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DESPITE DISPUTE WITH U.S., ISRAEL STILL WANTS AMERICA AS A MEDIATOR

By David Landau

JERUSALEM, Feb. 13 (JTA)--Israel still wants United States mediation despite its dispute with the Carter Administration, Premier Menachem Begin said today. He told reporters at an impromptu press conference outside his office that he was "looking forward" to Assistant Secretary of State Alfred Atherton resuming his shuttle mission soon between Jerusalem and Cairo.

In a markedly more conciliatory tone than that which he characterized the Carter Administration in his official Cabinet statement yesterday, Begin said that Secretary of State Cyrus Vance's act of "taking sides" in favor of Egypt at his State Department conference last Friday had not changed Israel's attitude about the Atherton mission. "We welcome his mission," he said. "We will do our best to help him in the fulfillment of it."

But while his tone was conciliatory, Begin did not back down from the content of yesterday's sharp Cabinet communique. Every word of that communique was the truth, the Premier insisted. Vance had "deeply hurt" Israel and it had been "natural" for Israel to respond in the way it had. He was sure, however, that U.S.-Israeli friendship was firm enough for this difference of opinion not to harm it, Begin stressed.

The U.S. has now undertaken the specific task of seeking through Atherton, agreement on a declaration of principles, and this was to the good, Begin said. Atherton would be a "welcome guest" in Jerusalem where he will probably arrive Feb. 21 or 22 after first visiting Cairo.

Asked about the Sinai settlements, Begin refused to state categorically that Israel would prefer to lose the chance for peace rather than vacate them. He merely reiterated forcefully that both President Carter and Egyptian President Anwar Sadat had been made aware from the start of Israel's intention, expressed in its peace proposals, to keep those settlements--within a United Nations zone--under Egyptian sovereignty, and with a "self-defense force" to protect them.

Begin insisted that Carter had not voiced any "reservations" on this point during their December Washington talks, and that the American President's overall reaction to the Israeli proposals had been "positive." He indicated that he had available, yet-undisclosed quotations from Carter during that meeting in the White House which would bear out his contention.

WHITE HOUSE APPEARS TO SOFTEN POSITION ON ISRAELI SETTLEMENTS

By Joseph Polakoff

WASHINGTON, Feb. 13 (JTA)--The White House today appeared to soften its stand against Israeli settlements in the occupied territories, saying they should be "stopped" to "enhance prospects" for a Middle East settlement. Secretary of State Cyrus Vance said on Friday that the Israeli settlements in Sinai "should not exist." A State Department spokesman told reporters today that it could be "inferred" that Vance thought the settlements should be "dismantled" but then immediately withdrew the word "dismantled."

White House Press Secretary Jody Powell, who met with reporters after the State Department briefing, spoke from notes in making his comments which, he said, represented the Administration's position with the knowledge and approval of President Carter. The matter arose when a reporter noted that Israeli Premier Menachem Begin was saying the U.S. is taking sides in the Middle East dispute and jeopardizing its position as an honest broker.

In reply, Powell said he wanted it "understood that our concern here is not a question of public debate on who said what to whom, where or how it may have been interpreted at the time, but it is the resolution of these differences that have existed for years in the Middle East, in a peaceful way, in a fair way and in a permanent way."

Sees No Contradiction

Powell said Vance's Friday statement was "a reiteration" of the U.S. government's position on settlements which Carter said are "an obstacle to peace and contrary to international law."

Powell said the U.S. position also is "that prospects for a just and lasting peace in the Middle East will be enhanced if such settlement activity is stopped. This is no contradiction between that position and any statement made by the President, publicly or privately, at any time," including Begin's visit to Washington last December.

Earlier, a top Administration official who declined to be identified was quoted as saying that Carter had never endorsed the settlements as Begin "seemed to imply" over the weekend. Powell said the matter was discussed at a Cabinet meeting this morning and the determination was made "reluctantly" that a "brief comment was necessary in order to make sure that the record as we see it is clear."

SPECIAL TO THE JTA KLUTZNICK DENIES REPORT HE ADVISED ADMINISTRATION TO LEAN ON ISRAEL

By Joseph Polakoff

WASHINGTON, Feb. 13 (JTA)--Philip Klutznick, president of the World Jewish Congress, today strongly rejected a report on Israel Radio that he had advised the Carter Administration to persuade Israel to be more flexible in the Middle East negotiating process.

