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*Daily News Bulletin*PUBLISHED BY THE JEWISH TELEGRAPHIC AGENCY
106 EAST 41st STREET, NEW YORK 17, N. Y.LAST MINUTE NEWSISRAELI PREMIER ADDRESSES STATE COUNCIL ON BUDGETARY DIFFICULTIES; LAUDS OVERSEAS AID

TEL AVIV, Aug. 5. (JTA) -- The financial problems of the young state of Israel were outlined here tonight at a meeting of the Provisional State Council by Premier David Ben Gurion who revealed that the budget of Israel far exceeds the budgets of the Jewish Agency and the Jewish national institutions prior to the establishment of the state.

The state of Israel alone is not able to provide full relief for the families of soldiers on active duty, for invalids, orphans and widows, he disclosed. "Fortunately," Ben Gurion added, "to our aid has come world Jewry. Not only the American, but smaller Jewish communities like the South African which provided one and a half million pounds."

After his report, the State Council accepted the government's suggestion that a special government department be established to handle the problems of the families of soldiers.

A report on his meeting earlier in the day with U.N. Palestine mediator Count Folke Bernadotte (see page 1) was made to the session by Israeli Foreign Minister Moshe Shertok, who revealed that the mediator requested Israel to grant permission to British aircraft serving the U.N. truce commission to land on Israeli territory.

"We have not agreed to this request because Britain is not neutral and British officers are in charge of the Arab Legion in all negotiations with us," he said. "Therefore, we cannot allow British nationals to move freely in Israel."

The Israeli Foreign Minister also disclosed that Bernadotte had asked the Jews for a few days in which to discuss with Arab leaders the Israel Government threat to halt Arab movements in the Latrun and Ramallah areas if the Arab Legion persists in interfering with Israeli convoys en route along the main Tel Aviv-Jerusalem highway and with the Latrun waterpumping station.

Shertok also reported that the Israeli Government advised Bernadotte that the present restriction on Jews praying at the Wailing Wall in the Old City constituted the first time in 2,000 years that Jews had been unable to worship at the ancient spot. The U.N. mediator promised to take action in the matter, Shertok said.

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ISRAEL SUMMONS ARABS TO PEACE CONFERENCE; SENDS INVITATION THROUGH U.N. MEDIATOR

TEL AVIV, Aug. 5. (JTA) -- The Israeli Government today officially invited the Arab League states to sit down at a peace table and negotiate a settlement directly. The invitation to the Arab states was transmitted by Israeli Foreign Minister Moshe Shertok to U.N. mediator Count Folke Bernadotte at a meeting between the two here this afternoon.

An official version of the interview reported that Shertok declared: "I approach you as mediator officially on behalf of the Provisional Government of Israel with the request that you transmit to the belligerent powers an invitation to meet Israel's Provisional Government for peace negotiations."

The attitude toward Israel in the Arab countries themselves is undergoing a change, a reliable neutral source declared today, summing up the situation in the major Arab League states. The source, who stated that the Arab leaders are more reasonable now in their feelings toward the Jewish state, pointed to the fact that the Cairo newspapers reported the statement by King Abdullah of Transjordan yesterday to the effect that compromise with the Jews may be necessary. In addition, the Cairo French-language newspaper Egypt has quoted Arab leaders who also indicated that a compromise might be necessary.

U.N. personnel who have talked with Arab refugees dispersed throughout the Middle East reported today that universally the refugees have an overwhelming desire to return home. Most of them are simple peasants deprived of their livelihood and anxious to return to their fields as soon as possible. The majority do not care whether the Arab League states recognize Israel or not, they are willing to go home and recognize the authority of the Jewish government.

Israel Remains Non-Committal on Demilitarization of Jerusalem

During the course of the three-hour talk, Shertok told Bernadotte that Israel is not prepared to state whether it accepts the demilitarization of Jerusalem in principle, since the circumstances under which the suggestion was originally made no longer exist, the Jewish Telegraphic Agency learned.

Shertok also demanded that the mediator act swiftly on the Arab Legion's refusal to permit the free flow of water to Jerusalem. Touching on the problem of the Arab refugees, the Israeli Minister said that his government does not agree to their return under the present conditions, but is prepared to consider individual cases on compassionate grounds. (See page 4 for Bernadotte's objections to Shertok's stand.)

