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SYRIAN GUNS SHOOT AT ISRAELIS NEAR ALMAGOR; U.N. HALTS FIRING

TEL AVIV, Feb. 17. (JTA) -- Syria and Israel fought a 70-minute exchange of fire on the northern frontier today, after Syrian guns had opened up against an Israeli border patrol near the settlement of Almagor. Almagor was the place where Syrian military infiltrators murdered two Israeli farmers in 1963. At that time, Syria came close to official censure for that act by the United Nations Security Council, where only a Soviet veto kept such a condemnatory resolution from becoming an official UN action.

Today, the Syrians opened their fire from military positions north of Lake Tiberias. The Israelis returned the fire. United Nations military observers in the area immediately started negotiating a cease-fire and, after about an hour, announced that both sides agreed to stop the shooting. Israel's authorities reported no casualties as a result of the exchange.

STATE DEPT. DOES NOT AGREE WITH GERMAN ACTION AGAINST ISRAEL

WASHINGTON, Feb. 17. (JTA) -- The State Department today, for the first time, made known that the United States "favored" the sale by West Germany of American tanks and other arms to Israel--a transaction which was canceled by the Bonn Government under pressure from Egypt.

State Department spokesman Robert McCloskey said there were diplomatic discussions between the United States and Bonn "prior to the sale agreement, and we made it clear to the Federal Republic (West Germany) that we favored the sale of tanks to Israel."

In response to questions, Mr. McCloskey indicated the United States did not concur in Chancellor Ludwig Erhard's termination of his agreement with Israel. The United States also, he said, opposed the Egyptian invitation to East German leader Walter Ulbricht. He stated that the United States would give sympathetic consideration to a request from the Federal Republic for use of our good offices on their behalf in the Middle East."

ERHARD BLASTS EGYPT AND COMMUNISTS; DEFENDS ACTION ON ISRAEL

BONN, Feb. 17. (JTA) -- Chancellor Ludwig Erhard strongly defended today both West Germany's arms aid to Israel and the suspension by his Government last week of arms deliveries to Israel. Addressing the Bundestag, lower house of Parliament here, he said West Germany had to evolve primarily a policy of German interest.

Asserting that "our relations with Israel and the Jewish world are overshadowed because of the past," he said that current tensions in the Middle East had developed not because of West German military aid to Israel, but because of Egyptian President Nasser's invitation to East German Communist head of state Walter Ulbricht to visit Cairo.

He asserted that many countries were sending arms aid to Israel, adding that "our military aid to Israel was concluded in agreement with our Allies." However, he declared, "the Arabs did not show any understanding of our special step toward the Jewish people," adding that West Germany did not have to justify itself to anybody for giving aid to Israel.

He also told the Bundestag that he was disappointed by Israel's reaction to the arms delivery suspension, especially after efforts made by West Germany to help Israel during the past 10 years. "We have broken no agreement," the Chancellor affirmed. "We just asked for Israel's agreement to reach a common solution."

Hitting back at his German critics, the Chancellor said that all opposition leaders had known about the arms aid program. The agreement was made in 1962 and the heads of all Parliamentary groups were informed, he asserted.

The Chancellor struck at Egypt, declaring that "whoever makes a pact with Ulbricht is West Germany's enemy" and that West Germany would always regard such arrangements as a hostile action. Declaring that West German relations with Egypt were now "clouded," he said categorically that all West German economic aid to Egypt would be stopped after the Ulbricht visit, which is scheduled to begin February 24.

It was "not for love: that the Soviets had given the Arabs vast military aid, the Chancellor said, but rather to create trouble in the region. He insisted that West German arms to

Israel were a pittance compared to the "huge supplies" given to the Arabs by the Soviet countries. Referring again to "blackmail" by the Arabs, he said West Germany hoped for the support of its Allies for its Mideast policy in the coming weeks.

Socialist Criticizes Erhard and Adenauer, Points to Duty on Jews

Fritz Erler, leader of the opposition Social Democrats, denied that his party had been informed about the arms program for Israel. He criticized the Marquis de Neva, the Spanish Foreign Ministry official, who served as mediator in the Bonn-Cairo crisis and had reported that West Germany had promised the Arabs it would not recognize Israel. The marquis' mediation ended with the agreement by Bonn to cancel the arms shipments on condition Egypt would not recognize Communist East Germany.