In a telephone interview from Chicago with the Jewish Telegraphic Agency, Klutznick also denied that he had attended a private dinner with President Carter and other American Jewish leaders at the White House last Wednesday night or a meeting with President Anwar Sadat of Egypt and prominent American Jews at Blair House last Monday in his capacity as president of the WJC. He said he was invited and came as an individual like all the others, and that included his private conversation with Sadat that preceded the general meeting.

Klutznick, a former U.S. Ambassador to the United Nations who has served several national Jewish organizations in leadership capacities, was responding to an Israel Radio report broadcast last week which claimed that he had suggested that Carter "show Sadat that the U.S. could influence Israel in order to preserve U.S. credibility." The original report and a firm denial by Klutznick were carried by Israel Radio and television over the weekend.

Klutznick told the JTA today: "I am not privileged to know who the rumor-mongers are and I normally would not comment about the rumors. But the charge is so grave, not only discourteous, that I deny not only the paraphrasing but the implications of what is alleged to have been said."

Never Said So Anywhere

Klutznick said he has "heard this rumor now from a number of sources. Each time it is different. I hope soon to hear it from the people who are spreading it. In my judgement, I have never said anywhere, publicly or privately, that the U.S. should lean on Israel."

"On the other hand," Klutznick observed, "if the U.S. is to be a middleman, it does not take a genius to understand that it must have credibility with both sides to the controversy. That is a far reach from suggesting that the U.S. should lean on Israel." He recalled that when former Undersecretary of State George Ball made such a proposal "last April in Foreign Policy magazine, I wrote a complete rejection of that viewpoint" which appeared in the next issue of the magazine. "That's the record and that's what I stand on," Klutznick said.

He pointed out that in the course of a three-hour meeting such as that at the White House, "there can be any kind of misinterpretation." He said "I made notes" about the dinner. "I consulted them this morning. I saw nothing in them that closely resembles this rumor. They are my own notes and naturally, they are self-serving," he added.

However, Klutznick related that David Blumberg, president of B'nai B'rith, who also attended the dinner, had telephoned him after the Israel radio report. He quoted Blumberg as saying, "Was I asleep? I didn't hear any such thing." Asked by JTA whether he had said this, Blumberg responded: "Yes. I did not interpret his (Klutznick) remarks to bring that conclusion."

Differences Of Nuances

With regard to the Israel Radio report's claim that others at the White House dinner had differed with him, Klutznick said: "There were differences between us, but I am not about to say what those viewpoints were or who was right and who was wrong in my opinion. None of the differences were substantive. Actually, one could say the differences were more in the form of nuances and in procedure rather than substance."

Klutznick noted, "This was a dinner with the President and there is a certain respect one must observe." He said he did not know who might have said something that gave rise to his rumored remarks.

With respect to the allegations that he attended the White House and Blair House meetings as WJC president, Klutznick affirmed: "I have said I was invited as an individual. But I am not two people. I am also president of the WJC. I don't know how I can dissociate myself from that. That's why I was so careful to consult resolutions of the WJC to make sure I did not say or propose anything that was contrary to WJC policy."

REPORT WEIZMAN ORDERED END OF LAND DEVELOPMENT WORK IN SINAI 2 WEEKS AGO By Yitzhak Shargil

TEL AVIV, Feb. 13 (JTA)--Israelis were bewildered over the weekend by a series of contradictory reports on the status of land development work in the Rafah salient and other parts of north-

em Sinai. Reports that the Defense Ministry had called a halt to those operations because of the latest crisis with the U.S. on the Sinai settlements issue were denied by the Defense Ministry late yesterday.

It was learned this morning, however, that Defense Minister Ezer Weizman had indeed ordered a cessation of all land development work in Sinai two weeks ago, prior to his departure for the second phase of military talks in Cairo. Weizman acted in accordance with a Cabinet decision at that time and relayed his orders through the military government.

But Weizman's chief aide, Deputy Defense Minister Mordechai Zippori, was, for unknown reasons, not aware of those orders as of yesterday and the denial apparently was issued on his instructions. On the other hand, settlers at Yamit and other sites in northern Sinai knew of Weizman's instructions.

The situation was further complicated when Minister of Agriculture Ariel Sharon, who is in direct charge of settlement work, claimed yesterday that he was unaware of any government decision to discontinue work in northern Sinai. Nevertheless, on the basis of the best information available this morning, land development operations in Sinai are suspended.

