



daily news bulletin

Published by Jewish Telegraphic Agency 165 West 46th St. New York, N.Y. 10036

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Vol. XLII - 58th Year

Thursday, February 13, 1975

No. 31

REPORT ARAB BANKS READY TO ACCEPT COMPROMISE ON BLACKLIST

By Edwin Eytan

PARIS, Feb. 12 (JTA)--Arab banks are ready to accept compromise on blacklisting of Jewish banks, an Arab banker told the Herald Tribune here today. The Arab banks have been following a policy of excluding Jewish banks, Lazard Freres, Rothschild, and Warburg of London, from participation in underwriting international bonds. The technique employed is to refuse to underwrite any loans when the Jewish banks are included. In such cases, other banks are tempted to succumb to Arab pressures and exclude the Jewish banks.

Roger Azar, director of the Banque Arabe et Internationale d'Investissement (Arab and International Investment Bank) told the Paris newspaper today: "Arab banks will continue to ask that the banks on the blacklist be excluded" but the Arabs will "not withdraw if the lead manager insists on keeping the Jewish banks in the syndicate."

Finance Minister Jean-Pierre Fourcade has declared that the Finance Ministry is "studying the problem. It is a question of knowing whether or not there is discrimination." The Minister pointed out that it is "usual" for banks to choose their partners when forming a group of underwriters for an international bond.

Fourcade has contacted Jean Guyot, director of the Lazard Freres bank, to study his point of view. Azar also told the Herald Tribune that the compromise would not mean the end of the Arab boycott. Arab banks will not consider working as co-managers with a Jewish bank, for that would damage the "spirit" of the boycott.

But the banks do want a return to calm. The affair "has been blown up by the press, and is at the stage where it is stupid," the Arab banker declared. "Most bankers want to do things to calm things down." An official protest has been presented to the French Professional Banking Association by the Rothschild bank, asking for an investigation.

DEMAND MADE FOR DISCLOSURE OF UNESCO REPORT ON ISRAEL

By Joseph Polakoff

WASHINGTON, Feb. 12 (JTA)--UNESCO's Director General Amadou Mahtar M'Bow and the House Foreign Affairs Committee have been requested to bring about a full disclosure of a French archaeological expert's report on a study he made on Israeli excavations in Jerusalem. Rep. Benjamin A. Gilman (R,NY) revealed today that he has written M'Bow and also Rene Maheu, UNESCO's former Director General, asking them to make public the report by Prof. Raymond Lemaire and "any and all information which might enhance public understanding of this matter."

Lemaire prepared the report last fall after having been commissioned by UNESCO to study the excavations. UNESCO made public selected portions of it in depriving Israel of membership privileges, including suspension of funds for UNESCO projects and barring Israel from a regional UNESCO organization. In retaliation for

what was described as politicization of the United Nations Scientific, Cultural and Educational Organization, the Congress last December suspended U.S. contributions to UNESCO until it resolved the matter in Israel's favor.

Report May Be Favorable To Israel

Gilman wants the House committee to make a formal demand on UNESCO to release the "suppressed report on the controversial Israeli archaeological excavations in Jerusalem." At the State Department, the Jewish Telegraphic Agency was informed that it was doubtful whether one government could cause the report to be issued by the UNESCO Director General.

"Conflicting reports have been received about the content of this report," Gilman said. "However, the most prevalent impression among those who have seen the report is that it is favorable to Israel."

He added, "It is shocking to think that the United Nations would deliberately suppress any information favorable to Israel in order to justify a vendetta against that State. As our nation re-examines its role in the world organization, it is crucial to restoring the confidence of the American people that this report be made public. We must not continue to bow to the tyranny of the United Nations majority at the expense of our allies and friends."

FORD: SERIOUS PROSPECT OF ANOTHER MIDEAST WAR IF KISSINGER FAILS

WASHINGTON, Feb. 12 (JTA)--President Ford declared at a press conference in Topeka, Kansas last night that unless there is progress in Secretary of State Henry A. Kissinger's current trip to the Middle East, "there is the very serious prospect of another war in the Middle East" which would raise the possibility "of another oil embargo."