Mr. Erler then reminded former Chancellor Konrad Adenauer that he had said in an interview with an Israeli paper recently that, if he was still Chancellor, there would have been diplomatic relations with Israel. Assailing the former Chancellor, the Socialist Democratic leader said Dr. Adenauer had had enough time to do that when he was Chancellor.

He said many countries had diplomatic relations with both Israel and the Arab states, and there was no reason why West Germany alone should not find the possibility of such relations with both the Arabs and Israel. Stressing that millions of Jews had been massacred by the Germans during World War II, he said that it must be modern Germany's aim to avoid a new massacre against a part of those Jews who had survived.

Mr. Erler also raised the issue of extension of the statute of limitations for prosecution of Nazi war criminals, which the Chancellor has said repeatedly he favors. The opposition leaders said the Chancellor was strong enough to fight for those views. That was apparently a gibe at the Chancellor's insistence that other members of his Cabinet, most of them opposed to extension, have a right to their views.

INDUSTRIALIST BOYCOTTS GERMANY; LABOR APPEALS TO GERMAN UNIONS

NEW YORK, Feb. 17. (JTA) -- A growing campaign on the part of American business to boycott West German industry in protest against the Bonn Government's cancelation of arms shipments to Israel gained momentum here today with the announcement by the head of a major apparel concern--the third in the past week--that it would no longer purchase goods from Germany.

Michael Daroff, chairman and president of Botany Industries, comprising textile, clothing and retail enterprises, said he had ordered his buyers, about to leave for Europe, to remove West German companies from their list in shopping for sportswear. The orders with the German firms removed from the Botany lists, he noted, might have amounted to "a couple of hundred thousand dollars" during the coming year. He who predicted that other major companies might join in the boycott, said that his firm was also canceling plans to buy German-made machines.

In a move emanating from the labor side of the apparel field, Jacob S. Potofsky, president of the Amalgamated Clothing Workers of America, A. F. L. - C. I. O., appealed to organized labor in West Germany to urge the Bonn Government to reverse the decision ending the arms shipments to Israel. In a telegram to the secretary of the Deutscher Gewerkschaftsbund, Mr. Potofsky said that any disturbance of the current balance of power in the Middle East "could become an invitation to war."

German Ambassador to See Rusk Today, Complain Against Boycott

WASHINGTON, Feb. 17. (JTA) -- West German Ambassador Heinrich Knappstein is scheduled to meet tomorrow with Secretary of State Dean Rusk and is expected to protest against "Jewish" boycott threats against his country as well as the general attitude of the American Jewish community in connection with German cancelation of its arms sales agreement with Israel.

The Ambassador was depicted by informed sources as prepared to make a case against what German authorities regard as improper and excessive American Jewish "agitation" against West Germany on the arms cancelation, the Bonn statute of limitations pertaining to trial of Nazi criminals, the German role in Egyptian military industries, and related issues.

BEN-GURION, SHARETT HEATEDLY DEBATE LAVON ISSUE AT MAPAI MEET

TEL AVIV, Feb. 17. (JTA) -- Two former Israeli Prime Ministers, David Ben-Gurion and Moshe Sharett, clashed here tonight in a heated argument about whether or not to revive the Lavon affair.

The dramatic confrontation took place at the Mapai national convention. The "Affair," involving a disastrous security mishap which occurred in 1954 when Mr. Sharett was Premier and Pinhas Lavon was Defense Minister, dominated the debate. Such major issues as a proposed limited labor party alignment between Mapai and Achdut Avodah, and the change in the election system to reduce the large number of Israeli political parties were hardly mentioned.

U. S. OPENS TALKS IN ISRAEL ON USE OF LOCAL EXCESS CURRENCY

WASHINGTON, Feb. 17. (JTA) -- A team representing the United States Agency for International Development has opened discussions in Israel on possible uses of excess local currency in Israel owned by the United States Government, it was announced here today.

One channel to be discussed will be the use of U. S. -owned Israel pounds to finance procurement of Israel-manufactured commodities for American aid programs in other countries. Where the production of these commodities involves components for which the manufacturers pay dollars, the United States will consider reimbursement of the dollar amount, it was stated.

