (and) has been identified as involved in narcotics traffic internationally. All of these things have, naturally, led to an opposition in that country, an opposition that was part of the original revolution, originally Sandinistas, but who have now been disenfranchised by a small element of that original group.

Now, the effect has been that the Nicaraguan government's deliberate policy of subversion of neighboring states, including El Salvador, has led those countries to ask for help, and this request is a legitimate right of self defense by Salvador and other regional states, to which the United States has responded, in accordance with the U.N. Charter and the OAS Charter.

Now, it is clear that the policies of the Nicaraguan regime are undermining the security of their neighbors. The United States intends, wherever this condition arises, and important American interests are at stake, be it in this hemisphere or elsewhere, to seek to be responsive to people who seek nothing more than democracy and freedom.

Now, we want to listen to our Congress and see if together we can't forge a means that can be supported by all of the American people for this global policy of trying to expand the growth of freedom, democracy, throughout the world....

Q: May I ask whether you see any possibility to reach, let's say, a more or less preliminary agreement on the halting of further INF deployment on both sides, in order to improve the Geneva climate?

A: I think that the United States, for its part, and with our allies, have said many times that we would be prepared to halt, to reverse, to completely eliminate, the western deployments, in the context of an agreement overall that provides for equality.

Now, we do enter these talks in that spirit, and hopeful of that outcome. We have to take note that on those occasions where the Soviet Union has stated that it would observe a moratorium, the reality has been to continue deployments, and we take that very seriously.

We believe that in the past year, two years, it has been the cohesion, the solidarity within the NATO Alliance, which has, first, stressed its preference for an arms control agreement, but absent that, has been willing to go ahead and take the necessary step of keeping the balance through deployments, that has now led to the prospect, in Geneva, of serious talks toward the elimination of those systems. So, we are open to all ideas.

We have a solid sense of historical precedent on the part of the Soviet Union, which has not been encouraging with regard to moratoria.

But we are ready to halt, to reverse, to eliminate these deployments, in the context of an overall agreement....

Q: President Reagan has attacked one more time the government of Nicaragua, and has asked support for the contras. Tomorrow, the British Prime Minister, Margaret Thatcher, the strongest ally of the U.S. in Europe, is receiving the Vice President of Nicaragua, Sergio Ramirez. What do you think about this?

A: The authority in the British government to do business as it sees fit is surely not a matter for United States comment. Our own disagreements with the government of Nicaragua are well known and they are ones that we discuss with that government, as well as with our friends in Central America. Our policies and our goals are well known to our friends in Europe as well, and we're always open to suggestion, and listen to their ideas. And that will continue to be our policy.....

Q: My question is in relation to military and economic aid to Latin America. Peru is one of the most favored countries in this respect. Do you intend to maintain this aid in the case of the probable trying of the left in the next Peruvian election?

A: The United States concern with the very, very severe problems being faced by Peru leads us to an interest in helping, wherever possible, and we have talked with President Belaunde here, during his visit last year, about how the United States might be helpful. It is not the place of the United States to involve itself in the internal politics of the country, nor shall we. However, our readiness to be helpful, where possible, within the resources at our disposal, is clear, and our support for President Belaunde (is) also clear.

Q: I would like to ask you why there was no reference to the Lebanon question in the President's speech of yesterday night. It was in the first draft of the speech and it was omitted.

A: I believe that as much as the President would like to devote focused attention to the many, many, many countries with whom we have an interest and responsibilities, time constraints simply don't allow for each. The United States' concern for improving stability in Lebanon is a matter that's on the public record, and has been for years, and we remain devoted to doing what we can to lend to that stability, over time.

The draft did not change in that respect, with regard to Lebanon.

More generally, I think the president's references to our obligation and sense of responsibility to work for peace, for improving conditions of human rights, for improving the economic conditions in countries throughout the world, these are applicable in Lebanon, as they are to countries in the developing world, throughout the globe.

Q: The European Parliament, which represents 273 million people, is discussing more and more security policy, and the aim of the great parties in the European Parliament is to strengthen the European identity in security policy. And our aim is, I think, to have a second pillar, a European pillar, beside the American pillar, within the Western alliance. What is your attitude concerning these European ambitions?

A: We very much welcome European interest in optimizing, getting more out of, the total package of contributions that we make collectively to Western defense. All of us have realized, and particularly since the mid-1970s, the importance of strengthening conventional defense, in particular, and that we can do this more equitably with a better division of labor between the member countries of the Alliance. So, we very much welcome that. And we welcome the separate, but related, intra-European interest in strengthening the European component and the identity, as such, of European self defense.

So, this is a constructive concept that we are now, and we expect to continue to work closely with our European partners in developing.

Q: You've been having some difficulty in the ANZUS Pact this week, which I think may have some implications for the NATO allies too. You've withdrawn your forces from exercises with New Zealand because they were not prepared to welcome U.S. nuclear ships. What are the implications of this? What are the lessons of this for NATO allies, of which there are several, which have their misgivings about allowing nuclear weapons on their soil?

A: I think that the record of the countries of Europe has been a very solid one. The record of the people in Europe has been to express an understanding that, as much as all of us would like to do away with nuclear power, nuclear weapons, that this requires some steadiness, negotiation, and patience, that indeed, because of the enormous power disposing to the Soviet Union, there is a price for peace, and that price is vigilance and a certain contribution to systems that deter conflict, that keep the peace.

And we must work to make sure that we do everything we can to reduce those systems, and we shall, but we cannot avoid the enormous power that we confront on the other side of the border, and our responsibility, if we desire to keep the peace, is to maintain our strength and our readiness to negotiate lower levels. But the record of the people of Europe, and particularly in the last two years, has been very solid in acknowledging that that unfortunate burden is essential....

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Q: I wonder if you've been advised officially by the Soviet leadership about President Chernenko's illness, about the nature of it and whether you feel that perhaps the Soviet Union is entering another transition phase, another power vacuum, that might have implications for the negotiations with the United States, in a number of areas. I wonder if you could comment on that.

A: First, it's out of place for me to comment upon the health of the incumbent leadership in the Soviet Union. To answer your question, we have had no official notice of any change in the leadership or its condition. On the second part of your question, I think that we have to deal, in our own government, on the basis that the Soviet Union is capable of taking decisions clearly. At the same time, during the transitions which have occurred in the past three years, there has been a slowdown in the pace of decision-making normally associated with the kind of transition they have had.

And one can assume that would be the case again. We hope not. We are ready and hopeful that a healthy pace of negotiation can be sustained at Geneva.....

Q: Mr. Reagan says repeatedly that Moscow did not live up to the Yalta agreement, and this is to become an important issue in the coming months. Aren't you afraid that this will have some effect on the atmosphere in Geneva?

A: I think that the United States has never believed that it is sensible to ignore disagreements, and this is a very fundamental one which is not only a matter of concern to the United States but to our friends in Europe as well.

The United States enters the negotiation in Geneva with specific interest in reducing the level of nuclear arms. We have a broader agenda with the Soviet Union that involves regional disagreements, issues of human rights, and bilateral issues where there is some promise of greater cooperation.

But the entire agenda has to be treated candidly, openly, and we shall do so.

Q: Germany and other European countries have seen a wave of terrorist attacks against installations and persons involved with military research, military programs, or NATO projects. What do you think? Which are the reasons for these attacks and don't you fear that the European peace movement could become violent if the superpowers do not agree on real arms reduction?

A: I think that the basic contradiction between peace movement and violence ought to provoke a question in the minds of people everywhere about how one truly wages peace. And we think that there are certain concepts which historically have gotten success, and we believe that there is the promise of progress on arms reduction agreements. We intend to devote our fullest efforts to that.

The wave of terrorism that has emerged is devoted to weakening our systems, our institutions, the expression of individual freedoms, as well as to promote, here and there, the extremist cause of the terrorist groups involved. It's the kind of thing which really does threaten fundamental institutions and justifies the closest possible cooperation between our countries, in the exchange of information, in our police records, and the ability of our police, working together, to identify, track, apprehend, and prevent these kinds of things.

But we cannot be frightened away by them. We have to be, remain, firm in our commitments to principle and our values.

Q: I'd like to come back to the ANZUS Pact events, if I may, and to the lessons that there may be for NATO. First of all, is this, in fact, a new departure in U.S. policy, the response to the New Zealand decision not to give facilities to nuclear ships? And secondly, what is the U.S., if anything, going to do about countries such as Denmark, Norway, Greece, and I think in some cases Canada too, which place restrictions on the nuclear weapons on their territory, or are seeking to remove nuclear weapons from their territory?

A: I think fundamentally the foundation of alliances, whether Pacific or European, are based upon the proposition that there is no free lunch, that each member of that alliance has to contribute in ways that involve risks, sacrifice, and surely the United States wants to minimize those and to come to terms with our allies for those sacrifices and risks that will minimize them. And we have, and we shall continue to do so.

But I think all of our allies look to the East and they see an expanding level of threat, here and there, and they recognize that historically the only way that free countries have been able to deter and withstand this pressure is to be strong, steady, patient, and willing to exercise these sacrifices, so that over time, perhaps, the other side will get the message, and we can reduce the tensions which require these things.

But the relationships that have been established between the United States and our friends, are longstanding, satisfactory, safe, and workable, and are a cost of doing business in the late twentieth century, for as long as we face the threats that we do....

Q: Since the president has sent the budget plan to the Congress with an enormous increase in military spending, I understand there is enormous opposition in the Congress. How do you view the possibility of this budget plan? Will the Congress pass it with less alteration?

A: I think there is every basis for optimism that the defense budget will reflect real growth at a scale required to meet the threat. Let me stress again that the amount the United States is devoting to security issues today is less than it was at a time 30 or 40 years ago, as a proportion of our gross national product. In the fifties, when the threat was relatively benign, we were spending 10 percent of our gross national product. In the sixties between 8-1/2 and 7 percent. But that declined by the end of the 1970s to about five percent, at a time when the threat was growing considerably.

Now it's between 6-1/2 and 7 percent, not an inordinate burden upon the American people, and we would expect that the Congress would share that opinion and you would see this budget, largely intact, emerge at the end of the year.

(END EXCERPTS)

..... **STAGE 1: THE CHALLENGE**

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THE PRESS REPORTS

WASH. POST. E. WALSH Israeli Army helicopters showered parts of southern Lebanon today with leaflets announcing imposition of a nighttime curfew and severe travel restrictions and warning that any one violating the new regulations "will endanger his life".

MUBARACK'S ENVOY MEETS WITH ISRAELI PRIME MINISTER

WASH. POST. E. WALSH Prime Minister Pines met today with personal envoy of Pres. Mubarak. Since the meeting was scheduled to continue there was not a press release.

LEBANON ENVOY BRINGS CHARGES OF ATROCITIES AGAINST ISRAEL

WAS. TIMES. D. NEFF Lebanon's Ambassador to the US accused Israel yesterday of committing "atrocities" in the occupied southern Lebanon. The Lebanese Ambassador said he would take his complaints to the State Dept. this week to ask the US to persuade Israel to restrain its troops.

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News Summary February 7, 1985

columns

NYT-Mazher Hameed (exec. dir. Middle East Assessments Group, a public-policy research org) "A Reagan-Fahd Agenda" It would be a great mistake to treat Fahd's visit lightly. Reagan and Fahd have a great many things to talk about, including common interests in the Mideast. Fahd will not discuss the enormous sums of money that Mubarak and Peres are to receive. They will discuss US help in trying to keep the flame of hope burning in Afghanistan. They will talk about ways to continue the stabilization of the Iran-Iraq war. Washington showed wisdom to coordinate Gulf security with the Saudis and to build up Saudi strength. When it comes to the Israeli-Arab conflict, they have less in common. No country worked harder with the US to assure a favorable outcome in Lebanon. The cost of failure was as high in Saudi Arabia as in Washington. America's unquestioning support for Israel is seriously undermining the leadership of moderate Arab states. It appears to have undercut the chances for a settlement. In terms of the Palestinians, all parties understand the need for a settlement, that the Palestinians be actively involved and that Jordan must play a principle role, with broad Arab support. But Reagan and Fahd remain divided on the issue of the Palestinians' political status. For the US the Arab-Israeli conflict is just one more conflict in the world. For the Saudis, it is a principle factor in public and regional opinion.

Press Reports

Israel Raids Villages in Lebanon

NYT-Kifner-Faced with mounting attacks, the Israeli Army conducted major raids on Shiite Moslem villages that have been centers of resistance in the region. The raids were prompted by two ambushes in which 12 Israeli soldiers were wounded. Israeli troops have prevented foreign journalists from entering southern Lebanon for the past 17 days. Thus details of the days events were scarce and conflicting accounts were carried by Lebanese radio stations.

Mengele "Trial"

NYT-p.1 (photo of women in tears as she testifies) Friedman-On the gathering of Mengele's survivors in Jerusalem which is part of the worldwide ceremonies marking the 40th anniversary of the liberation of Auschwitz. Stories of the survivors are vivid, bring tears to the audiences eyes. Mengele is said to be living in a "closed military area"

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In Paraguay, according to Simon Wiesenthal. (see DV-AP; ND-Rabinovich)
US Launches Investigation on Mengele

NYT-Werner-The US Attorney General announced that the Justice Dept. would open an investigation into the whereabouts of Mengele and into reports that the Nazi war criminal had been held and freed in the US occupation zone of Vienna after WW II. He said the Israelis were "intensely interested" and would be "working very closely with us." (see DN-UPI; ND-Reuters)

Iran-Iraq

NYT-AP-Iraq said its forces "Totally crushed" an Iranian attack in the central sector of the war front, killing 432 soldiers and wounding many others. It did not specify the combat area. Iran said that an attack was carried out in Bijan, a rural area and that no casualties were reported.

NYT-AP-The official Iranian press agency said one person died and two were wounded when an Iranian Gov't building in Teheran was attacked with grenades. In Germany, an Iranian bank was set afire and 14 were injured. Two groups opposed to Khomeini said they were responsible.

Tu B'Shevat

ND-Photo of child placing paper tree on map of Israel in the Jewish National Fund office in Manhattan.

Letters

NYT-Peter Belmont, a member of Search for Justice and Equality in Palestine/Israel states that the press has typically not adequately discussed the history or context of the Mideast. For example, he cites those who discuss Israel's problems and achievements without mentioning the Palestinians. Daniel Pipes, in a recent editorial doesn't mention why the Lebanese have anti-American feelings. The reason is that Israel invaded in 1982, kept up a difficult occupation and that America is Israel's well known weapons supplier, diplomatic champion and financial rescuer.

NYT-The US Rep. Society for Coptic Archaeology states that it isn't true to say that Mubarak reinstated Pope Shenuda as patriarch. No head of a

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Moslem state has the authority to do so. The Coptics are still second-class citizens, discriminated in every area because of their faith. The Pope's freedom is only the first of many issues of justice sought by the Coptic people.

NY-NY residents states that the bounds of decency have been surpassed by Evans and Novak in their comments about Reagan placating the Jewish community by going to Dachau. The US governments record in helping Jews escape Hitler's destruction is disgraceful. So, some high officials are angry at the Jewish lobby. If there was a strong Jewish lobby in the 1940's maybe there would be no Dachau.

WSJ-Not only German capitalists helped Hitler. Many decent people were seduced into support for Hitler's programs. There is much blame to go around. Another letter on the subject states that the only significant opposition to Hitler came from the left. Marx did not share the extreme racism of Hitler. To say so is a right-wing smear campaign.

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מחירי מכוניות

מל: המשרד

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אל - : ממיד , מצפ"א

1. הופעת עבד אלמג'יד ב"אמריקאן אנטרפרייז" ב-7. מלבדו בפאנל אליידי וכן פרנגר וקיפר מהמכון בקהל (כ-50 איש) גורמים ממחמ"ד, דיפלומטים ונציגי התקשורת. מצידנו סיבל והח"מ. נאמר במפורש שזו לא מסיבת עיתונאים אלא "אוף רקורד".
2. עבד אלמג'יד חלק דבריו לשנים, הרצאה קצרה (כ-20 ד') ושאלות ותשובות. להלן תמצית דבריו:
 - א. עמיד תהליך השלום במזה"ת.
 3. השלום המצרי - ישראלי אכן פינה לשלום כולל במזה"ת. כך היה וכך נשאר. מצרים מסקיעה (exert) מאמץ לעודד את הערבים בכיוון זה כשם שפועלת כלפי ישראל. ישראל כפתה סיפוח ירושלים וממשיכה להקים התנחלויות בגדמ"ע ולהגלות אנשים משם, מה שמרחיע אלמנטים מתונים. למרות זאת מצרים מאמינה בנוסחה של "טריטוריה תמורת שלום". 6 שבועות אחרי השלמת פינוי סיני, ישראל פלשה ללבנון ונתנה תחמושת לערבים שטוענים שישראל לא רוצה שלום אמיתי אלא לנטרל את מצרים. קבלנו בברכה החלטת רוה"מ פרס לפנות לבנון בתנאי שהמדובר בפינוי מלא ולא במהלך "קוסמטי". אנו קוראים לממשלת ישראל להחיש (Expediate) פינוי כל לבנון על מנת לחדש תהליך השלום. מקוים שאלמנטים מתונים בישראל ובעולם הערבי ישתקו את הקולות הרדיקלים בשני הצדדים. ממשיכים להאמין שטובת ישראל דורשת שתשמע בקול אלה, ביניהם ארה"ב, להקפיד ההתנחלויות ותהליך הסיפוח הזוחל. ידידי ישראל אינם מקבלים הטענה בישראל על חשיבותה האסטרטגית של הגדמ"ע. בטחון ניתן להשיג רק בשלום אמיתי וכולל. קוראים לישראל למנוע אירוזיה במצב ע"מ לשכנע את הערבים וביחוד הפלסטינאים להשתתף בתהליך השלום עם מצרים.
 4. באותו זמן מצרים מצידה בשיחות עם "אחינו הערבים" על כך שב-242 תשמש בסיס לשלום למרות שמדברת על פליטים: (א) אי רכישת שטח בכח. (ב) שלום מלא ואמיתי. (ג) הפלסטינאים חייבים להיות חופשיים להחליט על גורלם ולקבל "החלטה נכונה בזמן הנכון". מקדמים בברכה כנס המלי"פ בעמאן, החלטותיה והנהגת אשי"פ. מגנים רצח קוואסמה ואיומי רצח אחרים (Crimes).
 5. לארה"ב תפקיד מכריע בתהליך השלום. אנו מקדמים בברכה יזמת ה-1/9 ומייחלים שנושא המזה"ת יהיה בראש סדר העדיפויות של ריגן על בסיס של שותפים שווים. לשם כך חשוב שיתחיל דיאלוג

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מגזר ישראלי - וועטנאר

אלו

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אל: הערה, ע"מ, משה, חנוכי, יגד, לשי רוח"ם, דובר צה"ל. דעו ניו-יורק

NEWS SUMMARY - THURSDAY - FEBRUARY 7, 1985

THE PRESS REPORTS

Israel Calls a 'Lie' Suicide Bomb Story

WASH. TIMES-(UPI)- Lebanese radio stations claimed yesterday that a suicide bomb attack had injured as many as 100 Israeli soldiers near the southern port of Tyre, but Israel called the reports "a lie." In Tel Aviv, an Israeli army spokesman, Zev Chafets, issued an "official denial" saying the attack "never happened." UN peacekeeping forces in Naqoura had no immediate comment on the reported suicide car bomb attack.

Peres Visits Awali Outpost

WASH. TIMES-(Wires)-Peres visited a front-line outpost at the Awali River yesterday and pledged that Israel would not get involved in Lebanese politics after it withdraws from Lebanon.

Israelis Studied Raid To Catch Nazi

EVENING SUN-(AP)-The man who caught Adolf Eichmann says Israel considered a commando raid to capture Josef Mengele, after he eluded Israeli agents in a Buenos Aires, Argentina, suburb. Isser Karel, a former Israeli intelligence chief, made the revelation in Jerusalem, where a mock trial is being held. He also disclosed yesterday that he ordered Israel's Mossad intelligence agency to break up neo-Nazi movements in Europe in the early 1960's.

Shiite Asks For Attacks On Israelis

***THE SUN-(Wires)-Nabih Berri said yesterday that his ministry would pay guerrillas fighting the withdrawing Israeli occupation forces. Mr. Berri swore to drive Israeli troops out of South Lebanon if they did not leave in the first part of this year, or "blow ourselves up with them."

Rumors Abound As Sidon Prepares For Israeli Pullout

CHRISTIAN SCI. MON.-Curtius- The people of Sidon seem unconvinced by their government's assurances that the Lebanese Army, now deployed a few miles up the coastal road from Sidon will enter the city and enforce order once the Israelis complete their pullback to lines further south. Each faction is fearful of what the Israelis might do before and after they pull back from Sidon.

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Smith Orders Search For Auschwitz Doctor

WASH. POST-(AP)-Attorney General William French Smith said yesterday that he has ordered a full-scale investigation into the whereabouts of Josef Mengele, whom he called "one of the world's most vicious criminals." Smith told a news conference that the probe was triggered in part by disclosure of a declassified military document indicating that US occupation forces may have arrested and subsequently freed Mengele in Austria in 1947. "The allegations have been such, and the public interest has been such, and the notoriety of the individual has been such, that it seemed to be appropriate" to open the investigation, the attorney general told reporters at the Justice Department.

TV NEWS

On all national networks last night (Wednesday - Feb. 6), the mock trial in Jerusalem was discussed as well as reports broadcasted from Jerusalem.

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official text

February 8, 1985

Following are remarks by U.S. Ambassador Samuel W. Lewis
to the Union of Councils of Soviet Jewry
The Knesset, February 7, 1985:

It is indeed an honor and a privilege to join you tonight on behalf of the United States Government, President Reagan, and all Americans in expressing solidarity in this great unfinished task of helping somehow, somehow, to reunite the Jews of the Soviet Union with their homeland.

As we honor tonight these two very special members of the Israeli Knesset and in their name other friends and indeed many of you, and many who are absent, who have worked for years on behalf of Soviet Jewry, we all feel the absence of those who should be here tonight. Some of you miss them as family members; all of you miss them as fellow Jews, and most of all we miss them as fellow human beings, asking only for freedom. They are thus far prevented from fulfilling their dreams of reuniting with their homeland. But this occasion and many like it throughout the year keep alive and encourage the hope and indeed the conviction, even in this bitter year, that next year will be better for Soviet Jews -- for their right to live as Jews, to learn the Hebrew language, to express their cultural and religious heritage, and for their right to come home to Zion.

The last years have been hard indeed for Soviet Jews. Immigration has declined from 51,000 in 1979 to fewer than 1,000 this past year. There are those who say that this merely reflects what the Soviet authorities would like to argue: "Those who wanted to leave have done so." Ridiculous on the face of it, and belied by the courageous acts of those still in the Soviet Union who persist in their struggle despite the mounting official campaign of intimidation and physical violence. But you here tonight know that those there are not forgotten - will not be forgotten - and that because their cause is just, their struggle will ultimately prevail. It's not just a Jewish struggle - it's a struggle based on universal principles regarding the dignity and rights of the individual: the right to live normal lives according to one's own traditions and beliefs and the basic human right to emigrate.



United States Information Service
Tel Aviv, 71 Hayarkon Street, 63903 Tel. 654338 ext. 204
Jerusalem, 19 Keren Hayesod Street, 94188 Tel. 222376

USIS

My presence here among you is not just as a friend of Israel and of the Jewish people, but as the official representative of the United States of America -- proud that our country, Jews and non-Jews alike, will not let this cry of freedom go unanswered. Last June, President Reagan was speaking on the subject of human rights and the U.S.-Soviet bilateral problems. He said that "the proposals we have made to the Soviet authorities do not mean that we will ignore the violations of the Helsinki final act or the plight of Sakharov, Bonner, and Sharansky, Uri Orlov and so many others.

The persecution of these courageous, noble people weighs very heavily on our hearts. It would be wrong to believe that their treatment and fate will not affect our ability to increase cooperation. It will affect it, because our conscience, that of the American people and freedom-loving peoples everywhere, will have it no other way."

It is certainly true that there is no alternative in this dangerous age for our government to try to negotiate with the Soviet authorities to reduce the specter of nuclear holocaust and to reduce tensions between our two nations. But in those negotiations our representatives will never forget that the denial of human rights is one of the most important sources of world tension. Our leaders have made it clear over and over again to the Soviet leaders that they intend to keep this issue at the top of our agenda with the Soviet Union. United States foreign policy represents moral as well as material and security values. The issue of Soviet Jewry and freedom for Soviet Jewry occupies a prominent place in our official concerns precisely because denial of those rights anywhere ultimately impinges on all free peoples.

On December 10 of last year President Reagan said in his proclamation on Human Rights Day: "The United States recognizes a special responsibility to advance the claims of the oppressed, to reaffirm the rights to life and liberty as fundamental rights upon which all others are based, and to safeguard the rights to freedom of thought, conscience and religion. As we are free we must speak up for those who are not. And as Americans we strongly object to and seek to end such affronts to the human conscience, as the incarceration in the Soviet Union of men and women who try to speak freely or exercise the basic right to emigrate. The largest remaining community in Europe, Soviet Jewry, is again being exposed to a systematic, anti-semitic campaign. Ominously, teachers of the Hebrew language have been arrested and their efforts to preserve their culture and religion treated as a crime." The President continued: "Soviet authorities are continuing to threaten many refusniks with confinement in psychiatric hospitals, expulsion from their jobs and internal exile. Yet thousands of Soviet jews have applied for permission to emigrate. We have insisted and shall continue to insist that those who wish to leave must be allowed to do so."

In our bilateral conversations with Soviet officials, we will continue to make clear our approach on these human rights matters and their relations to the overall U.S.-Soviet relationship. This is the firm position of my President and my government, and by our actions we will continue to make sure that the other side fully understands it. Despite the disappointments, I feel that if we persist we will succeed.

That there is no rational reason why Soviet Jewish emigration must continue to decline and not begin to increase again. We have not forgotten them. We will not rest until Jews have the right to emigrate from the Soviet Union if they wish and until those who wish to remain have the right to practice their religion without harrassment and intimidation.

Secretary Shultz, echoing the President's words, recently said "the issue of human rights is at the top of our agenda because we have learned the great lesson of our scriptures: We truly are our brother's keeper..... We will keep struggling and somehow, someday, we are going to succeed."