PERES FINDS SUPPORT FOR ISRAEL'S VIEW AT SOCIALIST INTERNATIONAL CONFERENCE

VIENNA, Feb. 13 (JTA)--Israeli opposition leader Shimon Peres discussed the Middle East situation yesterday with leaders of Socialist Parties from 20 nations. Peres, head of Israel's Labor Party, stressed at the end of the seven-hour conference that he had found more support among the delegates attending the Mideast meeting of the Socialist International than he had expected. Conference sources said the Israeli point of view was supported mainly by the American and Dutch delegations.

Austrian Chancellor Bruno Kreisky, who hosted the conference, said at a press conference at the end of the meeting there had been a wide range of opinion but the general atmosphere had been constructive and positive. Kreisky stressed that especially on the question of a Palestinian state his own view differed strongly from that of Peres. But that is no secret, Kreisky said.

The delegate of the Swedish Social Democratic Party, Sven Andersson, voiced his party's concern that Israel had not yet answered Egyptian President Anwar Sadat's peace initiative. "We are following the continuation of this process with great concern," Andersson said.

The conference came one day after Kreisky and Peres, at the suggestion of Kreisky, had met with Sadat in Salzburg to review the current Israeli-Egyptian peace moves. Peres said he was grateful for the meeting with Sadat that gave him the opportunity to resume the talks with Sadat he had begun in Jerusalem in November. But Peres stressed again he had in no way been authorized to negotiate in any way. The talks in Salzburg had merely been an informal round table conference, Peres said. Official talks can only be held at the governmental level, he stressed.

CANADIAN JEWISH LEADERS RAP GOVERNMENT POLICY ON ARAB BOYCOTT By Michael Solomon

MONTREAL, Feb. 13 (JTA)--Leaders of Canadian Jewish organizations have denounced the government's policy on the Arab boycott as "weak

and incomplete" and called for tougher legislation to be adopted by Ottawa.

In a communique issued here Friday, the Jewish leaders said that a report that day by the Department of Industry, Trade and Commerce "clearly demonstrates the weakness" of the government's policy on boycotts. "The existing mechanism deals only with those transactions in which the assistance of government agencies are required, thus leaving unsupervised many transactions in which Canadian companies do not need to apply for such help," the communique said.

It noted that because of the government's "narrow definition" of a boycott, "a large number of transactions containing clauses discriminatory against Canadian citizens and business are ignored."

The Jewish leaders pointed out that the government was able to remove boycott clauses from 24 contracts, proving that "a firm, comprehensive anti-boycott policy could be effective without prejudicing Canada's trading links with the Arab Mideast. The Canadian Jewish community continues to believe that the government should introduce legislation to outlaw discrimination against Canadians through secondary and tertiary boycotts and will increase its efforts in this regard."

The communique was signed by Judge Philip Givens, president of the Canadian Zionist Federation; Norman May, chairman of the Canada-Israel Committee; Rabbi W. Gunther Plaut, president of the Canadian Jewish Congress; and Harvey Crestohl, president of B'nai B'rith District 22.

DAYAN CONCERNED THE U.S. WILL PRESSURE ISRAEL TO MAKE CONCESSIONS

By Yitzhak Rabi

NEW YORK, Feb. 13 (JTA)—Foreign Minister Moshe Dayan expressed concern last night that the United States is going to pressure Israel into making concessions to the Arabs in the current negotiating process.

Addressing more than 500 Jewish leaders from the Greater New York area at an Israel Bond Organization dinner at the Plaza Hotel here, the Israeli Foreign Minister said: "I am afraid that we will be put under pressure to give and give and the country that might put pressure on us is your country." But Dayan said that while Israel is grateful for all the United States has done for it, "in the final analysis there are some decisions only the Israeli government can take."

He said that when it comes to the security and future of Israel, for the U.S. the matter is part of its "foreign policy" but for Israel it is a matter of life or death. "When we do not see eye to eye with the Americans," Dayan declared, "they have to know that we have to decide for ourselves."

As in previous occasions since he arrived here last Wednesday, Dayan once again blamed Egyptian President Anwar Sadat for the impasse in the negotiations between Israel and Egypt. He said Sadat feels he cannot make a separate peace with Israel—and the other parties to the conflict do not want to join the negotiations. Jordan, Dayan noted, "wants Israel to accept all its terms even before negotiations started."

