



# 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

Tuesday, February 25, 1975

No. 38

## ISRAELIS STAGGERED BY NEW TAXES; CABINET AUTHORIZES A 7.5% SALES TAX AND A 7.5% PAYROLL TAX

By Tuvia Mendelson and Yitzhak Shargil

JERUSALEM, Feb. 24 (JTA)--Israelis were staggered today by the announcement of new taxes, the effects of which will be higher prices, lower living standards and the prospect of increased unemployment. The new tax package, authorized by the Cabinet at a tense five-hour meeting yesterday and formally presented to the Knesset by Finance Minister Yehoshua Rabinowitz this morning, includes a new 7.5 percent sales tax on top of the existing ones and a 7.5 percent payroll tax, payable by employers.

The tax increases, combined with a 20 percent hike in the cost of postal services which include telephone and telegraph, will help finance a record IL 56 billion (about \$8.05 billion) budget for fiscal 1975 which the Finance Minister presented to the Knesset this morning. The new levies are calculated to extract an additional IL 2 billion from the Israeli public, already burdened by one of the highest tax rates in the world.

Economic experts estimated that the new measures will lead to a general 5-7 percent rise in prices. According to the Finance Ministry, some items will go up in cost immediately and others within a few months. The new sales tax, which went into effect this morning, does not include basic food items, petroleum, electricity, water, public transportation and industrial equipment. But it does hit such consumer products as coffee, cigarettes, soap and cosmetics. (See separate story.)

### Labor, Management Furious

Israelis, who had expected a breathing spell after the 43 percent devaluation of the Israel Pound last October forced prices up by 56 percent, were stunned by the new measures. The 7.5 percent payroll tax brought a furious reaction from Histadrut and employers alike.

Peleg Tamir, director general of the Israel Manufacturers Association, declared, "This is a very heavy burden on manufacturers who are in any case faced with a serious liquidity crisis. The (payroll) tax will result in higher prices for commodities, fewer buyers and, consequently a decrease in employment."

Marc Moscovitz, president of the Manufacturers Association, agreed that the tax will cause an inevitable decrease in consumption and the consequent dismissal of a certain number of workers. Yeruham Meshel, secretary-general of Histadrut, who just returned from a visit to Scandinavian countries, said he was "surprised" by the government's action and would have an official comment later.

But other Histadrut leaders claimed they were "misled by the government." They noted that the government and Histadrut had an agreement that there would be no new taxes until labor contracts expire next July. Histadrut was expected to fight for full compensation for the new price rises in the form of additional cost-of-living allowances and oppose any freeze on c.o.l. allowances which has been urged by the government.

### Need To Adjust To Lower Living Standards

Rabinowitz said the public had to realize the severity of Israel's economic situation and adjust itself to lower living standards. He said "The past year was one of the most difficult in our history" economically. He noted that Israel must continue to spend massive sums on defense while struggling to pay off the debts of the Yom Kippur War which, he said would take a decade of growth to pay for. Rabinowitz stated that the austerity economic measures taken by the government last fall were beginning to show positive results, mainly an increase in the government's foreign currency reserves.

Financial experts and economic theoreticians tended to agree with the Finance Minister, although they conceded that the new measures will be a blow to the average citizen who is still struggling to adjust to last year's austerity measures.

Dr. Ernest Yaffe, director general of the Bank Leumi, Israel's largest private bank, said the new taxes were a natural follow-up to the earlier measures. "It is a tough line and more difficult decisions are ahead of us. But this is the right line that will divert national production to the right destinations leaving only a smaller part for our own consumption," Yaffe said.

### Some IL 22 Billion For Defense

The government attempted to sweeten the pill by announcing that there would be no rise in municipal taxes. Instead, local authorities will be given grants. But that promise failed to mollify Pinhas Eilon, chairman of the Local Authorities Center. "The government cannot regard the local authorities as their agencies," Eilon said. "They are independent and have functions to be filled. The government grants are obscure. No one knows as yet how big the grants will be or if they will provide for the needs of the local authorities," he said.

The largest single portion of Israel's new budget is earmarked for defense--some IL 22 billion (about \$3.5 billion). Israelis are used to this but the impact of the new taxes only four months after the devaluation of the Pound created stunned disbelief. One editorialist commented today that the government's action showed no evidence of forethought but was simply a "self-rescue" step that "leaves the impression that the country is being carried on the waves of a storm over which we have no control and no plans."

