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PERES: ISRAEL PREPARED TO AID SOUTH LEBANESE DEFEND THEMSELVES AGAINST TERRORISTS; AFFIRMS ISRAEL WILL NOT SEND TROOPS ACROSS BORDER By Yitzhak Shargil

TEL AVIV, Oct. 25 (JTA)--Defense Minister Shimon Peres said over the weekend that Israel would help the residents of southern Lebanon defend themselves against terrorists if they requested such aid. He made it clear, however, that Israeli soldiers would not cross the border. He said Israel was following three principles in connection with the conflict in Lebanon: to respect the frontier; to maintain good neighborly relations; and to prevent terrorist organizations from dictating "how we or our neighbors across the border should live."

Addressing a meeting of the Labor Party "Young Guard," Peres stressed that as long as terrorists wage war against Israel there will be a relentless war against the terrorists. Israel will never tolerate the return of the PLO and other terrorist organizations to the border regions where they could threaten the safety and well-being of Israel, he said, nor would Israel tolerate a terrorist take-over of Lebanon.

Peres expressed satisfaction over reports that Christian forces--still fighting in southern Lebanon despite the cease-fire arrangements made at the Arab mini-summit conference in Riyadh, Saudi Arabia last week--have captured two Moslem villages in southern Lebanon. He did not confirm or deny reports from abroad that the Christian forces were using Sherman tanks provided by Israel. (See separate story on reaction from Washington.)

The Defense Minister described the war in Lebanon as a conflict between peace-loving citizens and war-mongers who seek the destruction of that country. He said Israel and the people of Lebanon, especially those in the south, had a mutual interest in eradicating the terrorist organizations.

Consequences of Riyadh Conference

Peres made his remarks against the background of a changing situation in the Middle East following the Riyadh conference and the rapprochement between Egypt and Syria. Israeli circles believe the latest developments could not only affect what happens along the Israeli-Lebanese border but may have wider consequences for Israel in the security field. The improved relations between Cairo and Damascus could pave the way for a united Arab front such as existed on the eve of the Yom Kippur War, the circles said.

They also expressed concern that Moslem leftists and terrorists in Lebanon may have conditioned their acceptance of a cease-fire on permission to return to the border regions where they could resume their incursions against Israel.

A very senior source told the Jewish Telegraphic Agency over the weekend that an even more dangerous possibility exists that the 20,000-man inter-Arab army that the Riyadh meeting assigned the task of peace-keeping in Lebanon may be concentrated in the southern region.

The Arab force, still on paper, would include troops from Saudi Arabia, Yemen, Morocco, Sudan and Syria. The Syrians are expected to provide by far the largest contingent. The presence of such a force on Israel's northern border would change the balance of power in the region and require Israel to reassess its position toward Lebanon, the source said. The source added, however, that it is too early to discuss any steps since the inter-Arab force does not yet exist.

U.S. DENIES SUPPLYING WEAPONS TO ANY PARTY FIGHTING IN LEBANON

WASHINGTON, Oct. 25 (JTA)--A report that U.S.-made Sherman tanks are being provided by Israel to Lebanese Christians brought a response at the State Department that "the United States is not supplying weapons to any party fighting in Lebanon."

"Nor to the best of our knowledge," spokesman Robert Funseth added, "is any country violating the U.S. prohibition against transferring American supplied arms to any of the parties in Lebanon."

Funseth pointed out that Sherman tanks "are a rather old weapon" and it is his "understanding" that such tanks are available on "the open market." He noted that weapons on the international market are generally not covered by prohibitions.

He referred questioning reporters to the Israeli government on whether Israel is or is not supplying equipment to Lebanese Christian forces. Funseth also said he was "confident" that the Israeli government knows the U.S. prohibitions on transfer of American-supplied arms to another government.

ISRAEL, PORTUGAL TO COOPERATE ON AGRICULTURAL TRAINING SYSTEM

JERUSALEM, Oct. 25 (JTA)--Israel and Portugal have agreed to cooperate in the establishment of an agricultural training system in the latter country to promote the modernization of its agriculture. The agreement was reached during the visit here last week of the Portuguese Minister of Agriculture, Antonio Lopes Cardoso, who was the guest of Israeli Agriculture Minister Aharon Uzan. Uzan is expected to visit Portugal at a later date. An Israeli study and research mission will leave for Portugal shortly to meet with local authorities to prepare a joint program of activities.