The President also said that the possibility existed for "a step-by-step progress in the Middle East but no one can be certain in that very volatile and very difficult area." He expressed the hope that Kissinger would return to the United States "with some encouraging news" from the Middle East. If the news is encouraging, the President said, Kissinger "will probably go back shortly thereafter for what we hope would be a settlement on a step-by-step basis."

Ford did not mention, as he has in past comments on the Middle East conflict, the possibility of a reconvening of the Geneva conference but sources here said there was no indication that the President had given up hope on the Geneva talks.

KISSINGER PLEDGES U.S. WOULD 'NEVER KNOWINGLY' SACRIFICE ISRAEL TO BIG POWER POLITICS

By David Landau and Yitzhak Shargil

JERUSALEM, Feb. 12 (JTA)--Secretary of State Henry A. Kissinger left for Egypt this afternoon following a day-and-a-half of intensive talks with Israeli leaders which both sides stressed were of an "exploratory" nature involving no decisions on the elements of a second stage Israeli-Egyptian agreement in Sinai. The Secretary will

return here tomorrow, hopefully with Egypt's response to Israel's latest views.

Down-to-earth hard bargaining is expected to begin through diplomatic contacts once Kissinger is back in Washington. But the time for decisions and negotiations will not come until the Secretary's next visit to the Middle East, probably beginning March 10, Israeli sources said. (See related story P. 3)

Attending a gala dinner given in his honor by Foreign Minister Yigal Allon at the King David Hotel last night and televised live, Kissinger pledged in a toast that the U.S. would "never knowingly sacrifice Israel" to the considerations of Big Power politics. "In a world where a great power sacrifices a small power, its integrity and ultimately its security is jeopardized as well," Kissinger declared. He asked Israel for "an act of faith," but did not elaborate.

He said the current negotiations were an attempt to strike a balance between "tangible territories and the intangibles of legitimacy, acceptance and desire for peace." The Secretary said there had been no differences in his talks with Israeli leaders, which began immediately after his arrival Monday night and continued through most of Tuesday. "If any differences do arise, he said, they would be "in the nature of a family quarrel--loud and noisy but we always know when it starts that it's going to get settled."

Nothing Decisive Before March

Israeli policy-makers, awaiting their second round of talks with Kissinger after his return from Cairo tomorrow night, know that the Secretary does not intend to press either Israel or Egypt at this stage to soften their respective positions or to make any new decisions.

The deliberate pace of Kissinger's current diplomacy--in contrast to his whirlwind diplomacy a year ago that resulted in the disengagement accords with Egypt and Syria--seemed to surprise the Israeli negotiating team. They had predicted tough bargaining and perhaps the need for a decision when Kissinger returns tomorrow. But now they know that nothing decisive will occur before March when the Secretary is due to return here. No special Cabinet session will be called this week, officials told the Jewish Telegraphic Agency today.

Few Real Differences Of Opinion

One Israeli negotiator said there were few real differences of opinion during yesterday's talks with Kissinger, but what he described as "just an occasional flexing of muscles by each side." Another official said that the Israeli negotiators had adhered throughout to the guidelines laid down by the Cabinet involving the possibility of a 30-50 kilometer Israeli pull-back in Sinai in exchange for substantial political concessions from Cairo.

But he agreed that various possible scenarios were discussed and that Premier Yitzhak Rabin's ABC-TV interview, broadcast Monday in the U.S., was referred to. In it, Rabin proposed ceding the Mitla and Gidi passes and the Abu Rodels oil fields to Egypt in return for a formal declaration of non-belligerency from Egypt.

The official said that Kissinger left Israel well equipped to answer detailed questions on Israel's position by Egyptian President Anwar Sadat on any hypothetical set of conditions. He said that the talks with Kissinger were mainly

an Israeli exposition of its position to which the Secretary listened carefully and posed many detailed questions. But he ventured no American assessment and would not speculate on what the Egyptian reaction might be on any issue.

