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'NEUTRALIZATION' AND 'INTEGRATION' OF ISRAEL URGED BY DR. GOLDMANN

TEL AVIV, Aug. 6 (JTA) -- Dr. Nahum Goldmann's initial plunge into Israeli politics, keyed to the theme that Israel should adopt a neutralist policy between the Eastern and Western blocs, and should also seek integration in the region, sparked widespread discussion throughout Israel today.

In the first two of a series of scheduled election addresses for the Liberal party, Dr. Goldmann described Israel's foreign policy as no policy at all. Declaring that Israel's foreign policy had not changed in the past decade, Dr. Goldmann said it was "shortsighted" for Israel not to seek some sort of integration in the region because all present world policies were based on regional groupings. Israel goes to the polls Aug. 15.

The world Jewish leader, speaking to large and enthusiastic crowds, charged that Israel was neglecting Red China which he said would become within a few years a major factor in the world. Presently, he said, there was hatred toward Israel in Red China. He attacked the attitude in Israel of "wait and see and don't do anything, or staying put, of being afraid to try anything new".

He urged the neutralization of the Middle East through having both blocs ensure the peace of the region. He warned that time was not working in Israel's favor and expressed the opinion that neutralization of the Middle East would finally compel the Arabs to give up their dreams of destroying Israel with Communist aid and create the chance that the Arabs might accept Israel as an established fact. He denied that he had ever favored territorial concessions to the Arabs or acceptance of Arab refugees by Israel.

Mapai Cabinet Members Attack Dr. Goldmann's Proposals Fiercely

The Goldmann speeches galvanized the Mapai party, the principal architect of the foreign policy he was so strongly criticizing. The Mapai secretariat called a special session today to discuss what to do but no decision was reached.

Mrs. Golda Meir, Israel's Foreign Minister, irritated by Dr. Goldmann's attack on the foreign policy for which she is responsible, asked for a clear-cut decision of approval for Mapai speakers to attack Dr. Goldmann. She was seconded by Agriculture Minister Moshe Dayan. However, Prime Minister David Ben-Gurion and Labor Minister Giora Josephthal urged a moderate reaction.

The absence of a formal decision not to attack Dr. Goldmann was taken by Mrs. Meir, Mr. Dayan, Education Minister Abba Eban, Finance Minister Levi Eshkol and Deputy Defense Minister Shimon Peres as a green light. They fiercely criticized Dr. Goldmann's peace suggestions and his neutralization proposals, which they said were tantamount to putting Israel under the influence of the other power bloc.

While the Mapai speakers did not deny the right of any Jew to come to Israel and discuss major issues, they argued it was improper for a non-Israeli Jew to come and "belittle" Israel in the eyes of the world.

Dr. Goldmann apparently was undisturbed by these charges. In his second address in Jaffa he explained his views in a mixture of Yiddish and Hebrew to a large audience which included many new immigrants. He was warmly applauded.

Goldmann's Views on Arab-Israel Issue Differ from Standard Position

In his third major election effort, Dr. Goldmann suggested in a full-page article in Maariv, an Israeli daily, that President Nasser of the United Arab Republic might be sold on accepting Israel if Israel was willing to cooperate in an Arab regional policy.

Among the reactions to Dr. Goldmann's entry into Israel's election campaign was that he had injected into the election debate the issue of an Israel-Arab settlement from a point of view other than the standard Israeli position on how best to assure Israel against Arab attack.

ISRAEL WILL GET NO GRANT-IN-AID THIS YEAR, STATE DEPT. REPORTS TO CONGRESS

WASHINGTON, Aug. 6, (JTA) -- The State Department has officially informed Congress that for the first time in a decade American grant-in-aid will not be allocated to Israel because of her "impressive economic development".

The House Foreign Affairs Committee made known this development this weekend in its formal report to the full Congress on the foreign aid legislation now under consideration. Last year the administration sought similarly to deny grant-in-aid to Israel, but administration officials surrendered to Congressional protests and reinstated Israel in the grant program. Israel was granted \$7,500,000 as an immediate result of the furor over its omission from the countries receiving grant-in-aid.

