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ISRAEL, EGYPT SAID TO BE ON VERGE OF RESUMING PEACE NEGOTIATIONS

By Gil Sedan and Yitzhak Shargil

JERUSALEM, Jan. 26 (JTA)--Israel and Egypt have made "certain progress in the political process" leading to a resumption of peace negotiations between them, U.S. Assistant Secretary of State Alfred L. Atherton said here after a meeting with Premier Menachem Begin today. He offered no details of the meeting, his second with Begin this week, which was attended by Foreign Minister Moshe Dayan and Defense Minister Ezer Weizman.

Dayan, however, was more specific. He said the military committee talks will resume next week and that if the political committee talks are not resumed in their previous form in Jerusalem they might be resumed by having a mediator shuttle between Jerusalem and Cairo.

Meanwhile, Gen. Avraham Tamir, one of Weizman's top aides, returned here tonight from Cairo and will report to the Cabinet Sunday on his talks with Egypt. Gen. Taha Maghdoub, a leading participant in the Egyptian military committee talks. Tamir's report will help the government decide whether to resume the military talks in Cairo.

American efforts are focussed on bringing Israel and Egypt back to the political and military negotiations broken off last week and some progress appears to have been made. President Anwar Sadat of Egypt said in Cairo yesterday that serious negotiations were going on behind the scenes.

Atherton will go to Cairo early next week to meet with Sadat. He is believed to be seeking agreement by both sides to a joint declaration of principles that would set the stage for resumption of the political committee talks. Agreement, reportedly, was near last week when Sadat suddenly recalled his negotiators home from Jerusalem. The key obstacle was said to be the Palestinian issue. Israel still objects to President Carter's Aswan formula which would ensure the Palestinians the right to participate in determining their fate.

Major Stumbling Blocks

The major stumbling block in the military talks, apart from the future status of Israeli settlements in Sinai, is the matter of demilitarization. It is certain to be the focal point of the military committee's deliberations expected to resume in Cairo next week. In his Knesset speech Tuesday, Begin accused Egypt of renegeing on an agreement between himself and Sadat that Egyptian forces would not advance beyond the Gidi and Mitla passes, leaving all of eastern Sinai a demilitarized zone.

Begin claimed in a Haaretz interview today that Sadat had promised this during their private meeting in Jerusalem last November but that the Egyptian military establishment now demands that their army be stationed only 25 miles from the international border. The Egyptians seem to interpret Sadat's promise as applying only to the bulk of the army and insist that some Egyptian troops are entitled to remain much closer to the

boundary line.

According to Begin, Israel insists that if any Egyptian units are permitted near the border, it would result in the build-up of a new military infrastructure for the entire Sinai region. Israel, however, demands the right to keep troops in Sinai to defend its settlements there.

Very Close To Accord On Principles

Dayan, in an address today in Bar Ilan University, said he thought Israel and Egypt were very close to an accord on a declaration of principles. "I believe we can reach, and this is mainly due to the American contribution, an agreement about the principles that would be acceptable to the Egyptians and ourselves." He added that "we have been making quite a bit of progress. Unless the Egyptians try artificially to delay or avoid it, I think we are within reach of getting an agreement." Just before Sadat suspended the political talks last Wednesday, Begin said agreement had been reached on five of the seven principles.

Dayan also revealed that there was a time in the past when he was interested in meeting with leaders of the Palestine Liberation Organization, including Yasser Arafat, in order to learn from them what motivated their terrorist activities. Now, however, he added, he opposed meeting with them. "We are dealing and negotiating with states and not with terror organizations," he affirmed.

Yadin Favors Territorial Exchange

Deputy Premier Yigael Yadin of the Democratic Movement for Change (DMC) said on a television interview yesterday that the gap between Israel and Egypt on the question of principles was "narrower than it seems." He said that once an agreement on principles is reached, the political committee could be reconvened and the momentum renewed. But this time the talks will be given much less exposure to the media, he said.

With respect to the Sinai settlements, Yadin said he would support a territorial exchange in which Israel would retain the Rafah salient and cede part of the Negev to Egypt. He said that Israel would not propose such a solution but would consider it if the Egyptians raised the possibility. Yadin's remarks raised the ire of Likud hard-liners Geula Cohen and Moshe Shamir who demanded a personal explanation from Begin of the government's position on that issue.