U.S. Does Not Intend To Recognize PLO

The Israeli side was gratified by a "categorical" statement from Kissinger at a luncheon meeting at Premier Rabin's home yesterday that the U.S. does not intend to recognize or to have any contacts with the Palestine Liberation Organization. Kissinger also said that he would regard the establishment of a Palestinian state in the area as a harmful factor.

MRS. KISSINGER VISITS INJURED GIRL

JERUSALEM, Feb. 12 (JTA)--Mrs. Nancy Kissinger, the wife of the Secretary of State, was treated for an ear ailment at Hadassah Hospital yesterday, it was disclosed today. While her husband was grappling with the issues of a second stage Israeli-Egyptian settlement, Mrs. Kissinger also toured the children's wards of the hospital. She visited 16-year-old DeJean Replogel, of Jacksonville, Fla. who is recovering at Hadassah Hospital from the amputation of her right leg last month.

The American girl was severely injured when a terrorist grenade exploded in a sightseeing bus Dec. 23. She and her parents had been on a Christmas tour of holy places in and around Jerusalem. After her visit to the hospital, Mrs. Kissinger was the luncheon guest of Mrs. Yitzhak Rabin at the Jerusalem Hilton Hotel.

GOLDMANN PREDICTS MIDEAST PEACE WILL COME IN ONE OR TWO YEARS

By Tuvia Mendelson

JERUSALEM, Feb. 12 (JTA)--Dr. Nahum Goldmann, president of the World Jewish Congress, closed its Sixth Plenary Assembly here Monday night with the prediction that peace might come to Israel "in one or two years, not ten or twenty as some others believe." Addressing the Assembly's final session, Dr. Goldmann also enumerated four basic tasks and issues which, he said, the Assembly had brought into focus.

He said these were mobilizing support for Israel "in its hour of need"; creating the institutional framework for a genuine dialogue between Israel and diaspora Jewry; helping Soviet Jews in their struggle for freedom; and facing up to the issue of "double loyalty" by Jews in countries whose policies might conflict with their attachment to Israel.

"We pledge our support to Israel in its struggle for peace and security no matter what the sacrifices demanded of us," Dr. Goldmann declared. He said the problem of dialogue between Israel and the diaspora was "enormously complicated but could be solved in a way that would make a great contribution to the strengthening of Israel and the Jewish people."

Dr. Goldmann suggested that when the Middle East conflict is finally ended, leading to the resumption of normal diplomatic relations between Israel and the USSR, "the results might prove most significant for Soviet Jews." He pledged to bring the WJC back to Jerusalem for a special convocation "on that glorious day when peace comes to Israel," and to help launch the new day "when all the energies and genius of our people may be directed toward the creative tasks of peace."

GOVERNMENT APPEARS TO BE RESPONDING TO INFLUENCE OF THOSE WHO PREFER RETURN TO GENEVA PEACE TALKS

By David Landau

JERUSALEM, Feb. 12 (JTA)--The Israeli government, which has formally endorsed Secretary of State Henry A. Kissinger's step-by-step approach to a second-stage agreement with Egypt in Sinai, appears nevertheless to be responding, if ever so subtly, to the influence of those of its members who view a return to the Geneva peace conference inevitable and argue that it would be unwise to make territorial concessions now unless iron-clad political concessions are forthcoming from Egypt--which is considered to be highly unlikely at this stage.

Addressing the Knesset today, shortly after Kissinger's departure for Cairo, Premier Yitzhak Rabin elaborated on remarks he made in an ABC-TV interview broadcast in the U.S. Monday. He said he would "recommend" ceding the Gidi and Mitle passes and the Abu Rodeis oil fields to Egypt if the latter would enter into a formal non-belligerency pact with Israel. That condition was not necessarily implicit in the interview and observers here saw Rabin's Knesset statement as a hardening of Israel's position--tactically if not strategically.

Rabin said "It would be the happiest day of my life, both as Prime Minister and as a former Chief of Staff" were the Egyptians to agree to these terms. In effect, it would mean a signed commitment from Cairo renouncing war and undertaking not to become involved in future developments between Israel and its other Arab neighbors. It would also mean concrete arrangements for the demilitarization of areas vacated by Israel. Rabin said he would be glad to cede the passes and oil fields on those terms and that he was sure the great majority of the nation would support such an agreement.