### CIGARETTES, CAR PRICES ZOOM

By David Landau

JERUSALEM, Feb. 24 (JTA)--Smokers and buyers of consumer durables will be the hardest hit following today's new wave of tax impositions, according to economic analysts. A pack of popular tipped cigarettes will now sell at IL 2.30 instead of IL 1.90, with top local brands rising to IL 3.20 (compared to IL 5.40 for imported king-size filters).

The purchase tax on a string of durables will mean that a Volkswagen 1300 car which till now retailed at IL 45,500 (\$7500) will cost an additional IL 2000. A Volvo 144 which till now cost IL 99,000 will rise in price by a further IL 4000. Refrigerators, washing machines and televisions will go up

weapons. Last Friday, the judge said he was handing down a one-year sentence because four years of the original probation sentence had expired. He said Kahane had "willfully and intentionally" violated the condition of his probation. Kahane admitted the violation, saying, "I did what the government says I did. I violated probation."

Kahane also said that he was being persecuted for his political views, asserting that "we know that if a detente" with Russia "was achieved," Soviet Jews were doomed. "Our only leverage was to prevent a detente."

Assistant U.S. Attorney Thomas R. Pattison said Rabbi Kahane had violated the terms of his probation twice while he was in Israel. Pattison said the first violation included a plan to smuggle arms from Israel to Europe for use for revenge against Arab terrorists who murdered 11 Israeli athletes at the 1972 Munich Olympics. Pattison said the second violation involved letters by Rabbi Kahane in 1973 urging JDL members to bomb the Iraqi Embassy in Washington and to kidnap or kill some Soviet diplomats.

#### JEWISH CONGRESSMAN WAS REFUSED VISA TO SAUDI ARABIA; WAS ALLOWED IN ONLY AFTER STATE DEP'T, INTERVENED By Joseph Polakoff

WASHINGTON, Feb. 24 (JTA)--Rep. Henry A. Waxman (D, Calif.), who was refused a visa to enter Saudi Arabia as a member of an official Congressional mission because he is Jewish, has called on Secretary of State Henry A. Kissinger to "personally review and report" on the U.S. government's position toward Saudi Arabia's visa policies.

In a letter to Kissinger the 35-year-old freshman Congressman charged that the U.S. government, military and business communities all excluded Jews from Saudi Arabian assignments in a policy of "appeasement and complacency" toward anti-Jewish discrimination.

Waxman eventually accompanied the House Armed Services Committee's fact-finding mission to Saudi Arabia Feb. 7-17 after the State Department sent an urgent cable to the American Embassy in Riyadh to obtain a visa for him. In his letter to Kissinger, Waxman observed: "It is my unfortunate conclusion that had I not been a Congressman, my request to visit Saudi Arabia would have been denied and that the State Department would not have intervened on my behalf."

State Department spokesman Robert Anderson told reporters today that he preferred to withhold "detailed comment" on Waxman's letter until he saw it. Anderson indicated, however, that while Waxman had "a problem" it has been "solved" and the Congressman had gone with the committee on its trip.

Replying to questions, Anderson said he did not know Waxman's religion and denied that the State Department had any discriminatory policy among its employees regarding race, creed, religion, sex or national origin. He noted that a regulation in effect since January, 1972 bans Department employees from stating their religious preferences.

#### No Room For Jewish Homeland, Faisal Says

Waxman's letter to Kissinger reported on the fact-finding mission's interview with King Faisal of Saudi Arabia. Waxman said that when he asked the monarch about his country's anti-Jewish policies, "he told us openly and publicly that there is no room for a Jewish homeland in the

Middle East and that there is no room for Jews, even as visitors, in Saudi Arabia." Waxman added that "the vehemence of his (Faisal's) remarks left no doubt in my mind that the distinction he sometimes makes between Jews and Zionists is an academic one so far as Saudi Arabia is concerned."

However, Waxman said in his letter, while he was in the Middle East, his staff discovered that all Jewish visa applications are forwarded to the Saudian Foreign Ministry and that "some Jews, almost exclusively ranking government and corporate persons, are admitted." He added, "My staff also discovered that our government rarely takes issue with the Saudis."

