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Klutznick inquiry

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From WOLF BLITZER
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Some of Mr Philip M. Klutznick's business dealings in America and Israel are engaging attention as the Senate Commerce Committee prepares an investigation preceding hearings with regard to confirmation of his nomination by President Carter as Secretary of Commerce.

According to "The New York Times," the controversial aspects of Mr Klutznick's background are related to allegedly preferential Government treatment in Israel and his involvement in the sale of a New York bank to an Argentine Jewish family, whose borrowings led to its subsequent failure.

The episode, which occurred in 1976, was the fourth largest bank failure in United States history. At the time, Mr Klutznick was chairman of the Swiss Bank, which owned some 75 per cent of the shares in the New York bank. Mr Klutznick himself owned a further 5 per cent or so.

From 1963 to 1973, Mr Klutznick served as chairman of the failed New York bank — American Bank and Trust — and his son, Thomas, was a member of its board when it crashed. The chairman was Mr Abraham Feinberg, a veteran business associate of Mr Philip Klutznick.

Also mentioned in the report in "The New York Times" are Mr Klutznick's investments in Israel, including his part ownership of the Hilton Hotel in Jerusalem.

A deal to sell the hotel a few years ago fell through, when the owners failed to produce a promised document confirming that the enterprise would receive a special concessionary loan from the Israeli Government, in addition to the standard loans to investors in hotels, the paper said.

"The arrangement would have meant that the project would have been 65 per cent financed by the Israeli Government," it added.

In 1957, Mr Klutznick was involved with an Israeli company planning to develop land near Ashdod.

The then Israeli Finance Minister, the late Mr Levi Eshkol, reportedly granted the company a concession for the land on very favourable terms, which the company then sold at a profit.

After an outcry, the concession was renegotiated. Mr Klutznick later transferred all his holdings, estimated by his Israeli partner to have been worth the equivalent of £476,000 today, to various Israeli institutions of higher learning.

Mr Klutznick, 72, is a millionaire Chicago businessman. He is to take leave of absence as president of the World Jewish Congress to enter President Carter's Cabinet.