Have Right To Settlements

On the issue of Israeli settlements in the West Bank, Dayan told the cheering audience: "We have a right to have settlements there (in the West Bank) as any Arab has.... What is the crime about it? We have the right to do it and we should go on doing it." Dayan cited the historical meaning

of the West Bank to the Jews and said, "We are not foreigners there." He said Israel does not want to interfere with the lives of the Palestinian Arabs on the West Bank once they are granted self-rule and that Israelis and Arabs can live in peace side by side.

Asked by a member of the audience about American military aid to Egypt, Dayan said he thinks the U.S. should be "very careful" about this. He said Sadat should be granted military aid by the U.S. only if Egypt is going to make peace with Israel. Otherwise, Dayan warned, these American arms will be used against Israel. During last night's dinner, \$3.1 million in Israel Bonds was purchased by the audience.

In an address to 475 Jewish leaders attending a United Jewish Appeal luncheon last Friday, Dayan declared: "In our effort to achieve a just and lasting peace for all the peoples of the Middle East, we in Israel find our most understanding and compassionate supporters within the American Jewish community. We are more than partners. We are one family."

ANTI-SEMITIC MATERIAL IN ALBANY AREA

By Rochelle Wolk

ALBANY, N.Y., Feb. 13 (JTA)—Anti-Semitic material of several varieties is being distributed in the Albany area and postal officials and police have been unable to trace their origin. In the village of Westerlo, a rural area outside of Albany, neo-Nazi newspapers were placed in mailboxes. Bearing a return address of Lincoln, Nebraska, these handouts appear to be written by the same American neo-Nazi group that is printing anti-Semitic leaflets for distribution in West Germany.

Albany postal officials have forwarded copies of the literature to inspectors in New York City, because they were placed in mailboxes rather than mailed. Those who made the unauthorized deliveries, if caught, could be charged with failing to purchase postage.

In Albany, the state capital, residents of an area that has a large Jewish population have found yellow pieces of paper on their car windshields. Printed in capital letters by a crude press, the message on the leaflets states: "Jews beware. Look you scorners. Wonder and die. Acts 13:41."

Last Tuesday, a similar leaflet was found on the bulletin board of Temple Israel, the city's largest Conservative congregation. In a new twist, this particular piece was signed "Vilis Hazners" in ink. Hazners is an alleged Nazi war criminal facing an Immigration and Naturalization Services hearing in Albany.

Rabbi Paul B. Sifton, education director of Temple Israel, has been leading community efforts to see that Hazners is deported. The rabbi received a threatening phone call several weeks ago and was told by a man with a thick European accent, "If you people don't stop stirring up trouble, the same thing will happen to you here that happened in the old country."

Dr. Steven Windmueller, executive director of the Albany Jewish Community Council, said the leaflets began turning up about a week ago. "Whoever is responsible seems to work erratically, as this is the first time since last fall that the literature has resurfaced." Windmueller added that last week he received an unsigned letter in his office that said: "Jews—the scourge of the earth."

WORLD NEWS BRIEFS

BRUSSELS (JTA)--Former Jewish wartime resistance fighters and German death camp prisoners have sent a message to U.S. Ambassador Anne Cox-Chambers to protest against the Illinois Supreme Court decision allowing Nazis to display the swastika while staging a parade in the Chicago suburb of Skokie where some 7000 Holocaust survivors reside. They called on the Ambassador to do all she could to ask President Carter to reverse the court's decision. *

RIO DE JANEIRO (JTA)--B'nai B'rith, ORT and WIZO in Brazil have been placed on the Arab boycott blacklist, according to Adolpho Bloch, the publisher of a number of prestigious magazines, including "Manchete," the illustrated weekly which has worldwide circulation. In an article published in Manchete, Bloch also expressed alarm about the capitulation of a number of leading Brazilian firms to the boycott and noted at the same time that a number of important firms in Brazil have been placed on the boycott list after refusing to comply with the boycott regulations. Among the latter are Ford Motor Co.; Xerox Corp.; Sears Roebuck; Helena Rubinstein; and Antartica Products, which sells soft drinks and beer, because the firm's symbol is similar to the Star of David. *

MONTREAL (JTA)--A shipment of 60,000 cases of Jaffa oranges from Israel arrived Monday in Halifax and will be checked for mercury contamination by nine federal inspectors. Five hundred cases will be checked instead of the usual 50. It is the first shipment to arrive from Israel since contaminated oranges were found in Europe two weeks ago. *

