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Senate to probe Klutznick's U.S., Israel business deals

By WOLF BLITZER
Jerusalem Post Correspondent

WASHINGTON. — Some of Philip Klutznick's previous business dealings in the U.S. and Israel are arousing controversy as the Senate Commerce Committee prepares an investigation preceding his confirmation hearings as secretary of commerce.

Reporting this on Friday, "The New York Times" quoted Arnold Miller, head of personnel in the White House, as saying that "nothing we have heard changes our feeling about his outstanding reputation and his record of service to the country."

According to the report, the controversial aspects of Klutznick's background centre on allegedly preferential government treatment in Israel, and involvement in the sale of a New York bank to an Argentinian Jewish family whose borrowings led to its subsequent failure.

The 1976 episode, the fourth largest bank failure in U.S. history, will reportedly be one of the key issues examined by the Senate panel. At the time of the failure, Klutznick was chairman of the Swiss bank that owned some 75 per cent of

the stock in the New York bank, and he himself held about 5 per cent of the shares.

Klutznick was chairman of the board of American Bank and Trust in New York from 1963 to 1973, and his son Thomas was on the board when it failed. Chairman of the bank was Abraham Feinberg, a long-standing Klutznick business associate.

Klutznick's Israel investments, including his part ownership of the Jerusalem Hilton hotel, are also at issue.

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 Israel government, in addition to the standard loans to investors in hotels, the "Times" said.

Also under investigation is Klutznick's involvement in 1957 with an Israeli company to develop land near Ashdod. The late Levi Eshkol, then finance minister, reportedly gave the company a concession on the land on very favourable terms, and the company then resold at a profit.