MOVE TO BAR U.S. FUNDS FOR SPECIAL UN UNIT DEALING WITH PALESTINIAN RIGHTS

By Joseph Polakoff

WASHINGTON, Jan. 26 (JTA)--The Senate Foreign Relations Committee began considering today legislation that would bar U.S. funds for a "special unit" in the United Nations to disseminate information about "Palestinian rights." Sen. J. Harrison Williams (D.N.J.) introduced the legislation yesterday with a floor speech in which he declared he was "shocked" by the UN General Assembly's decision late last year to establish the unit. It is understood that similar legislation will be presented soon in the House.

Williams said he took "special exception to the fact that one of the designated purposes of this organization is to observe an 'International Day of Solidarity with the Palestinian people.'" He added:

"Although the creation of such an entity in the UN whose probable purpose is to propagate hatred against the State of Israel is tragic at any time, this latest action appears even more despicable when viewed in light of the progress toward peace which has been made in recent weeks in the Middle East."

Williams stressed that "it is essential to look beyond the seemingly innocuous language of the resolution" in the UN which created the unit, because "the newly created group is nothing more than an extension of the so-called Committee on the Exercise of the Inalienable Rights of the Palestinian People, 19 of whose 23 member states have no diplomatic relations with Israel. The continuing creation of such vehemently anti-Israel units in the UN can only result in a further erosion in respect for the impartiality of that body."

Williams noted that "With the United Nations already experiencing a financial emergency of a \$100 million deficit, we should not tolerate the use of funds from the United States for an activity which is not only of no practical benefit but actually detrimental to the search for peace in the Middle East."

EHRlich PROPOSES \$100 MILLION EGYPT-ISRAEL RAIL LINE AFTER PEACE SETTLEMENT

By David Landau

JERUSALEM, Jan. 26 (JTA)--Finance Minister Simcha Ehrlich proposed today the construction of a \$100 million rail line linking Ashdod to the Egyptian city of Kantara on the Suez Canal after a peace settlement with Egypt. Addressing members of the "Prime Minister's Israel Bonds Mission," who arrived from Vienna last night, Ehrlich said he saw the project as one of post-peace cooperation with Egypt. He said it could be completed in 20 months and could provide Egypt with the facilities to handle container ships not presently available at any of the Egyptian ports.

Ehrlich, who has been consistently optimistic about the ups and downs of current negotiations with Egypt, said "peace must be guaranteed by strong economic links." He urged the Bond Organization to top its record of last year (\$331.5 million), pointing out that such key industries as transportation were stymied and retreating because of the lack of overseas investments.

He cited communications as another example. Ehrlich noted that if one hundred-odd million dollars could be invested in telephone service on a commercial basis, the waiting time for a new phone could be cut from the present four years to two. Tomorrow the Bond leaders will open the first section of the new Jerusalem-Ben Gurion Airport Motorway.

SCHINDLER OFFERS THREE REASONS WHY ISRAELI-EGYPTIAN ACCORD IS INEVITABLE

NEW YORK, Jan. 26 (JTA)--Rabbi Alexander M. Schindler, chairman of the Conference of Presidents of Major American Jewish Organizations, said here today that there were "three main reasons" why he believed an Israeli-Egyptian peace settlement is "inevitable" while acknowledging that the search for peace will be "long and arduous." Schindler was received by President Anwar Sadat of Egypt at Aswan earlier this month and has also conferred recently with Premier Menachem Begin of Israel.

He said his talks with the two leaders convinced him that both Egypt and Israel "want peace, need peace and are determined to achieve peace despite the psychological barriers that must be

overcome." But, he said, his "cautious optimism" was based on three factors:

"Both President Sadat and Prime Minister Begin have a powerful personal commitment to peace" that "has not been weakened despite the difficulties that have arisen; both the Egyptian and Israeli people yearn for peace with an intensity that surprised even the leaders of the two countries"; and "the reasons that motivated President Sadat to take his initiative and Prime Minister Begin to respond are still present"--Egypt's poverty and Israel's defense burden and "the shared fear of both countries that no peace could be achieved at a Geneva peace conference attended by the spoilers and rejectionists and with active Soviet participation."

Schindler, who was accompanied by Yehuda Hellman, executive director of the Presidents Conference, at the meeting with Sadat, described the Egyptian leader as "a man of great charm, obvious sincerity and unusual personal warmth" who "spoke candidly and listened carefully." He also praised current American efforts to further the peace process for "being careful not to cross the line from mediator to arbitrator."