#### SEVEN SOVIET JEWS ARRESTED

NEW YORK, Feb. 24 (JTA)--The Student Struggle for Soviet Jewry reported today that Mark Nashpitz and Anatol Sharansky were among seven Moscow Jews arrested today for demonstrating for exit visas outside the Lenin Library near the Kremlin. According to reports by eye-witnesses, between 30-40 uniformed and plainclothes police surrounded the demonstrators and seized their placards which read, "Freedom for the Prisoners of Zion" and "Visas, Not Prisons." The demonstrators were taken into the library building by the police.

The demonstration, the first since Moscow repudiated its 1972 trade agreement with the U.S. last month in protest over the linkage of trade with Soviet emigration practices, was witnessed by Western newsmen who reported that the KGB parked three large buses outside the library apparently to prevent passers-by from seeing the arrests.

At the same time, Jewish sources here reported that a group of 80 Jews circulated among Western reporters the text of a Purim message to the people of Israel which they said had been rejected by Soviet postal authorities. The message stated: "From Jews who have fought to live with you. We believe no Hamans will break the will of our people for unification."

#### AJ CONGRESS SAYS ARAB INVESTMENTS GOOD FOR U.S. ECONOMY, BUT LAWS MUST BE ENACTED TO BAR BIAS

NEW YORK, Feb. 24 (JTA)--The American Jewish Congress said yesterday that Arab investment in U.S. companies was good for the American economy provided that legislation was enacted to prevent discrimination against American citizens and boycotts against America's friends abroad resulting from Arab pressure.

In a resolution adopted by the national executive committee, the AJ Congress called for establishment of a federal agency--similar to the Securities and Exchange Commission--that would compel disclosure of foreign investment in U.S. companies and "continuously report" to the public on the extent of foreign ownership of American enterprise. The federal agency would also be responsible for enforcing existing limitations on foreign ownership of critical sectors of the American economy and recommend "new categories of industry whose critical character requires that they be barred from control by foreign investors." Rabbi Arthur Hertzberg, president of the AJ Congress, chaired the meeting.

MIAMI BEACH (JTA)--In honor of Israeli President Ephraim Katzir, who is coming here for the 1975 International Israel Bond Inaugural Conference, Miami Beach Mayor Harold Rosen proclaimed this week "State of Israel Bond Week."

by an average IL 200 as a result of the purchase tax.

In the Knesset debate following Finance Minister Yehoshua Rabinowitz's budget speech, opposition spokesmen cast doubts on the government's income estimates. They said that despite the new taxes, income would not meet expenditure, forcing the Bank of Israel to print more money and thereby further fueling the flames of Israel's 45 percent-plus inflation.

Likud speakers assailed the gross over-staffing of the civil service and public corporations. They ridiculed what they termed the government's feeble attempts to "freeze" government job openings and moves to dispense with a handful of public employees. They called for wholesale re-training and re-deployment of civil servants in productive jobs in industry. Because of Purim, the debate was curtailed and will continue Thursday.

#### ARMY UNITS AIDING BEDOUINS WHOSE LANDS, HOMES WERE DESTROYED BY FLOODS

TEL AVIV, Feb. 24 (JTA)--Operation Rescue became Operation Relief today as hundreds of Bedouins whose lands were covered by severe floods in northern Sinai and the Negev over the weekend flocked to El Arish where Israeli army units distributed warm clothing, flour, sugar and milk. Yesterday, many of the same soldiers, aided by helicopters, rescued 500 Bedouins from the raging torrents that collapsed hundreds of mud houses, swept away their utensils and destroyed countless livestock.

The toll in human lives was low, due primarily to the rescue efforts of the army. Defense Minister Shimon Peres, who visited the devastated areas today, told the soldiers, "You have proved your courage in war and your courage in peace," an estimated 20 Bedouins died in the floods, though so far only nine bodies have been retrieved. According to the soldiers, some of the casualties were suffered because the nomadic tribesmen refused to be separated from their donkeys, camels and other livestock.