In its report the Committee on Foreign Affairs said: "The Committee has been informed that aid to Israel will in the future stress loans and food for peace. Under difficult circumstances, Israel has achieved impressive economic development so that for the first time in 10 years, grant assistance has not been programmed for Israel. The Committee is of the opinion that Israel should continue to receive development loans and other forms of economic aid at levels high enough to insure continued development".

The Committee stressed that "should circumstances arise in which Israel again would be in need of grant aid, the Committee believes that the Administration should deal sympathetically with any such request. It should be stressed that Israel has struggled for stability at great odds in a difficult area".

The Committee pointed out that "the lack of peace and economic relations with her neighbors has led Israel to make large expenditures for security and survival. Israel has never received grant military aid or defense support under the Mutual Security Program. Under these circumstances, the Committee continues to be concerned about Israel's economic progress".

CONGRESSIONAL BODY REPORTS ITS STAND ON RESETTLEMENT OF ARAB REFUGEES

WASHINGTON, Aug. 6, (JTA) -- The House Foreign Affairs Committee, in an official report made public yesterday, said that it believes that "the vast majority of the Palestine Arab refugees will eventually have to be settled on land where there is room and opportunity for them."

In its discussions of the Arab refugee problem, the Committee was given facts by a Committee member, Rep. Leonard Farbstein, New York Democrat, differing from the State Department's presentations on this subject. Rep. Farbstein stressed resettlement in Arab lands as an important part of any effective solution.

In its formal report on the foreign aid bill, the Committee said: "The Committee regrets that only limited progress has been made to solve the problem of the Palestinian Arab refugees. Some progress has been made within recent years because refugees who have acquired skills have found employment and have been absorbed in the local economy. The United Nations Relief and Works Agency", the report continued, "plans to now expand the vocational training program in order to stimulate employment of the refugees and part of the funds included in this year's authorization or the United States contribution to UNRWA are to be used for this vocational training program. Nevertheless, progress toward a final solution remains regrettably slow".

The Committee stressed that the only favorable developments during the past year were 1) real progress in the rectification of U. N. R. W. A. relief rolls and 2) the expanded program of vocational training. "While the Committee continues to support the program, it is of the opinion that more vigorous action is needed to bring the refugee problem to an acceptable and early solution," the report said. "The Committee believes that the vast majority of the refugees will eventually have to be resettled on land where there is room and opportunity for them."

The House Foreign Affairs Committee report displayed an understanding of the Middle East situation in sharp contrast to the anti-Israel and pro-Arab stand of chairman J. W. Fulbright of the Senate Foreign Relations Committee. The House Committee is headed by Rep. Thomas E. Morgan, Pennsylvania Democrat. Chairman Morgan and his committee, including both Democratic and Republican members, previously registered a strong stand against U. S. aid to Arab nations that practice discriminatory boycott and blockade tactics and manifest religious bias.

TECHNICAL AID PROGRAM FOR BOLIVIA APPROVED AT ISRAEL CABINET MEETING

JERUSALEM, Aug. 6, (JTA) -- The Cabinet today approved a technical aid program for Bolivia under which Israel will send experts to advise the Bolivian Government on developing underdeveloped areas in that country. The agreement, which was signed last April, also provides for the training of a number of Bolivian students in Israeli educational institutions.

The Cabinet also ratified a cultural agreement between the two countries under which Israel and Bolivia will establish chairs in universities in the language and culture of each country.

PRECARIOUS POSITION OF JEWS IN EGYPT REPORTED; EMIGRATION PERMITTED

LONDON, Aug. 6 (JTA) -- An account of the precarious situation of the Jews in the United Arab Republic was given here today by a Jewish refugee from Egypt who recently arrived here. While declaring that there was no official persecution of the Jews, the refugee, who was not identified, said that Egyptian Jews are discriminated against and that such prejudice was officially encouraged.

The Jew is allowed to practice his religion undisturbed in the synagogue, where he is even afforded police protection against any possible incidents. Elsewhere, he is a fourth class citizen. As long as his business has some useful part to play in the machinery of the country, it is tolerated. When he is no longer needed, he is encouraged or even forced to leave, the source said.