BEGIN MEETS WITH THE CARTERS, CHIP AND CARON, NOT JIMMY AND ROSALYNN

JERUSALEM, Jan. 26 (JTA)--Chip Carter and his wife, Caron, son and daughter-in-law of President Carter, were received by Premier Menachem Begin at his office here this morning. The Carters arrived in Israel yesterday at the head of a 425-member Friendship Force of Americans from the Hartford, Conn. area on a 10-day good will tour of Israel.

They were accompanied to the Premier's office by U.S. Ambassador Samuel Lewis and by their official host, Industrialist Shlomo Shamir, who is chairman of the Israeli branch of the Friendship Force. Talking to reporters afterwards, Carter, 27, said he and his wife had a long talk with Begin that covered almost every subject, including Jewish history, but skirted the current political situation. Begin reportedly expressed the wish, however, that the U.S. would transfer its Embassy from Tel Aviv to Jerusalem.

The Friendship Force was conceived by President Carter before his election as a visitors' exchange program between the U.S. and friendly foreign nations. Just before the Carters and their 425 American "Ambassadors" took off from Hartford, a similar group of Israeli citizens landed at the Connecticut state capital to begin a 10-day visit.

1000 PEOPLE WELCOME 425 ISRAELIS

HARTFORD, Conn., Jan. 26 (JTA)--Some 1000 people attended a dinner here last night welcoming 425 Israelis who will spend 10 days living with American families in the Greater Hartford area. The list of dignitaries at the dinner was headed by Connecticut Gov. Ella Grasso and Israeli Consul Shmuel Moyal from the Consulate in New York.

The Israeli group arrived Tuesday afternoon just before a group of 425 persons from the Hartford area, led by President Carter's son, Chip, and his wife, Caron, left for Israel. Some 2000 persons attended a ceremony for the two groups at Bradley Airport here which was addressed by Mrs. Rosalynn Carter. Mrs. Carter is honorary chairperson of the national Friendship Force which is sponsoring a program of exchange visits between Americans and people from other countries.

JEWISH GROUPS URGED TO BECOME MORE INVOLVED IN BROAD-BASED COALITIONS

TUCSON, Arizona, Jan. 26 (JTA)--American Jewish organizations were urged at a national conference here to become more involved in broad-based coalitions that are actively trying to solve urgent problems facing urban centers in the United States. The call to participate more in seeking reforms in employment programs, the welfare system, public education and housing was made at the annual Plenary Session of the National Jewish Community Relations Advisory Council (NJCRAC) by three Jewish community relations experts representing national organizations and regional groups.

Theodore R. Mann, of Philadelphia, was re-elected to a second one-year term as chairman of NJCRAC. Among the major actions taken by the Plenary was a unanimous decision to boycott meetings in states that fail to ratify the Equal Rights Amendment (ERA), and approval, also unanimously, of a statement condemning continued Soviet intimidation of Jews.

The latter statement was adopted after news was received of the arrest of Soviet Jewish physicist Grigory Goldstein who has been unable to find employment after being dismissed from his job when he applied for an emigration visa.

Goldstein, 46, from Tbilisi, was arrested on Jan. 16 and is awaiting trial on charges of "parasitism." (In reports today from Moscow, it was learned that Soviet authorities have dropped the parasitism charge but have warned Goldstein to find a job.)

The ERA action was taken following an address by Rep. Yvonne B. Burke (D. Calif.) who urged Jewish organizations to get behind the drive to ratify the amendment. It was resolved that the 1979 Plenary Session of the NJCRAC will be held in a state that voted for ratification. The task of formulating a position to guide Jewish community relations agencies in dealing with American Nazis was referred to a special committee that will report to the executive committee at a later date.

Reasons For Involvement Cited

The importance of Jewish organizational involvement in seeking cures for urban ills was stressed by Dr. Daniel Thursz, executive vice-president of B'nai B'rith International; George L. Spectre, associate director of the B'nai B'rith division of public affairs; and Meyer Fine, executive secretary of the Community Relations Committee of the Jewish Community Federation of Metropolitan New Jersey.

Fine said the need for Jewish involvement in causes which might not, at first sight, have immediate and direct calling on Jewish resources, was necessary because "Jewish security in the United States can only be strengthened and expanded by us through renewed, intensified efforts to create a better and more just society for all Americans."

He urged support for the Humphrey-Hawkins bill for full employment, a grave problem in his own state which has the highest unemployment rate in the nation. "Amelioration can only be obtained through national measures, most likely in the form of public jobs created by the federal government," he said.