SOVIET POLICE ARREST 25 JEWS; 3 ARRESTED EARLIER GIVEN 15-DAY JAIL SENTENCES FOR 'HOOLIGANISM'

NEW YORK, Oct. 25 (JTA)--Soviet police today arrested 25 of the 52 Moscow Jews who demonstrated in a building of the Supreme Soviet last week to demand an explanation of why their visa applications have been consistently rejected. The Student Struggle for Soviet Jewry reported.

According to the SSSR, the activists were seized by Soviet police outside their homes, in the streets and in a reception room of the Supreme Soviet where petitioners normally gather. Among them was Vladimir Slepak, a radio and television

engineer who is the leader of the Jewish emigration activists in the Soviet Union.

The SSSJ also reported that three of the four Jews arrested at a Moscow demonstration Thursday have been sentenced to 15-day jail terms for "hooliganism." They are Arkady Polishuck, Mikhail Kremen and Victor Yelistratov. The status of the fourth, Boris Chernobilosky, was unknown today.

The arrests in Moscow today were the aftermath of a march by 52 Jewish "refuseniks" through Moscow last Thursday from the Ministry of Interior to the Supreme Soviet. The marchers, wearing large yellow stars, said they had received "absolutely unsatisfactory answers" from Interior Minister Nikolai Shcholokov and an official of the Central Committee of the Supreme Soviet as to why they are denied visas.

Shcholokov had agreed to meet with a delegation of activists following the beatings, but according to the SSSJ refused to discuss them because "I am not responsible for the security of the Supreme Soviet." About 30 Jews sat in at the Supreme Soviet building last Friday to protest Thursday's arrests.

Protests, Rallies Against Arrests

The National Conference on Soviet Jewry termed the arrests a "disturbing escalation" by Soviet authorities of punitive measures against those petitioning for their right to emigrate. Eugene Gold, NCSJ chairman, urged the Soviet government to immediately release those arrested. "Obviously, this act is a flagrant violation of the Helsinki Final Act which guarantees the free movement of people, ideas and information," he said.

Sen. James L. Buckley (R-C NY) said in a statement issued here today that "Last week's vicious beatings of Jewish protestors by Moscow police confirms our worst suspicions of the Helsinki Accords, recent trade agreements and the stated objectives of the policy of detente." The conservative Senator, who is seeking re-election, likened the beatings to "the darkest days of Nazi Germany."

Meanwhile, the Greater New York Conference on Soviet Jewry and the SSSJ organized a demonstration outside the offices of Aeroflot, the Soviet airline here, to protest the physical assaults on Jews by Moscow police agents.

A "Freedom Squad" wrapped in bandages and walking on crutches picketed the airline office. Bronx Borough President Robert Abrams, chairman of the GNYCSJ denounced the "savagely beatings" of Jewish activists in a woods outside Moscow last week. "This latest episode involving Jews seeking to emigrate from the Soviet Union clearly demonstrates that the USSR will even resort to the use of hired thugs and secret police to terrify and to discourage those who want to leave that country," Abrams told newsmen.

The SSSJ reported in a related development that the sons of two Moscow demonstrators began a hunger strike in front of the Aeroflot office. Their fathers, Lev Blitshtein, 46, an engineer and Boris Fishkin, 49, an economist, began a hunger strike in Moscow in a bid to gain exit visas to join their families who emigrated from the Soviet Union two years ago.

The SSSJ also reported from Detroit that Rep. William M. Brodhead (D-Mich.) telephoned Jewish activist Moshe Mager in Vinnitsa today to pledge support for his efforts to reunite with his wife and family in Israel. The SSSJ said the call was

occasioned by Mager's 31st birthday.

SHAH OF IRAN SAYS U.S. JEWS CONTROL BANKS, MEDIA, FINANCES

NEW YORK, Oct. 25 (JTA)--Shah Mohammed Riza Pahlavi of Iran said that in his view the Jewish lobby in the United States "is too powerful" and "sometimes they are disserving the interests of Israel."