After the Shertok-Bernadotte parley, the mediator's press officer George Barnes told a press conference that "Bernadotte does not feel himself bound in the slightest by the November 29th partition decision, and it would be a shock to him to learn that Israel still sticks to this decision." He pointed out that the subject under

discussion was the demilitarization of Jerusalem, not its internationalization as visualized in the original U.N. partition decision. Barnes also stated that Bernadotte has no plan yet for demilitarizing the city, but is discussing the matter with both parties in an attempt to evolve such a plan.

Bernadotte, who left here for Haifa where he will spend the night, is flying to Rhodes tomorrow and returning to Jerusalem on Monday. Meanwhile, the Israeli military governor for Jerusalem, Bernard Joseph, will enter preliminary discussions with U.N. staff members.

U.N. Commission Protests Arab Refusal To Permit Water for Jerusalem

The U.N. Truce Commission in Jerusalem yesterday reported to the U.N. that it considers the Arab Legion's refusal to permit the flow of water from the coast to Jerusalem via the Latrun pumping station a serious breach of the truce, it was officially announced here. The announcement also pointed out that Bernadotte has twice protested to the Arabs on this point.

Another government communique revealed that truce violations by Iraqi forces at Tirat Zvi, in the Beisan Valley, continued for three days despite the assurances of U.N. observers that they would do something about it. The first breach occurred Sunday when the Arabs fired on the Jews and later on the observers themselves. At the request of the U.N. personnel the Jews have refrained from retaliation. It is also known that observers touring the northern fronts to mark off the official positions of each belligerent force have been fired on by Iraqis in the Gilboa Mountains and the Lajjun area.

BERNADOTTE WILL NOT SUBMIT PALESTINE PEACE PLAN TO U.N. GENERAL ASSEMBLY NEXT MONTH

LAKE SUCCESS, Aug. 5. (JTA) -- U.N. Palestine mediator Count Folke Bernadotte is not expected to submit a Palestine peace plan to the General Assembly when that body meets in Paris next month, Dr. Ralph Bunche, the mediator's chief Secretariat representative, told a news conference here today.

Asserting that the current truce in Palestine is firmly entrenched, Dr. Bunche, who plans to return to the Near East within a few days, stated that Count Bernadotte "made quicker progress" in the first days of the second truce than during the initial cease-fire agreement since both the Jews and Arabs were impressed with the firm stand taken by the Security Council in ordering the cessation of hostilities.

Bunche confirmed that the Jews were seeking direct negotiations with the Arabs but seemed doubtful that this objective could be easily obtained. Insofar as this involved the mediator, he said Bernadotte would be only "too happy" to see or arrange such a conference if it promoted conciliation in Palestine. Dr. Bunche's primary mission at present in the U.S. is to expedite the dispatch to Palestine of military observers pledged by the three truce commission countries.

Bunche underscored the mediator's insistence on the need for a force of 2,500 men to guarantee the peace of a demilitarized Jerusalem, but admitted that while both sides had accepted demilitarization in principle they had not been approached on the question of a U.N. force.

In a surprise announcement, Bunche declared that what may be Bernadotte's first concrete proposal to the U.N. Security Council may be made within the next 24 hours on the question of Arab refugees. Meanwhile, the Syrian Government has filed a vigorous protest with the Security Council against the Jewish seizure of the oil refineries in Haifa and has called for resolute Council action on its complaint. The Syrian note foreshadows a new Council debate over the oil terminus.

TEL AVIV, Aug. 5. (JTA) -- The Government of Israel has decided to issue its own currency in place of the present British-issued Palestine pound which is circulating not only in Palestine but in Transjordan, it was learned here today.

The newly-printed currency has already arrived in Israel. It was engraved in the United States more than four months ago -- one month before the British relinquished the Palestine Mandate on May 15. The Israeli currency was delivered to the Jewish state under strong guard and under the most secret conditions.

Due to the time lag necessary to print the new currency, an interesting snag arose here. When the order was placed for the new notes, it was still uncertain whether there would ever be an independent Jewish state and the name of "Israel" appears nowhere on the currency. The notes are issued not by the Israeli Government but by the issuing department of the Anglo-American bank under the authority of the Tel Aviv administration.