One of the most heartening and indeed reassuring aspects of serving as the United States Ambassador in this country for almost eight years over the course of two U.S. Administrations, Democratic and Republican, has been that both the Presidents I have served here have believed profoundly, sincerely, and deeply, in their hearts, in words like those words I have just read to you. Neither President Carter nor President Reagan took the cause of human rights or the future of Soviet Jewry as merely official tasks, but rather as personal causes. They have done more than any previous presidents to exemplify, in the best American tradition, the phrase that Secretary Shultz spoke a few months. They have considered themselves their brother's keeper, and the fact that success has yet eluded us and eluded you does not mean that we have failed. It means that success will come only when we keep the faith alive -- keep the pressure on -- and make certain that no one can ever forget that the greatest nation in the world stands behind the cause of Soviet Jewry. I assure you we do, and we will.

Thank you.

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8. בריה"מ. ההחלטות תיא שולבד "דברי ברכה ונימוס" מקובלים במעמד כזה, מצרים אינה חושבת שכלי השתתפות הסובייטים לא ניתן יהיה להביע את התהליך המדיני. ברורה לה לחלוטין עמדת ישראל וארה"ב בנידון. ניתן ביטוי (חיובי) למצב האי-שיוויון לסובת ארה"ב. גזרה שורה בלמדה על טוריה שגם היא הוזכרה "אי שם בדבריו" (בעקבות שאלה). אין להסיק מכך שבשלבם מאוחרים כשידובר על "הגורל הסורי" המצב יהיה שונה.

9. בסה"כ אלמג'יד שידור מסר ברור - ללא Push אמריקאי קשה אם לא בלתי אפשרי, לקדם השלב הבא. הוא הותיר מספיק מרחב תמרון בשאלה איך וכיצד.

10. אגב, ממה שעבד אלמג'יד לא אמר, אך מה ושם נרמז קמעה, הוא שמסתור זורם בצינור המצרי-סעודי לא דווקא בנושאים בילטרליים, כמו בעניין "ראשי הפרקים" המצריים. דלעיל.

ישראל-מצרים

10. מצב זעתיך היחסי תוא פונקציה של שני נושאים:
א. לבנון. מהות מצב טראומתי למצרים שעשוי להגליד קמעה לאחר פינוי מלא של צה"ל (אגב מוטיב זה של טראומה שמעתי מהרבה אישים כאן, ולאו דווקא מדורשי רעתנו, והקרובים לנושא המצרי).
ב. טאבה הפכה לטאבו. אסור שדבריו המתונים על הסיחות בבאר-שבע יוליכו למסקנה מוסקת שפני מצרים לפשרה. החזרה לסיחות ועיתויה, גם לפי מספר גורמים לא קטן כאן, ע"מ ליצור דעת קהל טובה בזמן ביקור מובראכ ובעיקר ע"מ להגיע לתכלית אחת - הבאת הנושא לבוררות.
12. קיום הסכם השלום חיוני למצרים לא רק בשל החשש מקיום "ואקום אסטרטגי" לא רצוי (ביטל בשבעים שאלה על מתיחות צבאית) אלא גם בשל היותו שלב מבחן ביחסיה עם הממנה הערבי. כל חזרה ממנו או הודאה בכשלונו עשוי אולי להפכה לרצויה בעיני אחדים שם אך במחיר ובתנאי השפלה שיערערו תביעתה; כדבריי צבד אלמג'יד, לתפקיד מנהיגותי.

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שגרירות ישראל - וושינגטון

אל: המשרד

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 תאריך וזיה
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מצפ"א. מצרים. ממ"ד.

מגיד בועדת החוץ של הבית.
 מתוך שיחה עם המורשה לארי סמית.

1. שה"ח של מצרים הופיע הבוקר בפני ועדת החוץ של בית הנבחרים ותידוך אותה בדלתיים סגורות. סמית שאל את שה"ח מדוע לא תחזיר מצרים את שגרירה לישראל, מגיד תרצה ארוכות תור חזרה על העמדה המצרית הידועה:
 א. על ישראל לצאת לגמרי מלבנון (דיבר מפורשות על complete withdrawal)
 ולא הסתפק רק בתודעה על כוונה לצאת.
 ב. בעיית טאבה חייבת לבוא על פתרונה. פתרונה ייקבע בסופו של דבר אם שגריר מצרים יוחזר לתי"א.
 ג. חייבת לחול התקדמות בבעיה הפלסטינית.

2. בשאלה על תהליך השלום חזר מגיד וקשר את קמפ-דיוויד ליוזמת ריגאן כבסיס לשיחות. מגיד הביע תמיכה בועידה בינלאומית ובהשתתפות בריח"מ בועידה כזו, דבר העולה בקנה אחד עם נאומו של ריגאן בפני עצרת האו"ם אשתקד ועם התקדים של ועידת ג'נבה ב-1973.

3. המורשה לוין ביקש לדעת מה עמדת מצרים כלפי אש"פ. מגיד הדגיש כי מצרים תומכת באש"פ, בפלגו של ערפאת שהיבו, לדבריו, מנהיג מתון ולא טירוריסט כפי שאחדים מנסים לתארו. מגיד הוסיף כי אחדים מהטירוריסטים המפורסמים בצעירותם הגיעו לעמדות בכירות בארצותיהם במרוצת הזמן.

4. נשאלה שאלה על ראס-באנס ומדוע מצרים אסרה על חיל ההנדסה האמריקני לתרויב הבסיס. מגיד השיב כי מצרים לא רוצה בנוכחות חיילים זרים על אדמתה, אולם תאפשר לכוחות ארה"ב להשתמש במתקנים צבאיים שלה בכדי לסייע למדינה ערבית המצויה בצרה.

5. מגיד התייחס גם לממשלת האחדות הלאומית בישראל. שיבח את רות"מ וביקר את עמדותיו של ממררה"מ ושה"ח שמיר.

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שגרירות ישראל - וושינגטון

אל: המשרד


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דחיפות..כגלל.....
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משרד מסי מברק.....

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אל :- כנסיות, מצפ"א

חנדון :- קבוצת פולוול

בהמשך למברק 36 של הקונכ"ל יעקב.
התקשר אלי מרשל בריגר וביקש להדגיש חשיבות פגישת רוה"מ עם הקבוצה.


סיב

מה היה אצל ג/אנא ג'פאל ומה פנס'ה' אלה אלה יפ

(8)

אל: המשרד

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דפ...1...מתוך...2...דפים

סוג בטרני. סודי

דחפות. רגיל

תאריך וז"ח פבר' 6 1600

מס"מ מברק

מצפ"א. אירופה 2+1.

משיחה עם ריצ'ארד האס, סגן ראש אגף אירופה במחמ"ד.

סיפר שלא חש בכל פעילות אירופאית בנושא מז"ח. ניהלו שיחות בווינגטון עם הבריטים והצרפתים אך אלו כלל לא לחצו על ארה"ב לנקוט בפעולה, אף לא דחפו נושא הועידה הבינלאומית. האיטלקים העלו את הרעיון של נסיון למצוא פשרה בין פאז לבין חכנית ריגאן אך לפי בקשת האמריקאים האיטלקים יורדים מזה.

סיפר שלמיטב ידיעתו גם פאהד לא יבוא עם רעיונות חדשים וארה"ב מצידה לא תציע לו יוזמה חדשה. העיר שקרוב לוודאי שפאהד יחזור מאוכזב, בין היתר הנשיא ריגאן סירב לבוא לארוחה בשגרירות הסעודית למרות הפצרות הסעודים וזאת ע"מ למנוע תקדים.

לגבי שיחות ארה"ב-בריה"מ חזר על הידוע כי טרם נקבע מועד או מקום. הסובייטים לא מעוניינים לבוא לווינגטון לסיבוב הראשון אף כי הובטח להם שהסיבוב הבא, אם יתקיים, יהיה במוסקבה. נציגי ארה"ב יהיו כנראה מרפי והוא (האס). הוא מצפה שהשיחות, אם תתקיימנה, תהיינה עקרות לחלוטין.

שאלתו בנושא יהדות בריה"מ בקשר לדיאלוג הסובייטי-אמריקאי. השיב שאין כל אפשרות שארה"ב תעשה לינקג' בנושא ואכן אין כוונה לעשות זאת. יחד עם זאת יש להביא בחשבון שהרוסים מנסים לשחק את הקונגרס נגד הממשל וייתכן ויהיו מוכנים לעשות צעדים אשר ישפרו תדמיתם בקונגרס. גם אם יעשו זאת להערכתו יהיה מדובר בהרחבת מה במספר העולים, ואין כל סיכוי, להערכתו, לעליה המונית.

שאלתו לגבי סיכוי כינון היחסים עם ספרד. סיפר שלא מאמין שהספרדים

מחפשים עוד נושא פרובלמטי בשלב זה ולהערכתו ידחו את שאלת כינון היחסים עמנו עד

לאחר מציאת הסדר בנושא נאט"ו והצטרפותם לט"א אך בכל אופן הוא לא מצפה לחוזה ספרדית בזמן הקרוב.

לגבי יוון סיפר על מתיחות גוברת ביחסי ארה"ב-יוון על רקע פעולות טרור והתנתקות מכל פעילות בנאט"ו. ציין שהיתה זו עקשנות יוונית שסירפדה את שיחות קפריסין. הביע פליאה על כך שאנו לא מפעילים ומשתפים פעולה עם הלובי היווני כאן על מנת להשפיע על ממשלת יוון.

העליתי רצוננו לנצל ביקור אוזאל למען שיפור יחסינו עם תורכיה. הגיב שיטוחח על כך עם ברט אך ברור שרק המזכיר יכול להשפיע בצורה כלשהי על אוזאל. הדגיש את הפראנויה של התורכים בנושא הארמנים. חששם שהקונגרס יעבירהחלטה לציון יום זכרון לארמנים

אל:

והעובדה שיש להם מידע על קשר בין הטירוריסטים הארמנים ואנשי הג'יהאד האיסלאמי. כל אלה לדבריו יכולים לשמש בסיס לדיאלוג פורה שלנו אתם. לא ידע על קשר אשייפי עם הארמנים. עם זאת עלינו להביא בחשבון שלתורכיה קשרים כלכליים הדוקים ביותר עם מדינות ערב ואין סיכוי רב שיסכנו קשרים אלה. ארה"ב מודאגת מהקשר התורכי-לובי בתחום הבטחון.

שאלתו לגבי ביקור דגמה בווינגטון. סיפר שתחילה חששו מעברו השמאלני המובהק אך הוא בהחלט שיפור על שסון. בביקורו כאן, למיטב ידיעתו, לא נדונה שאלת מזיית אך כן נדונה שאלת הטירור וסוכם על שת"פ הדוק יותר עם הצרפתים בנושא תאום בין משטרת.

[Signature]
סיבל

נראה רחוק, נראה מוכן מוכן סמנטי מוכן
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אל: מוצ"א, מצרים - קהיר, י. 8-10/1/51

בפגשתי היום עם הרב אלכסנדר שינדלר לפני פגישתו עם השגריר
המצרי והדרכתי אותו לקראת הפגישה.
אשר לי אחר מכן שהעלה בפניו כל הנקודות לרבות ענין החיפושים
אחר נעדרים והצוללה "דקר". השיחה ארכה כשלושת רבעי שעה כשסגריו
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official text

February 8, 1985

PRESIDENT REAGAN'S STATE OF THE UNION ADDRESS

Following is the text of President Reagan's State of the Union Address, delivered before a Joint Session of the U.S. Congress, February 6:

Mr. Speaker, Mr. President, distinguished Members of the Congress, honored guests, and fellow citizens. I come before you to report on the state of our Union. And I am pleased to report that, after four years of united effort, the American people have brought forth a nation renewed, stronger, freer and more secure than before.

Four years ago, we began to change, forever, I hope, our assumptions about government and its place in our lives. Out of that change has come great and robust growth -- in our confidence, our economy and our role in the world.

Tonight, America is stronger because of the values that we hold dear. We believe faith and freedom must be our guiding stars, for they show us truth, make us brave, give us hope and leave us wiser than we were. Our progress began not in Washington, D.C., but in the hearts of our families, communities, work places and voluntary groups which, together, are unleashing the invincible spirit of one great nation under God.

Four years ago, we said we would invigorate our economy by giving people greater freedom and incentives to take risks, and letting them keep more of what they earned. We did what we promised, and a great industrial giant is reborn.

Tonight, we can take pride in 25 straight months of economic growth, the strongest in 34 years, a three-year inflation average of 3.9 percent, the lowest in 17 years, and 7.3 million new jobs in two years, with more of our citizens working than ever before.

New freedom in our lives has planted the rich seeds for future success:

For an America of wisdom that honors the family, knowing that as the family goes, so goes our civilization,

For an America of vision that sees tomorrow's dreams in the learning and hard work we do today,

For an America of courage whose service men and women, even as we meet, proudly stand watch on the frontiers of freedom,

For an America of compassion that opens its heart to those who cry out for help.

We have begun well.

But it's only a beginning. We are not here to congratulate ourselves on what we have done, but to challenge ourselves to finish what has not yet been done.

We are here to speak for millions in our inner cities who long for real jobs, safe neighborhoods and schools that truly teach. We are here to speak for the American farmer, the entrepreneur and every worker in industries fighting to modernize and compete. And, yes, we are here to stand, and proudly so, for all who struggle to break free from totalitarianism, for all who know in their hearts that freedom is the one true path to peace and human happiness.



United States Information Service
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Proverbs tell us, without a vision the people perish. When asked what great principle holds our Union together, Abraham Lincoln said, "Something in (the) Declaration giving liberty, not alone to the people of this country, but hope to the world for all future time."

We honor the giants of our history not by going back, but forward to the dreams their vision foresaw. My fellow citizens, this nation is poised for greatness. The time has come to proceed toward a great new challenge, a Second American Revolution of hope and opportunity, a revolution carrying us to new heights of progress by pushing back frontiers of knowledge and space, a revolution of spirit that taps the soul of America, enabling us to summon greater strength than we have ever known, and, a revolution that carries beyond our shores the golden promise of human freedom in a world at peace.

Let us begin by challenging our conventional wisdom. There are no constraints on the human mind, no walls around the human spirit, no barriers to our progress except those we ourselves erect. Already, pushing down tax rates has freed our economy to vault forward to record growth.

In Europe, they call it "the American Miracle." Day by day, we are shattering accepted notions of what is possible. When I was growing up, we failed to see how a new thing called radio would transform our marketplace. Well, today, many have not yet seen how advances in technology are transforming our lives.

In the late 1950's, workers at the AT-and-T semiconductor plant in Pennsylvania produced five transistors a day for 7 dollars and 50 cents a piece. They now produce over a million for less than a penny apiece.

New laser techniques could revolutionize heart bypass surgery, cut diagnosis time for viruses linked to cancer from weeks to minutes, reduce hospital costs dramatically and hold out new promise for saving human lives.

Our automobile industry has overhauled assembly lines, increased worker productivity and is competitive once again.

We stand on the threshold of a great ability to produce more, do more, be more. Our economy is not getting older and weaker, it's getting younger and stronger, it doesn't need rest and supervision, it needs new challenge and greater freedom. And that word freedom is the key to the Second American Revolution that we need to bring about.

Let us move together with an historic reform of tax simplification for fairness and growth. Last year, I asked Treasury Secretary-then Regan-to develop a plan to simplify the tax code, so all taxpayers would be treated more fairly and personal tax rates could come further down.

We have cut tax rates by almost 25 percent, yet the tax system remains unfair and limits our potential for growth. Exclusions and exemptions cause similar incomes to be taxed at different levels. Low-income families face steep tax barriers that make hard lives even harder. The Treasury Department has produced an excellent reform plan whose principles will guide the final proposal that we will ask you to enact.

One thing that tax reform will not be is a tax increase in disguise. We will not jeopardize the mortgage interest deduction that families need. We will reduce personal tax rates as low as possible by removing many tax preferences. We will propose a top rate of no more than 35 percent, and possibly lower. And we will propose reducing corporate rates while maintaining incentives for capital formation.

To encourage opportunity and jobs rather than dependency and welfare, we will propose that individuals living at or near the poverty line be totally exempt from federal income tax. To restore fairness to families, we will propose increasing significantly the personal exemption.

And tonight, I am instructing Treasury Secretary James Baker -- I have to get used to saying that -- to begin working with congressional authors and committees for bipartisan legislation conforming to these principles. We will call upon the American people for support, and upon every man and woman in this chamber. Together, we can pass, this year, a tax bill for fairness, simplicity and growth making this economy the engine of our dreams and America the investment capital of the world -- so let us begin.

Tax simplification will be a giant step toward unleashing the tremendous pent-up power of our economy. But a Second American Revolution must carry the promise of opportunity for all. It is time to liberate the spirit of enterprise in the most distressed areas of our country.

This government will meet its responsibility to help those in need. But policies that increase dependency, break up families and destroy self-respect are not progressive, they are reactionary. Despite our strides in civil rights, blacks, hispanics and all minorities will not have full and equal power until they have full economic power.

We have repeatedly sought passage of enterprise zones to help those in the abandoned corners of our land find jobs, learn skills and build better lives. This legislation is supported by a majority of you.

Mr. Speaker, I know we agree that there must be no forgotten Americans. Let us place new dreams in a million hearts and create a new generation of entrepreneurs by passing enterprise zones this year.

Tip, you could make that a birthday present.

Nor must we lose the chance to pass our youth employment opportunity wage proposal. We can help teenagers who have the highest unemployment rate find summer jobs, so they can know the pride of work and have confidence in their futures.

We'll continue to support the Job Training Partnership Act, which has a nearly two-thirds job placement rate. Credits in education and health care vouchers will help working families shop for services that they need.

Our administration is already encouraging certain low-income public housing residents to own and manage their own dwellings. It's time that all public housing residents have that opportunity of ownership.

The federal government can help create a new atmosphere of freedom.

But states and localities, many of which enjoy surpluses from the recovery, must not permit their tax and regulatory policies to stand as barriers to growth.

Let us resolve that we will stop spreading dependency and start spreading opportunity, that we will stop spreading bondage and start spreading freedom.

There are some who say that growth initiatives must await final action on deficit reductions. Well, the best way to reduce deficits is through economic growth. More businesses will be started, more investments made, more jobs created and more people will be on payrolls paying taxes. The best way to reduce government spending is to reduce the need for spending by increasing prosperity. Each added percentage point per year of real GNP growth will lead to cumulative reduction in deficits of nearly 200,000 million dollars over five years.

To move steadily toward a balanced budget, we must also lighten government's claim on our total economy. We will not do this by raising taxes. We must make sure that our economy grows faster than the growth in spending by the federal government. In our Fiscal Year 1986 budget, overall government spending will be frozen at the current level, it must not be one dime higher than Fiscal Year 1985, and three points are key:

First, a social safety net for the elderly, the needy, the disabled and unemployed will be left intact. Growth of our major health care programs, Medicare and Medicaid, will be slowed, but protections for the elderly and needy will be preserved.

Second, we must not relax our efforts to restore military strength just as we near our goal of a fully equipped, trained and ready professional corps. National security is government's first responsibility, so in past years, defense spending took about half the federal budget. Today it takes less than a third.

We have already reduced our planned defense expenditures by nearly 100,000 million dollars over the past four years, and reduced projected spending again this year. You know, we only have a military-industrial complex until a time of danger, then it becomes the arsenal of democracy. Spending for defense is investing in things that are priceless: peace and freedom.

Third, we must reduce or eliminate costly government subsidies. For example, deregulation of the airline industry has led to cheaper airfares, but on Amtrak taxpayers pay about 35 dollars per passenger every time an Amtrak train leaves the station. It's time we ended this huge federal subsidy.

Our farm program costs have quadrupled in recent years. Yet I know from visiting farmers, many in great financial distress, that we need an orderly transition to a market-oriented farm economy. We can help farmers best not by expanding federal payments, but by making fundamental reforms, keeping interest rates heading down and knocking down foreign trade barriers to American farm exports.

We're moving ahead with Grace Commission reforms to eliminate waste and improve government's management practices. In the long run, we must protect the taxpayers from government. And I ask again that you pass, as 32 states have now called for, an amendment mandating the federal government spend no more than it takes in. And I ask for the authority used responsibly by 43 governors to veto individual items in appropriation bills. Senator Mattingly has introduced a bill permitting a two-year trial run of the line-item veto. I hope you

will pass and send that legislation to my desk.

Nearly 50 years of government living beyond its means has brought us to a time of reckoning. Ours is but a moment in history. But one moment of courage, idealism and bipartisan unity can change American history forever.

Sound monetary policy is key to long-running economic strength and stability. We will continue to cooperate with the Federal Reserve Board, seeking a steady policy that ensures price stability without keeping interest rates artificially high or needlessly holding down growth.

Reducing unneeded red tape and regulations, and deregulating the energy, transportation and financial industries, have unleashed new competition, giving consumers more choices, better services and lower prices. In just one set of grant programs we have reduced 905 pages of regulations to 31.

We seek to fully deregulate natural gas to bring on new supplies and bring us closer to energy independence. Consistent with safety standards, we will continue removing restraints on the bus and railroad industries, we will soon send up legislation to return Conrail to the private sector, where it belongs, and we will support further deregulation of the trucking industry.

Every dollar the federal government does not take from us, every decision it does not make for us, will make our economy stronger, our lives more abundant, our future more free.

Our Second American Revolution will push on to new possibilities not only on Earth -- but in the next frontier of space. Despite budget restraints, we will seek record funding for research and development.

We have seen the success of the space shuttle. Now we are going to develop a permanently-manned space station and new opportunities for free enterprise, because in the next decade, Americans and our friends around the world will be living and working together in space.

In the zero-gravity of space, we could manufacture in 30 days lifesaving medicines it would take 30 years to make on Earth. We can make crystals of exceptional purity to produce super computers, creating jobs, technologies and medical breakthroughs beyond anything we ever dreamed possible.

As we do all this, we will continue to protect our natural resources. We will seek reauthorization and expanded funding for the Superfund program to continue cleaning up hazardous waste sites which threaten human health and the environment.

There is another great heritage to speak of this evening. Of all the changes that have swept America the past four years, none brings greater promise than our rediscovery of the values of faith, freedom, family, work and neighborhood.

We see signs of renewal in increased attendance in places of worship, renewed optimism and faith in our future, love of country rediscovered by our young, who are leading the way. We have rediscovered that work is good in and of itself, that it ennobles us to create and contribute no matter how seemingly humble our jobs. We have seen a powerful new current from an old and honorable tradition, American generosity.

From thousands answering Peace Corps appeals to help boost food production in Africa, to millions volunteering time, corporations adopting schools and communities pulling together to help the neediest among us at home, we have refound our values. Private sector

initiatives are crucial to our future.

I thank the Congress for passing equal access legislation giving religious groups the same right to use classrooms after school that other groups enjoy. But no citizen need tremble, nor the world shudder, if a child stands in a classroom and breathes a prayer. We ask you again, give children back a right they had for a century-and-a-half in this country.

The question of abortion grips our nation. Abortion is either the taking of human life, or it isn't, and if it is -- and medical technology is increasingly showing it is -- it must be stopped.

It is a terrible irony that while some turn to abortion, so many others who cannot become parents cry out for children to adopt. We have room for these children. We can fill the cradles of those who want a child to love. Tonight I ask you in the Congress to move this year on legislation to protect the unborn.

In the area of education, we're returning to excellence, and again, the heroes are our people, not government. We're stressing basics of discipline, rigorous testing and homework, while helping children become computer-smart as well. For 20 years, Scholastic Aptitude Test scores of our high school students went down. But now they have gone up two of the last three years.

We must go forward in our commitment to the new basics, giving parents greater authority and making sure good teachers are rewarded for hard work and achievement through merit pay.

Of all the changes in the past 20 years, none has more threatened our sense of national well-being than the explosion of violent crime. One does not have to have been attacked to be a victim. The woman who must run to her car after shopping at night is a victim. The couple draping their door with locks and chains are victims, as is the tired, decent cleaning woman who can't ride a subway home without being afraid.

We do not seek to violate the rights of defendants. But shouldn't we feel more compassion for the victims of crime than for those who commit crimes? For the first time in 20 years, the crime index has fallen two years in a row. We've convicted over 7,400 drug offenders and put them, as well as leaders of organized crime, behind bars in record numbers.

But we must do more. I urge the House to follow the Senate and enact proposals permitting use of all reliable evidence that police officers acquire in good faith. These proposals would also reform the habeas corpus laws and allow, in keeping with the will of the overwhelming majority of Americans, the use of the death penalty where necessary.

There can be no economic revival in ghettos when the most violent among us are allowed to roam free. It is time we restored domestic tranquillity. And we mean to do just that.

Just as we are positioned as never before to secure justice in our economy, we are poised as never before to create a safer, freer, more peaceful world.

Our alliances are stronger than ever. Our economy is stronger than ever. We have resumed our historic role as a leader of the free world. And all of these together are a great force for peace.

Since 1981, we have been committed to seeking fair and verifiable arms agreements that would lower the risk of war and reduce the size of nuclear arsenals. Now our determination to maintain a strong defense has influenced the Soviet Union to return to the bargaining

table. Our negotiators must be able to go to that table with the united support of the American people. All of us have no greater dream than to see the day when nuclear weapons are banned from this Earth forever.

Each member of the Congress has a role to play in modernizing our defenses, thus supporting our chances for a meaningful arms agreement.

Your vote this spring on the Peacekeeper missile will be a critical test of our resolve to maintain the strength we need and move toward mutual and verifiable arms reductions.

For the past 20 years we have believed that no war will be launched as long as each side knows it can retaliate with a deadly counter-strike. Well, I believe there is a better way of eliminating the threat of nuclear war.

It is a Strategic Defense Initiative aimed ultimately at finding a non-nuclear defense against ballistic missiles. It is the most hopeful possibility of the nuclear age. But it's not very well understood.

Some say it will bring war to the heavens -- but its purpose is to deter war in the heavens and on Earth. Now, some say the research would be expensive. Perhaps, but it could save millions of lives, indeed humanity itself. And some say if we build such a system, the Soviets will build a defense system of their own. They already have strategic defenses that surpass ours, a civil defense system where we have almost none, and a research program covering roughly the same areas of technology that we're now exploring. And finally, some say the research will take a long time. Well, the answer to that is: "Let's get started."

Harry Truman once said that, ultimately, our security, and the world's hopes for peace and human progress, "lie not in measures of defense or in the control of weapons, but in the growth and expansion of freedom and self-government."

And tonight, we declare anew to our fellow citizens of the world: Freedom is not the sole prerogative of a chosen few, it is the universal right of all God's children. Look to where peace and prosperity flourish today. It is in homes that freedom built. Victories against poverty are the greatest and peace most secure where people live by laws that ensure free press, free speech and freedom to worship, vote and create wealth.