JERUSALEM (JTA)--Official aliya figures for 1977 published by the Jewish Agency show an overall increase of 8.6% over 1976, from 19,754 to 21,456. Soviet aliya was up by 14%, from 7279 in 1976 to 8351 in 1977. North American aliya was down 2% and Western European aliya was up 2.6%. In both cases the number annually was just below 3000. Argentina provided over one-third of South American olim, with 2158 olim in 1977, a 33% increase over 1976. South African olim increased from 584 in 1976 to 1492 in 1977. The Vienna dropout rate was a steady 50%, with minor fluctuations, throughout 1977. *

ROME (JTA)--Rome's Chief Rabbi Elio Toaff said he hoped the Germans would not make a hero of Nazi war criminal Herbert Kappler who died at the age of 70 last Thursday in Soltau, north Germany. The former gestapo chief in Rome during World War II was serving a life sentence in Italy for the wartime reprisal slaying of 335 Italians, 70 of them Jews, when he escaped Aug. 5, 1977 from a Rome clinic where he was being treated for cancer. The escape to Germany caused an international uproar. *

JOHANNESBURG (JTA)--The largest ever delegation from South Africa will attend the World Zionist Congress in Jerusalem beginning Feb. 20. Forty delegates and alternates will represent all the South African Zionist parties. The delegation will be headed by Julius Weinstein, chairman of the South African Zionist Federation. *

UNITED NATIONS (JTA)--An Israeli source confirmed here that Prof. Yehuda Blum, an expert on international law, will replace Ambassador

Chaim Herzog, as Israel's chief representative at the United Nations. Herzog is scheduled to leave his post this summer after serving as Ambassador for the last three years. The 46-year-old Blum was born in Czechoslovakia and emigrated to Israel in 1945. He has published a number of studies on international law and is the author of a book, "Secure Boundaries and Mideast Peace." *

NEW YORK (JTA)--The New York Federation of Reform Synagogues has commended Mayor Edward Koch for his "courageous stand with respect to the rights of homosexuals to equal consideration for jobs in the (city) government." This view was contained in a letter to Koch signed by Sydney J. Schwartz, president, and Rabbi Stuart A. Gertman, director of the Federation. The letter added: "For us, this is an issue of civil rights and equal justice." The Reform group also sent messages to City Council members urging them to support Koch's position. *

AMSTERDAM (JTA)--A former Jewish employee of the Dutch Embassy in Prague, Hubert Stein, was released from a prison in Czechoslovakia after seven years; it was just learned. Stein worked as an interpreter and translator at the embassy until July 1970 when he was arrested and sentenced to 12 years imprisonment for alleged espionage. Holland had repeatedly urged his release on humanitarian grounds. During the 1950s Stein spent nine years in jail as a result of the Slansky trial. *

GENEVA (JTA)--The Imholz travel agency from Zurich and the private air firm Sata from Geneva have received permission to operate 30 charter flights from Switzerland to Israel. It is the first time that charter flights from Switzerland have been authorized. Imholz said it hopes to fly more than 3000 passengers. The flights will begin March and continue till the end of the year. *

PARIS (JTA)--Dr. Nahum Goldmann, former president of the World Jewish Congress, met here Monday with Egyptian President Anwar Sadat. The meeting took place shortly before Sadat left Paris for Rome. Goldmann, who was accompanied by six other Jewish leaders, said the meeting took place at Sadat's invitation. The other members of the delegation were not named. Egyptian sources said Goldmann asked Sadat not to give up his efforts for peace in the Middle East. *

NEW YORK (JTA)--Premier Menachem Begin of Israel will attend this year's Salute to Israel Parade as its special guest, it was announced here by David Sidorsky, board chairman of the American Zionist Youth Foundation which sponsors the parade each year. This is the first time an Israeli Premier has attended the parade, according to parade officials. His appearance and delivery of an address will highlight Begin's week-long visit to the U.S. beginning April 30, the officials said. *

CORRECTION

Due to an error in overseas transmission, a story in the Feb. 10 Daily News Bulletin mistakenly identified Samuel Lahis as executive vice-president of the World Zionist Organization-American Section. He came to the U.S. in 1973 as a representative of the Jewish Agency in Jerusalem. Isadore Hamlin is executive vice-chairman of the WZO-American Section.