The backing for the new notes is comparatively high. Almost 50 percent of the entire issue is covered by gold and other "hard" currencies and balances held in London, but this last fact may cause some complications as Israeli's sterling balances there are not readily negotiable.

The notes will be issued in denominations of a half-pound, one pound, five pounds, ten pounds and 50 pounds. There will be no new coinage for the time being. The entire issue, it is understood, follows recommendations made by the United Nations International Monetary Fund. There is, however, a current of uneasiness among certain Tel Aviv groups over its possible outcome. Already speculators have been busy, and the price of the gold sovereign here has risen above eight pounds sterling, which is almost 30 percent higher than the current quotation in Cairo.

Apart from this slight nervousness, the Israel Government seems confident that it can handle this operation without impairing its credit standing and, at the same time, gain increased liberty of action in the financial field where it has hitherto been severely restricted.

Amount of Currency Engraved in U.S. Is Small, Israeli Diplomats Say

WASHINGTON, Aug. 5. (JTA) -- The amount of Israeli currency engraved in the United States is small, members of the Israeli diplomatic mission here asserted today. They explained that no hint of the total amount could be disclosed until the Tel Aviv government has "definitely decided" to put it into circulation.

"That may be a long time off," one spokesman predicted. "Not only will the issuance of the currency sever the last ties of Israel with London, but also with the neighboring Arab states. But if we decide to use it, we will have the currency on hand."

ISRAELI ENVOY TO TAKE MEZUZOTH TO MOSCOW: LEGATION WILL OBSERVE KASHRUTH

TEL AVIV, Aug. 5. (JTA) -- Mrs. Goldie Meirson, Israeli Minister to the Soviet Union, will take a set of "mezuzoth" with her to Moscow when she leaves for her post, it was revealed here today by Rabbi Meir Berlin, world Mizrahi leader, in an address dedicating a new soldiers' club here for Orthodox troops.

The mezuzoth will be affixed to the legation's doorposts. The kitchen of the legation will observe all the rules of Kashruth, it was emphasized.

ISRAEL OUTLINES FOR U.N. THE CONDITIONS AND EXTENT OF READMISSION OF ARAB REFUGEES

LAKE SUCCESS, Aug. 5. (JTA) -- The Israeli mission to the United Nations today informed the U.N. to what extent and under what conditions Israel will permit the return of former Arab residents of its territory who fled their homes. The answer was in the form of a letter submitted to U.N. mediator Count Folke Bernadotte by Israeli Foreign Minister Moshe Shertok.

Shertok said that the conditions under which the refugees will be permitted to return and the number readmitted to Israeli territory will depend on: 1. The long term interests of the Jewish and Arab populations; 2. The stability of the state of Israel, and the durability of the peace between it and its Arab neighbors; 3. The actual position and fate of the Jewish minorities in the Arab countries; 4. The responsibility of the Arab governments for their war of aggression; and 5. Their liability for reparations.

"For such a comprehensive and lasting peace settlement," Shertok's letter said, "the Provisional Government of Israel is ever ready, but holds that it cannot in fairness be required to carry through a unilateral and piecemeal measure of peace while the other side is bent on war." The letter also outlined political, economic and security reasons on the basis of which the Israeli Government "is not in a position, as long as a state of war exists, to readmit Arabs who fled their homes, on any substantial scale."

U.N. MEDIATOR OBJECTS TO SHERTOK'S STAND ON READMISSION OF ARAB REFUGEES TO ISRAEL

LAKE SUCCESS, Aug. 5. (JTA) -- U.N. mediator Count Folke Bernadotte, in a cable to Secretary General Trygve Lie tonight took exception to the Israeli stand against the immediate return of Arab refugees to Jewish territory. Bernadotte said notwithstanding the Israeli arguments against the mass return of the Arabs, he affirms the right of the refugees to their return at the earliest practicable date. He made the following three proposals in connection with his stand:

1. A limited number of Arabs wishing to return should be accepted as a principle beginning August 15, especially those who fled from the Jewish-controlled cities of Haifa and Jaffa.
2. A distinction should be made between Arabs of military age and all other Arabs in consideration of the security problem facing Israel.
3. The mediator should proceed to enlist all international and other agencies in the help of resettling the returned Arabs and aiding them in their economic and social rehabilitation.