Our mission is to nourish and defend freedom and democracy, and to communicate these ideals everywhere we can. America's economic success is freedom's success, it can be repeated a hundred times in a hundred different nations. Many countries in East Asia and the Pacific have few resources other than the enterprise of their own people. But through low tax rates and free markets, they have soared ahead of centralized economies. And now China is opening up its economy to meet its needs.

We need a stronger and simpler approach to the process of making and implementing trade policy and will be studying potential changes in that process in the next few weeks.

We have seen the benefits of free trade and lived through the disasters of protectionism. Tonight, I ask all our trading partners, developed and developing alike, to join us in a new round of trade negotiations to expand trade and competition, and strengthen the global economy -- and to begin it in this next year.

There are more than 3,000 million human beings living in Third World countries, with an average per capita income of 650 dollars a

year. Many are victims of dictatorships that impoverish them with taxation and corruption. Let us ask our allies to join us in a practical program of trade and assistance that fosters economic development through personal incentives to help these people climb from poverty on their own.

We cannot play innocents abroad in a world that is not innocent. Nor can we be passive when freedom is under siege. Without resources, diplomacy cannot succeed. Our security assistance programs help friendly governments defend themselves, and give them confidence to work for peace. And I hope that you in the Congress will understand that dollar for dollar, security assistance contributes as much to global security as our own defense budget.

We must stand by all our democratic allies. And we must not break faith with those who are risking their lives on every continent, from Afghanistan to Nicaragua, to defy Soviet-supported aggression and secure rights which have been ours from birth.

The Sandinista dictatorship of Nicaragua, with full Cuban-Soviet bloc support, not only persecutes its people, the church, and denies a free press, but arms and provides bases for communist terrorists attacking neighboring states. Support for freedom fighters is self-defense and totally consistent with the OAS and U.N. charters. It is essential that the Congress continue all facets of our assistance to Central America. I want to work with you to support the democratic forces whose struggle is tied to our own security.

Tonight, I have spoken of great plans and great dreams. They are dreams we can make come true. Two hundreds years of American history should have taught us that nothing is impossible.

Ten years ago, a young girl left Vietnam with her family, part of the exodus that followed the fall of Saigon. They came to the United States with no possessions and not knowing a word of English. Ten

years ago. The young girl studied hard, learned English and finished high school in the top of her class and this May, May 22 to be exact, is a big date on her calendar. Just ten years from the time she left Vietnam, she will graduate from the United States Military Academy at West Point.

I thought you might like to meet an American hero named Jean Nguyen.

Now there is someone else here tonight, born 79 years ago. She lives in the inner city, where she cares for infants born of mothers who are heroin addicts. The children, born in withdrawal, are sometimes even dropped on her doorstep. She helps them with love. Go to her house some night and maybe you'll see her silhouette against the window as she walks the floor talking softly, soothing a child in her arms -- Mother Hale of Harlem, and she, too, is an American hero.

Jean, Mother Hale, your lives tell us that the oldest American saying is new again: Anything is possible in America if we have the faith, the will and the heart. History is asking us once again to be a force for good in the world. Let us begin in unity, with justice, and love.

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דע - : לשבח השר, לשבח רוח"מ

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הנצריה וזכחו גם כמה מנהיגים יהודיים.

ל.פ. - לא ידוע מסרן

המחיר הנמוך ביותר של המוצר הוא 10 שקלים

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מחלקת הקשר - ניו-יורק

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אל: הסברה, מע"ח, לש' ממכ"ל, יועץ רוח"מ להקשורת, מצפ"א.

לש' יגד

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News Summary February 6, 1985

Press Reports

Mubarak Says Israelis Aren't Flexible

NYT-p.1-Miller-Mubarak responded to criticism of Egypt by Peres, accusing Israel of not being flexible enough in the search for peace. He also criticized Israel for not withdrawing from Lebanon immediately. This was the first time since Peres took office that Mubarak offered such sweeping statements of dissatisfaction with Israel's efforts to improve diplomatic ties. An Egyptian Foreign Ministry official said he believed Peres's remarks were meant for Washington's ears so that the US could pressure Egypt into changing long-held positions. Mubarak will soon visit the US. He said he is not satisfied with the US aid proposal of \$2.3 billion. (cabled)

Peres Names Advisor

NYT-special-Avraham Burg, son of Josef Burg, the Religious Affairs Minister, has been appointed Prime Minister Peres's advisor for Diaspora Affairs. He will be responsible for liaison between the PM's office and Jewish groups in the US and around the world, Uri Savir announced.

Iraqi Embassy in Washington-Nizar Hamdoun

NYT-Gamarekian-After 17 years of nonrecognition, at least diplomatically, the US and Iraqi Governments are restoring full ties. Hamdoun will soon present his ambassadorial credentials to Reagan. Hamdoun believes that the change from his title of head of interest section to ambassador will open relations with Congress members. He will arrange Congressional visits to Iraq. In recent years, Iraq has moved to improve its image by curtailing its rhetoric and expelling several terrorist groups. Iraq was subsequently removed from the US list of countries deemed to provide a haven for international terrorists. The US has also extended financial credits to Iraq. Iraq is also interested in bringing US tourists to the country.

Iran-Iraq

NYT-Reuters-Iran said 2 civilians were killed and 20 wounded in Iraqi air raids, and Iraq stepped up air attacks on Iranian positions on the southern war front. The Iranian press agency said Iraq dropped cluster bombs. Iraq said its warplanes mounted 104 attacks against Iran on the

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southern and eastern fronts and inflicted heavy losses in troops and equipment.

Mengele "Trial"

DN-AP-A survivor of Auschwitz provided a rare witness account of Mengele shooting a young Jew. He spoke at a mock trial in Jerusalem and all the survivors hope the publicity will lead to the capture of Mengele.

Interfaith Weddings

NYT-Goldman-The Archdiocese of NY says that last year, 21% of the Catholics who registered their weddings with the church married Protestants or Jews. Among Jews who marry, 40% choose a Christian partner. The subject is especially sensitive among Jewish leaders who see interfaith marriage as a threat to the survival of the Jewish community. The way a couple handles the marriage ceremony is a glimpse to what will happen with holidays, children ect...Some are married by a clergyman of one faith, others use both religions in the ceremony. Some couples just use a civil judge. Parents and family members sometimes refuse to attend. Some reform rabbis will marry interfaith couples but this is against the direction of all the major rabbinic bodies.

Cartoons

Village Voice-2/12-Feiffer-A journalist ponders: "Time did not libel Sharon. Time made up facts about Sharon. The facts were not accurate... But everyone knows Sharon's a bad guy. Ronald Reagan makes up facts about bad guys all the time-and he's been elected twice. If lies in the service of a higher truth make for good government--What not for good journalism?"

Letters

DN-Jewish writer states there was a moral and a monetary winner in the Time-Sharon trial. He wonders who is the logical victor-the moral or monetary?

DN-Jewish writer states that the DN editorial expressing compassion for the Nazis Walter Reder and Rudolf Hess, is completely misplaced. He states that 40 years imprisonment isn't long enough for these murderers.

לכת הקשר - ניו-יורק

טופס מברק ג

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סיווג בעמנוני:

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מס. מברק:

11/6/51

Orthodox Jews Demonstrate Against Bank Leumi

DN-AP photo of police scuffling with demonstrator outside Bank Leumi in Manhattan. 600 Jews picketed two branches in protest against the bank's backing of a hotel in Israel, on land that the Orthodox regard as an ancient cemetery. Two men were arrested when eggs were thrown at the bank.

ITONUT

התאחדות היהודים האורתודוקסים
בניו יורק
הודעה: 11/6/51

חתימה:

אישור מנהל המחלקה:

11/6/51

הודעה: 11/6/51

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תמסרד 107
ניו-יורק 22
בסמוך 77

אל: העברה, מעיית, מצפ"א, ממנכ"ל, יגר, לפי רוב"מ, דובר צה"ל. דע: ניו-יורק

NEWS SUMMARY - WEDNESDAY - FEBRUARY 6, 1985

COLUMNS

COLUMNS

*** WASH. POST-Abdallah Bouhabib- "What Lebanon Wants From Israel" A myth surrounds the Israeli presence in, and Lebanon's policies toward, occupied southern Lebanon. Contrary to ill-intended rumors, Lebanon seeks the complete withdrawal of Israeli forces from all occupied territories, Lebanon wants a coordinated and orderly withdrawal of Israel with UN assistance. Only a strong Lebanese central government and army can ensure law and order in southern Lebanon. There is no issue that so unifies the Lebanese as the Israeli withdrawal. Israel's refusal to present a program for the withdrawal of all its forces from Lebanese territory suggests that the so-called "first phase" may also be its last phase. What we do not want is that UN forces be used as a shield after a partial Israeli withdrawal so that the remainder of Israel's forces can remain in Lebanon. Ultimately, only the central govt. of Lebanon can provide what is required in the south. (The rest of this article was cabled in full this morning.)

THE PRESS REPORTS

EGYPT, ISRAEL BLAME EACH OTHER FOR STRAINS

EGYPT, ISRAEL BLAME EACH OTHER FOR
WASH. POST-Denton-Pares and Mubarak have blamed each other publicly for the strained relations between their countries. Pares said the current "cold peace" with Egypt could cause Israelis to question the value of efforts to normalize relations with their Arab neighbors. Mubarak said that he was dissatisfied with Israel's attitude toward mutual problems and urged Israel to be more flexible.

New Austerity Package Imposed By Israel

WASH. TIMES-Neff-Israel imposed an austerity package on its citizens yesterday that boosts taxes and prices, but some US economists doubted that the measures were potent enough either to get the country's reeling economy under control or to encourage Washington to agree to major increases in aid.

Activist Sentenced

Activist Sentenced
WASH. POST-(Wires)-A Moscow court has sentenced Jewish activist Alexander Kholmyansky to 18 months in a labor camp on charges of possessing live ammunition, dissident sources said.

8515158

אל: המטרה

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דפ...1...מתוך...דפים

סוג בטהרני סודי

דחיות. רגיל

תאריך ז"ה פבר' 6 1600

מס' מברק

מצפ"א. אירופה 2+1.

משיחה עם ריצ'ארד האס, סגן ראש אגף אירופה במחמ"ד.

סיפר שלא חש בכל פעילות אירופאית בנושא מז"ת. ניהלו שיחות בווינגטון עם הבריטים והצרפתים אך אלו כלל לא לחצו על ארה"ב לנקוט בפעולה, אף לא דחפו נושא הועידה הבינלאומית. האיטלקים העלו את הרעיון של נסיון למצוא פשרה בין פאז לבין חכנית ריגאן אך לפי בקשת האמריקאים האיטלקים יורדים מזה.

סיפר שלמיטב ידיעתו גם פאהד לא יבוא עם רעיונות חדשים וארה"ב מצידה לא תציע לו יוזמה חדשה. העיר שקרוב לוודאי שפאהד יחזור מאוכזב, בין היתר הנשיא ריגאן סירב לבוא לארוחה בשגרירות הסעודית למרות הפצרות הסעודים וזאת ע"מ למנוע תקדים.

לגבי שיחות ארה"ב-בריה"מ חזר על הידוע כי טרם נקבע מועד או מקום. הסובייטים לא מעוניינים לבוא לווינגטון לסיבוב הראשון אף כי הובטח להם שהסיבוב הבא, אם יתקיים, יהיה במוסקבה. נציגי ארה"ב יהיו כנראה מרפי והוא (האס). הוא מצפה שהשיחות, אם תתקיימנה, תהיינה עקרות לחלוטין.

שאלתיו בנושא יהדות בריה"מ בקשר לדיאלוג הסובייטי-אמריקאי. השיב שאין כל אפשרות שארה"ב תעשה לינקג' בנושא ואכן אין כוונה לעשות זאת. יחד עם זאת יש להביא בחשבון שהרוסים מנסים לשחק את הקונגרס נגד הממשל וייתכן ויהיו מוכנים לעשות צעדים אשר ישפרו תדמיתם בקונגרס. גם אם יעשו זאת להערכתו יהיה מדובר בהרחבת מה במספר העולים, ואין כל סיכוי, להערכתו, לעליה המונית.

שאלתיו לגבי סימני כינון היחסים עם ספרד. סיפר שלא מאמין שהספרדים

מחפשים עוד נושא פרובלמטי בשלב זה ולהערכתו ידחו את שאלת כינון היחסים עמנו עד

לאחר מציאת הסדר בנושא נאט"ו והצטרפותם לשוק יאך בכל אופן הוא לא מצפה לתזוזה ספרדית בזמן הקרוב.

לגבי יוון סיפר על מתיחות גוברת ביחסי ארה"ב-יוון על רקע פעולות טרור והתנתקות מכל פעילות בנאט"ו. ציין שהיתה זו עקשנות יוונית שסירפדה את שיחות קפריסין. הביע פליאה על כך שאנו לא מפעילים ומשתפים פעולה עם הלובי היווני כאן על מנת להשפיע על ממשלת יוון.

העליתי רצוננו לנצל ביקור אוזאל למען שיפור יחסינו עם תורכיה. הגיב שיטוחח על כך עם ברט אך ברור שרק המזכיר יכול להשפיע בצורה כלשהי על אוזאל. הדגיש את הפראנויה של התורכים בנושא הארמנים. חששם שהקונגרס יעבירהחלטה לציון יום זכרון לארמנים

אל:

והעובדה שיש להם מידע על קשר בין הטיירוויסטים הארמנים ואנשי הג'יהאד האיסלאמי.
כל אלה לדבריו יכולים לשמש בסיס לדיאלוג פורה שלנו אתם. לא ידע על קשר אשייפי עם
הארמנים. עם זאת עלינו להביא בחשבון שלתורכיה קשרים כלכליים הדוקים ביותר עם
מדינות ערב ואין סיכוי רב שיסכנו קשרים אלה. ארה"ב מודאגת מהקשר התורכי-לובי בתחום
הבטחון.

שאלתו לגבי ביקור דגמה בווינגטון. סיפר שתחילה חששו מעברו השמאלני המובהק אך הוא
בהחלט שיפור על שסון. בביקורו כאן, למיטב ידיעתו, לא נדונה שאלת מז"ת אך כן נדונה
שאלת הטיורור וסוכם על שת"פ הדוק יותר עם הצרפתים בנושא תאום בין משטרת.

[Signature]
סיבל

נורה רהא, נורה רהא, נורה רהא, נורה רהא, נורה רהא
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משרד החוץ-מחלקת הקשר

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סודי/רגיל

אל: ממנוכ'ל, ונצור

הנדון: כחבת גברצמן
שלבם 99

שוחחתי עם ארני רפאל. סיפר שהם תדרכו את גברצמן בנושא עיכוב
ההחלטה על מכירת נשק והעלו בפני גברצמן שני אלמנטים: -
1. הצורך להמנע מעימות בשבועות אלו בגבעה
2. נסיון לגבש תפישה כללית לגבי הספקת נשק לאזור.
למיטב ידיעתו לא התייחס איש במחמ"ד לענין 'הקלה על מצבה
הכלכלי של ישראל...'. והוסיף שאין למחמ"ד ענין לתת תדריך
בכוון זה.
הוסיף שהוא מניח שהסיפור בא מדדישתנו לציין בתשובה למכתב ב'ל
שניידר על הסיוע הבטחוני כי 'הסכמתנו תלויה בכך שלא יהיו
משלוחי נשק חדשים למדינות ערב'.

סיבל

תפ: שהת, רהט, שהבט, מנכל, ממנוכ'ל, ר/מרכו, רס, אמן, מצפא, ממד

המשרד

..... **מכתב**

$$89 \frac{1}{16}$$

(וסינע לישראל)

מזכר נתוח שהוכן על ידי אחד מתלוביסטים של איפאייק (דרי' רלף נורנברגר).

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INTERNATIONAL AFFAIRS

A primary responsibility of the Federal Government is protecting and advancing the interests of the United States and its people in international affairs. To fulfill that responsibility, the foreign policy of the United States is directed toward achieving a world order that provides peace, security, and prosperity, in which individuals may enjoy political and economic freedom. International affairs expenditures proposed in this budget support U.S. foreign policy and national security objectives.

For 1986, \$20.6 billion in budget authority is proposed, \$1.3 billion of which is associated with Federal Financing Bank (FFB) direct loans for which guarantee commitments were made under the foreign military sales credit program prior to 1985 and are classified as off-budget under current law. Legislation will be proposed to bring the activities of the FFB on-budget. The FFB does not undertake lending activity on its own initiative. It does so only when another Federal agency guarantees repayment. Therefore, the FFB loans guaranteed under the foreign military sales credit program are classified in the international affairs function, just as other FFB loans are classified in other functions according to the purpose served. No new loan guarantee commitments are proposed for the foreign military sales credit program in any year after 1984. The addendum to the summary table on budget authority shows international affairs programs as they would appear if the foreign military sales credit program during the 1984-88 period were on-budget direct lending.

Outlays for 1986 are estimated to be \$18.8 billion, including \$0.3 billion in net disbursements on FFB loans included in this function. Total outlays in 1985 are estimated to be \$19.6 billion.

For 1986, total new direct loan obligations for international affairs are proposed to be \$8.1 billion, and total new guaranteed loan commitments are proposed to be \$12.2 billion, \$12.0 billion of which is proposed for the Export-Import Bank.

Foreign aid.—Two budget subfunctions—international security assistance and foreign economic and financial assistance—comprise foreign aid.

International security assistance.—Security assistance programs are vital instruments of United States national security and foreign policy, serving to strengthen allied and friendly governments where the United States has special security concerns. These programs make it possible for other governments to strengthen their economies and to acquire and use modern military equipment necessary for their defense. Security assistance also helps ensure U.S. access to military bases and facilities overseas. For 1986, overall

security assistance budget authority of \$10.7 billion is proposed, and outlays are estimated to be \$9.2 billion. Because of their critical support of national security objectives some of these programs do increase over 1985 levels.

Foreign military sales credit (FMSC).—The foreign military sales credit program enables foreign governments to purchase U.S. military equipment, training, and design and construction services for their security needs. In the face of challenges to U.S. interests and economic difficulties in many parts of the world, the budget continues to include a substantial amount for concessional loans to foreign governments for the procurement of U.S. military goods and services.

Prior to this year, most of the foreign military sales credit program consisted of guarantees of off-budget FFB loans to foreign governments. Only forgiven loans (which are the equivalent of grants) to Egypt and Israel used budget authority that was recorded on-budget. Starting in 1986, the technique for financing foreign military sales was changed from guarantees of off-budget FFB loans to direct loans on-budget. Therefore, no new loan guarantees have been made. The amounts of budget authority and outlays for this direct loan program are shown in the "on-budget under current law" lines for foreign military sales credit—\$5.7 billion in budget authority and \$4.9 billion in outlays are estimated for 1986. Of the budget authority, \$1.8 billion is proposed for forgiven loans to Israel and \$1.3 billion for forgiven loans to Egypt.

Starting in 1986, the administration is proposing that FFB activities be brought on-budget as well. The amounts shown in the "off-budget under current law" lines of the tables constitute FFB disbursements on FMSC program loans guaranteed in years prior to 1985: \$9.1 billion in 1985, \$1.3 billion in 1986, and less than \$0.3 billion in 1988. Disbursements net of repayments are treated as outlays: \$2.3 billion in 1985, \$0.3 billion in 1986, and —\$1.0 billion in 1988.

Military assistance.—This grant military aid finances the same types of articles and services as the foreign military sales credit program. It is targeted to countries such as those in Central America where the repayment of loans would impose a severe economic burden. For 1986, budget authority of \$949 million is requested.

Economic support fund.—This program provides loans and grants for general budget and balance of payments support to friendly governments. It also finances individual development projects where doing so would enhance our ability to achieve important national security objectives. The proposed budget authority

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NATIONAL NEED CONDUCTING INTERNATIONAL RELATIONS

(Figures in millions of dollars)

By account and program	1965 actual	1965 estimate	1966 estimate	1967 estimate	1968 estimate
BUDGET AUTHORITY					
Foreign aid:					
International security assistance:					
Foreign military sales credit:					
On budget under current law	1,315	1,940	5,655	5,779	5,901
Off budget under current law	3,503	2,147	1,311	524	262
Military assistance	712	405	949	970	991
Economic support fund	3,389	3,411	2,824	2,883	2,941
Other:					
Existing law	130	214	180	110	112
Proposed legislation	-86	-83	-89	-105	-161
Offsetting receipts					
Subtotal, international security assistance	8,945	12,854	10,740	10,306	10,274
Foreign economic and financial assistance:					
International development banks	1,324	1,548	1,348	1,342	375
International organizations	315	358	196	360	204
Agency for International Development	2,813	2,296	2,113	2,133	2,171
Public Law 480 food aid	1,577	1,540	1,307	1,296	1,286
Peace Corps	117	128	125	128	132
Refugee assistance	336	339	338	340	334
Compact of Free Association (Micronesia)			293	146	148
Other:					
On budget under current law	86	85	96	99	101
Offsetting receipts	-693	-458	-479	-604	-660
Subtotal, foreign economic and financial assistance	5,068	5,647	5,343	5,065	4,885
Subtotal, foreign aid	14,012	18,791	16,083	15,371	15,159
Conduct of foreign affairs:					
Administration of foreign affairs	1,382	1,887	1,348	1,367	1,855
International organizations and conferences	589	545	554	563	550
Other	53	65	68	70	75
Subtotal, conduct of foreign affairs	2,024	2,507	2,470	2,455	2,480
Foreign information and exchange activities	798	887	1,118	1,290	1,278
International financial programs:					
Export-Import Bank	829	1,940			
Foreign military sales trust fund (net)	-801	234	978	957	1,067
International monetary programs	1,774				
Offsetting receipts	-84	-85	-87	-89	-90
Subtotal, international financial programs	7,718	2,589	891	865	977
Total, budget authority	34,553	26,093	28,563	28,810	29,111
APPENDIX					
International Affairs programs of the Foreign Military Sales					
Credit programs under budget and existing					
Foreign aid:					
Foreign military sales credit:					
On budget under current law	1,315	1,940	5,655	5,779	5,901
Off budget under current law	4,481				
Other foreign aid	5,194	20,614	9,175	9,088	8,754
Subtotal, foreign aid	10,910	22,554	14,780	14,867	14,655
Other international affairs programs	10,540	2,387	4,479	4,671	4,694
Total	20,450	24,941	19,259	19,538	19,349

NATIONAL NEED CONDUCTING INTERNATIONAL RELATIONS—Continued

(Figures in millions of dollars)

By account and program	1965 actual	1965 estimate	1966 estimate	1967 estimate	1968 estimate
OUTLAYS					
Foreign aid:					
International security assistance:					
Foreign military sales credit:					
On budget under current law	1,860	2,802	4,867	5,573	5,791
Off budget under current law	2,818	2,348	742	-683	-1,001
Military assistance	922	644	958	977	993
Economic support fund	2,874	1,837	2,825	2,850	2,887
Other:					
Existing law	231	343	305	296	308
Proposed legislation					
Offsetting receipts	-86	-91	-99	-105	-161
Subtotal, international security assistance	7,924	10,177	9,213	8,993	8,906
Foreign economic and financial assistance:					
International development banks	1,391	1,404	1,387	1,548	1,470
International organizations	308	360	268	252	245
Agency for International Development	1,778	2,026	2,058	2,061	2,078
Public Law 480 food aid	1,805	1,791	1,367	1,296	1,286
Peace Corps	117	126	125	127	132
Refugee assistance	336	354	339	338	334
Compact of Free Association (Micronesia)			299	146	148
Other:					
On budget under current law	-33	-23	-19	-12	-
Off budget under current law	-5	-5	-5	-1	-
Offsetting receipts	-693	-458	-479	-604	-660
Subtotal, foreign economic and financial assistance	4,478	5,523	5,778	5,153	5,035
Subtotal, foreign aid	12,402	15,700	14,991	14,146	13,941
Conduct of foreign affairs:					
Administration of foreign affairs	1,251	1,541	1,321	1,370	1,816
International organizations and conferences	589	549	551	578	550
Other	54	62	72	70	72
Subtotal, conduct of foreign affairs	1,894	2,152	2,454	2,517	2,598
Foreign information and exchange activities	682	941	1,041	1,305	1,278
International financial programs:					
Export-Import Bank	1,058	1,359	608	-680	-1,570
Existing law					
Proposed legislation	-300	-280	100	-7	-11
Foreign military sales trust fund (net)	565				
International monetary programs	340	-281	-252	-286	-384
Other	-84	-85	-87	-89	-90
Offsetting receipts					
Subtotal, international financial programs	980	790	364	-1,062	-2,065
Total, outlays	15,874	19,543	18,349	16,987	15,833

* 1968 estimate is for
proposed to be included in budget

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of \$2.8 billion for 1986 includes \$396 million for direct loans and \$2.4 billion for grants. Budget authority for 1986 is \$1.0 billion less than the amount enacted for 1985. This difference is due in part to the deferral of any funding request for Israel. This request has been deferred since negotiations with Israel are still continuing in an effort to determine the appropriate level of assistance in the context of Israel's plans for economic reforms. As a result of these negotiations, a request will be presented promptly to the Congress along with a description of the necessary economic reforms.

Other—The budget authority requested in 1986 for security assistance includes \$37 million for peacekeeping operations, \$66 million for international military education and training, and \$5 million for anti-terrorism assistance. No budget authority is requested for 1986 for the guarantee reserve fund, which makes payments to the Federal Financing Bank to prevent losses on foreign military sales credit due to reschedulings or delinquencies. For the future, when additional funds are needed, the administration proposes permanent indefinite budget authority for the fund.

Foreign economic and financial assistance.—An important complement to security assistance is the achievement of international policy objectives through foreign economic and financial assistance programs. These programs are designed to encourage the expansion of a market-oriented international economic system and to help meet the development and humanitarian needs of developing countries. Budget authority requested for 1986 is \$5.3 billion, a decrease of \$0.5 billion from the 1985 level.

Multilateral development banks.—The United States contributes to the World Bank group of institutions and the three regional banks for Latin America, Asia, and Africa. These institutions provided more than \$20 billion in long-term loans and technical assistance in 1981 and promoted sound economic policies in recipient countries. Lending programs are funded through the direct contributions of members and through borrowing in world capital markets backed by callable capital, a means by which developed member governments guarantee repayment of that borrowing. Direct contributions and callable capital are provided in accord with multi-year international agreements to replenish the resources of each bank.