In an interview with Mike Wallace of CBS News broadcast yesterday on the TV network, the Shah was asked to explain his remark that the Jewish lobby did a disservice to the interest of Israel. He said: "They are pushing around too many people...well, pressuring. They have many means at their disposal. They are putting on pressure on many, many people. At the end, I don't think that it will even help Israel." He said that American Jews are "strong" because "they are controlling many things," and this is the reason American presidents pay attention to them.

When asked by Wallace what the Jews are controlling in the U.S., the Shah replied: "News-papers...medias...banks, finance...and I am going to stop here." He added that the New York Times and the Washington Post reflected the Jewish lobby power in the volume of news they print on Zionist and Arab questions.

Turning to the issue of the Palestinians, the Shah said that the Palestinians "must know that there is only a limit to where they can go and bully the world" by "terrorism and blackmail and this and that." The Shah also said that the Palestinians should "really open their eyes, re-assess their situation" and start a "new policy, because the actual one is going to lead them nowhere." Asked about Col. Muammar el-Qaddafi and his support of Palestinian terror, the Shah said: "He's crazy," adding, "No doubt, the man is absolutely irresponsible and crazy."

UNEP MANDATE EXTENDED

UNITED NATIONS, Oct. 25 (JTA)--The mandate of the seven-nation United Nations peace-keeping force in the Sinai was extended Friday by the Security Council for the second year of the three-year interim accord between Israel and Egypt. The new approval extends the mandate to Oct. 24, 1977.

The vote was 13 in favor with two abstentions -- China and Libya. China has abstained consistently from participation in votes on mandate extensions for UN peace forces for both Sinai and the Golan Heights because it considers Security Council treatment of the Arab-Israeli dispute unsatisfactory. Secretary General Kurt Waldheim reported that there had been no significant violations of the accord during its first year.

EBAN CALLS FOR VIGILANCE ON LEBANON

NEW YORK, Oct. 25 (JTA)--Former Foreign Minister Abba Eban said here that vigilance was needed now that the civil war in Lebanon appeared to be nearing an end. Eban, speaking at the installation of officers of Bnai Zion last Thursday night, said that the Arabs will close ranks quickly with hatred of Israel once again a common denominator in their unification. He declared that Israel has never had any "long-term gain" from Arab intra-strife.

Eban said he had made a special trip to the U.S. to induct Rabbi William Berkowitz as president of Bnai Zion before an audience of more than 2000. Berkowitz urged both the Republicans

and Democrats to refrain from making the Middle East "a political football," declaring that Israel's security is in the interest of the United States.

Eban reaffirmed that the U.S. continued to be Israel's "most stalwart" friend, "economically, militarily, in defense of Israel's interests." He said American diplomacy alone holds the "mediating role" in the Middle East because the Soviet Union is weak in the region, the United Nations has "ruled itself out and Europe is self-contained in its economic future."

PLO TO OPEN OFFICES IN VIENNA

VIENNA, Oct. 25 (JTA)--Austria's new Foreign Minister Willipald Pahr confirmed Friday that the Palestine Liberation Organization would be allowed to open two observer offices in Vienna. Farouk Kaddoumi, leader of the PLO's political department, earlier this month requested permission to open observer offices related to the International Atomic Energy Agency (IAEA) and the United Nations Industrial Development Organization (UNIDO) to which it is accredited. At that time, government spokesmen said the opening of an information office for propaganda was not discussed.

Contrary to previous government statements, Pahr, who succeeded Erich Bleika last month, said in response to a parliamentary question: "An information office would have the same privileges any other organization in Austria has, as long as it does not violate the criminal code."

Pahr did not specify if Austria would get any guarantees that the PLO offices would not turn out to be agitation centers. The opposition Conservative People's Party has opposed the opening of a PLO office, calling the PLO a terrorist gang.

GAFNI TO HEAD BANK OF ISRAEL

JERUSALEM, Oct. 25 (JTA)--The Cabinet yesterday approved the appointment of Arnon Gafni, director general of the Finance Ministry, to the post of Governor of the Bank of Israel. At the same time, it rescinded the appointment of Asher Yadin who was arrested last week on charges of accepting bribes and other illegal acts while chairman of Kupat Holim, the Histadrut sick fund.

Premier Yitzhak Rabin, who proposed Gafni, stressed that his nomination should not be construed as a pre-judgement of guilt on the part of Yadin who was Rabin's original choice for the post. He also said it was in no way an attempt to influence the current police investigation of Yadin and several of his associates.