Thursz called the "welfare system" not a system as such but rather a conglomeration of 200 federal programs whose bureaucracy absorbed an unconscionable amount of the funds intended for the poor. He called for Jewish community support for President Carter's "Program for Better Jobs and

Income." He observed that "the Jewish community, by example and encouragement, can help the American people accept the need and urgency of welfare reform."

WEBSTER, CARTER'S NOMINEE TO HEAD FBI, TO ANSWER ALLEGATIONS THAT HE IS INVOLVED WITH GROUPS PRACTICING BIAS

By Joseph Polakoff

WASHINGTON, Jan. 26 (JTA)--Federal Judge William H. Webster of St. Louis, Mo., who has been nominated by President Carter to head the Federal Bureau of Investigation, said today he will respond to allegations that he is identified with organizations barring Jews, Blacks or women.

The Anti-Defamation League of B'nai B'rith said that Webster, a member of the U.S. Circuit Court of Appeals since 1973, was affiliated with the St. Louis Country Club which allegedly has barred Jews and Blacks from membership, the Noonday Club, an all white male group, and an organization known as the "Mysterious Order of the Veiled Prophets" which has been attacked by civil rights leaders as racist.

The Jewish Telegraphic Agency sought Webster's views on the allegations and he passed word to the FBI office here that he would "address all issues" when he appears before the Senate Judiciary Committee in a confirmation hearing. An FBI spokesman said Webster has had "numerous calls" about the allegations but he would not talk with anyone until he is confirmed and sworn in.

Webster, 53, was a judge in the U.S. Eastern District of Missouri for four years before being elevated to the Appellate Court. Prior to that he was the U.S. Attorney for the District in 1959-61. He is a native of St. Louis and a graduate of Amherst and the University of Washington Law School. He served twice in the U.S. Navy during World War II and in 1949-52. He is also prominently identified with several law organizations and is a member of the Missouri Board of Law Examiners.

RIO DE JANEIRO CANCELS TWIN CITY-PACT WITH TEL AVIV

By Yitzhak Shargil

TEL AVIV, Jan. 26 (JTA)--Intervention by the Brazilian Foreign Office forced the municipal authorities of Rio de Janeiro to cancel the signing of a twin city pact with Tel Aviv, only hours before the ceremonies were to be held with Tel Aviv Mayor Shlomo Lehat and his wife attending. The action was attributed here to pressure by the oil-producing Arab states on the Brazilian government.

Twin city pacts are mutual gestures of friendship that have symbolic significance but nothing to do with politics. The pact with Tel Aviv did not require the approval of the Brazilian government, Israeli Foreign Ministry sources noted. They hinted that an unofficial protest will be lodged with Brazil.

The initiative for the sisterly gesture came from Rio's Mayor Marcos da Silva when he visited Tel Aviv last year. Lehat was at the airport in Philadelphia, Pa. en route to Brazil, along with Tel Aviv Town Clerk Yaacov Hadar, when news came of the cancellation. Lehat reportedly wanted to return to Israel but the Foreign Ministry in Jerusalem urged him to continue his trip because cancellation would only further strain the relations chilled by the Brazilian action. The Rio municipality also begged Lehat to come.

JERUSALEM (JTA)--The Bank of Israel has issued a new IL 50 banknote featuring the portrait of Chaim Weizmann.

DULZIN SAYS HE INTENDS TO WORK FOR ABOLITION OF ABSORPTION MINISTRY

By Gil Sedan

JERUSALEM, Jan. 26 (JTA)--The long standing struggle between the Jewish Agency and the Ministry of Absorption for control of Israel's immigration and immigrant-absorption machinery surfaced again yesterday when Jewish Agency and World Zionist Organization Executives treasurer, Leon Dulzin reaffirmed his intention to work for abolition of the ministry.

The latest dispute centered around Absorption Minister David Levy's trip to North America with a package of proposed special concessions to induce Israelis who have settled in the United States and Canada to return home. Levy's mission apparently was less than successful and he has reportedly cut his trip short.

Dulzin, who is virtually certain to be elected chairman of the Jewish Agency and WZO at the 29th World Zionist Congress here next month, told reporters yesterday, "If David Levy had consulted me, I would have advised him not to go" to America. He denied an allegation by Levy, in a Maariv interview published yesterday that WZO emissaries in the U.S. had jeopardized his mission. "The opposite is true. Our emissaries were instructed to help Levy wherever they could," Dulzin said.