The 1986 request for the banks includes proposed budget authority of \$1.3 billion, plus \$1.6 billion in callable capital. These amounts represent payments on formal commitments previously made to the banks. Approximately one-half of the proposed budget

authority will be used to make the second installment of the seventh replenishment of the International Development Association. A first payment is also proposed to the Inter-American Investment Corporation, a new institution established to provide loan and equity capital to the private sector in this hemisphere's developing countries. Remaining funds will be used to make authorized annual payments to other ongoing bank replenishments. For 1985, an additional \$237 million in budget authority and \$1,219 million in callable capital is being requested to permit the United States to complete its commitments.

The administration intends to honor existing commitments to the multilateral development banks, including the International Development Association, the Asian Development Fund, the African Development Bank and the African Development Fund. In light of the current severe fiscal pressures, the administration is not budgeting at this time for the future replenishments of these particular institutions.

International organizations.—Voluntary contributions of \$196 million are proposed for several developmental, humanitarian and scientific programs carried out by the United Nations and other international organizations. The administration continues to believe that, useful as some of these programs may be, a higher priority must be afforded other foreign assistance activities accomplishing the same objectives.

Agency for International Development (AID).—AID carries out bilateral development assistance programs in more than 60 countries in Latin America, Africa and Asia. The agency also supports the overseas humanitarian relief and development programs of U.S. private and voluntary organizations and assists development-related research activities in U.S. universities. Consistent with fiscal restraint, proposed budget authority for AID programs for 1986 is \$2.1 billion, slightly less than for 1985. Principal objectives of bilateral development programs include supporting sound economic policies in recipient countries, utilizing the private sector as a vehicle for economic growth, improving the capability of indigenous institutions in developing countries, and increasing the use of science and technology in development.

Public Law 480 food aid.—Through concessional loans to foreign governments for food imports and direct food distribution to the needy, food aid serves a wide range of policy objectives, including humanitarian relief, support of security objectives, economic development, and export market development. The budget includes a

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request of \$1.3 billion in budget authority for 1986. A significant portion of direct food donations will be devoted to meeting famine relief and refugee needs in Africa. For 1986, the budget contains a supplemental request of \$185 million to meet emergency humanitarian needs in Africa, increasing the budget authority requested for all P.L. 480 food aid to \$1.5 billion. The budget also includes supplemental requests totalling \$50 million for international disaster assistance and emergency refugee aid. These three supplementals, along with the use of previously appropriated funds will result in total U.S. emergency famine assistance to Africa of more than \$1 billion in 1986.

Peace Corps.—Budget authority of \$124 million is requested in 1986, to allow the Peace Corps to maintain its world-wide program and to expand its volunteer program in Central America.

Refugee assistance.—The United States will continue to aid refugees in Africa, the Near East, Pakistan, Latin America, and Southeast Asia and to resettle eligible refugees in the United States. The 1986 budget includes \$338 million for refugee relief abroad and the admission of 68,000 refugees to the United States. Funds for 1986 are also requested to reduce refugee welfare dependency for the first 90 days after arrival in this country. This policy would encourage resettlement organizations to help refugees find employment before they become dependent on welfare. Additional assistance received by refugees once they are settled in the United States is included in the income security function.

Compact of Free Association.—The people of the Federated States of Micronesia and the Marshall Islands have approved the Compact of Free Association negotiated by the United States and their governments. Upon the Compact's enactment by the Congress, the President will notify the United Nations Trusteeship Council of the impending change in status of the two states. The Compact binds the United States to make annual payments to the two states during the next 15 years totaling \$2.8 billion to aid in their successful development as sovereign states. Therefore, budget authority of \$299 million required for 1986 is requested.

Conduct of foreign affairs.—Funds for these programs primarily cover the operating costs of the Department of State in administering United States foreign policy. They also provide contributions assessed by international organizations of which the United States is a member. Budget authority of \$2.5 billion is proposed for 1986, and outlays are also estimated to be \$2.5 billion.

Administration of foreign affairs.—The United States is committed to protecting its employees and facilities at diplomatic missions against the rising incidence of terrorism while continuing to actively promote American interests abroad. To accomplish this important objective, very substantial increases are required in 1985 and 1986 for security personnel, equipment, and embassy construction. Moreover, personnel increases are requested to strengthen the State Department's basic reporting and analysis capability. These improvements in the administration of foreign affairs increase outlays from \$1.3 billion in 1984 and \$1.6 billion in 1985 to \$1.8 billion in 1986.

International organizations and conferences.—The United States recognizes the importance to the world community of a range of international organizations but strongly believes that these international organizations must be managed efficiently and economically. Toward that end, the administration will continue to pursue a restrictive budget policy for international organizations that emphasizes the need to reduce administrative costs and to eliminate low priority and obsolete activities. For 1986, budget authority of \$564 million is proposed for assessed contributions to international organizations and for international conferences. The recent decision of the United States to withdraw from the United Nations Educational, Scientific, and Cultural Organization is reflected in the 1986 and later estimates. In addition, savings of \$48 million in budget authority and outlays for 1986 are estimated from certain planned efforts to reduce international organization assessments, to include reforms in reimbursing organizations for taxes paid by their American employees, and foreign exchange gains.

Foreign information and exchange activities.—The improvement in foreign understanding of American society and United States foreign policy is an important objective of this administration. Its priority is reflected in the budget requests for programs in this area. The United States Information Agency (USIA) conducts academic and leadership exchange programs, broadcasts worldwide through the Voice of America radio in English and 41 other languages, produces and disseminates media materials, holds seminars, and operates libraries and cultural centers in 127 countries. For 1986, the administration proposes \$974 million in budget authority for that agency. This continues the administration's effort to modernize and expand the Voice of America, the Nation's principal vehicle for communicating directly with the peoples of the world. The modernization program totaling \$1.3 billion through

CREDIT PROGRAMS—INTERNATIONAL AFFAIRS

(In millions of dollars)

	Actual 1984	Estimate			
		1985	1986	FY 1	FY 2
Direct loans:					
Foreign military sales credit:					
New obligations	1,353	4,940	5,625	5,275	5,961
Change in outstandings	-13	421	1,978	2,321	2,494
Outstandings	132	367	2,435	4,233	7,214
Foreign military sales credit (loans made by FFB):					
New obligations	4,511				
Change in outstandings	2,918	2,340	382	-623	-1,861
Outstandings	17,313	19,451	15,733	19,424	18,046
Economic support fund:					
New obligations	253	240	390	413	383
Change in outstandings	315	192	337	312	483
Outstandings	6,051	6,783	6,548	6,941	7,336
Development credit:					
New obligations	454	485	379	353	386
Change in outstandings	87	185	186	213	349
Outstandings	12,365	12,779	17,378	12,753	13,013
Development credit (loans held by FFB):					
Change in outstandings	-5	-5	-5	-1	-*
Outstandings	31	3	1	-1	-*
Public Law 480 food aid:					
New obligations	865	1,812	322	302	839
Change in outstandings	567	761	547	462	430
Outstandings	9,795	10,630	10,177	11,317	11,958
Export-Import Bank:					
New obligations	1,467	3,863			
Change in outstandings	621	993	195	-1,837	-1,307
Outstandings	17,584	18,957	18,292	17,655	15,972
Other:					
New obligations	611	684	794	821	794
Change in outstandings	753	236	279	275	275
Outstandings	795	1,936	1,304	1,569	1,844
Total direct loans:					
New obligations	8,313	11,345	8,146	4,467	8,518
Change in outstandings	1,475	5,844	3,792	2,171	1,461
Outstandings	53,005	64,949	71,721	73,815	75,394

1990 includes funds for new transmitter facilities, for replacement equipment on existing facilities and for expanded broadcasts. The request also provides increases for Radio Marti, which broadcasts to the people of Cuba, for the National Endowment for Democracy, for educational and cultural exchange programs, and for the use of international television to enhance understanding of United States foreign policy.

The Board for International Broadcasting provides grants to Radio Free Europe/Radio Liberty, Inc., which broadcasts in 21 languages to Eastern Europe and the Soviet Union. For 1986 \$142 million of budget authority is requested for the Board, which includes \$40 million for modernization of transmitter sites.

CREDIT PROGRAMS—INTERNATIONAL AFFAIRS—Continued

(In millions of dollars)

	Actual 1984	Estimate			
		1985	1986	FY 1	FY 2
Guaranteed loans:					
Foreign military sales credit:					
Change in outstandings	-27	-20	-20	40	1
Outstandings	706	190	150	250	260
Development credit:					
New commitments	262	310	195	190	150
Change in outstandings	80	158	206	149	197
Outstandings	1,294	1,451	1,657	1,856	2,052
Export-Import Bank:					
New commitments	7,348	10,400	17,809	17,880	17,000
Change in outstandings	145	492	475	1,268	519
Outstandings	5,584	6,386	7,264	8,532	9,012
Total guaranteed loans:					
New commitments	7,381	10,710	18,004	18,170	17,150
Change in outstandings	277	1,940	861	1,967	767
Outstandings	2,177	3,217	9,080	10,587	11,295
Total credit budget (new obligations and new commitments):					
	10,730	31,455	36,341	36,392	36,763

*Not provided in law.

* These are obligations made by the agency to guarantee loans that the FFB will disburse. In effect, they are obligations for FFB direct loans, and are entered as such in the budget and the credit budget. Policy responsibility for these loans rests with the guaranteeing agency.

* The short-term obligations of the Overseas Private Investment Corporation are financed by the FFB. These amounts are used by the agency according to law. These amounts are funded by law that the agency continues to receive. The agency guarantees the loan amounts, with loans to the FFB, and repurchases them upon maturity. FFB and other law sets amount reported condition of loan amounts are repurchased by the agency. Increases in the volume of sales of loan amounts are added to the FFB short-term obligations, while the agency's direct loan obligations decrease by the amount of loan amounts sold to the FFB.

International financial programs.—To assist in the steady growth of the international economy, the United States conducts programs to improve the functioning of the international financial system and to facilitate U.S. participation in world trade, including arms sales. For 1986, proposed budget authority is \$0.9 billion, and estimated outlays are \$0.4 billion for these programs.

Export-Import Bank.—The Bank's direct loan program is being eliminated because of significant progress in export credit restraint agreements with foreign governments, and as part of overall efforts to reduce federally subsidized loans. Increased private sector involvement in export financing is encouraged. The Bank will increase its guarantee and insurance programs to facilitate the export of U.S. goods and services. A \$12 billion ceiling for guaranteed loan commitments is proposed for these programs in 1986. In addition, the administration is requesting authority for an interest rate subsidy program. The aggregate 1986 interest rate subsidy cost will not exceed \$100 million on a present value basis plus receipts



from original fees on affected guaranteed loans. The administration will continue to press for an international agreement ending all officially subsidized export financing.

Foreign military sales trust fund (net).—Most sales of military equipment and services to foreign governments are made by the Federal Government. Income in this trust fund comes from payments by foreign governments that have purchased military goods and services from the Government. Disbursements occur when payments are made to suppliers, and the net of the two constitute the recorded outlays of the fund. These represent transactions on behalf of foreign governments and are not a cost to U.S. taxpayers. Outlays net of offsetting receipts are estimated to be \$100 million for 1986.

Special defense acquisition fund.—This fund finances the procurement of military equipment in advance of specific orders from foreign governments. As a result, equipment on order for U.S. military purposes need not be diverted to meet the pressing needs of foreign countries. For 1986, an increase in the overall fund capitalization and a 3-year limitation on obligations are proposed. Net outlays for 1986 are estimated to be \$36 million.

Tax expenditures.—In an effort to encourage exports, a portion of the profits from the export sales of foreign sales corporations (FSCs) are not subject to tax. In 1984 legislation was enacted authorizing FSCs as a replacement for domestic international sales corporations (DISCs) in response to complaints by the members of the European Community that DISCs violate the General Agreement on Tariffs and Trade (GATT). Also, tax expenditures occur when Americans working abroad are permitted to exclude substantial amounts of earned income and housing allowances from taxation. Tax expenditures resulting from FSCs and the foreign earned-income exclusion are \$1.7 billion and \$2.4 billion, respectively, for 1986. An additional tax expenditure of \$650 million results from the deferral of income tax on the undistributed earnings of foreign corporations controlled by U.S. shareholders. Total tax expenditures for international affairs are \$4.7 billion in 1986.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The programs in this function help to ensure U.S. strength and leadership in science and space technology in the broad national interest. Included are all the programs of the National Science Foundation, the space programs of the National Aeronautics and Space Administration, and the general science programs of the Department of Energy. The 1986 budget request would maintain U.S. leadership in space and continue the high level of funding for science resulting from the significant growth in support of these programs by the administration over the last 8 years. Proposed budget authority for the programs in this function is \$9.5 billion in 1986, a \$410 million increase over 1985.

The continuing support for general science and space programs in this function reflects the administration's view that the private sector lacks sufficient incentives to make adequate investments in such programs to serve the broad national interest. However, reductions in previously planned 1985 general science and space programs have been made possible by deferral of major new space projects and by lower funding needs in the space shuttle orbiter production program and ongoing construction projects in the general science programs of the Department of Energy.

Common to the programs in this function is the support of basic research, accounting for more than one-third of overall Federal funding for such research. The programs in this function are the primary source of funding for the physical and engineering sciences, accounting for some 80% of the total Federal support for these disciplines. The balance is provided mainly through programs of the Department of Defense.

General science and basic research.—This area covers all the programs of the National Science Foundation and the general science programs of the Department of Energy in high energy and nuclear physics. Budget authority of \$2.3 billion is proposed for these programs in 1986, an increase of \$28 million over the 1985 level.

National Science Foundation programs.—The principal mission of the National Science Foundation (NSF) is to promote basic research in all fields of science and engineering. The NSF's broad-based research programs complement the more specialized support of basic research by agencies in other functions, such as the Department of Defense and the National Institutes of Health, and help to ensure balanced Federal support across the major scientific disciplines. The budget includes \$1.6 billion in proposed budget authority for the NSF, an increase of 4.5% over the 1985 level.

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House Budget Committee

FISCAL YEAR 1986
HIGHLIGHTS AND ISSUES

FUNCTION 150: INTERNATIONAL AFFAIRS

(In billions of dollars)

	1984 Actual	1985 Est.	1986 Est.	1987 Est.	1988 Est.
<u>PRESIDENT'S BUDGET</u>					
Budget Authority.....	24.55	26.70	20.55	20.00	19.10
Outlays.....	15.90	19.60	18.35	16.90	15.85
(Off-budget amounts, included above)					
(Budget Authority).....	(3.50)	(3.15)	(1.30)	(0.50)	(0.25)
(Outlays).....	(2.80)	(2.35)	(0.30)	(-0.70)	(-1.00)
<u>CURRENT POLICY (Preliminary)</u>					
Budget Authority.....	21.05	21.20	23.30	24.45	25.25
Outlays.....	13.10	17.10	17.15	18.40	19.15
(Off-budget amounts, not included in current policy)					
(Budget Authority).....	(3.50)	(2.60)	(1.25)	(0.60)	(0.20)
(Outlays).....	(2.80)	(1.80)	(0.25)	(-0.65)	(-1.05)
<u>PRESIDENT OVER/UNDER CURRENT POLICY</u>					
Budget Authority.....	+3.50	+5.50	-2.75	-4.45	-6.15
Outlays.....	+2.80	+2.50	+1.20	-1.50	-3.30

HIGHLIGHTS

This function includes programs for the conduct of foreign affairs, including embassies and other diplomatic missions abroad; foreign economic and financial assistance, including security assistance to Israel and Egypt; and international financial programs such as the Export-Import Bank, foreign military sales made through the military sales trust fund, and United States participation in the International Monetary Fund.

Highlights of the major programs in this function are as follows:

- Foreign Economic Assistance Programs--President Reagan's fiscal year 1986 budget proposes a program level of \$5.8 billion, compared to the fiscal year 1985 level of \$5.9 billion and the fiscal year 1986 current policy level of \$6.2 billion. The proposed budget would continue most of these programs at about the fiscal year 1985 level in 1986, but projects real declines in fiscal years 1987 and 1988. Within these budget constraints, the administration plans to meet past commitments for contributions to

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multilateral development banks but does not project U.S. support for these institutions in the future.

- Food Aid--President Reagan's fiscal year 1986 budget proposes \$1.30 billion for the P.L. 480 Food for Peace program, compared to the current fiscal year 1985 level of \$1.35 billion and the current policy level of \$1.35 billion. In addition, the President is proposing a fiscal year 1985 supplemental appropriation of \$185 million for emergency food aid for Africa.
- Security Assistance Programs--The fiscal year 1986 budget proposes a program level of \$10.8 billion for security assistance programs compared to \$9.8 billion in fiscal year 1985. However, as discussed below, the President's budget does not include the amounts to be requested for increased economic assistance for Israel.
- Economic and Military Assistance for Israel--The administration has not yet completed its review concerning the level of economic assistance for Israel for fiscal years 1985 and 1986. When this review is completed the administration will submit a supplemental request for increased economic assistance for Israel in fiscal year 1985 and a budget amendment for fiscal year 1986. Current indications are that the levels submitted will be about 50 percent higher than the \$1.20 billion appropriated by Congress for economic assistance to Israel in fiscal year 1985. For military assistance, the proposed fiscal year 1986 program level is \$1.8 billion compared to the \$1.4 billion appropriated by Congress for fiscal year 1985.
- Export-Import Bank--The fiscal year 1986 budget proposes to end the Export-Import Bank direct loan program. The Eximbank's program would be replaced with a program of interest subsidies to private banks when those banks agree to make below market loans to foreign buyers of U.S. goods.

MAJOR ISSUES

1. Foreign Economic Assistance

President Reagan's fiscal year 1986 request of \$5.8 billion for these programs is \$0.4 billion below the level projected in the preliminary estimate of the current policy baseline. Funding is requested to meet existing U.S. commitments for contributions to the multilateral development banks, but the projections assume significantly lower funding levels for these banks in the out-years. For U.S. bilateral programs administered by the Agency for International Development, the budget provides about the same funding levels for fiscal years 1986, 1987, and 1988, and makes no allowance for inflation. While the fiscal year 1986 funding levels merely continue the administration's policy of real funding reductions in this area, the fiscal year 1987 and 1988 projections indicate that the Congress may soon have to deal with the issue of whether the U.S. should continue membership in multilateral development bank programs, such as the World Bank's International Development Association, or the Inter-American Development Bank's Fund for Special Operations.

2. Economic and Military Assistance for Israel

While President Reagan's budget request does not address the total amount of assistance for Israel in fiscal year 1986, preliminary indications are that the

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request may be about \$1.0 billion higher than the \$2.6 billion appropriated by Congress for fiscal year 1985. In addition, an additional amount for assistance for Israel for fiscal year 1985 will be submitted as a supplemental request. Based on Israel's current projections of its debt serving problems, its need for economic assistance may begin to decline somewhat in fiscal year 1987 and continue to decline in fiscal year 1988. However, Israel's projection of its military financing needs indicates no decline during this same period.

1. Export-Import Bank

President Reagan's fiscal year 1986 proposal would eliminate the Export-Import Bank direct loan program, while continuing the loan guarantee and insurance program. While direct loan activity declined from \$5.4 billion in fiscal year 1981 to \$0.8 billion in 1983, the program recovered somewhat in 1984 to a direct loan rate of \$1.5 billion. Preliminary estimates for 1985 indicate that this higher 1984 rate is continuing. For fiscal year 1986, the Congress will have to decide whether it will add sufficient funds to continue the Banks direct loan program at the current indicated utilization rate (about \$1.5 billion), set the fiscal year 1986 program at about the fiscal year 1985 appropriated level of \$3.9 billion, or accept the President's proposal to end the program.

PERSPECTIVES

Foreign Aid Program

President Reagan's fiscal year 1986 budget request continues to support real increases in security assistance programs while projecting real declines in foreign economic assistance levels. Although Congress has not provided all of the requested increases in security assistance programs it has accepted most of the President's proposals for reduced levels of funding for economic assistance programs. Consequently, there has been a continual shift of emphasis from economic and food assistance programs in favor of military assistance during the past four fiscal years. In addition, during this same period the levels of military and economic assistance for Israel and Egypt have grown substantially and claimed a larger proportion of the funds available for foreign assistance.

Export-Import Bank

Although the Export-Import Bank's direct loan levels have decreased from \$5.4 billion in fiscal year 1981 to an estimated \$1.5 billion in 1984, this decrease has not resulted from the President's reduced budget proposals for this program. In fact, the appropriation ceiling in fiscal year 1984 was \$3.8 billion, but the Bank failed to loan out even one half of the funds it had available. A more important factor in the decline of Export-Import Bank activity levels has been the problems caused for U.S. exports by the increasing foreign exchange value of the dollar. In addition, some U.S. export firms would argue that this administration has failed to encourage potential foreign buyers of U.S. goods to use the Bank's direct loan facilities, and has done little to promote exports by meeting foreign government export financing competition.

Whatever the major reasons for this decline in loan activity, President Reagan's fiscal year 1986 proposal will end all Eximbank direct loans. Consequently, the question arises concerning how the administration will carry out the Congressional intent that it meet foreign export financing competition.



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FUNCTION: 150: INTERNATIONAL AFFAIRS

(In billions of dollars)

Program	FY 1980 Actual		FY 1984 Actual		FY 1985 Current Policy		FY 1985 President's Budget		FY 1986 Current Policy		FY 1986 Program Freeze		FY 1986 President's Budget	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Foreign Economic and Financial Assistance	5.65	4.00	5.55	4.95	5.90	5.65	6.30	6.00	6.15	5.65	5.90	5.55	5.80	5.75
Security Assistance	3.00	3.15	5.50	5.10	9.80	8.30	12.95	10.25	10.25	8.70	9.80	8.45	10.85	9.30
Conduct of Foreign Affairs	1.35	1.35	2.05	1.90	2.25	2.20	2.90	2.55	2.50	2.35	2.40	2.30	2.75	2.75
Information and Exchange Activities	0.50	0.55	0.80	0.70	0.90	0.85	0.90	0.95	0.95	0.90	0.90	0.90	1.10	1.05
International Monetary Fund	...	...	7.75	0.55	...	...	...	...	...	...	...	...	...	...
Export-Import Bank	1.85	1.85	0.85	1.05	2.85	1.25	3.95	1.35	3.45	0.55	3.45	0.55	...	0.60
Foreign Military Sales Trust Fund (NET)	4.00	1.15	-0.80	-0.30	0.20	-0.20	0.75	-0.20	0.90	...	0.90	...	1.00	0.10
Offsetting Receipts and Other.....	-0.80	-1.25	-0.65	-0.85	-0.70	-0.95	-1.05	-1.30	-0.90	-1.00	-0.80	-1.00	0.95	1.20
TOTAL.....	35.55	10.80	21.05	13.10	21.20	17.10	26.70	19.60	23.30	17.15	22.65	16.75	20.55	18.35

NOTE: The President's fiscal year 1985 and fiscal year 1986 figures include off-budget amounts since legislation has been proposed to move them on budget. Actuals and Current Policy reflect the existing law, which requires the exclusion of off-budget amounts.

SENATE BUDGET - MAJORITY

FUNCTION 150: INTERNATIONAL AFFAIRS

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Major Programs in Function

International affairs programs in this function include foreign military sales and the activities of all U.S. and multilateral foreign aid agencies, the Export-Import Bank, the State Department, and the foreign broadcasting services.

Policy Focus of Reagan Request

The President's major international foci continue to be the security and economic development of friendly nations in the Middle East and in Central America. The major initiative in FY 1986 would shift federal support of the 2 percent of American exports currently financed through direct loans to an expanded guarantee program.

The Reagan Budget Would:

- o replace Eximbank's direct loan program with an expanded guarantee program and a new interest rate subsidy program (decrease of \$3.9 billion in outlays in FY 1986-88).
- o postpone an expected economic aid supplemental for Israel of \$800 million to \$1.5 billion during the current fiscal year, and omit any economic aid request for FY 1986, until an acceptable economic adjustment program is promulgated by the Government of Israel (no funds requested in the budget; potential BA and outlay increase of \$2.7 billion in FY 1985-86).
- o increase foreign military sales grants, primarily to Israel and Egypt whose military aid would grow in real terms by 24 percent and 6 percent respectively (increase of \$498 million in BA and \$260 million in outlays in FY 1986).
- o provide for a fourth year of substantial real growth in funding of foreign information and exchange activities (increase of \$118 million in BA and \$86 million in outlays in FY 1986).
- o limit lower-priority efforts to promote long-term economic development in poor countries until more immediate needs of the poor countries are met (decrease of \$1.2 billion in BA and \$874 million in outlays in FY 1986-88).
- o preclude future U.S. participation in the no-interest loan programs of the World Bank and regional multilateral development banks (decrease of \$1.1 billion in BA and \$41 million in outlays in FY 1988).
- o increase funding during the current fiscal year for Africa famine relief, embassy security, and past-due payments to several multilateral development banks (increase of \$715 million in BA and \$271 million in outlays in FY 1985 supplementals).

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SENATE BUDGET - MINORITY

FUNCTION 150: INTERNATIONAL AFFAIRS

(BUDGET IN \$ BILLIONS)

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	FY 1985 CURRENT LEVEL	FY 1986 BASELINE CURRENT POLICY	FY 1986 PRESIDENT'S REQUEST	DIFFERENCE PRESIDENT'S REQUEST VS CURRENT POLICY \$ PERCENT	
BUDGET AUTHORITY	23.8	24.6	20.6	-4.0	-16%
OUTLAYS	18.9	17.4	18.3	+0.9	+5%

OUT-YEAR IMPACT

		CURRENT		PROPOSED		3-YEAR TOTAL
		FY85	FY86	FY87	FY88	
BASELINE	RA	23.8	24.6	25.0	25.4	
	O	18.9	17.4	17.8	18.1	
PRESIDENT'S PROPOSED	RA	26.7	20.6	20.0	19.1	
	O	19.6	18.3	16.9	15.8	
DIFFERENCE FROM BASELINE	RA	+2.9*	-4.0	-5.0	-6.3	-15.3
	O	+0.7	+0.9	-0.9	-2.3	-2.3

*DIFFERENCE LARGELY DUE TO TECHNICAL CHANGES IN BRINGING PREVIOUSLY OFF-BUDGET PROGRAMS ON-BUDGET; REQUEST INCLUDES \$0.8 BILLION IN SUPPLEMENTAL REQUESTS.