The Cabinet's official neutrality in the Yadin affair was indicated by the fact that Gafni was appointed only after Rabin had asked State Attorney General Aharon Barak whether the police could conclude their investigation by Nov. 1 when the new Governor of the Bank of Israel is scheduled to take office and whether it was possible to name a deputy governor to take charge until Yadin's fate is decided. Barak replied in the negative to both questions.

Gafni, 44, a professional economist, is regarded as well qualified for the prestigious and influential post as head of the Bank of Israel. Objections to his appointment were raised last week by Finance Minister Yehoshua Rabinowitz, who did not want to lose his key man in the Treasury. But Rabinowitz agreed yesterday to release Gafni from his duties at the Finance Ministry.

CANADA MOVES AGAINST ARAB BOYCOTT

By Michael Solomon

OTTAWA, Oct. 25 (JTA)--Secretary of State for External Affairs, Donald Jamieson, speaking Thursday in the House of Commons, said that the Canadian government will make public the names of any Canadian companies complying with the Arab boycott of Israel and will deny financial and other support to such companies.

"The government will take measures to deny its support or facilities for various kinds of trade transactions to combat any discriminatory effects of boycotts based on race, religion or national or ethnic origin," he said. Jamieson explained that companies complying with the boycott will be deprived of such help as obtaining government financing or market information.

He added that such a refusal of government support would be a very serious handicap and an effective deterrent to cooperation with discriminatory provisions of an international boycott, but "despite sanctions by the Canadian government, certain firms may nonetheless agree to boycott clauses for particular projects. All Canadian firms that accept boycott clauses will be required to report all instances of their complying with boycott provisions. Information obtained from such reports will be made available to the public."

Jamieson also remarked that "the government recognizes that Arab countries consider their boycott of Israel to be a legitimate economic weapon in view of the continuing state of war between Arab countries and Israel. Canada, however, seeks to improve its relations and to develop its trade in peaceful goods with all nations."

While Jamieson did not specify an effective date for implementation of the government's anti-boycott position, it was assumed that it would go into effect when Prime Minister Pierre Elliott Trudeau returns from a visit to Japan this week.

The Canada-Israel Committee, which had earlier briefed Jamieson on its views, called the Minister's statement a positive step forward. Howard Stanislawsky, assistant director of the committee, said Friday "the program may work. I hope it will. If it does not, we will have to try something else." The boycott issue was raised earlier this month when Israeli Foreign Minister Yigal Allon visited Ottawa.

JERUSALEM (JTA)--Former Premier Golda Meir, 78, was hospitalized at the Hadassah Medical Center last week for treatment of an intestinal infection, a spokesman for the hospital disclosed. He said Mrs. Meir's general condition was good and that she would be discharged shortly after undergoing a series of tests.

MONTREAL (JTA)--Israeli Foreign Minister Yigal Allon left here Monday to return to Israel after a week of convalescence following a successful operation for the relief of a facial spasm. The operation was performed at Notre Dame Hospital by Dr. Jules Hardy, a Montreal neurosurgeon.

BRUSSELS (JTA)--Negotiations between Israel and the Common Market will be held here Oct. 28 and 29 to conclude a financial protocol to the trade pact between Israel and the European Economic Community.

BRUSSELS (JTA)--The Jewish Students Union held a "Solidarity Day with Soviet Jewry" Monday at Brussels University.

TRANSCRIPT OF BROWN'S INTERVIEW

(Editor's note: This continues the interview of Gen. George S. Brown, chairman of the Joint Chiefs of Staff with Raanan Lurie as released by King Features Syndicate. The first part of the interview began in the Oct. 22 issue of the Bulletin. The entire interview as released runs 19 pages. The segments in the Bulletin deal with material related to Israel and the Middle East.)

LURIE: And this theory that paralleling it, for instance, to France. Once France detached herself from Israel, the fact is that France lost any leverage whatsoever she had with the Arabs because she put herself out of the game. Right now, the United States is the only power, the only force in the world that has any leverage whatsoever on the Israelis. Therefore they have tremendous clout with the Arabs.

BROWN: That's exactly right. We've got a little with the Saudis, I think, if we use it wisely, because of the Saudis' concern for Communism.

LURIE: Right.