When a Jewish family decides to leave Egypt -- and more and more Jews are forced to take this way out -- his name is entered in the "black book" of the Customs authorities with a notation beside it: "Jew - not to return". He is then allowed to take only 20 Egyptian pounds out of the country and, if he is lucky, he may take all his personal effects with him. Often, however, he leaves with no more than a handbag. Invariably he finds it impossible to sell any real property business, which he must abandon.

Jewish youngsters cannot find jobs in Egypt and must leave or face insecure futures. Jewish institutions such as hospitals, schools and banks have been sequestered by the Government.

THREE ORTHODOX JEWS ARRESTED IN ISRAEL; LINKED TO 'KIDNAPING AFFAIR'

JERUSALEM, Aug. 6 (JTA) -- Police announced today the arrest of three members of an Orthodox settlement on suspicion they hid Yossele Schumacher, a boy kidnaped by his Orthodox grandfather a year ago and still not restored to his parents.

The arrests were announced amid reports that Sholom Starkes, an uncle, took the nine-year-old boy to England after testifying under oath in Israel that he had no knowledge of the boy's whereabouts.

Grandfather Nachman Starkes, who spent a year in jail for refusing to return the boy to his parents, and who is scheduled to go back to prison Tuesday after failing to produce the child during a conditional suspension of his sentence, has appealed repeatedly to Chief Rabbi Yitzhak Nissim, proposing a Din Torah (Religious Tribunal) ruling on the future of the child. The grandfather spirited the child away out of fear he would not receive a sufficiently Orthodox upbringing from his parents.

Police learned that Yossele's uncle hid him in the Agudat Israel-affiliated Komemiyut settlement in the northern Negev and investigated. The arrest of the three members followed. Israel police said they would ask a court declaration that the uncle lied under oath so they can issue a warrant for his arrest and formally initiate proceedings for the uncle's extradition from London where he is teaching in a Lubavitcher Yeshiva.

The attorney of the parents said that two members of the Starkes' family in England notified him that they were coming to Israel to provide information to police on the kidnaping. He said the relatives had called the uncle before British Chief Rabbi Israel Brodie but the uncle refused to tell the Chief Rabbi of the child's whereabouts on grounds he would never testify against his own father.

The parents' attorney also said that while he had no objection to the parents appearing before a rabbinical tribunal, he wanted advance assurance that the grandfather would be required to give under religious oath, every detail of the kidnaping and secreting of the child. He also demanded the police ask the Speaker of the Parliament, Kaddish Luz, to order Rabbi Shlomo Lorincz, an Agudat Israel deputy, to appear before police and disclose any information he had on the case.

ISRAEL SEEKS TO AID GERMAN SOLDIER WHO RESISTED ORDERS TO KILL JEWS

JERUSALEM, Aug. 6 (JTA) -- The Prime Minister's Office issued a call today for witnesses to help a German war veteran who was interned in the Dachau concentration camp by the Nazis for refusing to obey orders to kill Jews.

The veteran, Franz Preissler, now living in East Germany, needs affidavits to obtain a pension as a war invalid and made the request for help in a letter to Prime Minister David Ben-Gurion. The veteran wrote that he was court-martialed for disobeying the order to kill Jews while in service in Poland. As a Christian, he conducted himself as a human being and refused to obey, he wrote.

In his letter, he enclosed a letter from Dr. Karl Schimmer, now living in New York, and one from Hans Kronoski, now in Leipzig, both of whom affirmed that Preissler was in Dachau in 1943 and 1944 and that he helped many Jews escape death. His request for affidavits from Israeli survivors was sent to the Yad Vashem, the Israel Center for Documentation of the Hitler holocaust, for dissemination.

\$7,000,000 CREDIT ANNOUNCED BY AMPAL FOR HOUSING OF IMMIGRANTS IN ISRAEL

NEW YORK, Aug. 6, (JTA) -- Financing totalling seven million dollars has been extended Ampal American Israel Corporation of New York, to the Jewish Agency for Israel of Jerusalem and the Israel Government Central Housing Instrumentality, Amidar Ltd., to finance construction of new dwellings for immigrants arriving in Israel, Abraham Dickenstein, president of Ampal announced here today.