HIGHLIGHTS:

- THE ADMINISTRATION IS PROPOSING TO ELIMINATE THE EXPORT-IMPORT BANK'S DIRECT LOAN PROGRAM, CUTTING \$3.6 BILLION IN BUDGET AUTHORITY AND \$400 MILLION IN OUTLAYS. A \$2 BILLION INCREASE IN GUARANTEE AND INSURANCE PROGRAMS, AS WELL AS A PROPOSED \$100 MILLION INTEREST RATE SUBSIDY PROGRAM WOULD REPLACE THE DIRECT LOAN PROGRAM.
- PROPOSALS FOR ECONOMIC SUPPORT FUNDING FOR ISRAEL HAVE BEEN DEFERRED, PENDING THE OUTCOME OF NEGOTIATIONS WITH ISRAEL ON AN ACCEPTABLE ECONOMIC ADJUSTMENT PROGRAM. AS A RESULT, 1986 ECONOMIC SUPPORT FUND LEVELS

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CONTAINED IN THE BUDGET SHOW NO FUNDING IN FY1986-1988 FOR ISRAEL (A \$1.1 BILLION ANNUAL DECREASE FROM FY1985) AND A \$200 MILLION INCREASE FOR OTHER COUNTRIES. 1985 LEVELS DO NOT REFLECT AN ANTICIPATED \$1-2 BILLION SUPPLEMENTAL REQUEST FOR ISRAEL AND POSSIBLY EGYPT. THIS WILL ADD TO PROJECTED 1985 DEFICITS.

- 6 FY1986 GRANT FOREIGN MILITARY SALES TO ISRAEL INCREASE BY \$400 MILLION (21 PERCENT) AND TO EGYPT BY \$200 MILLION (11 PERCENT). OTHER GRANT MILITARY AID GROWS BY \$144 MILLION (18 PERCENT).
- 7 NON-MILITARY FOREIGN AID PROGRAMS DECREASE BY \$500 MILLION (9 PERCENT) IN FY1986 AND FURTHER DECREASE BY \$1.3 BILLION (23 PERCENT) DURING THE 1986-1988 PERIOD; INCLUDING DECREASES IN THE AGENCY FOR INTERNATIONAL DEVELOPMENT ASSISTANCE PROGRAMS, CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS, AND P.L. 480 FOOD AID.
- 8 U.S. INFORMATION AGENCY ACTIVITIES GROW BY \$220 MILLION (25 PERCENT) IN FY1986, AS PART OF A \$1.3 BILLION MODERNIZATION PROGRAM THROUGH 1990.
- 9 BUDGET AUTHORITY OF \$299 MILLION IS REQUESTED IN FY1986 TO IMPLEMENT THE COMPACT OF FREE ASSOCIATION WITH MICRONESIA.

COMMENTS

THE BUDGET REQUEST INCLUDES AN OVERALL 6 PERCENT PROGRAM LEVEL INCREASE IN FOREIGN AID, ALTHOUGH MUCH OF THIS INCREASE IS MASKED IN THE BUDGET TOTALS DUE TO PROPOSALS TO MOVE PREVIOUSLY OFF-BUDGET FOREIGN MILITARY SALES ON-BUDGET, AND DECISIONS NOT TO INCLUDE FUTURE ECONOMIC SUPPORT FUNDING FOR ISRAEL IN THE BUDGET REQUEST. THE REQUEST CONTINUES TO SHIFT THE OVERALL PERCENTAGE OF FOREIGN AID AWAY FROM ECONOMIC AND DEVELOPMENTAL ASSISTANCE TOWARDS SECURITY ASSISTANCE PROGRAMS.

(BUDGET AUTHORITY \$ IN BILLIONS)

	1985	1986	1987	1988
SECURITY ASSISTANCE*	8.5	9.4	9.8	10.1
ECONOMIC ASSISTANCE	5.4	5.3	5.1	4.1
TOTAL:	13.9	14.8	14.9	14.2

* PREVIOUSLY OFF-BUDGET FOREIGN MILITARY SALES CREDITS, PROPOSED FY1985 SUPPLEMENTALS AND ECONOMIC SUPPORT FUNDING FOR ISRAEL ARE NOT INCLUDED IN THESE TOTALS.

THIS BUDGET REQUEST DOES NOT REFLECT THE FULL EXTENT OF FY 1985 SUPPLEMENTALS UNDER CONSIDERATION AT THIS TIME. THE 1985 PORTION OF THE REQUEST INCLUDES \$237 MILLION TO COVER ARREARAGES AT SEVERAL MULTILATERAL DEVELOPMENT BANKS, \$235 MILLION IN EMERGENCY AID TO AFRICA AND \$267 MILLION IN INCREASED STATE OPERATING EXPENSES. THE 1985 REQUEST DOES NOT REFLECT THE \$1-2 BILLION PROJECTED SUPPLEMENTAL FOR ISRAEL AND EGYPT.

*

BUDGET MEMO--The 150 Function in the President's request
To: Leg, Tom
From Ralph FULBRIGHT
Feb. 5, 1985

89 ¹⁵/₁₆

The President's budget request for the 150 Function (International Affairs) calls for a cut of 16% from the baseline in Budget Authority (BA) (\$4.0 billion) and an increase of \$0.9 in Outlays (O).

	FY 85 Current Level	FY 86 Baseline Current Policy	FY 86 Pres. Request	Difference
BA	23.8	24.6	20.6	-4.0 -16%
O	18.9	17.4	18.3	+0.9 +5%

The President has been able to show a decrease in the 150 account by leaving out some programs that will be restored (by Congress and/or by a later Presidential request). One of these programs is the ESF account for Israel. House Budget Committee Chairman Bill Gray (D-Pa) told us that he is convinced that the President left out this and other items so that he could submit a budget proposal that contained cuts in foreign aid and then blame Congress for budgeting higher amounts.

The Administration denies this. The Budget Request clearly states that the reduction in BA for ESF is a result of the fact that the ESF for Israel has been deferred, pending the outcome of negotiations with Israel on an acceptable economic adjustment program.

The Budget Request states:

This difference is due in part to the deferral of any funding request for Israel. This request has been deferred since negotiations with Israel are still continuing in an effort to determine the appropriate level of assistance in the context of Israel's plans for economic reforms. As a result of these negotiations, a request will be presented promptly to the Congress along with a description of the necessary economic reforms.

Military Assistance

The President has requested \$1.8 billion in FMS for Israel compared with \$1.4 in FY 85. This is an increase of 29%.

The President has requested an increase of FMS to Egypt of \$200 million, an increase of 11%.

Other grant military aid grows by \$144 million (18%).

Supplemental

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The Budget request does not mention any supplemental aid to Israel, although the Budget Committee analyses in the Senate and House both indicate that this is under consideration.

Summary and conclusions

The totals requested by the President are probably not sufficient to cover the increases for Israel (to 3.0 billion-1.2 ESF and 1.8 FMS), unless the totals can be raised when the Administration comes in with a specific ESF level for Israel. In other words, if the Administration is willing to increase its 150 totals by 1.2 Billion in BA and O when it submits this request to Congress, the functional totals are too low. If the Administration is willing to raise their 150 request, then it appears that the request would be adequate.

Attachments---

1. The Budget Request
 2. House Budget Analysis
 3. Senate Majority Analysis
 4. Senate Minority Analysis
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עגירות ישראל - וועינגסטון

אל:

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מאריך וועינגסטון
דעם 5טן פֿעברואַר 1985

המשרד	ניו-יורק	בסטון
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ל: הסברה, מע"ח, מצפ"א, ממנכ"ל, יגר, לשי רוח"מ, דובר צה"ל. דע: ניו-יורק

NEWS SUMMARY - FEBRUARY 5, 1985

THE PRESS REPORTS

Israeli Killed In West Bank; Curfew Set

WASH. POST-Walsh- An Israeli soldier was shot and killed today in the West Bank city of Ramallah in the second of two shooting incidents in the increasingly tense Israeli-occupied territory.

4 Israeli Soldiers Wounded In Southern Lebanon

WASH. POST-(Reuter)-Four Israeli soldiers were wounded today in three bomb attacks on convoys near Tyre in southern Lebanon, a military spokesman said. Israeli troops and Israeli-backed militamen have been the targets of daily attacks, which have increased since Israel decided on the first stage of a withdrawal plan last month.

US Message To Israel Gets Louder: Do More To Salvage Economy

CHRISTIAN SCI. MON.-Curtius- Israeli officials like to play down their differences with the Reagan administration over what it will take to avert an economic collapse here. But as the govt. this week puts into effect its second set of wage-and-price controls, key Amer. officials are signaling publicly that the Israelis are not moving far enough, fast enough. Murphy told Congress that Israel could not expect an increase in economic aid from the US until the govt. makes more budget cuts and sharply devalues its currency, the shekel.

Austerity Plan Okd In Israel

PHIL. INQUIRER-(AP)-The Israeli cabinet adopted an austerity package late yesterday that boosts prices and taxes in an effort to stop the drain on the nation's foreign currency reserves.

Observe Rights, Mideast Told

THE EVENING SUN-(AP)-President Richard von Weizsaecker of West Germany has told Hussein that both Israeli and Palestinian rights must be observed if there is to be peace in the Middle East. "All parties must realize that there can be no genuine peace without painful concessions," he said yesterday at a banquet given for him by King Hussein.

***U.S. Arms Sales Delay Seen As A Disturbing Signal To Arab World

WASH. TIMES-Goldstein- The delay of new US arms sales to Arab countries immediately following a major increase in assistance to Israel has sent

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News Summary February 5, 1985

Press Reports

Peres Expresses Disappointment At Egypt

NYT-p.1-Friedman-Peres expressed disappointment at what he described as Egypt's failure to respond to his efforts to improve relations between the two countries. He said that if Egypt's cool attitude continued there was a danger that the forces of peace in Israel could become discouraged and question the value of efforts to normalize relations with Arab neighbors. This was Peres's first criticism of Mubarak since taking office. Peres's remarks reflect mounting frustration in his administration over the continued absence of normal relations despite Israel's efforts towards that goal. Peres looked relaxed and expressed confidence that his administration has set Israel on the right track. His popularity has risen. Peres also discussed the economy, Sharon's suit against Time and he denied selling arms to Iran. The Israelis have come to see the Iraqis as much less a dangerous long-term threat than Islamic fundamentalism.

Israel Created Foe in Shiites

WSJ-Ignatius (Wash) Israel's invasion of Lebanon may have provoked an even more dangerous threat to the state than the PLO in the Shiite population of South Lebanon. Israeli officials are warning that Shiite terrorism could spread to northern Israel. Rabin said in New York that Shiites are capable of kamikaze acts, the PLO never dared to use terror that way. Officials admit that they failed in trying to cultivate Shiite leaders. There are also signs that Sidon could again become a staging area for PLO terrorism. Lebanese reports claim as many as 2000 Palestinian fighters are gathered just north of the Israeli frontlines along the Awali River, ready to surge into Sidon when the Israelis leave. Battles between PLO dissidents and Arafat loyalists are expected. The Shiite problem though illustrates the broader failure of the invasion. Uri Lubrani predicts that in the next 5-10 years, Israel will be dealing with an Iranian-type Islamic gov't in Beirut.

Israeli Soldier Killed in West Bank

NYT-special-An Israeli soldier was fatally shot by a lone gunman in the occupied West Bank. Dozens of men were detained for questioning.

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Soviets Sentence Hebrew Teacher to Labor Camp

NYT-Mydans-Aleksandr Kholmyansky, a Hebrew teacher who attracted a wide following among Soviet Jews has been sentenced to an 18-month term in a labor camp on charges of possessing a weapon, his friends say. This was the latest in a series of cases authorities have brought against leaders of unofficial Jewish cultural life. His friends say the pistol was planted in his apartment. In another development, 44 Jews have asked that their names be struck off the register of voters for the election this month of delegates to the Parliament of the Russian Federation of the Soviet Union. They say they consider themselves citizens of Israel.

Mengele Victims in Jerusalem

ND-AP-Survivors of the experiments of Mengele told their tales of horror at the opening of a three-day mock trial of the Nazi. The organizers of the trial said the testimony would be forwarded to any government willing to prosecute Mengele.

Iran-Iraq

NYT-Reuters-Iraqi planes crippled an empty Greek tanker that was heading towards Kharg Island.

Saudis Move in Petrochemicals

NYT-Cuff-The Saudi dream of industrialization is coming true as they harness the waste of oil production and turn it into petrochemicals. Petrochemical producers elsewhere are worried. The Saudis are in the business with companies such as Exxon, Mobile and Shell.

Buchanan To Become White House Chief of Communications

NYT-AP-Reagan asked Patrick Buchanan, former Nixon speechwriter, to become chief of White House Communications.

Magazine Articles

* New York Mag-2/11-Churcher (Intelligencer) ADL officials are lambasting British Airways for censoring a Sheraton Hotel ad for two "Israeli hotels." The ad ran in the in-flight magazine. The words "Come to Israel" and the Sheraton's East Jerusalem location were blanked out. The publisher

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of the magazine, Bill Davis said he and the airline realized that the ad was "politically contentious." He said that if the US and the UN and the British government consider East Jerusalem an occupied territory, not part of Israel, how can I disagree? The magazine will reject the ad outright next time. Ab Foxman called the decision "lunatic." TWA has run the ad without problems.

New York Mag-Diamond-"Time After Sharon" Both Sharon and Time execs were forced to smile after the trial. Sharon was not vindicated. Time was criticized badly. Halevy has been reassigned to Washington, but Time says that was planned. Time workers are involved in soul-searching now. There is a real gap in checking facts in news-magazines.

Active Jewish Philanthropist Dead

NYT-Joseph Meyerhoff of Baltimore died of a heart attack Saturday. He was very active in Israeli educational institutions and Jewish charities.

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economic news

DATE* 02/06/85

A STRATEGY FOR FREE TRADE

(Excerpts from the Annual Report of the Council of Economic Advisers)

Washington -- President Reagan's Council of Economic Advisers urges that the United States push aggressively forward on multilateral trade negotiations.

But it warns that if multilateral negotiations are stalled by a relatively small group of countries, the United States may be forced to consider alternatives such as the negotiation of free trade areas (FTAs).

In the report, delivered to the U.S. Congress February 5 along with annual Economic Report of the President, the advisers said that the president's new free-trade area negotiating authority offers a policy option that tends "to reverse the usual incentives in international trade negotiations by making countries more eager to be among the first to liberalize than among the last."

"Because no duties would be levied on intra-FTA exports of FTA members," the report said, "the first entrants would enjoy substantial competitive advantages over outsiders in the large U.S. domestic market, especially if highly restricted sectors were to be included in the FTA agreement."

The report also pointed out that the possibility of FTA or "plurilateral" negotiations "offers the United States and others the option of using a free-trade instrument rather than protectionism, as a lever against protectionist countries that are recalcitrant in fully multilateral negotiations."

Other points made by the report:

-- "The objectives of U.S. policy toward the General Agreement on Tariffs and Trade (GATT) are to strengthen the existing framework in the short term and to expand the scope of the agreement in the longer term."

-- Some progress has been made within the GATT toward correcting specific trade distortions in the areas of subsidies, government procurement practices and other nontariff barriers, "but a new U.S. initiative at this time could accelerate and expand agreements in these and other areas."

-- The possibility of an FTA strategy would be considered only if multilateral negotiations stalled under the auspices of the GATT.

-- An FTA would not be like the narrow, complex trade "haggling" that characterized the 1930s because there are GATT criteria for permissible FTAs and plurilateral agreements.

-- An FTA or plurilateral agreement "would be as multilateral as the number of countries that choose to join the agreement."

Following are excerpts from the international chapter of the Council of Economic Advisers' 1985 report released February 5:

(begin excerpts)

THE CHALLENGE OF COMPREHENSIVE FREE TRADE

The world is moving away from, rather than toward, comprehensive free trade. In major industrialized countries, for example, the proportion of total manufacturing subject to nontariff restrictions rose to about 30 percent in 1983, up from 20 percent just three years earlier. Although tariffs among industrialized countries have been reduced substantially since World War Two, tariffs also remain high in



United States Information Service
Tel Aviv, 71 Hayarkon Street, 63903 Tel. 654338 ext. 204
Jerusalem, 19 Keren Hayesod Street, 94188 Tel. 222376

some sectors (textiles, footwear, steel, wood products, and shipbuilding, for example) and among developing countries. In nonmanufacturing, international trade is subject to even more severe restrictions and market distortions, especially in agriculture and services.

New international initiatives are required to sustain the post-World War Two momentum toward comprehensive free trade and the world economic growth that it has fostered. Speaking to the International Monetary Fund and World Bank Joint Annual Meetings on September 25, 1984, the President called for just such initiatives:

"For the millions around the globe who look to us for help and hope, I urge all of you today" Join us. Support with us a new, expanded round of trade liberalization, and, together, we can strengthen the global trading system and assure its benefits spread to people everywhere."...

THE CASE FOR FREE TRADE

The persuasive power of arguments for free trade arises not from abstract economic reasoning, but from concrete historical comparisons of the achievements of free trade against those of protectionism. The conclusions to be drawn from such comparisons over the past two centuries are unambiguous. Countries that have followed the least restrictive economic policies both at home and abroad have experienced the most rapid economic growth and have enabled the greatest proportion of their populations to rise above subsistence living standards....

Britain was very much an "engine of growth" in the 19th century world economy, and freer trade fueled the engine.

More recent experiences sustain the point. The slide of the world economy into the Great Depression of the 1930s was accelerated by unprecedented tariffs imposed by the Smoot-Hawley Act of 1930 and by similar measures abroad.... Since World War Two, successive rounds of multilateral trade liberalization have demonstrated the power of open markets through almost four decades of world economic growth.... The emergence and expansion of the European Community (EC) liberalized trade even further among Western European countries.... The opening of the European market has been central to Western Europe's economic growth.

A final illustration of the achievements of freer trade is particularly important. As former colonies gained independence after World War Two, they typically sought to achieve economic independence as well. Many embarked upon extensive import substitution policies to reduce their dependence on imports from former colonial trading partners. The overwhelming conclusion of studies of these policies, however, is that they severely stunted economic growth. In contrast, those developing countries that pursued more open economic policies have experienced truly remarkable records of economic growth. Recent examples include Hong Kong, Singapore, Taiwan, and South Korea, among others....

THE MYTHS OF PROTECTIONISM

Despite the achievements of open markets, myths regarding the benefits of protectionism persist. The most misleading of these, perhaps, is the claim that import restrictions save jobs at home. While employment in one sector may be higher with protection than without, job losses in other sectors of the economy are often even larger in the intermediate term and about the same magnitude in the longer term....

A second myth is that protection can provide a breathing period for an industry to modernize and to become more competitive. A related argument is that the protection permits a smooth "rundown" of existing production in the industry. Most of the evidence on either argument runs to the contrary....

Protection ... often frustrates adjustment by attracting new resources to the sector....

Fully one-third of all the clothing and textile establishments in the United States at the end of 1982, for example, were not in the industry just six years earlier, and more than one-fifth of all new manufacturing firms in France in recent years have been in the clothing and textile industry....

There is also the argument that the United States should restrict the flow of imports to protect the economy from "unfairly" subsidized products from other countries. In many respects, this argument, too,

is incorrect. Permanently subsidized exports to the United States obviously make U.S. imports cheaper than they otherwise would be. Thus, rather than being a "beggar-thy-neighbor" trading policy, such subsidies are an "enrich-thy-neighbor" policy....

There are two cases, however, in which this argument for restraint can be correct. One is when the foreign subsidy is not permanent. Countries might, for example, use subsidies to expand domestic production in some industries during the down period of a business cycle. In this case the importing country suffers recurring adjustment costs as its own domestic industry responds over the business cycle to variations in the level of subsidized imports.

A second theoretical possibility is in those rare instances where oligopolistic profits might be large.... In both of these special cases, however, the best solution is an international compact on acceptable subsidization policies, rather than protectionism....

A STRATEGY FOR FREE TRADE

Despite the obstacle to free trade, there are several reasons to push now for comprehensive trade liberalization. First, the trend toward increasing protectionism at the national level may actually help mobilize a consensus for a new international initiative toward comprehensive free trade. Furthermore, recovery of the global economy presents the opportunity to resist protectionist pressures and to reach just such a free-trade consensus.

There is also some evidence that many countries around the world may be willing to consider domestic policies that emphasize open markets, market incentives, and private control to a greater degree than before: members of the EC are under increasing pressure to find a less costly alternative to their current common agricultural policy,

the administration will seek agricultural reforms in 1985 farm legislation that will increase U.S. flexibility in negotiating freer trade in agriculture, and many developing countries appear to be at least more receptive to private, competitive markets. This possible change in the world temperament toward open, market-oriented policies poses the opportunity for successful new initiatives.

Finally, the President and the heads of government of major U.S. trading partners have already agreed at the Williamsburg Economic Summit to consultations on a new multilateral round of trade negotiations under the auspices of GATT (General Agreement on Tariffs and Trade). At the subsequent London Summit they agreed to seek early agreement on a new round. A multilateral round of trade talks is the most effective vehicle for successful trade liberalization.

A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS

To exploit present opportunities the United States must pursue decisive, extraordinarily disciplined policies. At the most general level, a successful international strategy requires that the United States push aggressively forward on comprehensive multilateral trade negotiations under the auspices of GATT. At a more concrete level, the United States itself must be committed to comprehensive trade liberalization. In this context, comprehensiveness has several dimensions -- products, factors of production, countries, and types of trade distortions, including VRAs (Voluntary Restraint Agreements) and various preferential treatments of domestic industry. Each of these dimensions is important to successful liberalization.

With regard to products, the United States should push especially hard for liberalized trade in agriculture, services, telecommunications equipment, advanced electronics, automobiles, textiles, wood products, and steel, to mention just some of the major problem areas. The United States has much to gain from liberalizing these areas, and developing countries in particular will have reduced incentives to participate without the promise of liberalized textile trade. In the industries above where the United States has significant restrictions -- automobiles, steel, textiles, and agriculture -- the costs of protection are large. In agriculture, for example, the annual cost of restrictions on sugar imports is estimated to be in excess of 3,000 million dollars, and the consumer cost of import restrictions on dairy products is even higher.

With regard to the various types of distortions, some progress has been made in GATT in the areas of subsidies, government procurement practices, and other nontariff barriers, but a new U.S. initiative at this time could accelerate and expand agreements in these and other areas.

THE ROLE OF GATT

GATT was established in 1948 to foster liberalized trade and has sponsored several successful rounds of multilateral trade negotiations. An effective GATT is essential to further liberalization and expansion of international trade. In particular, GATT obligations can help to restrain protectionist trends around the world by providing a source of external discipline to national policies. Just as the U.S. Constitution puts interstate trading policy beyond the control of individual States, international commitments can constrain the use of tariffs and other major forms of nontariff barriers by individual countries. Moreover, because no policy is likely to be completely successful in this regard, an ambitious program of trade liberalization under GATT auspices is needed to counter the inevitable individual lapses into protectionism at the national level.

The objectives of U.S. policy toward GATT are to strengthen the existing framework in the short term and to expand the scope of the agreement in the longer term. To achieve these goals, the United States supports the work program agreed to by the GATT Contracting Parties at the Ministerial Meeting in 1982. Efforts to strengthen and expand the existing framework include working parties on safeguards and structural adjustment, quantitative restrictions and other nontariff measures, and dispute settlement procedures. The United States supports the negotiation of an effective "safeguards" code that would discipline the use of temporary import restrictions as a method of dealing with domestic industry adjustment to import competition.

The continuing proliferation of quantitative and nontariff restrictions on trade is also of major concern. The working party on this issue has catalogued existing quantitative restrictions and other nontariff measures and judged their consistency with GATT principles. This information should facilitate negotiations to eliminate the restrictions, perhaps as part of the preparation for a new multilateral round of trade negotiations. Finally, a major weakness of GATT is its inability to resolve disputes effectively. A greater reliance on professional panelists to resolve disputes might lead to a more predictable settlement process less subject to control by member countries. The recommendations of the GATT Secretariat would improve the process of forming panels, as well as the implementation of panel recommendations.

The GATT Contracting Parties have discussed extension of the GATT framework into agriculture, services, counterfeit goods (and other issues of intellectual property rights), high-technology goods, and textiles. In order to bring agriculture more fully under the rules of GATT, the United States supports a reduction in quotas and licensing programs limiting agricultural imports and a general prohibition on export subsidies. The EC, however, opposes a general prohibition and believes that export subsidies should be permitted.

Although trade in services constitutes an increasing portion of international trade, it too continues to remain outside the GATT framework. Liberalization of trade in services has been slow due not only to the complexity of the subject but also to intense opposition in principle, especially among developing countries. The service industries in these countries are usually small, and the governments argue that further growth of the industries would be impossible without restrictions on foreign competition. Despite such opposition, the United States has recently persuaded other Contracting Parties to consider the issue of services under GATT auspices.

Trade in counterfeit goods has increased noticeably in recent years. In addition to the economic losses to trademark owners, trade in counterfeit goods presents potential safety and health hazards to consumers. The United States believes that GATT provides the best forum for negotiating and implementing an agreement to handle this problem and urges the formation of a working party on trade in counterfeit goods. Developing countries have opposed such a working party on the grounds that GATT is an inappropriate forum. Their underlying fear, however, is that developed countries will use rules to restrict the trade of counterfeit goods as protectionist measures

to limit imports of legitimate goods. GATT Contracting Parties agreed at the 1984 Ministerial Meeting to establish an experts group on intellectual property rights in general. The group will collect information on abuses and propose alternatives for action. As required by the Trade and Tariff Act of 1984, the United States is also preparing a survey of problems around the world with intellectual property rights.

In 1982 the United States proposed that GATT examine trade in high-technology goods. As a result of opposition, the study was transferred to the OECD. Two major findings have now emerged from this study. First, open international markets are necessary to capture fully the benefits of high-technology industries. Second, restrictive trade practices are increasing trade frictions in these industries. Major issues include the role of preferential public procurement (especially in telecommunications), the role of product standards, limiting the access of domestic firms to government sponsored research, the influence of various types of government sponsored research and technology on commercial and industrial technology, and the effect of government policies on investment.

Finally, textiles remain exempt from standard GATT rules. The Multi-Fiber Arrangement, which establishes rules governing quotas for textiles, is due to expire in July 1986. A working party is examining the possibility of bringing textile trade into the GATT framework, perhaps through the negotiations on renewal of the Multi-Fiber Arrangement which begin in 1985. Textile restrictions began in the early 1960s as a temporary expedient to give the textile industries in the United States and other industrial countries time to adjust to increased foreign competition but, perhaps predictably, have evolved into a more permanent obstacle to freer trade.