The Public Works Department, meanwhile, is preparing to restore the roads damaged by the floods and to help the Bedouins rebuild their homes. Scores are being housed temporarily in El Arish schools and other buildings. The flood waters have subsided in most areas. Meteorologists said the floods were the worst recorded in this century. They estimated that tens of millions of cubic meters of water, accumulated from heavy rainfalls, poured through the Wadi Arish, a dry river bed in northern Sinai, on Saturday.

#### RABIN SEEKING TO ABOLISH MINISTRY OF TOURISM, MINISTRY OF INFORMATION

JERUSALEM, Feb. 24 (JTA)--Premier Yitzhak Rabin and his coalition partners of the Independent Liberal Party were locked in a dispute today over the Premier's intention to abolish the Ministry of Tourism headed by ILP leader Moshe Kol. Government sources confirmed that this step was under serious consideration, along with the abolition of the Information Ministry whose Minister, Aharon Yariv, resigned from the government last month.

According to the sources, Rabin intends to offer Kol the Communications Ministry which has been vacant since the present government took office. But the ILP has objected strenuously. Kol himself has denied reports that his ministry was about to get the axe. Another ILP spokesman said the Ministry of Tourism must remain a separate Cabinet post and not be combined with

other ministries.

The situation with regard to the Information Ministry was different inasmuch as Yariv recommended its abolition in his letter of resignation to Premier Rabin. Rabin is said to have dropped the idea of adding another Labor Party minister to his Cabinet after the man of his choice, Hatifa Mayor Yosef Almog, declined his invitation. That leaves the vacancy that Kol would fill in a Cabinet reshuffle, sources said. According to the sources, the dispute with the ILP is expected to be resolved one way or another within the next few days.

#### MORDECHAI NAMIR DEAD AT 78

TEL AVIV, Feb. 24 (JTA)--Funeral services were held yesterday at the old Tel Aviv cemetery for Mordechai Namir who died Saturday at his home at the age of 78. The former Mayor of Tel Aviv, secretary general of Histadrut and Minister of Labor was eulogized by Mayor Shlomo Lahat, Histadrut secretary general Yeruham Meshel, and Yehoshua Rabinowitz who was a former Tel Aviv Mayor and is presently Minister of Finance. For the last six years Mr. Namir was confined to his home after suffering a stroke.

Born in the Ukraine, he received a traditional Jewish education and studied law and economics at Odessa University. He was arrested in the early 1920s for Zionist activities. Upon his release in 1924 he came to Palestine and two years later became the secretary of the Labor Party. He became circulation manager of Davar and in 1929 was named director of Histadrut's statistical department. In 1944 he became a member of the Histadrut Executive.

Mr. Namir was prominent as a diplomat. He was a special envoy to Rumania, Bulgaria, Czechoslovakia and then was appointed counselor of the Israeli legation in Moscow. In 1949 he replaced Golda Meir as Ambassador to Moscow. In 1951 he was elected secretary general of Histadrut and was subsequently elected to the Knesset.

In 1956 he was Minister of Labor and in 1959 was elected Tel Aviv's Mayor, a position he held for almost 10 years and then relinquished the post because of falling health. He had been active as a member of the Tel Aviv Municipal Council since 1935, was a member of the Haganah's national headquarters, and had been a member of the presidium of the World Zionist Action Committee and the World Jewish Congress.

During his tenure as Tel Aviv Mayor he began a slum clearance program on the beachfront and a project to establish a business and commercial center there. He was instrumental in expelling the Israeli Communist Party from Histadrut in 1953. Mr. Namir was the author of "Work in Progress," "Industry in Palestine," and "Yearly Economic Palestine Summaries."

#### KAHANE HAS UNTIL WEDNESDAY TO APPEAL 1-YEAR JAIL SENTENCE

NEW YORK, Feb. 24 (JTA)--Barry Slotnick, Rabbi Meir Kahane's lawyer, has until Wednesday to file an appeal on behalf of the former JDL leader who was sentenced last Friday by a federal judge in Brooklyn to one year in prison on charges of violating the terms of a 1971 probation. Judge Jack B. Weinstein, who had sentenced Kahane in July, 1971 to five years probation after he pleaded guilty to a one-count indictment of making a firebomb, gave Slotnick the five-day appeal arrangement.

At the 1971 probation sentence Judge Weinstein made it a special condition of the sentence that Kahane could have nothing to do "directly or indirectly" with guns, bombs, dynamite or any other