The fact that Rabin has publicly spelled out what Israel demands of Egypt by way of political concessions, was viewed as a warning to Cairo. Observers believe it resulted from the quiet but persistent campaign Defense Minister Shimon Peres is waging against Kissinger's step-by-step approach rather than the Premier's response to the strident cries of "give-aways" from the Likud opposition.

Peres Favors Geneva Talks

Peres has taken an increasingly sceptical view of the Kissinger approach in recent weeks. While he has been careful, during Cabinet meetings and in the talks with Kissinger this week, not to let his private views show through, he and his close associates have expressed their feelings in private conversations that Egypt is not likely to offer acceptable terms. In that case, they say, it would be tactically wise for Israel to say at this stage that it regarded the Geneva conference as at least an equally realistic and feasible approach to the next stage of peace negotiations.

Peres' associates have said privately that while the original rationale of the step-by-step approach, advanced by Kissinger during the past year, could avert or delay the revival of the Geneva parley, it was now recognized in Washington and elsewhere that the resumption of the talks at Geneva is inevitable and soon. They say that Israel must not give up its trump cards (the Sinai passes and oil fields) now in exchange for transient political commitments when the prospects for an overall peace conference in Geneva

are increasingly likely.

They also say it is better that Israel announce now that it does not fear the Geneva talks and does not regard them as the inevitable fore-runner of a fifth Middle East war. Israel should say that it is prepared to make its case in Geneva for a full, formal peace within secure borders. Similar views have been expressed by former Foreign Minister Abba Eban.

According to well placed sources here, Peres' thinking influenced Israel's presentation in its long round of talks with Kissinger this week. Time and again, the Israeli negotiators stressed their demand for significant political concessions from Egypt in return for Israeli withdrawals.

Likud Also Leaning Toward Geneva Talks

The Likud opposition also seems to favor a return to Geneva. "If we say the right things there," according to Likud leader Menachem Begin, Begin told the Knesset today that Israeli negotiators at Geneva must stress "our right to this land and our right under international law not to withdraw from any cease-fire line without a full peace treaty."

He denied that a failure at Geneva would make a new Arab-Israeli war inevitable, unless Israel allowed itself to be caught unprepared. By keeping up its guard, as it did in May, 1973 and in Nov., 1974, Israel would deter the Arabs from attacking, Begin said.

Earlier this week, Likud demanded a national referendum or elections before the government agreed to any further territorial concessions in Sinai. Likud leaders contended that the government lacked the legal and moral authority to agree to such concessions without the prior approval of the electorate.

Labor Party circles, however, flatly rejected the Likud demand. They said the Rabin government was pledged to go to the electorate before conceding any territory on the West Bank in future negotiations with Jordan. But that does not apply to a second stage agreement with Egypt if the government is satisfied that Cairo is offering quid pro quo for territory, the Laborites said.

BONN (JTA)--The West German government is currently discussing the payment of DM 600 million in reparation to wind up restitution to Jews who suffered under the Nazis but who have, for various reasons, not yet been compensated. Government spokesman Klaus Boelling disclosed this Wednesday in response to statements by the president of the World Jewish Congress, Dr. Nahum Goldmann, on Israel Radio to the effect that such an agreement was negotiated between him and former Chancellor Willy Brandt in Bonn a year ago.

JERUSALEM (JTA)--A bomb exploded in Independence Park in the heart of Jerusalem Wednesday but caused no casualties or damage. Fragments of flying metal were reported to have hit the walls of an adjacent school where classes had just started. The blast occurred as Secretary of State Henry A. Kissinger was still in the King David Hotel about a mile away.

BONN (JTA)--The German-Israeli Association has donated DM 25,000 to the women's organization of the Israeli trade unions. The money is to be used to renovate and equip a kindergarten at Beit Shean, a town south of the Sea of Galilee populated mainly by Oriental Jews. The donation was presented by the Association's president, Heinz Westphal, an SPD Deputy, currently in Israel with an SPD delegation.