SECONDARY STRATEGIES

A potential problem with multilateral negotiations is that they may be stalled by a relatively small group of countries. If this occurs, the United States and others may eventually be forced to resort to secondary strategies for liberalization. The new free-trade area (FTA) negotiating authority given the President offers one possible option. FTA negotiations (and less than fully multilateral negotiations in general) tend to reverse the usual incentives in international trade negotiations by making countries more eager to be among the first to agree to liberalize trade rather than among the last. The incentives for countries to be among the first to enter an FTA or a plurilateral agreement with the United States could be strong. Because no duties would be levied on intra-FTA exports of FTA members, the first entrants would enjoy substantial competitive advantages over outsiders in the large U.S. domestic market, especially if highly restricted sectors were to be included in the FTA agreements. In addition, as the number of countries joining an FTA grows, the incentives for outsiders to join increase, because unfavorable trade diversion increases and the size of the non-FTA market decreases as the FTA expands.

One possible criticism of an FTA initiative is that it may appear to some as a regression to narrow, bilateral trade negotiations. This need not be the case. First, the possibility of an FTA strategy would be considered only if multilateral negotiations stalled. Second, an FTA initiative would not be the same as the narrow, complex trade "haggling" characteristic of the 1930s because there are GATT criteria for permissible FTAs and plurilateral agreements. Third, an FTA or plurilateral initiative would be as multilateral as the number of countries that chose to join the agreement. There is nothing intrinsically bilateral about the FTA. Again any FTA initiative would at all times be subordinated to resumed progress in multilateral trade negotiations.

Perhaps most importantly, however, the possibility of FTA or, more broadly, plurilateral negotiations offers the United States and others the option of using a free-trade instrument, rather than protectionism, as a lever against protectionist countries that are recalcitrant in fully multilateral negotiations. This distinction is important because there are several fundamental difficulties with using trade sanctions to persuade other countries to liberalize their trading practices. First, trade sanctions hurt the country that imposes them, in some instances as much as, or more than, the foreign country. Second, the foreign trading partner knows that this is the

case. As a consequence, threats of trade sanctions are often not credible. Then, of course, there is always the additional threat of foreign retaliation.

In rare instances, however, the United States may be forced to use trade sanctions to persuade a particular trading partner or a group of trading partners to abandon especially restrictive trading practices. Although such sanctions raise the danger of retaliation, there may be isolated instances where this danger is minimal relative to potential gains. However, sanctions should be used only in accordance with clearly established rules, not as a pretext for protectionist actions. Thus, threat of a sanction should always be accompanied both by an unambiguous explanation of which trading practice the sanction is aimed at eliminating and by credible assurances that sanctions will be removed when the restrictive practice halts.

A sanction is more likely to succeed in an industry where the trading partner's exports to the U.S. market are more important to them than they are to the United States. Thus, trade sanctions must be carefully tailored to particular circumstances. A sanction appropriate for one issue of concern to the United States, such as the use of concessionary loans to boost exports, may be inappropriate for other issues of similar concern, such as preferential government procurement, infringements of intellectual property rights, or cyclically varying subsidies. One would also expect strategic sanctions to be used only at the discretion of the highest policy levels of the government.

A FINAL CAVEAT

It is often assumed that opening markets abroad for U.S. exports by reducing trade barriers will necessarily improve the fundamental position of the U.S. current account deficit. This is not necessarily the case. A country's current account balance is determined fundamentally by domestic investment and saving behavior (including government) relative to investment and saving behavior abroad. As pointed out earlier, this is true because of two fundamental economic relations. First, a current account deficit, for example, is necessarily offset by a corresponding capital account surplus. Second, the capital account surplus is identically equal to the excess of domestic investment over domestic saving (including government). Thus, changes in trade barriers will affect the current account in a fundamental way only to the extent that they change saving or investment. Accordingly, the use of the U.S. current account (either with the rest of the world or with particular countries) as a measure of success in liberalizing trade is likely to lead to frustration. Comprehensive free trade is a policy objective because of the proven benefits of open markets, not because it will lead to a particular external balance.

(end excerpts)



economic news

DATE: 02/04/85

(Following material for release at 1700 GMT February 5)

REAGAN URGES CONTINUATION OF ECONOMIC POLICIES

(Text: Economic Report of the President)

Washington -- Urging a continuation of the economic policy themes of his first term, President Reagan warned Congress against returning to the kinds of policies that "led to the 'malaise' of the late seventies."

In the annual Economic Report of the President, delivered to the U.S. Congress February 5 along with the Annual Report of the Council of Economic Advisers, Reagan pointed to accomplishments in many aspects of economic performance during his first four years in office.

But he warned that a return to "policies of excessive government spending and control" would quickly draw the United States "back into that same disastrous pattern of inflation and recession" as occurred in the 1970s.

In his first Economic Report of his second term, the President said, "Now is the time to recommit ourselves to the policies that broke that awful pattern", policies of reduced Federal spending, lower tax rates, and less regulation to free the creative energy of our people and lead us to an even better economic future through strong and sustained economic growth."

Reagan said his administration forecasts that the present economic recovery will continue in 1985. "For the years 1985 through 1988, we assume real gross national product growth of four percent per year, slowing slightly in 1989-90."

Other points made by the president in his Economic Report:

-- "The thriving venture capital market is financing a new American revolution of entrepreneurship and technological change. The American economy is once again the envy of the world."

-- The large budget deficit "must and will be reduced."

-- "In our efforts to reduce the deficit, we must not forget that the cause of the deficit is increased spending and insufficient growth, not decreased taxes. Federal tax receipts are now almost the same share of gross national product as in the late 1970s, even after the substantial reduction in tax rates that we initiated in 1981."

-- Continuing economic problems demanding resolution include an unemployment rate and a poverty rate that remain too high.

-- Despite progress in cutting inflation, "We will not be satisfied until we have totally and permanently wrung inflation out of our economy."

-- The trade deficit, like the budget deficit, is "too large to be sustained," but there are both beneficial and detrimental ways to reduce both of them. "Our goal is a system of free and fair trade in goods, services and capital. We will work toward this goal through both bilateral and multilateral agreements."

Following is the text of the Economic Report of the President:

(Begin text)

In 1981, when I first assumed the duties of the presidency, our nation was suffering from declining productivity and the highest inflation in the postwar period -- the legacy of years of government overspending, overtaxing, and overregulation.

We bent all of our efforts to correct these problems, not by



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unsustainable short-run measures, but by measures that would increase long-term growth without renewed inflation. We removed unnecessary regulations, cut taxes, and slowed the growth of Federal spending, freeing the private sector to develop markets, create jobs, and increase productivity. With conviction in our principles, with patience and hard work, we restored the economy to a condition of healthy growth without substantial inflation.

Although employment is now rising, business opportunities are expanding, and interest rates and inflation are under control, we cannot relax our economic vigilance. A return to the policies of excessive government spending and control that led to the economic "malaise" of the late seventies would quickly draw us back into that same disastrous pattern of inflation and recession. Now is the time to recommit ourselves to the policies that broke that awful pattern: policies of reduced Federal spending, lower tax rates, and less regulation to free the creative energy of our people and lead us to an even better economic future through strong and sustained economic growth.

Major Economic Developments 1981-1984

The Program for Economic Recovery that we initiated in February 1981 had four key elements:

- Budget reform to cut the rate of growth in Federal spending,
- Reductions in personal and business taxes,
- A far-reaching program of regulatory relief, and
- Restoration of a stable currency and a healthy financial market through sound monetary policy.

The success of this program is now obvious -- the U.S. economy is experiencing the strongest recovery in 30 years;

- Real business fixed investment in plant and equipment is higher, relative to real gross national product, than at any time in the postwar period.

- Productivity growth in the business sector has averaged 2.2 percent since the fourth quarter of 1980, compared with a rate of less than 0.3 percent over the prior 4 years.

- The inflation rate is now about one-third the rate in 1980, and short-term interest rates are less than one-half their peak 1981 levels.

But the quantitative record alone does not tell the full story. Four years ago, there was a widespread and growing anxiety about the economy. Many thought that the nation had entered a condition of permanent economic decline, and that we would have to live with permanent double-digit inflation unless we were willing to suffer massive long-term unemployment.

We did not share this pessimism. It was clear to us that the nation's economic problems were not the product of the economic system, but of the onerous influence of government on that system. The creative potential of the American people, choosing their own economic futures, was more constrained than helped by the increasingly heavy hand of government. Nor did we share the negative views that a reduction of inflation would increase long-term unemployment, that economic growth, by itself, would increase inflation, and that the government had to protect a "fragile" market system by regulating oil prices and interest rates.

The primary economic responsibility of the Federal Government is not to make choices for people, but to provide an environment in which people can make their own choices. The performance of the economy in the past two years under our Program for Economic Recovery fully justifies our faith in the nation's basic economic health. In 1983 and 1984 the economy generated about 300,000 new jobs per month without an increase in inflation. Real gross national product increased 5.6 percent during 1984, and the unemployment rate declined from 8.1 percent to 7.1 percent. Inflation was steady at its lowest level in more than a decade, and most interest rates are now lower than a year ago. Yet while the U.S. economy grew rapidly in 1984, it maintains the potential for continued strong growth. The inventory/sales ratio is low by historical standards, and capacity utilization rates in most industries are well below prior peak rates.

Economic conditions in 1984 were more favorable than during the second year of a typical recovery, and we see none of the warning signs that usually precede the end of an expansion. The temporary

slowing of economic growth starting in July -- reflecting the combination of a minor adjustment of consumer spending and inventories and little growth of the basic money supply -- seems to have ended in November. These conditions, plus an expectation that the Federal Reserve System will maintain sufficient money growth, support our forecast that the present recovery will continue. The thriving venture capital market is financing a new American revolution of entrepreneurship and technological change. The American economy is once again the envy of the world.

The Economic Outlook:

For the years 1985 through 1988, we assume real gross national product growth of four percent per year, slowing slightly in 1989-90. We know that economic recoveries have not been stable in either duration or magnitude, in part because monetary and fiscal policies have often been erratic. We may not be able to eliminate recessions entirely, but a sustained commitment to policies that promote long-term growth and stability can reduce their frequency and severity. Our forecast that the unemployment rate, the inflation rate, and interest rates will decline gradually in the years ahead reflects this commitment to sound, sustainable, and predictable policies.

The Task Ahead: A Program for Growth and Opportunity.

Our 1981 Program for Economic Recovery was designed for the long run with priority attention to the major problems we faced at that time. Our second-term Program for Growth and Opportunity represents a continuation and expansion of the earlier program, with priority attention to the major problems we face in 1985 and beyond. Our objectives -- economic growth, stability of the general price level, and increased individual economic opportunity -- have not changed. Federal economic policy will continue to be guided by the four key elements of the earlier program. Our progress in solving the most important economic problems we inherited in 1981, however, has allowed us to refocus our attention on the remaining problems and to shift our priorities and resources toward their solution.

Several significant problems remain to be addressed. The rate of growth of federal spending has been substantially reduced from the rate projected in the budget we inherited in fiscal 1981, but spending growth continues to outpace the economy. Spending too much has left us with a large budget deficit that must and will be reduced. In our efforts to reduce the deficit, we must not forget that the cause of the deficit is increased spending and insufficient growth, not decreased taxes. Federal tax receipts are now almost the same share of gross national product as in the late 1970s, even after the substantial reduction in tax rates that we initiated in 1981.

Another economic problem demanding resolution is unemployment and its effects on the nation's workers and families. Despite significant progress, much remains to be done. More than six million more Americans are now employed than in January 1981, but the unemployment rate is still too high. We will not be satisfied until every American who wants a job is employed at a wage that reflects the market value of his or her skills. Another aspect of this problem is that the poverty rate remains stubbornly high, despite a strong recovery and a continued increase in government assistance. Also, although the inflation rate has been reduced substantially, it is still higher than during most of our peacetime history prior to 1965. We will not be satisfied until we have totally and permanently wrung inflation out of our economy.

Work also remains to be done in the areas of regulatory and monetary policy. Many federal regulations still impose a substantial cost to the economy. In addition, we need to strengthen the commitment to a sound monetary policy that never again retards economic growth, or reaccelerates inflation.

Our trade deficit, another area of concern, has been caused in large part by a strong dollar. Investors around the world have bid up the dollar as they have become increasingly confident in our economy. That confidence is an asset and not a liability. However, the conditions that have led to the trade deficit have increased the obstacles faced by some important industries. Agriculture, one of our most productive export sectors, has been harmed by a combination of

rigid and outdated Federal agricultural policies and subsidized foreign competition as well as by the strong dollar. Some of our import-competing industries, such as steel, have also been hurt by subsidized foreign competition and the strong dollar. In one respect the trade deficit is like the budget deficit, both are too large to be sustained, but there are both beneficial and detrimental ways to reduce them. Our goal is a system of free and fair trade in goods, services, and capital. We will work toward this goal through both bilateral and multilateral agreements.

Economic conditions during the past four years are best characterized as transitional -- from a period of low productivity growth to a period of high productivity growth, from a period of high inflation and interest rates to a period of much lower inflation and interest rates, from a period of economic "malaise" to a period of economic opportunity. Our task is to consolidate and extend these gains.

Federal Spending and the Deficit:

The rate of growth of federal spending has been reduced from 14.8 percent in fiscal 1981 to an average rate of 9.1 percent in fiscal years 1982 through 1985. During this period, however, current dollar gross national product has increased at an average rate of 7.6 percent. The continued growth of the federal spending share of gross national product and lost revenues from the recession are the main reasons we are now faced with such large federal deficits.

The projected Federal deficits are much too large, and they must be reduced. As explained in the accompanying report of the council of economic advisers, however, the economic consequences of reducing these deficits depend critically on how they are reduced. A sustained reduction of the growth of Federal spending will contribute to economic growth, while an increase in tax rates would constrain economic growth. Federal spending on many programs is far larger than necessary, and far larger than desired by most Americans.

My fiscal 1986 budget proposal will protect the social safety net and essential programs, such as defense, for which the Federal Government has a clear constitutional responsibility, and will reform or eliminate many programs that have proven ineffective or nonessential. With no resort to a tax increase, this budget will reduce the deficit to about four percent of gross national product in fiscal 1986 and to a steadily lower percentage in future years. Additional spending reductions will probably be necessary in future years to achieve a balanced budget by the end of the decade.

The problems of excessive spending and deficits are not new. In the absence of fundamental reform they may recur again and again in the future. I therefore support two important measures--one to authorize the President to veto individual line items in comprehensive spending bills, and another to constrain the federal authority to borrow or to increase spending in the absence of broad congressional support. These structural changes are not substitutes for the hard fiscal choices that will be necessary in 1985 and beyond, nor for the need to simplify our tax system to stimulate greater growth, but they are important to provide the mechanisms and discipline for longer term fiscal health.

The case for a line-item veto should by now be obvious. The governors of 43 states have used this authority effectively, and such authority has only once been withdrawn, only later to be reinstated. For over a century, presidents of both parties have requested such authority.

The proposed constitutional amendment providing for a balanced budget and a tax limitation would constrain the long-run growth of federal spending and the national debt. In 1982 a proposed amendment to constrain Federal authority to spend and borrow was approved by more than two-thirds of the Senate and by more than a majority of the House of Representatives, a balanced budget amendment has also been endorsed by the legislatures of 32 states. Approval of the proposed balanced budget/tax limitation amendment would ensure that fiscal decisions by future presidents and members of Congress are more responsive to the broad interests of the American population.

Federal Taxation:

The Economic Recovery Tax Act of 1981 was one of the most important accomplishments of my first term. Individual income tax rates were reduced nearly 25 percent, effective tax rates on the income from new investment were substantially reduced, and beginning this year tax brackets are adjusted for inflation.

But more needs to be done. Personal tax rates should be reduced further to encourage stronger economic growth which, in itself, is our

best tool for putting deficits on a steady downward path. Our tax system needs basic reform. It is extraordinarily complicated, it leads to substantial economic inefficiency, and it is widely perceived to be unfair.

At my request, the Treasury Department has developed a comprehensive proposal to simplify and reform the federal tax system, one that for expected economic conditions would yield about the same revenues as the present system. This proposal, by substantially broadening the tax base, would permit a significant further reduction of marginal tax rates. Shortly, I will be submitting my own proposal for tax simplification and will urge the Congress to give serious sustained attention to tax simplification -- in order to enact a program that will increase fairness and stimulate future savings, investment, and growth.

Federal Regulation:

We have made major efforts in the past 4 years to reduce and eliminate Federal regulation of economic activity. Executive office review of new regulations was streamlined. Oil prices were deregulated by executive authority early in 1981. New legislation was approved to reduce regulation of banking and to largely eliminate regulation of interstate bus travel.

Regulatory reform, however, has been painfully slow. The Congress failed to approve our proposals to further deregulate banking and natural gas prices, and to reform the regulation of private pensions. In addition, the reauthorization of several major environmental laws has been delayed for several years.

I urge the Congress to consider further deregulation efforts in several areas. The experience with deregulation of oil prices makes clear that continued regulation of natural gas prices is not appropriate. Reform of nuclear licensing requirements also deserves attention. Further deregulation of the banking system should be paired with a major reform of the deposit insurance systems. Some changes in the single-employer pension law and an increased premium are necessary to preserve the pension insurance system. We should also seriously consider eliminating the remaining Federal regulation of trucking and railroads. Finally, I remain hopeful that the Administration and the Congress can work together to reauthorize the major environmental laws in a way that serves our common environmental and economic goals.

Monetary Policy:

The Constitution authorizes the Congress "To coin Money (and) regulate the Value thereof," and Congress has delegated this authority to the Federal Reserve System. The role of the executive branch is restricted to advising the Congress and the Federal Reserve about the conduct of monetary policy, and to nominating members of the Board of Governors as positions become vacant.

During my first term, the Federal Reserve reduced the rate of money growth relative to the high rates of the late 1970's. This change in policy, assisted by the related strong increase in the exchange value of the dollar, helped produce a substantial reduction of inflation and market interest rates. On occasion, however, the rate of money growth has been quite volatile, contributing to instability in interest rates and a decline in economic activity. The sharp reduction in money growth through mid-1982, for example, undoubtedly added to the length and severity of the 1981-1982 recession. And a similar reduction in money growth in the second half of 1984 contributed to the temporary slowing of economic growth late in the year.

We reaffirm our support for a sound monetary policy that contributes to strong, steady economic growth and price stability. Moreover, we expect to cooperate closely with the Federal Reserve in defining and carrying out a prudent and predictable monetary policy.

Conclusion:

The Federal Government has only a few important economic responsibilities. Given a proper conduct of these important roles, additional Federal intervention is more often a part of the problem than a part of the solution. We should continue to reduce the many less-important economic activities of the Federal Government so that individuals, private institutions, and state and local governments will have more resources and more freedom to pursue their own interests. Good stewardship of our constitutional responsibilities and the creative energies of the American people will ensure a future of continued economic growth and opportunity.

(End Text)

(Preceding Material for release at 1700 GMT February 5)



economic news

DATE: 02/04/85

U.S. BUDGET AT A GLANCE (1090)

Washington -- Following are some of the highlights from the budget proposals President Reagan sent to the U.S. Congress February 4, covering the fiscal year ending September 30, 1986:

BUDGET TOTALS:

- Estimated total outlays: 973,700 million dollars.
- Estimated total receipts: 793,700 million dollars.
- Deficit: 180,000 million dollars.

CHANGES FROM CURRENT FISCAL YEAR (ENDING SEPTEMBER 30):

-- Outlays would be up 1.5 percent. Since this is less than the anticipated rate of inflation, U.S. government spending would decline in real terms.

-- The total of all government outlays other than debt service would be frozen at the 1985 level.

-- Receipts would be up 7.7 percent.

-- The deficit would be reduced by 42,200 million dollars, or 19 percent.

-- Total budget authority requested (mostly appropriations) is 1,059,983 million dollars, 0.5 percent less than 1985 budget authority. The appropriations requests include authority to commit funds for payment in future years, and thus affect outlays in future years as well as in the year of the proposed budget.

-- Tax legislation to be proposed by the Reagan administration will be essentially "revenue neutral."

MAJOR SOURCES OF SAVINGS:

-- A five percent cut in pay for civilian government employees. Also, these employees will not get a cost-of-living pay raise in 1986.

-- Reductions in cost-of-living adjustments for some other programs.

-- A ten-percent cut in administrative expenses for many programs.

-- A one-year freeze or selective cuts for many non-defense programs.

MAJOR SPENDING INCREASES:

-- Defense outlays would increase 12.6 percent to 285,700 million dollars. Total budget authority for national defense would increase by 10.1 percent to 322,205 million. After allowing for anticipated inflation, this would be a 5.9 percent increase in real terms over 1985 budget authority. The money requested for defense is 8,900 million dollars less than was proposed in the Mid-Session Review of the 1985 Budget a short while before presentation of the 1986 budget proposals.

-- Debt service costs are expected to increase 9.7 percent to 169,700 million dollars.

-- Costs of the Social Security (social insurance) program are expected to rise by 5.9 percent to 199,800 million dollars. The Reagan administration proposes no changes in benefits or in the cost-of-living adjustments under this program.

-- The increases in outlays for defense, social security, and debt service add up to about 58,000 million dollars.

MAJOR PROGRAM REDUCTIONS:

-- A one-year freeze on cost-of-living adjustments under some "entitlements" programs (such as pensions for government retirees) and



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reforms in selected entitlement programs will -- if the Congress enacts the Reagan proposals -- save 13,900 million dollars from what these programs would cost in the absence of any policy change. Outlays for entitlements programs other than Social Security would decline by 2.0 percent to 224,500 million dollars.

-- Proposed cuts in discretionary programs (which exclude defense, social security, other entitlements programs, and debt service) would reduce outlays 21,200 million dollars below what would be required in the absence of the Federal pay cut and other policy changes. Outlays for these discretionary programs would decline by 14.7 percent, to 167,100 million dollars.

-- The Reagan administration adds together the 13,900 million-dollar cut in entitlements programs, the cuts in discretionary programs, the 8,900 million-dollar reduction from previous defense spending plans, and certain savings in debt service costs and improvements in receipts which it calculates will result from proposed policy changes, and comes up with a total deficit-reduction effort of 50,800 million dollars.

-- The Reagan proposals would continue to have effects in future years, reducing spending by 105,000 million dollars in 1988 and bringing the projected deficit for that year down to 144,000 million.

FEDERAL FINANCES RELATIVE TO GNP:

-- Total 1986 outlays are estimated at 23.2 percent of the U.S. gross national output (GNP), down from 24.8 percent in 1985. From 1967 through 1980 Federal government outlays as a percentage of the economy's total output ranged from a low of 19.5 percent (1974) to 22.9 percent (1980).

-- The budget deficit as a percentage of GNP would decline in 1986 to 4.3 percent, down from 5.4 percent in 1985 and a peak of 6.1 percent in 1983.

-- The amount of Federal government debt held by the public would continue to increase, reaching 40.2 percent of GNP in 1986. From 1967 through 1980, this ratio ranged from 25.1 percent (1974) to 35.0 percent (1968).

SOME SPECIFIC PROGRAM REDUCTIONS:

-- Farm price supports: The Reagan administration is proposing to lower target prices for farm products, phase out production controls, and make other reforms. Savings in government outlays are estimated at 2,000 million dollars in fiscal 1986 and 16,100 million over the next three years (1986-88).

-- Aid to local governments: President Reagan proposes to end the Federal government's "general revenue sharing" support to local governments. The current cost of the program: 4,600 million dollars a year.

-- Mass Transit: Proposed cuts in Federal aid for such projects would save 4,200 million over the next three years.

-- Housing: The Reagan administration proposes a two-year moratorium on funding for subsidized housing. Total savings from housing policy changes would be 1,300 million dollars in 1986 and 5,200 million over three years.

-- Strategic Petroleum Reserve: An "indefinite moratorium" on the buildup of the reserve is proposed for the end of 1985, when it will reach 489 million barrels -- short of the original goal of 750 million barrels. The moratorium "will be reassessed as warranted if fiscal and oil market conditions change." Savings in outlays: 5,200 million dollars over the next three years.

-- Direct Loan Programs: A number of such programs would be ended, including subsidized agricultural credit, Export-Import Bank direct loans, and Small Business Administration direct loans. Savings in outlays: 6,200 million in 1986, 27,800 million over a three-year period.

SPECIFIC PROGRAM INCREASES:

-- Only two items are included in a required list of "Legislative Proposals for Major New and Expanded Programs." They are;

-- Hazardous Waste Cleanup: The Reagan administration will submit legislation to "greatly expand" the effort to clean up hazardous waste dumps, a program called "Superfund." It is expected to increase outlays by 100 million dollars in fiscal 1986 and 800 million over the next three years.

-- Compact of Free Association: Funds needed to implement the proposed compact between the United States and the Federated States of Micronesia and the Marshall Islands are estimated at 299 million dollars in 1986 and 593 million over the next three years.



economic news

DATE: 02/04/85

(In the SUMMARY TABLE FOR PROPOSED U.S. BUDGET -- SBF704 of February 3 -- some figures got out of proper alignment.

Following is a corrected version of the table.)

SUMMARY TABLE FOR PROPOSED U.S. BUDGET (220)

(Statistical table from 1986 budget proposals)

Washington -- Following is a summary of fiscal year 1985-86 budget outlays by function, as proposed by President Reagan in his budget request to Congress February 4:

Budget Outlays by Function, Estimate, 1985-86
(In 1,000 millions of dollars)

	1985	1986
National defense.....	253.8	285.7
International affairs.....	19.6	18.3
General science, space and technology.....	8.7	9.3
Energy.....	8.2	4.7
Natural resources and environ- ment.....	13.0	11.9
Agriculture.....	20.0	12.6
Commerce and housing credit.....	6.0	2.2
Transportation.....	27.0	25.9
Community and regional development.....	8.6	7.3
Education, training, employ- ment, and social sciences.....	30.4	29.3
Health.....	33.9	34.9
Social Security and medicare.....	257.4	269.4
Income security.....	127.2	115.8
Veterans benefits and services.....	26.9	26.8
Administration of Justice.....	6.7	6.6
General government.....	5.8	4.8
General purpose fiscal assist- ance.....	6.6	2.8
Net interest.....	130.4	142.5
Allowances.....	1.1	.4
Undistributed offsetting receipts.....	-32.3	-37.5
TOTAL BUDGET OUTLAYS.....	959.1	973.7

(Preceding material for release at 1830 GMT February 4)



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סווג בטחוני...שטור...