Dulzin said he was not opposed to government ministers going abroad to try to stimulate aliya but insisted that the return of Israelis living abroad should be the exclusive responsibility of the WZO.

Levy announced shortly after he was named to his Cabinet post by Premier Menachem Begin last June that the return of Israeli expatriates (yordim) would be one of his ministry's main tasks. He promised to deal with the problem over the objections of the WZO which had established a body of its own to deal with the issue. A similar body was formed by the Knesset.

But earlier this month, Levy announced a program of benefits for Israelis who have lived abroad longer than three years and decide to return. It included various material inducements such as tax exemption on consumer goods. Before discussing the plan with the WZO or the Treasury, Levy left for North America. He outlined his plan at a meeting with a group of Israelis in New York last week, but, reportedly, with disappointing results. The Israelis were said to have told Levy that they were more interested in the quality of life than in material benefits.

Horev Committee Points Noted

Dulzin did not go into details of the controversy. He claimed, however, that not only Levy but all previous Absorption Ministers had "failed." The Jewish Agency in Israel, he insisted, should be the sole organization dealing with aliya and the Absorption Ministry should be abolished. He said he would strive for the implementation of recommendations made last year by a special committee of experts headed by Amos Horev, president of the Haifa Technion.

The Horev committee called for abolition of the Absorption Ministry and the creation of a joint government-Jewish Agency body for immigration and absorption to function within the framework of the Jewish Agency, headed by the Jewish Agency chairman and responsible only to the Prime Minister.

The Horev recommendations were shelved by the Labor Alignment government for political reasons. Dulzin, a leader of the Liberal Party wing of Likud, said he would press for their adoption by the

Begin government. But he agreed that beyond the structural changes needed, the most important element to improve aliya was "a social atmosphere that would give the immigrant the feeling he is wanted here. Unfortunately, there has been much talk about it but it was mainly lip service and aliya was never put at the top of Israel's list of priorities." According to Dulzin, "without aliya, the very existence of Israel is threatened."

Will Close 17 Of 19 U.S. Aliya Offices

He also discussed important changes he has in mind after the World Zionist Congress selects a new executive. He said he would seek a wall-to-wall coalition representing all Zionist factions that will include many new faces. But, he added, "the best plan would be worthless without suitable personnel to carry it out. We have to match the suitable persons to the various tasks and not the other way around as has often been the case in the past."

In that connection, Dulzin disclosed that he planned a drastic reduction and reorganization of the system of WZO emissaries (shlichim) abroad. He said he would close down 17 of the 19 aliya offices in the U.S., retaining only the ones in New York and California. He also said that instead of sending emissaries for extended periods, he would send groups for 3-6 month tours who would have to work under the guidance of the aliya offices in New York or California.

Dulzin had nothing but praise for the American Jewish community. According to him, Egyptian President Anwar Sadat's peace initiative was undertaken only because Sadat realized that U.S. Jewry would not permit the Carter Administration to exert pressure on Israel for concessions. "American Jewry will have a lot to say also in the current political developments. Our power in the U.S. depends largely on that Jewry," he claimed.

Reaction To Levy's Statement

(In New York, Amnon Zakov, director of information at the Israel Aliya Center, issued the following statement to the Jewish Telegraphic Agency on Levy:

"(The Israel Aliya Center deeply regrets the rumors that is behind the cutting short of Minister Levy's visit to the U.S. These rumors have caused the extreme remarks by Mr. Levy about the shlichim. It was ultimately clarified to the Minister that the shlichim did their utmost for the organizing and the success of his visit. The Minister has acknowledged this and expressed his deep regret for the misunderstanding and expressed his high esteem for the work of the shlichim. The Israel Aliya Center has one and only one commitment, aliya, and no involvement whatsoever in any political struggle in Israel.")

COMPANY APOLOGIZES FOR ERROR

NEW YORK, Jan. 26 (JTA)--Responding to a complaint by the American Jewish Congress, the Borg-Warner Corp. has apologized for distributing a 1978 calendar that placed the Old City of Jerusalem in Jordan and credited an Arab sultan with building the "Wailing Wall" in 1542. A letter to customers from Richard Metallo, district manager of Borg Warner's York Division, which distributed the calendar said the purpose of this letter "is to apologize for the error" on this calendar, "which included a picture of old Jerusalem with an incorrect caption stating that the old section of Jerusalem was part of western Jordan, and further, that the wall that rings the old city was referred to as the 'Wailing Wall'."