The proposal under consideration is expected to be advantageous to both countries. The United States would save dollars in its aid procurement, and the supplying country would be able further to develop its export industries. Similar discussions already have taken place in India and Pakistan, where the U. S. Government also holds accumulations of local currencies, surplus to its needs. These currencies are generated as a result of U. S. aid programs.

JOINT U. S.-ISRAEL DESALTING PLANT MAY BE OPERATIVE BY 1971

TEL AVIV, Feb. 17. (JTA) -- The pilot plant planned jointly by the United States and Israel, to test the application of nuclear energy for desalting sea water, may be in operation by 1971, a member of the American team of experts visiting Israel for the project reported today.

The prediction was made by Philip Bush, Kaiser Engineering vice-president, as the experts completed a two-week tour. He said Israel would supply significant elements to be used in the dual-purpose plant. The project was initiated by President Johnson in discussions with Premier Levi Eshkol when the latter visited the United States last June.

U. S. FIRMS SEEN READY TO INVEST \$6,000,000 IN ISRAEL PHOSPHATE

LONDON, Feb. 17. (JTA) -- Negotiations for new American participation in the financing of a 500,000-ton phosphate calcination plant in Israel are now in an advanced stage, the Financial Times reported here today. According to the newspaper, Swift & Co. and the banking firm of Carl M. Loeb and Rhoades are the American enterprises involved, the amount needed for the acquisition and installation of the plant being \$6,000,000. The phosphate concession, in the Negev, is now held by the Israel-American Phosphate Company.

If the new expansion program goes through, it was stated here, the phosphate works near the Dead Sea, in Israel, could produce \$30,000,000 worth of the mineral by 1968 or 1969. Mineral exports have been increasingly a source of foreign currency for Israel, having risen in the last three years from \$9,000,000 to \$23,000,000.

AMERICA PLEDGES \$24,700,000 TO UNRWA, WARNS OF REDUCTION NEXT YEAR

UNITED NATIONS, N. Y., Feb. 17. (JTA) -- The United States today pledged to contribute \$24,700,000 in cash and foodstuffs in 1965, to aid the Arab refugees being sheltered and fed by the United Nations in four regions of Israel's borders, but warned that the UN agency performing this task must effect economies, especially by "long-needed rectification" of its relief rolls.

The American pledge and statement were made here by U. S. Ambassador Francis T. P. Plimpton, at the UN's annual pledging conference, convened in the General Assembly hall this morning to raise funds for financing the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

Altogether, today, nearly \$34,000,000 was pledged in cash, goods and services toward UNRWA's 1965 budget, totaling more than \$36,000,000. In announcing Washington's pledge, Mr. Plimpton also told the UN that his Government plans on reducing its pledge by at least \$1,000,000 next year.

He said that, in any event, America's share of the 1965 UNRWA payments would be no more than 70 percent of the amounts raised. He told the UN that Washington felt its share of UNRWA contributions, which are made on a voluntary basis, has been "unduly high." Since the agency started operating in 1950, the U. S. A. has consistently contributed 70 percent of the total budgets, giving this UN operation a total of about a half billion dollars.

UNRWA aids more than 1,200,000 Arabs on its rolls, most of them sheltered in camps, in the Gaza Strip, which is under Egyptian administration, and in Jordan, Syria and Lebanon. The issue of "clarification" of the relief rolls, swollen with the names of many thousands of refugees known to be dead, as well as with many other ration-card holders known to be ineligible for the relief has been a tough one here for years. Laurence Michelmore, the American head of UNRWA, had promised last fall to submit a special report to this year's Assembly, dealing with "rectification." However, due to the fact that this year's Assembly had been prevented from debating any issue, this report has not yet been filed.

Among other pledges announced today were one of \$5,400,000 by Britain, \$1,200,000 by Canada, \$500,000 by West Germany, and nearly \$300,000 by France. The 13 Arab members of the United Nations pledged altogether a total of about \$500,000 which, they said, they will give to UNRWA in "goods and services."

BILL TO PUT JEWS ON PROTESTANT SCHOOL BOARD READY IN QUEBEC

MONTREAL, Feb. 17. (JTA) -- A bill to be filed soon in the Quebec Legislature will pave the way for Jewish membership on the Protestant School Board of Greater Montreal for the first time in the 40-year history of the school board, it was announced here today.