BROWN: You know, I think genuinely the Saudis are....As I said, I think the Saudis are genuinely concerned about the Soviets and Communists. They're concerned about Israel primarily because of the Holy Lands. They want entree to Jerusalem. I think that they genuinely have a concern for the PLO and all those other general problems, but they're not real heartburn issue with them. At least that's what I detect from my limited conversation with them.

LURIE: Following your way of thinking, with which I happen to agree very much--about the Saudis computing the Communist factor, and so on, I wonder if the Saudis are really that fanatically in love with the PLO due to the fact that the PLO, basically, once they establish themselves, they will have another Albania in the Middle East.

BROWN: Exactly.

PLO And Saudi Arabia

LURIE: That's for sure. Therefore, maybe it's just some kind of lip service, because basically I don't think they are so happy to have this kind of threat because...

BROWN: Not only that, Raanan, they might, you know, if they get some land and establish a Palestinian state, it's not going to be a viable thing. Somebody's going to have to support them. They're going to look to the Arabs to support them...

LURIE: Of course.

BROWN: And the fellow with the money is Saudi Arabia.

LURIE: The rich uncle.

BROWN: That's right. Now, the other concern over there really is Iran, and the puzzling question of why she is building such a tremendous military force. She couldn't with her population do anything that would provide protection from the Soviet Union, if there is a real threat there. She's got adequate power now to handle Afghanistan and Pakistan, so, you know, if they were a threat you could discount that....she's a little better than a match for Iraq now. And my gosh, the programs the Shah has coming. It just makes you wonder about whether he doesn't some day have visions of the Persian Empire.

LURIE: Certainly.

BROWN: They don't call that the Persian Gulf for nothing. But of course our concern for the Middle East is that tremendous flow of oil. Our dependence on, what, 17 or 18 percent now, I guess, of our national consumption. And all of

Europe, Japan. It's just got to continue to flow or, the world is going to change. It's not going to be the world we know today.

Question Of Lebanon

LURIE: What about Lebanon right now, changing into what we can call by pragmatic terms a new, very extreme left regime in a very vital spot?

BROWN: Well, it could, but I'm not prepared to be quite that optimistic....if this cease-fire...

LURIE: I'm sorry... I'm pessimistic... because I said it's becoming a left regime.

BROWN: I say...you're pessimistic...but I'm a little more optimistic. I think that if this cease-fire holds through the end of the month (inaudible). The Syrians have been very constrained in their military effort and have provided the stabilizing balance there. If we get a regime, in something comes out of this election that is not as radical as you suspect it might be, it will have Syrian support. And maybe, just maybe, they could carry it off. If it comes out too radical, I think we're going to have continued trouble over there within Lebanon.

It's been amazing to me that they've been able to fight this long, on the scale that they have, and with the tremendous destruction and disruption of the country, and have the rest of the Middle East kind of keep hands off. The Syrians have sort of boxed it in order to maintain some degree of control without actually getting in and taking the place over. And the Israelis have been very restrained. Both have made statements that the other understands...

Israel And U.S. Pressure

LURIE: Are the Israelis restrained also because of American pressure?

BROWN: As far as I know, it hasn't been necessary to apply any. I think they're restrained primarily because this isn't the provocation over which they are prepared to go to war. The lesson of the last war to them was that the casualties were a heck of a lot heavier than they're prepared to take. A few years ago, in some of the earlier wars, they were quickly decisive. The casualties were reasonable, although they don't want to take any.

This last time they took very heavy casualties the first four or five days. And I don't think that small country wants to see that again or can afford to see it. Politically they can't afford to. They've got tremendous internal problems, as you know better than I. You've been over there. They're over-extended because of the tremendous military burden they have, and I guess if we were in their straits, we would be too.

CORRECTION

A story Thursday from the American Zionist Federation biennial convention in Grossinger, NY, incorrectly referred to the Association of American Israelis. The correct name is the Association of Parents of American Israelis.

JERUSALEM (JTA)--Moshe Rivlin, director general of the Jewish Agency was last week elected unanimously as a member of the Jewish National Fund Directorate. This opened the way for Rivlin's appointment as JNF chairman in place of retiring Isaac Herzog.

BRUSSELS (JTA)--Five Israeli war veterans suffering from paralysis are spending a week in Belgium as guests of the Antwerp B'nai B'rith.