דמיטרייב, דאס זעלבסטע זאגט זיך

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אל - : כנסיות, מצפ"א
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דע - : קונכ"ל מיאמי (י מ יס יג) (c)

ביקור קבוצת פולוול
לשלכם ח/52

1. יביא יותר מאלף צליינים לכנס בירושלים בתאריכים 2-3-4 במרס.
2. כנראה שיקיימו הכנס בבניני האומה.
3. מדובר בצליינות דתית הפעם, ולא חוזר לא שליחות פוליטית מטעם "הר"ב המוסרי".
4. ידידו של פולוול מער פרטים טלפונים, להורוביץ, כולל זיכוי סוכנות הנסיעות.
5. מבקשים שרוה"מ ומ"מ-רוה"מ ינאמו בכנס, וכן לערוך פגישה עם מר בגין.



י ע ק ב

זהו שם ה' מן השמות

סגרירות ישראל - וושינגטון

אלוהים שרד

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דף.....מסמך.....דפים
סוג בסחונת...סודי
דחיות...רגיל
מאריך וזמן...פבר' 4 1115
מס' פבר' 33

ממנכ"ל. מצפ"א. ממ"ד.

נשק לסעודיה

להלן מפי מרטין אינדיק.

1. שוחח עם D. Dunn, לוביסט המייצג את ממשלת עומאן אשר מסר כי הסעודים חתמו על ה- Letter of Offer and Acceptance של פרוייקט Peace Shield (תכנית בניית רשת תחנות בקרת ושליטה). כנראה שהחתימה היתה בעת ביקורו האחרון של ויינברגר בסעודיה. אם המידע הזה אכן מדויק אזי הממשל רואה בפרוייקט הנ"ל חלק מעסקת האוואקס המקורית (1981). יצויין כי הדבר לא היה מובן מאליו ולמעשה רבים סברו בקונגרס כי מאחר ומדובר בהרחבה ניכרת של רשת ההגנה האווירית (מ-1.5 בליון שדובר עליו ב-1981 לכ-4 בליון דולר), הדבר יצריך התייעצות והודעה מוקדמת לקונגרס.

2. באשר לבדיקת נושא מכירות הנשק למזרחית, אינדיק למד כי הרעיון בא ממס-פרלן אשר הציג אותו ב- NSC כנסיון להרויח זמן. ויינברגר לא הביע התנגדות לדחיה טקטית זו. הממשל מבקש קודם כל לנקות את סדר היום העמוס בקונגרס הכולל מאבק סביב תכנית קילי ה- MX והצלת תקציב הבטחון. מקיצוצים משמעותיים. כמו כן, הממשל מצפה שאוירה הפוליטית תשתפר ובכך יקל להגן על מכירות נשק לסעודיה וירדן. הממשל מצפה כי הסעודים יבטאו חמיכה פומבית ביוזמת חוסיין ובהחלטת מועבי"ט 242. כאשר גורמים אחרים מעירים כי הממשל דורש יותר מדי מהסעודים תשובת אנשי מק-פרלן הינה Let the Saudis tell us they can not do it. על כל פנים אין לממשל לוח זמנים קטוח להבאת העסקה לקונגרס והוא יפעל בהתאם להתפתחויות בנושאים שהועלו לעיל.

3. אינדיק שמע כי הממשל החליט סופית כי הסעודים יקבלו f-15C ולא f-15E המתקדם יותר, עם זאת, אינדיק שמע כי הסעודים טרם ויתרו על רצונם לקבל הגירסה המתקדמת יותר.
4. מכתב קרנסטון המייצג לממשל שלא להודיע על מכירת נשק לסעודיה ייצא היום לממשל כש-62 סנטורים הצטרפו ליוזמתו.

קבי-טל קנין

שוחח עם רבא (מרטין) מנחם מנחם מנחם מנחם מנחם
רמ אמן

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המסר

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תדרוך דובר מחמ"ד ליום שני 4 פברואר 85

MR. KALB: I HAVE NOTHING ON THAT.

QUESTION: DO YOU HAVE ANY GUIDANCE ON LEBANON?

MR. KALB: IN WHAT PARTICULAR AREA?

QUESTION: THE ISRAELI WITHDRAWAL FROM THE SOUTH?

MR. KALB: LET ME SAY THIS. THE U.S. HAS REPEATEDLY EXPRESSED ITS CONCERN

2-2

ABOUT THE POTENTIAL FOR COMMUNAL VIOLENCE, INCLUDING ANTI-PALESTINIAN VIOLENCE, IN THE WAKE OF AN ISRAELI WITHDRAWAL FROM SOUTHERN LEBANON. WE URGE THOSE RESPONSIBLE TO ENSURE THAT APPROPRIATE MEASURES ARE TAKEN TO PROVIDE FOR THE SAFETY OF ALL OF THE CIVILIANS IN THE AREAS OF SOUTH LEBANON WHICH ISRAELI FORCES ARE SCHEDULED TO VACATE. THE UNITED STATES HAS FULLY SUPPORTED THE NAQUORA PROCESS AS A MEANS OF DEVELOPING SECURITY ARRANGEMENTS NEEDED TO PROVIDE FOR AN EARLY WITHDRAWAL AND TO AVOID FURTHER HUMAN TRAGEDY. ON THE GROUND, WE ARE PROVIDING FINANCIAL SUPPORT TO THE INTERNATIONAL RESCUE COMMITTEES, SIDEN-BASED (?) CLINIC, WHICH IS ENGAGED IN PROVIDING BASIC HEALTH SERVICES TO

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NEEDY PALESTINIANS AND LEBANESE IN THE AREA. WE ALSO PROVIDE SUBSTANTIAL SUPPORT TO UNRWA, WHICH PLAYS A MAJOR ROLE WITH REGARD TO THE WELFARE OF THE RESIDENTS OF THE PALESTINIAN CAMPS IN SOUTHERN LEBANON.

QUESTION: BERNIE, HAVE YOU RECEIVED ANY REQUEST FROM THE LEBANESE GOVERNMENT FOR AN INCREASE IN THE ECONOMIC ASSISTANCE TO LEBANON?

MR. KALB: I HAVE NOTHING ON THAT.

QUESTION: BERNIE, GOING BACK TO YOUR STATEMENT, DO YOU HAVE ANY INDICATION, BECAUSE YOU JUST SAID, "INCLUDING ANTI-PALESTINIAN VIOLENCE," DO YOU HAVE ANY INDICATION ON THE GROUND THAT THERE ARE SOME PLANS FOR INFLECTING CASUALTIES TO PALESTINIANS IN THE REFUGEE CAMPS THERE OR --

MR. KALB: NO.

QUESTION: WHY YOU ARE NOW MAKING SPECIFIC -- "INCLUDING ANTI-PALESTINIAN VIOLENCE?"

MR. KALB: BECAUSE THE UNITED STATES FEELS THAT THIS IS WHAT MUST BE SAID AT THIS PARTICULAR TIME. I HAVE NOTHING TO AMPLIFY OR TO PROVIDE ANY ADDITIONAL DETAILS THAT ADDRESS THE QUESTION THAT YOU'RE ASKING.

QUESTION: BUT YOU USED THE PHRASE "TO URGE THOSE RESPONSIBLE." WHO ARE "THOSE RESPONSIBLE," AND DO YOU INCLUDE THE LEBANESE GOVERNMENT AMONG THEM?

MR. KALB: THE MATTER OF THOSE WHO ARE RESPONSIBLE TO ENSURE THE SAFETY OF THE PEOPLE THERE IS OBVIOUS. AND YOU'LL HAVE TO DRAW YOUR OWN GAZETTEER.

.....שמי' גביר

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3-2.

MR. KALB: I DIDN'T ALLUDE TO ANYTHING LIKE THAT. YOU MAY DRAW ANY INTERPRETATION YOU WANT. I DID NOT SAY THAT. YOU'RE WELCOME TO YOUR OWN INTERPRETATION. I WILL STICK WITH PRECISELY WHAT I HAVE HERE, THAT IN NO MEASURE INDICATES WHAT YOU ARE SAYING.

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..... **הגדר** : **החוק המסדיר את תפקודי השרותים הממשלתיים**

(1)

מתוך שיחה עם מקור בועדת השרותים המזויינים של הסנט.

ב. כמו כן, השניים רצו לפתוח המרכז גם לגורמים אחרים כגון הצרפתים והספרדים.

3. המקור הוסיף כי בועדה אין התנגדות לכך שישראל תזכה במכרז בדרך הליגיטימית ואין לראות במעולות גולדוויגר - ואף ביטוי ליחס השלילי כלפינו.

קנ"י-טל

A.P.

[illegible]



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SECRETARY OF THE ARMY
WASHINGTON

185 FEB -1 11 5 10

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43 -62

1 February 1985

Honorable Barry Goldwater
Chairman
Committee on Armed Services
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The FY 1985 Authorization Act directed the Army not later than February 1, 1985, to select a contractor for the supply of 120mm mortars necessary to meet the requirements of the Army. Recognizing the importance of equipping our soldiers as early as possible with this new capability, the Army has endeavored to meet this date.

Upon the advice of the Army General Counsel, I will not select a contractor for the supply of 120mm mortars by February 1, 1985. The decision to postpone selection of a contractor is based upon my concerns about the methodology used to survey possible contractors and the validity of the performance requirements for the system.

I have directed that the details of our requirements document be given a comprehensive reexamination and that our acquisition methodology be reviewed to assure its appropriateness. Upon completion of these two actions, which we will execute as expeditiously as is prudent, the Army will make its decision. The Army will keep your committee informed and I will notify you of the final decision.

Sincerely,

John O. Marsh, Jr.
John O. Marsh, Jr.

BARRY GOLDWATER
ARIZONA

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United States Senate

WASHINGTON, D. C. 20510

COMMITTEES:
INTELLIGENCE, CHAIRMAN
ARMED SERVICES
Tactical Warfare, Chairman
PREPAREDNESS
STRATEGIC AND THEATRE INDUSTRIAL FORCES
COMMERCE, SCIENCE, AND TRANSPORTATION
COMMUNICATIONS, CHAIRMAN
AVIATION
SCIENCE, TECHNOLOGY, AND SPACE
INDIAN AFFAIRS

January 28, 1985

The Honorable John O. Marsh, Jr.
Secretary of the Army
Washington, D. C. 20310

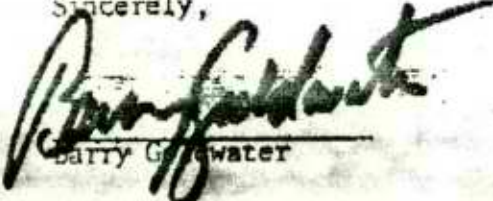
Dear Mr. Secretary:

The purpose of this letter is to raise the issue of the acquisition strategy for the 120 millimeter mortar. Section 101(e) of the Fiscal Year 1985 Department of Defense Authorization Act required the Army to select a contractor for this mortar not later than February 1, 1985.

Despite this sense of Congress expressed in last year's bill that an existing mortar system be selected, there was clearly no intent to stifle competition or to accelerate the acquisition process to the point where adequate testing was not possible. We expect the Army's acquisition strategy to provide for competition and adequate testing. We understand that such an acquisition strategy will cause the Army to miss the February 1, 1985, target date set by Section 101(e) of the FY 85 Authorization Act. We have no objection to missing the date of February 1985 to insure a full and open competition and sufficient testing.

Please provide the Committee with your acquisition plan for the 120 millimeter mortar as soon as possible and please communicate with us personally on any changes to that plan.

Sincerely,


Barry Goldwater


Sam Nunn

*

85 Feb 4 1100
 תאריך וזמן
 דמיסרת
 סוג בשחובי
 דמיסרת
 85 Feb 4 1100

המשרד

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NEWS SUMMARY - MONDAY - FEBRUARY 4, 1985

***PHIL. INQUIRER-2/4-"Freezing Mideast Arms Sales" Reagan has decided to freeze new arms sales to the Middle East pending a comprehensive review of US security interests and strategy in the area. It took the Reagan administration four years to undertake an in-depth study of the defense needs of Israel and Arab arms clients in an area that has undergone strategic change. The White House ordered the study to find a formula that accommodates Israel and Saudi Arabia and can sell in Congress. Changes in the Middle East during the Reagan and Carter administrations have had an immense effect in US and Israeli interests and have borne heavily on moderate Arabs who are the key to Washington's, and Israel's, hopes for lasting security in the region. Postponing the sale risks infuriating King Fahd, and the long-range effect of such a study may not go down well in Jerusalem. But the future sale of weapons systems to Israel or any Arab nation must reflect a genuine foreign policy based on the conditions that exist in the Middle East today.

Israel Pledges Protection: Safety Is Sought For All On West Bank

WASH, POST-Walsh-Israel's Cabinet, responding to demands by Jewish settlers for tougher security measures in the West Bank, said today there will be "no compromise" in efforts to protect both Jewish and Arab residents of the Israeli occupied territory.

Auschwitz Survivors Meet, Call for Mengele's Capture

WASH. POST-(Reuter)-In Jerusalem, Jews who survived experiments conducted by Nazi death camp doctor Josef Mengele appealed today for his capture. More than 100 of about 1,500 twins and dwarfs experimented on by Mengele are scheduled to testify at a three-day mock trial here Monday. Today they joined other camp survivors in dedicating a monument to Auschwitz.

BOSTON GLOBE-Becher-The reason for putting major new arms to the Mideast on hold was to avoid a bitter scrap in Congress that might have undermine support for some foreign and domestic policy issues the Administration regards as more urgent.

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אל: הסברה, מע"ח, לש' ממנכ"ל, יועץ רוח"ם לחקשורה, מצפ"א.
 לש' יגד
 דע: רוסינגטון
 מאח: קהנר
 דף: 2
 סיווג בשחוני:
 דחיות:
 תאריך חיד': 041330
 מס. מברק: 0049
 (14)

News Summary February 4, 1985

Press Reports

Shamir's Position Weakened

WSJ-Rosewitz-Shamir is losing ground. This could, in the long run, bolster Peres's ability to make new moves on the Arab-Israeli peace front, possibly after forming a new government without Likud. Peres is in a position to win undiluted leadership if something disrupts the fragile coalition. The West Bank issue could be the one to break-up the gov't. Peres regularly outshines Shamir, even his own party is giving him problems. Even before the decision was made to withdraw from Lebanon, Peres's popularity rose steadily. Maariv found last month that 42.4% of those polled thought Peres was best suited for the job of PM, compared to 8.6% for Shamir and 4.7% for Sharon.

Rabin on French Offer

ND-combined-Rabin said in an interview in New York and in an article published in Yediot Ahronot, that France has offered to send about 1000 soldiers into south Lebanon to promote an orderly transfer of power as Israeli troops withdraw. He said that such a move depended on Syria's giving Lebanon permission to ask for such peacekeepers.

Settlers Block West Bank Roads

NYT-special-Jewish settlers blocked main roads in the occupied West Bank for 7 hours in protest at Arab attacks on Israeli vehicles and the Government's policy towards the attackers. One Israeli was killed and two were wounded in attacks last week.

2 Women Arrested in Protest Outside Soviet Mission

DN-Gentile-7 women were arrested for disorderly conduct outside the Soviet Mission to the UN during a protest against Soviet maltreatment of Jews. (see ND-AP)

Auschwitz Survivors Meet in Jerusalem

ND-AP-Survivors of experiments conducted by Mengele met to recount the tortures and to call for Mengele's capture and trial.

תאריך: _____ השולח: _____ אישור מנהל המחלקה: _____ חתימה: _____

דף 2 מתוך 2

אל:

סיווג בטחוני:

דחיות:

רע:

תאריך חידוש:

תאריך:

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מס. סדר:

מס. סדר

Egypt Cuts Oil Prices

WSJ-Ibrahim-In the first ripple effect of the price cut adopted by OPEC, Egypt lowered the price of its main export crude by 50 cents a barrel. Egypt isn't a member of OPEC. It's oil minister called OPEC deliberations a "waste of time." Other non-OPEC producers are also expected to lower their prices. (see NYT)

Libya To Free Britons

NYT-special-Four Britons detained in Libya since last spring will be released on "humanitarian" grounds. They were detained after Britain cut off relations with Libya after a Constable was slain.

Saudi Investor to Buy Oil Company

WSJ-Burrough-Valero Energy Corp said a Saudi investor agreed to buy as much as 33.3% of the company's stock for \$100 million, but the money is conditioned upon Valero finding a new supply of low cost oil for its plagued refinery. Akram Ojeh controls a Luxembourg based holding company that is willing to buy the stock. Oil investors looked favorably on the deal.

Letters

DN-How can the US give away \$5 billion to Israel when people are starving, homeless and poor in the US?

ND-Richard Golstein, an attorney for Sharon takes issue with News Day's editorial on the trial. Sharon has every reason to be proud, but pride was never the issue, truth was. On that issue, the verdict rang loud and clear.

ND-Writer states that Israel's rescue of the Ethiopians warmed the heart. He wonders why Arabs can't emulate Israel in doing the same for the Palestinians.

ITONUT

החומר שצוין לעיל הוא מוגן בזכויות יוצרים

חתימה:

השולח: 4.2.85 תאריך: 4.2.85

טופס מברק

2 מתוך 1 דף

סיווג בשחוני:

דחיות: מיידי

תאריך ח"ח:

מס. מברק:

0048

2 סחין-

אל:

הסדר

דע:

מאת: ערונוח

הסברה. יועץ שהב"ס לחקשורה.

ראיון שהב"ס.

1. מצ"ב ראיון שהב"ס מסיים:

ISRAEL

An Interview with Yitzhak Rabin

"They want Lebanon, let them enjoy it"

Israeli Defense Minister Yitzhak Rabin was in Washington last week to discuss his country's military and economic needs with President Reagan and top Administration officials. During the visit, Rabin won promises of \$1.8 billion in U.S. military assistance but failed to change the Administration's stance that Jerusalem must first implement domestic austerity programs before increased economic aid can be considered. Later in New York he met with a group of editors and journalists, and next day talked with Time Inc. Editor in Chief Henry Grunwald, Chief of Correspondents Richard L. Duncan and Senior Writer William E. Smith. Excerpts from the two interviews:

On Israel's decision to withdraw unilaterally from southern Lebanon: Our new government decided to focus on one issue: reasonable security for our [northern] settlement population, and to [achieve this] without remaining in Lebanon. I believe that among the many surprises, and most of them not for the good, that came out of the war in Lebanon, the most dangerous is that the war let the Shi'ites out of the bottle. No one predicted that; I couldn't find it in any Israeli intelligence report. The Shi'ites, the largest community in Lebanon, were oppressed by the P.L.O. [Palestine Liberation Organization]. They didn't like the struggle against the P.L.O., and they received us in the beginning as liberators. But in the last year and a half, they

looked at us the way they looked at the P.L.O., as a foreign occupation force. It's more than that. In trying to forge an identity, they had to have somebody to fight, and so they started a struggle against Israel. If as a result of the war in Lebanon, we replace P.L.O. terrorism in southern Lebanon with Shi'ite terrorism, we have done the worst [thing] in our struggle against terrorism.

In 20 years of P.L.O. terrorism, no one P.L.O. terrorist [ever] made himself a live bomb—took a car or pickup, put half a ton of high explosives in it and drove it with the intention of blowing himself up with the target. The Shi'ites did it to the [U.S.] Marines in Beirut, to the French paratroopers and to us in Tyre. In my opinion, the Shi'ites have the potential for a kind of terrorism that we have not yet experienced.

On how the withdrawal will be carried out: We decided to redeploy unilaterally in three phases to the international boundary, and maintain a security zone that will be manned by local Lebanese forces friendly to us, rather than be a daily target for every Shi'ite group, as we are

חתימה:

אישור מנהל המחלקה:

השולח:

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אל:

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דחיות:

0048 תאריך חצי: } לסיים
מס. מברק: } מה
הקשר

מאח:

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now. I prefer offensive methods. We'll see what the Shi'ites do. If there is a problem, we'll bomb them, we'll shell them. If there is a need, we'll send an armored column in to cope with the area from which they have come. In any event, Lebanon will remain a center of terror. Terror cannot be finished by one war. It's total nonsense; it was illusion. I told the people [of northern Israel] I am not going to promise you that no [rockets] will fall on you, any more than I can promise anyone in Tel Aviv or Jerusalem that no plastic bomb will be blown up in a bus or a supermarket. In fighting terror, you cannot let it interfere with the normal life of civilians in Israel.

We are not going to stay on in Lebanon because our presence might prevent clashes between the various factions. I don't want to be the policeman of Lebanon. It's not the business of Israel. Israel was not created to serve as a policeman of the region. We made it clear we don't link our unilateral decision to anything the Syrians do. They want to stay in Lebanon, let them stay. Militarily, for Israel, I would prefer to see two divisions in Lebanon than the whole Syrian army on the Golan Heights. I know that whoever sets his foot in Lebanon has sunk into the Lebanon [swamp]. They want it, let them enjoy it. We want one thing: that they do not move closer to our borders. That's all.

On Israel's economic crisis: It is our most serious problem, the one on which the fate of the national unity government will be tested and judged. We decided to mobilize a national consensus, and this means government, labor and business. First we put through a freeze on salaries and prices, a holding operation that cost Israel a considerable amount of foreign currency.

Within three months, we brought the inflation down from 23% a month to 3.7%. We gained time, relaxed the atmosphere, created confidence. We cut \$1.1 billion from government operations, and we now have the lowest defense budget in eleven years.

On the military situation in the region today: Israel is in relatively good shape. Egypt, in my opinion, is out of the cycle of war. Iraq is pinned down [in the gulf war], and so there is a relaxation on our eastern front. But in Syria the Soviets have greatly increased the supply of arms, both qualitatively and quantitatively, as a result of the June 1982 encounter [between Syria and Israel]. I'm not saying the Soviets would not have given the Syrians these weapons anyway, but I believe it would have taken them an additional five or ten years.

On Israel's priorities: We're tackling our economic problems and making a good beginning. We're solving the problem in Lebanon. We're warming up our relations with Egypt. [Until those goals are achieved] it will be almost impossible for anyone to bring about a new peace initiative. The problem for Jordan in deciding whether to join the peace process is the Arab world. The Reagan initiative [of September 1982] failed because it did not lead King Hussein to join the process. Jordan will not do what [Egyptian President Anwar] Sadat did—face total isolation, boycott, banning and a loss of Arab financial aid. Without a real realignment within the Arab world, and especially until the Saudis stop being afraid of their own shadows, I can't see a situation in which Jordan will risk joining the peace process. Peace cannot be imposed. We cannot impose it on the Arabs. The Arabs cannot impose it on us. And, with all due respect, even the superpowers cannot impose peace. Peace is something that must derive from the will of those who are today fighting each other.

On the premature release of news about the shift of Ethiopian Jews to Israel: I feel very bad about it. I believe the efforts Israel makes, with the support of others, to bring over 10,000 Ethiopian Jews to Israel brought Israel [to a realization] of the reason for its existence more than anything else. There are a quarter of a million Ethiopian refugees in Sudan. Who gives a damn about them except Israel?

On whether the 1982 war in Lebanon was a mistake: After I assumed the responsibilities of Minister of Defense, I decided to focus on what has to be done now, to look to the future rather than raise differences, and there were differences. I'm trying to learn the lessons of the past, but not to make speeches about the past.

TIME, FEBRUARY 11, 1985

ראיון ביוזווין יורק מאוחר יותר.

4.2.85 חמי שלו

האריך: השולח: אישור מנהל המחלקה: חתימה: 200

משרד החוץ-מחלקת הקשר

3029

NYI

שמוך

מל: ווט, נר: 99, מ: המשרד
דח: מ, סג: ש, תא: 040285, יח: 1500

שמוך/מיד

דון

מכירות נשק

בכתבה של גורצמן על החלמת הממשל להשעות הגשת הבקשות למכירות
נשק
נאמר בין השאר:

"A THIRD CONSIDERATION SOME OFFICIALS SAID WAS TO REDUCE
PRESSURES
ON ISRAEL NOW FACING AN ECONOMIC CRISIS TO MATCH EXPENSIVE
ARMS
PURCHASES BY ARAB COUNTRIES.

משרד החוץ-מחלקת הקשר

RICHARD W. MURPHY AN ASSISTANT SECRETARY OF STATE DIVULGED
THE MOVE WEDNESDAY HOUSE FOREIGN AFFAIRS SUBCOMMITTEE''

האם הממשל התבטא ברוב ו'?

תפ: שהח, דהמ, שהבט, מנכל, ממנכל, ד/מרכי, דס, אמן, ממד, מצפא

משרד החוץ-מחלקת הקשר

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שמו

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אל: ווס , במחון : נד: חורם 146 , מ : המשרד
דח: ר , סג: ש , תא: 030285 , זח: 1800
נד: תביעות בקשר ללבנון

שמו/רגיל

סיבל. דע היועץ המשפטי למערכת הבמחון , מנהל נטוח
ותביעות/משנהב.
תביעות חברות אמריקניות בקשר לפגיעות בלבנון.
א. קרצקו, סגן היועץ המשפטי למחמד, העלה עמי את תביעות
החברות האמריקניות בקשר לטעות פגיעה במתקני נפט בלבנון
ב-1981/2 ע"י צה"ל ואת בהמשך לשיחה של לוקן ממח' ישראל במחמד
(המבקר כאן) עם ענתבי.
ג. כיכור לא השבנו לתביעות לגופן והודענו למחמד באיגרתנו
בתשובה לפניה מצדס, כי איננו מכירים בחובתנו הן מבחינת
המשפט הבינלאומי והן מבחינת משפט ישראל.

ג. קרצקו טען באורו כי גישת מחמד לתביעות אורחים
אמריקנים נגד מדינות זרות היא, בסיסית, שממסלת ארהב אינה
מאמצת אותן אם היתה אפשרות לשמיעה הוגנת שלהן ע"י הממשלה
הזרה, ואם זו דחתה את התביעה אין בדרך כלל SECOND GUESS
ואולם, לשם כך חייבת להיות פרוצדורה הוגנת לחילופי דעות
עם התובעים. אם זו קוימה אין התערבות אלא אם הממשלה הנתבעת
APPLIES A WRONG STATEMENT OF LAW או ברור שהיא מתעלמת
מעובדות.

ד. אם לא קוימה פרוצדורה כלשהי על מחמד לפנות רשמית.
ה. בדוגמא, בגרורה היו תביעות נגד ארהב והיא אינה מכירה
באחריות משפטית בינלאומית, אך איפשרה מכונים להצגתן ותשיב
אחר כך בשלילה נאולי פרט למקרה "אבס גרציה" אחד לבי"ח
לחולי נפט שנפגע.