The bill would authorize an increase in membership of the board from 16 to 25, of whom five would be Jews. T. P. Howard, attorney for the school board, and Samuel Godinsky, attorney for the Canadian Jewish Congress, said they saw no obstacles to early passage. The board had agreed unanimously to seek authority for board membership increase to have Jewish members.

Previously it had been believed that it was legally impossible to have Jewish members on the school board without constitutional changes in the British North America Act. Jewish leaders have criticized the system under which Jewish children attend schools under Protestant auspices, since there are no overall public schools as in the United States. It was felt that there were enough Jewish children in the Protestant-directed schools to warrant Jewish representation on the school board. About 17,500 of the 65,000 children in the Montreal Protestant schools this year are Jewish.

RHODE ISLAND SUIT AIMED AT AID TO PUPILS IN PAROCHIAL SCHOOLS

PROVIDENCE, R.I., Feb. 17. (JTA) -- The constitutionality of a 1963 law providing for the free loan of textbooks to pupils in private and parochial schools was challenged in Superior Court here today. The suit requested an injunction against the Cranston School Board, restraining it from spending an estimated \$20,000 for textbooks to lend to seven parochial schools, one of which is a Hebrew day school.

The suit, brought by five taxpayers and endorsed by the Rhode Island affiliate of the American Civil Liberties Union, contends that the textbook law violates the principle of church-state separation, and imposes a tax for non-public purposes.

JEWS GROUP IN PHILADELPHIA FIGHTS PAROCHIAL SCHOOL BUSING

PHILADELPHIA, Feb. 17. (JTA) -- The Jewish Community Relations Council of Greater Philadelphia appealed today to the State Senate Education Committee, to reject a bill to provide public bus transportation for pupils of sectarian schools in Pennsylvania.

In a letter to State Sen. Preston B. Davis, chairman of the committee, the JCRC asserted that free public transportation to schools under the supervision or control of any religious denomination, "whether Jewish, Catholic or Protestant," was governmental aid to religion. As such, the JCRC said, it would violate the freedom of religion clause of the First Amendment to the federal and Pennsylvania constitutions.

PEC ISRAEL ECONOMIC CORP. REPORTS RECORD NET EARNING FOR 1964

NEW YORK, Feb. 17. (JTA) -- Net earnings for 1964 of \$1,184,000, representing \$1.56 per share for 1964 on 758,761 shares outstanding at year-end, were reported today by PEC Israel Economic Corporation. The earnings constitute an all-time high in the company's 39-year history.

The company's stock is held by more than 11,000 stockholders throughout the United States. A five percent stock dividend was paid this week. A similar dividend had been paid in the two preceding years. With assets in excess of \$22.6 million, PEC holds investments in 40 subsidiaries and other companies in Israel industry, construction and development, transport, marketing, citriculture, finance, banking, insurance, publishing and printing.

PITTSBURGH HILLEL DIRECTOR REJECTS DINNER BID IN BIASED CLUB

PITTSBURGH, Feb. 17. (JTA) -- A local Hillel Foundation director today rejected an invitation to attend a dinner of the Associated Artists of Pittsburgh, because the event will be held in a club charged with practicing racial and religious bias. The artists group has Negro and Jewish members.

Rabbi Richard L. Rubenstein took his stand in a letter to Prof. Jerry Caplan, president of the artists group and director of the Chatham College art department. He asserted that "it is a matter of public record that the University Club bars Jews, Negroes and people of Southern European descent from membership." The club is a private institution, not connected with the University of Pittsburgh.

ISIDORE FRAENKEL DEAD; FRENCH ZIONIST LEADER, NOTED ATTORNEY

PARIS, Feb. 17. (JTA) -- Dr. Isidore Fraenkel, vice-president of the French Zionist Federation, and a prominent leader of the Jewish community here, died yesterday at the age of 62. A lawyer, Dr. Fraenkel had been the defense attorney for 17-year-old Hershel Grynspan, who assassinated the German Embassy Counsellor, von Rath, here, in 1938, in protest against Nazi anti-Semitic outrages. Dr. Fraenkel, who also served as president of the French Herut group, suffered a heart attack while in court here.