Bernadotte said he fully appreciate the Jewish misgivings about his program on security grounds. But he pointed out that these misgivings must be evaluated in light of the indefinite nature of the truce established in Palestine, thus rendering "slight" the danger to Israel from the returned Arabs. He revealed that he was already proceeding with his survey of international agencies he hopes to enlist in his project and expects to submit a report on his findings soon.

SEN. TAFT SEES "LITTLE CHANCE" OF CHANGING DP ACT AT THIS SESSION OF CONGRESS

WASHINGTON, Aug. 5. (JTA) -- Senator Robert A. Taft, Acting Senate Majority Leader, said today that he believed there was "little chance" that the Senate will act to amend the Displaced Persons Act so that discriminatory features can be removed, before the special session ended.

GEN. CLAY PRAISES WORK OF J.D.C. IN BEHALF OF JEWISH DISPLACED PERSONS IN GERMANY

NEW YORK, Aug. 5. (JTA) -- The work of the Joint Distribution Committee in behalf of Jewish DP's in Germany was lauded by U.S. commander in Germany Gen. Lucius D. Clay, in a letter made public here today. Addressed to Samuel L. Haber, J.D.C. director for the U.S. zone in Germany, Gen. Clay's letter praised the "magnificent work which is being done here under your direction."

Gen. Clay's note pledged continued cooperation "to the full" on the part of the U.S. Army and the A.M.C. both of which, the letter stated, aimed to aid the J.D.C. "not only to bring a better daily life to the Jewish people in Germany, but also to help prepare them for a future which will offer them freedom and peace."

DR. DAVID DE SOLA POOL LEAVES TODAY FOR EUROPE ON ARMY DEPARTMENT MISSION

NEW YORK, Aug. 5. (JTA) -- Dr. David de Sola Pool will leave here tomorrow for Europe on a mission for the Department of the Army, it was announced today by the Jewish Welfare Board. Dr. Pool is a member of the J.W.B. Division of Religious Activities.

Dr. Pool will visit Germany, Austria and France to "consult with and visit chaplains and other personnel," according to the office of Army Chief of Chaplains Luther I. Miller. He will also visit the headquarters of the Graves Registration Service in Paris to ascertain that in the reinterment of Jewish dead in permanent European cemeteries, Jewish rites are observed.

U.S. JEWS WILL RAISE \$500,000 FOR RED MOGEN DAVID AMBULANCES FOR ISRAEL

NEW YORK, Aug. 5. (JTA) -- An additional 400 ambulances and larger quantities of blood plasma are needed by the Red Mogen David for use of the army and people of Israel, an emergency meeting of the American Red Mogen David held here last night was told by two members of an Israeli commercial mission who recently arrived in this country. Harry A. Pine, chairman of the board of directors of the American Red Mogen David, announced that a \$500,000 drive would be launched to purchase and equip the ambulances.

The Government of Israel prefers the prospect of political harmony with its Arab neighbors, although it is fully confident of military success, Aubrey Eban, head of the Israeli mission to the United Nations, and chief speaker last night, declared. "This can be achieved only on the formula of political independence combined with regional cooperation, as the only possible relationship between Israel and neighboring Arab states," he stressed. Other speakers included Louis Lipsky, national president of the Red Mogen David, and Rep. Emanuel Celler.

SECURITY OF AMERICAN PRESS FAVORED ESTABLISHMENT OF ISRAEL, A.D.L. SURVEY REVEALS

NEW YORK, Aug. 5. (JTA) -- Editorial opinion in a large majority of the nation's daily newspapers supported establishment of the new state of Israel, according to a survey released here today by the Anti-Defamation League of B'nai B'rith.

Review of 200 leading newspapers from all sections of the country disclosed that more than half of them editorialized on Israel's dramatic declaration of independence. Of these 64 percent were favorable, 32 percent noncommittal. Only four percent were critical or antagonistic in tone.

A second check of editorial comment, this time based on how editors reacted to President Truman's de facto recognition of Israel, revealed almost the same percentage of approval. However, here unfavorable comment rose to 19 percent, though it was not directed toward Israel but criticized Truman's recognition as "a political device."

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