ו. במקרה דנן מבקשים איפוא מאתנו שלא נאמר "לא" מראש
נכדי לא להפוך את שמיעת התביעות למגוחכת. התובעות
טוענות שלא היה אשף במקום המופצץ וכדומה, ושלא קיבלו תשובה
מאתנו.

משרד החוץ-מחלקת הקשר

ו. מחמד מוקשת שוקבע מכניזם לשמירת הטענות. אם נחליט שאינו חייבים, לא נשלים. לשאלתי מה בעצם דוצה החברה השיב שכנראה עליה להציג לפני בעל המניות שעשתה ככל יכולתה להשיג הטבת נזקה.

ח. מצדנו נבדוק עם מערכת הבטחון ונראה כיצד לאפשר שמירה מתאימה. בדיון מקדמי בלשבתנו הגישה היא, מטעמים של סדר טוב במדינה מתוקנת, לאפשר 'שמירה' כזאת. אולי בוושינגטון, אף כי לא יהיה בעצם ההסכמה לכך כמובן כדי לשנות את עמדתנו המשפטית והפרקטית.

ט. היועץ המשפטי למערכת הבטחון - ראהנא התכתבות בקשר לתביעות 1981 נשרך 6000 מ-27.1.82 וכן ההתכתבות ממאי 1983.
דובינסטין ==

תפ: שהח, רהמ, שהבט, מנכל, ממנכל, ד/מרבז, רס, אמן, מצפא,
דובינסטין, משפט, קידר, לבנון, תביעות

משרד החוץ-מחלקת הקשר

2628

יוצא

בלמים

אל: ווט, נר: 84, ט: המשרד
דח: ר, סג: ב, תא: 030285, רח: 1800
נר: הופעת שולץ

רגיל/בלמים

למדן.

הופעת שולץ בוועדת החוץ - שאלות ותשובות, לשלך 601.
בהמשך לדיווח מפיץ תשובת לבס לשתי התבטאויות נוספות של
המזכיר באותה הופעה.

א. בהקשר לתהליך השלום:

RESPONDING TO A QUESTION ON THE MIDDLE EAST SHULTZ SAID
'THE WAY TO GET AT THE PROBLEMS AND TENSIONS IN THE
MIDDLE EAST IS FOR PARTICULARLY THE ARAB STATES AROUND
ISRAEL TO SIT DOWN WITH ISRAEL AND NEGOTIATE OUT A
PEACEFUL ARRANGEMENT THAT'S WHAT WE'VE BEEN TRYING TO
BRING ABOUT '.

1. בהקשר לשיתוף ארה"ב-י-י וברית'ם' בנושא המז'ית

BUT WE DON'T FORESEE ANY DEVELOPMENT THAT WOULD LEAD US TO
COME TOGETHER WITH THE SOVIET UNION FOR SOME SORT OF
CONDOMINIUM ABOUT THE MIDDLE EAST

לשכת בר-און.

משרד החוץ-מחלקת הקשר

תפ: שהח, דהמ, שהבט, מנכל, ממנכל, ד/מרבז, דס, אמן, מצפא

משרד החוץ-מחלקת הקשר

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חל: 1105, נד: 65, מ: המשרד
דח: 7, סג: ש, תא: 030285, זח: 1500
נד: נשק לסעודיה

דגיל/שמור

לשגריר. למדן. קניסל.

מכירות נשק לסעודיה ולמדינות המפרץ

לשלך 5

מד: סמו אייזנשטט העושה עתה בארץ. השמיע הערכה שהממשל עשוי להביא את עסקת הנשק הסעודית לאשור הקונגרס יחד עם אשור הסיוע הכלכלי לישראל ועל כך להקשות על המתנגדים לעסקה. לדעתו ישראל חייבת להתמקד בהיבט ההתעצמות הסעודי הנוסף ולדרוש הגדלת סעיף הסיוע הבטחוני אליה באופן למימד הנוסף ש של הרבש הסעודי מבחינה טקטית לדעתו יאפוליי בזה עדיף על פני התנגחות ישירה ויזכה להבנה רבה יותר מצפיה.

ת9: שהח, דהם, שהבט, מנכל, ממנכל, ר/מדכז, דס, אמן, ממד, מצפא

משרד החוץ-מחלקת הקשר

יציא

סודי

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אל: וויט, נר: 85, מ: המשרד
דח: ר, סג: ס, תא: 030285, רח: 1015

רגיל/סודי

שגריר, סגל

לשלבס 591

בדקנו העניין עם משרד רה"מ, רה"מ אמר בהופעתו לפני תלמיד
השמיניות כי כל עוד נוקטת ברה"מ בעמדותיה הנוכחיות כפי שהם
לאמר - תמיכה חד צדדית בערבים ואי קיום יחסים דיפלומטיים עם
ישראל אין כל מקום לשתופה בתהליך השלום, אך לו שנתה ברה"מ
עמדותיה הנ"ל היה המצב שונה.

לשבת בר-און.

תפ: שהח, דהמ, מנכל, ממנכל, מצפא

משרד החוץ-מחלקת הקשר

2626

NY 11

10 ד

אל: וושינגטון, ניו יורק, 85, מ: המשרד
דח: ד, סגן ס, תא: 030285, רח: 1915

רגיל/סודי

שגריר, סול.

לשלבס 591

בדקנו העניין עם משרד הריימי, דהייס אמר בהופעתו לפני תלמידיו
השמיניות כי כל עוד נוקטת בריימי בעמדותיה הנוכחיות בפי שהם
לאמר - תמיכה חד צדדית בערבים ואי קיום יחסים דיפלומטיים עם
ישראל אין כל מקום לשתופה בתהליך השלום, אך לו שנתה בריימי
עמדותיה הנ"ל היה המצב שונה.

לשבת בר-און.

תפ: שהח, דהמ, מנכר, ממנכר, מצפא

דפים: 1 מחוד: 4

אל: המברה, סע"ח, לש' ספנק"ל, יועץ רוח"ס לתקשורת, מסמ"א.

סיווג בטחוני:

לש' יגר

דחיות:

רע: רושינגטון

04/11/85

תאריך ח"ח:

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מס. מברק:

לש' ספנק"ל

מח: עתונות

10-011

News Summary February 3, 1985

Columns

DN-Auletta "A Love Feast for a Disaffected Liberal" Podhoretz is a man who people love to hate. He is disliked for, among other things, feverently advancing Israel as a "religion" so that he is blind to the Palestinians as a people.

Press Reports

West Bank-Israeli Economy

NYT-p.1-Friedman (photo of Abir Yaacov) Israel's economic recession seems to be doing what peace activists and political debates have not been able to: slowing the growth of Jewish settlements in the West Bank. For example, Abir Yaacov was started with 30 families living in tents, now there are only four families in trailers and four soldiers guarding the place around the clock. The money to make the place attractive is not available and it is not clear when any will be. A new debate has begun in Israel based less on the biblical or political justifications of the settlements but on the economy. The 35,000 settlers in their 122 settlements are worried that they haven't "created enough facts" and that their homes might be given away. Peres has quietly allowed the economic crisis to freeze the buildings of settlements did not vote against new settlements because he knew that the funds to build them wouldn't be available. There really is no need for new housing on the West Bank for Jews. But, Benvenisti states that there is a misconception that the settlements can be stopped and started at will. At this point, he believes that the whole of the Israeli economy is tied up with the settlements.

NYT-AP-Israeli troops have arrested dozens of Palestinian refugees in a camp in the West Bank. Military sources say that there were incidents of stone throwing and fire-bomb attacks on "residents of the area." On Thursday, Jewish activists threatened to take vigilante action throughout the West Bank unless security forces cracked down on attacks towards settlers.

Unity Gov't

NYT-Week-In Review-Friedman-The talks in Taba reflected a lack of consensus in Israel over the question of peace with Arabs. The talks were handled by Shamir and the Foreign Ministry. Shamir sees Egypt's insistence on the return of Taba as a symbol of Arab demands for territorial "concessions" in exchange for what he views as a cold peace and empty embassies. Shamir is now taking a firm stand on Taba since he lost the fight for not withdrawing troops in Lebanon and that Sharon is back trying to gain party leadership. On the other side, Peres seems to view Taba as an opportunity and irritation. If Egypt is using Taba as an excuse to chill relations with Israel,

האריך: השולח: אישור מנהל המחלקה: חתימה:

טופס' מברק גלוי

מחלקת הקשר - ניו-יורק

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he see's no reason for fighting with Shamir. However, if Taba is just a small block in opening relations with Egypt, Peres believes that concessions may be in order. There is obvious conflict in the coalition. It was the Prime Minsiter's office and Nimrod Novick, against the Foreign Ministry last week. Soon, Netanyahu gave an "ultra Hawkish" interview in the NY Post. His remarks about the West Bank on which there is no consensus in the Cabinet is seen as another indication of the every-man-for-himself quality of Israel foreign policy. Shortly, Weizman said he would be ready to sit with Arafat if he were to recognize Israel. Egypt is hardly blameless. Mubarak tries to keep relations with Israel warm enough to get money from the US but cool enough so not to enrage other Arab counties. The US is trying hard not to get involved in Taba. The US is seen to have a "Lebanon complex."

Iraq Under Saddam Hussein

*** NY Times Magazine-Cover Story-Elaine Sciolino "The Big Brother" Iraq has been drawn to America through desperation, not destiny. The two countries have embraced each other so warmly in the past 2 months that it is hard to believe Iraq once vowed it would never re-establish relations with the US until Washington abandoned its pro-Israel policy. The US knows that Iraq, perhaps only second to Saudi Arabia in oil reserves, is a good long-term risk. Iraq is different today than it was in 1969 when crowds celebrated in the streets after Jews were hung as Israeli spies. Or in 1979 when it lead Arab states in moving away from Egypt for making peace with Israel. But the same rulers rule. Iraq is a sealed society. There is little or no freedom. People live in fear, they are not allowed to travel, or even own a typewriter without permission. Foreign journalists are not allowed to take photos of animals because the gov't fears that it will make Iraq look backwards. Members of the ruling Baath Party infiltrate schools, factories, offices, every one. In school, children learn that "Palestine was stolen by the Jews who killed parents and children and smashed the country." Torture is used extensively to deal with military or political opponents. Few Jews remain in Iraq. According to the administrator of Baghdad's last functioning synagogue, there are about 400 Jews in Iraq. Most are old. Jews are allowed to practice their religion but aren't allowed to hold jobs in state enterprises or join the army. Hussein is feared. Yet, under his leadership, Iraq has changed into a developing country. Women are among the most emancipated in the Arab world. Iraq's military strategy is made behind the Presidential Palace walls. Iraq continues to build up huge stockpiles of mustard and nerve gas in at least three heavily protected factories. Economic hardships for the public have begun. American officials are advising businessmen to invest in Iraq now...before the honeymoon is over. Iraq now is concerned about how to balance the Syrian-Libyan-Iran axis than on the Egypt-Israel search for peace.

Lebanon

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לשירות
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מאח:

NYT-Kifner—The Lebanese Cabinet met in a marathon session to deal with a series of major crises, any one of which could bring it down. Most pressing was the withdrawal of Israeli forces. The economy is crumbling as well.

OPEC

NYT-Tangliabue—There is deep disentions in OPEC. Oil producers in and out of OPEC are not happy with the falling prices. Developing economies of Africa, Asia and the Far East and the industrialized economies of the US, Japan and Western Europe welcome the falling prices. But the high cost of the dollar has been scouring things for most of the consumer countries. Europe and Japan are paying more than ever for oil due to the US dollar. A large fall in OPEC prices could seriously threaten countries that rely heavily on oil exports, such as Mexico.

Islam in Indonesia

NYT-Crossette—Indonesia is the most populous Islamic nation. But this has not made it an Islamic state. The leaders have gone out of their way to build a secular nation. Yet, Islamic fundamentalism is on the rise. This is not an import from the Mideast.

Topic: On Nazis in Austria

NYT-ed page—"Indecent Welcome" The Defense Minister of Austria now says he regrets the warm welcome given to the Nazi Walter Reder. Well he should. It was a moral affront.

Woman Rabbi to be Accredited?

Daily News Magazine-Caldwell "Is There Mazal Tov in Her Future?" Amy Eilberg will learn this week if she will become the first full fledged accredited Conservative rabbi.

Book Reviews

NYT-Hertzberg reviews "The Gate Behind the Wall: A Pilgrimage to Jerusalem" by Samuel Heilman. The book is an advance in recent literature that describes one's return to Judaism.

NYT-Mayer reviews "Pioneer Jews: A New Life in the Far West" by Harriet and Fred Rochlin. Ten percent of the Jews in the US in 1849 lived in the 11 Western states and territories concentrated in the thousands in San Francisco and scattered all over in small mining towns. The book is an "illustrative social history." Anecdotes about the Jews in these towns abound. For example, a Jewish doctor named Mark Levy fought at the Alamo. Linda Ronstadt is a descendant of one of the first Jewish families in Tucson.

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טופס' מברק גלוי

מחלקת הקשר - ניו-יורק

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הקשר

Cartoons

NYT-Kelly (San Diego Union) An Israeli police car in Lebanon, on blocks with no wheels and Lebanese men taking the doors, ect...One police man says to the other "Hey, Whaddya say we pull out of here...I mean now that we've restored law and order..."

DN-Rigby Two Arabs stand naked (except for keffiyahs) with barrels around them. One says "You remember the good old days, Achmed, when a barrel was a barrel?"

ITONUT

הערה: 25-30 האותיות: אישור מנהל המחלקה: חתימה:
2-1-1034 מלוא סף שטחיה מאוסטין במו

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הסדרה: מלחמה, מלחמה, מלחמה, ילד, ילד רחל

Sunday, Feb. 3, 1985

AROUND THE WORLD

Wash. Post, Wire Serv: Israel security forces swept into the Dheishe refugee camp and arrested at least 20 Palestinians as part of an operation to control violence in the occupied West Bank, military sources said.

The predawn crackdown followed attacks on Israelis in the West Bank. One Israeli died of burns suffered in a firebomb attack, and two Israelis were wounded when a gunman opened fire on a bus near Bethlehem on Wednesday..

Neither attack was blamed on Dheishe residents, but after the bus attack, Jewish settlers accused the government of being soft on Palestinian extremists and threatened to police the West Bank themselves.

Wash. Post, Wire Serv: Egypt was readmitted to the Islamic Development Bank six years after being expelled for signing the Camp David accords with Israel.

Spokesman Abdur Rahman Haris made the announcement at a news conference after the first day of an annual meeting of the bank's board of directors.

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EDITORIALS/COLUMNS

Wash. Post

Mideast Arms Pause

The Reagan administration's quiet decision to suspend all new arms deliveries to Israel and the moderate Arab states, pending a policy review, is the best thing the United States has done in the area since Camp David. ... Something like Mr. Reagan's peace plan of 1982 needs to be carefully revived. The moment is not the best, but then, the moment is never the best. The United States' Arab friends will help some. Israel has, for a while at least, a prime minister who believes in compromise with Jordan.

The Administration's new arms pause may turn out to be just a tactical gesture, meant or used to reduce diplomatic tension for a few months. If that is so, the world will go on, which means, in the Middle East, more tension, uncertainty, expense, suffering and danger-the area's familiar wasting disease.

PRESS RELEASES CON'T:

Israel Pulls Back Without Backing Down

Chic. Tribune, Broder: The Israeli military pullback from southern Lebanon will create a large free-fire zone beyond Israel's northern frontier where any threat to the Jewish state will provoke preventive attacks, according to Israeli and Western military analysts.

The analysts said the redeployment of Israeli forces along the northern border signals a return to mobile, aggressive tactics that Israel used before its involvement in Lebanon and suggests an admission of the limits of a defense strategy based on occupation. The shift in emphasis also is expected to affect the army's

Strategic posture along Israel's other borders.

Since 1982 since 1982 + 1034 + 172

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הסברה, אמת, אצבא, אמנא, אמת, אמת

SAT., FEB. 2, 1985

Israeli Dies After West Bank Firebombing

It was the first Israeli civilian death from attacks on West Bank roads in two years and came during an upsurge in assaults by Palestinians, a military source said.

Wash. Post, Wire Serv: A bomb-laden car exploded outside a crowded, newly built mosque in Tripoli yesterday. In Sidon, militiamen armed with machine guns attacked a position of the Israeli-backed South Lebanon Army as Israel thinned out its forces in the area in preparation for its pullback.

Wash. Post, Sawyer: Syrian Ambassador Rajik Jouejati, in a joint news conference yesterday at his embassy here with the Rev. Jesse L. Jackson, told reporters that Syria has been doing "all it could" to find out who is holding five Americans captive in Lebanon and to press for their release. "The results so far are neg-

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ative, that is, there are no results. But we are not despairing." Jouejati said.

FOR THE RECORD

Wash. Post, Wire Serv: Austria's ruling coalition defeated a no-confidence motion against Defense Minister Friedhelm Frischenschlager, who provoked a turmoil by meeting Walter Reder, a freed Nazi war criminal, last week.

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משרד החוץ-מחלקת הקשר

בלמיס

אל: ווש, מיאמי, נר: חוזם 52, מ: המשרד
דח: מ, סג: ב, תא: 010285, יח: 1500

מיד/בלמס

השגריר, למברק מיאמי 28.

REV. JERRY FALLWELL

בהמשך למברק מיאמי ולידעה שהופיעה ביהארצי' 1-31 בינואר,
שבה נאמר כי פולוול אמור להגיע ארצה בעוד כשבועיים בראש
אלפיים מחסידיו, יקיים כינוס מיוחד בירושלים ובנוסף, מבקש
להפגש עם רה"מ, מ"מ דה"מ, ומר בגין. מבקשים שתבורר
ותודיעונו:

1. מתי ולכמה זמן יגיע פולוול ארצה.
2. האם יגיע בראש אלפיים צליינים ומהן תכניותיהם בעת הביקור.
3. מיהי חברת הנסיעות המסדירה עבורם הביקור בארץ.
בנסיות-מצפא.

תפ: שהח, דהמ, מונבל, ממנובל, מצפא, ורד, בנסיות

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..... **מבית** **המדרגה** **השנייה**

 $22\frac{1}{5}$

אל הנמענים בלבד

הנדון : קרן סאדאט לשלום

1. בפגשתי היום עם הסגיר ג'ורג' אשר מסר לי העתק המלצה מהנשיא רייגן המצ"ב.
לשאלתי הטיב שהמכתב הושג באמצעות טייסר ומקפרלן.
2. לשאלתי בענין פרויקטים מוצעים מסר לי הניר המצ"ב והבהיר שמדובר במחשבות בלבד.
הקשיתי לגבי סעיף 2 בתוכנית והטיב שמדובר רק ברעיון מעורפל, אינו יודע איפה יקימו
השכון ואם הרעיון לא נראה לבו, ניתן לבטלו.
3. שאלתי לגבי מימון. סיפר שעד כה יש להם מעט מימון ומקורו בקרן מיילמן מנ"י
460 Park Avenue.
לדבריו מסוקר בקרן פרטית של משפחת מיילמן וכתובתם
Exxon ומנ"י Morgan Guaranty Trust
כמו כן יש להם תבטחה למימון מה-
אך טרם קבלו הכספים.
4. סיפר שגורמים שמאלנים במצרים מפעילים לחץ על גבי סאדאת להימנע מפעילות בנושא.
5. סיפר שהסגיר פיליפ חביב הביע נכונות להיות פעיל בקרן.
6. ג'ורג' עומד להיפגש עם מגיד בשבוע הבא. ביקש ממני לא להודיע לשגי המצרית
שאנשי הקרן נמצאים איתנו בקטר.
7. לשאלתי גבי רבין מסרה לי שהגבי לא העלתה הנושא איתה.
8. ג'ורג' סיפר שקארטר חזר בו מהתפטרותו והוא משוכנע שאם אנו נפנה לקיסינג'ר
אז קיסינג'ר ופורד יחזרו בהם שניהם מהתפטרותם. מסר לי העתק פנייתו לקיסינג'ר המצ"ב.
9. אמרתי שבתקש הנחיות מירושלים טרם נפנה לקיסינג'ר.

סיבל



$\frac{1}{x} \cdot \frac{x^2}{x^2} = \frac{x}{x^2}$

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THE WHITE HOUSE

WASHINGTON

January 28, 1985

Dear Ambassador George:

I strongly endorse the worthy objectives of the Sadat Peace Foundation, and look forward to learn of your progress. Cooperative efforts in research, education, health care and other social policies that transcend partisan politics in any particular country, will encourage the creation of new constituencies favoring peace and cooperation. It is no wonder that your foundation has attracted prominent statesmen and distinguished Middle East experts who can help move the peace process forward.

I also applaud your emphasis of using the private sector. Private initiatives that join Egypt and Israel, and eventually other Middle East nations, in cooperative economic endeavors will contribute to greater prosperity and hope for the future.

You have my enthusiastic support. With warm personal regards and best wishes for the foundation's success.

Sincerely,

Ronald Reagan

Honorable James George
Staff President
Sadat Peace Foundation, Inc.
145 East 74th Street, Suite 1C
New York, New York 10021

SADAT PEACE FOUNDATION, INC.

22 $\frac{3}{5}$

WEST COAST OFFICE:

1888 CENTURY PARK EAST
SUITE 10
LOS ANGELES, CALIFORNIA 90067
(213) 556-3000

HEAD OFFICE:

145 EAST 74TH STREET
SUITE 1C
NEW YORK, NEW YORK 10021
(212) 737-1011

Direct line: (201) 852.9171
January 24, 1985.

Dr. Henry K. Kissinger
c/o Ms Chris Vick
1800 K Street N.W. #1021
Washington, D.C. 20006.

Dear Dr. Kissinger,

President Carter cited similar reasons in his January 8 letter of resignation from the Board of Directors as you did in your letter of resignation. However, for reasons of national interest, President Carter withdrew his resignation during his telephone conversation with me on January 22 and asked me to send back his letter of resignation.

During his forthcoming visit to Washington in March, President Mubarak will be strongly advised by the Reagan Administration to develop cooperative social and economic programs with Israel. At that time the Sadat Peace Foundation will be presented to President Mubarak as a vehicle satisfactory to the United States for facilitating the development of such cooperative programs between Egypt and Israel.

During my meetings on January 18 with senior State Department officials and separately with Ambassador Rosenne of Israel, I was informed that both President Reagan and Prime Minister Shimon Peres are taking a special interest in the continuation of the Foundation. I believe that you may shortly be hearing from both Governments.

After carefully considering the reasons you gave for resigning, I can now assure you that the Foundation's by-laws can, if you wish, be amended so you could limit your involvement with the Foundation to an annual one half hour telephone conference call between yourself, President Ford, President Carter, and Ambassador Habib who is prepared in this case to be actively involved in the Foundation's work, and could be (along with Presidents Carter and Ford) your only point of contact with the Foundation. Further, if you wish, your name will not appear on our letterhead nor be used by us in any way, including fund raising.

Though you could not, of course, have anticipated this, your resignation has been seized upon by leftist elements within the Egyptian Government to advance their current campaign of what is being called "de-Sadatization". They are using your withdrawal to

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urge President Mubarak to request Madame Sadat to put a stop to the Foundation. Madame Sadat is in a weak position since she can not oppose Egypt's current President despite her warm feelings for the United States. In short, by rejoining the Board and giving one half hour each year to honor President Sadat, who through you greatly strengthened Egypt's ties with the United States, you will frustrate the designs of the anti-Westerners in Cairo, and Madame Sadat will be allowed to remain a member of the Board. The Foundation could therefore continue to serve Western interests in the Middle East, specifically in facilitating the implementation of cooperative programs between Egypt and Israel. Already the State Department has shown an interest in working with Ambassador Habib and myself to this end.

For President Mubarak, caught between his regard for President Sadat and his need to placate the Arabs, the Sadat Peace Foundation offers a way of permitting Israeli-Egyptian programs to get under way before anything at governmental level would be possible. We should take advantage of this opportunity. He needs time to bring Jordan into the peace process. He cannot have governmental cooperation with Israel and better relations with the Arabs at the same time. So the Foundation founded in homage to the man who secured the return of the Sinai and who made him President of Egypt allows President Mubarak to keep to the relative safety of middle ground. No other governmental or private agency would serve that purpose so well.

Similarly, for Israel, the Sadat Peace Foundation can get practical programs started with Egypt that will help to warm up the peace at a time when governmental relations are cool, through the only vehicle that President Mubarak's loyalty to his predecessor and his personal relations with yourself, with President Ford, President Carter and Ambassador Habib makes acceptable to Egypt.

Since President Carter has now rejoined the Foundation's Board, having understood how the Foundation can serve United States' interests in the Middle East, I hope that you and President Ford may soon follow suit, in the light of the reassurances I have given you in this letter regarding your special concerns.

With my respects and kind regards,

Sincerely,


James George
President

cc. Mr. Robert Pelletreau . Dept of State

SADAT PEACE FOUNDATION, INC.

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WEST COAST OFFICE:

1888 CENTURY PARK EAST
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SYNOPSIS OF PROGRAMS

Listed below is a brief description of our initial four projects currently under research. The Children Education Gazebo and the Social Integration Retreat projects will be available shortly for implementation.

1. Social Integration Retreat Project

To facilitate social integration between Jews, Egyptians and Arabs on the West Bank, sites will be selected for a series of week-end seminars and retreats for high achievement college students from the Arab and Jewish Sectors and from Egypt to come together to explore effective integration methods of the three societies examining cultural attitudes and similarities. Eventually, this project will also facilitate cooperation and exchange programs between the various college campuses in Egypt and Israel.

2. Housing Integration Project

To develop housing projects with equal quotas of residents for Arabs and Jews.

3. Children Education Gazebo Project

Adaptation to conditions in Egypt and Israel of Janet Lederman's pioneering integrational education work in California with trans-cultural day care centers for participants of all ages, a low cost project of great potential benefit for helping distressed communities become self sufficient. The Gazebo Centers are suitable to develop in rural and urban areas in the Middle East.

The Gazebo Project will integrate Jewish, Egyptian and Arab children as well as their parents and grandparents in a totally participatory method whereby the cultural tradition of the community is utilized in the structure of the program; thus the program is flexible in implementation without imposing foreign standards on the culture of the community.

4. Economic Research and Recommendation Project

To establish a committee of Egyptian and Israeli economists to study and recommend trade commodities of benefit to both countries.

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