Mr. Dickenstein said that the financing is in response to a request made last week by the Jewish Agency in Jerusalem and the Government's Immigrant Housing Authorities, highlighting the growing emergency which is threatening Israel's program of resettlement and housing for immigrants. Five million dollars in loans were given directly to the Jewish Agency, Jerusalem, and two million was extended to the Government Housing Instrumentality through Bank Hapoalim.

Simultaneously with the announcement of this financing, Mr. Dickenstein reported that activities were at record level during the three months ended June 30, 1961. During the quarter, he noted, Israel Development Corporation, an affiliate, acquired 900,000 common shares of the Dead Sea Works Ltd. for \$520,000, and itself purchased \$2,000,000 of eight-year debentures of subsidiary, the Israel American Industrial Development Bank Ltd. Ampal also deposited \$500, with the same bank to be repaid during five to 20 years. The Israel American Industrial Development Bank then extended loans to existing and newly established industries in Israel to create employment for new immigrants.

During this quarter, Ampal extended additional long-term financing and has given other loans to large cooperative institutions engaged in building and harbor construction in Israel and in foreign countries in Asia, Europe and Africa, health insurance organization, agricultural and industrial enterprises for an amount of \$3,873,000, which brings the total financing of the Ampal Group during the past three months to \$15,895,000. Mr. Dickenstein stated that the Board of Directors of the Ampal Group will meet on August 8, 1961 to discuss and act upon additional investments in basic industry in Israel.

ARABS IN U.S. DENY SEEKING TO BUY ISRAELI PROCESS FOR WATER DESALTING

WASHINGTON, Aug. 6, (JTA) -- A report by an Israeli Cabinet member that the United Arab Republic approached an American firm about obtaining the new Israeli process for desalting sea water was denied yesterday by a spokesman for the UAR Embassy here.

Mordechai Ben-Tov, Israel Development Minister, said last Thursday that the UAR contacted the Fairbanks Whitney Corp. which has sales rights in the western hemisphere for the process devised by Dr. Alexander Zarchin, a Russian emigre now settled in Israel. The Minister said that Israel would be ready to sell the equipment to the UAR after production was started in three years. A plant now under construction in Eilat is scheduled to go into operation at the end of this year.

The UAR spokesman said that "upon contacting Fairbanks Whitney to ascertain their alleged UAR contact, we were told that no overtures by the UAR for the acquisition of this process have ever been made in the United States". However, a spokesman for the corporation in New York City confirmed that its Washington, D. C. office had been approached by representatives of the UAR in the last two months and that they had been referred to the Israel Government.

A. D. L. FINDS INTEREST IN RIGHT-WING CAUSES GROWING AMONG STUDENTS IN U.S.

STARLIGHT, Pa., Aug. 6, (JTA) -- A warning that American college students were becoming increasingly identified with right-wing causes was voiced here today by Alexander F. Miller, director of community service for the Anti-Defamation League of B'nai B'rith. He disclosed that recent survey had found that one college group, whose political and economic philosophy resembled the John Birch Society, claimed a membership of 25,000 students on 115 campuses.

Addressing a leadership training conference of teen-age regional officers of the B'nai B'rith Youth Organization, Mr. Miller said that, according to the survey, a second college group with a philosophy similar to the Birch Society, purports to have a mailing list of 13,000 students. "For the first time in our history we are seeing a dynamic radical right-wing movement with a special appeal to youth", Mr. Miller declared, adding that the phenomenon "needs to be carefully observed".

Asserting that the current wave of political activity by college students was potentially dangerous, Mr. Miller told the youth leaders that "it could find expression in an attempt to impose totalitarianism on the United States under the guise of protecting democracy from communism".

NEW MINISTER OF JUSTICE IN SO. AFRICA REPORTED AS HAVING BEEN ANTI-JEWISH

LONDON, Aug. 6, (JTA) -- B. J. Voster, the newly appointed Minister of Justice of the Republic of South Africa, is a former Nazi who was interned in South Africa during World War II, British newspapers reported today. They said he was pro-Hitler and outspokenly anti-Jewish.