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2 KILLED, 47 INJURED IN TERRORIST BOMBING OF JERUSALEM MARKET

By David Landau and Gil Sedan

JERUSALEM, June 29 (JTA)--Two persons were killed and 47 injured when a bomb exploded in the crowded Mahane Yehuda market here this morning. The blast occurred in a fruit shop and was obviously timed to coincide with the week's heaviest shopping period and with Vice President Walter Mondale's visit here beginning tomorrow. One of the dead, reportedly, was a child.

The PLO claimed responsibility for the outrage in a statement in Beirut today. Police detained several suspects but released most of them after routine questioning. The entire market was cleared and cordoned off as ambulances and fire trucks rushed to the scene. Mayor Teddy Kollek who visited the blast area this morning said neither acts of terror nor the refusal of foreign states to recognize its status would deter Israel from keeping united Jerusalem as its capital. Visiting West German Foreign Minister Hans-Dietrich Genscher asked for a meeting with Kollek to express his personal condolences for the victims. Genscher was meeting with Foreign Minister Moshe Dayan when the explosion occurred.

The Mahane Yehuda market, located in an old section of west Jerusalem has been a frequent target of terrorist attacks. The worst occurred in November 1968 when a bomb explosion killed 12 persons and injured 50. Five persons were injured in a 1973 bombing and one in 1974. Most of those injured today were reported to have suffered only slight wounds and have been released from the hospital.

KOLLEK ACCEPTS MONDALE'S INVITATION TO JOIN HIM IN VISIT TO WESTERN WALL

JERUSALEM, June 29 (JTA)--Mayor Teddy Kollek of Jerusalem said last night that he will accept Vice President Walter Mondale's invitation to accompany him on a visit to the Western Wall. The crisis is "over," Kollek announced after a meeting with U.S. Ambassador Samuel Lewis.

Earlier, the Mayor had said he would boycott all public events with Mondale because the American party will be visiting East Jerusalem in a private rather than official capacity. The U.S. does not recognize Israeli sovereignty over East Jerusalem. The Vice President issued a statement in Washington late yesterday in which he said that he and his family intended to make a "personal visit" to the Western Wall and "my friend, Mayor Teddy Kollek is welcome to accompany me."

IOSIF BEGUN SENTENCED TO 3 YEARS INTERNAL EXILE

NEW YORK, June 29 (JTA)--The Student Struggle for Soviet Jewry confirmed today reports from Moscow that Jewish activist Iosif Begun has been sentenced to three years' internal exile for allegedly "violating the internal passport regulations." His trial, conducted yesterday, was marked by harassment of Western newsmen outside the courthouse, it was reported by the SSSJ and

the Union of Councils for Soviet Jewry. The sentence was not immediately disclosed in Moscow after it was pronounced.

The charges were brought against Begun because the 46-year-old electrical engineer defied a ban on his return to his Moscow home several months ago after he served a one-year term of exile for "parasitism" near the Chinese frontier. Begun was re-arrested on May 17. He is the third prominent Jewish activist sentenced to internal exile in the past two weeks. Last week, sentences of five and four years respectively were imposed by Moscow courts on Vladimir Slepak and Ida Nudel.

The National Conference on Soviet Jewry reported that Begun's wife, Alla Drugova Begun, told reporters outside the Moscow court that her husband was so weakened after a 40-day hunger strike that he could barely stand in the courtroom or freely express himself.

U.S. WON'T CHARACTERIZE PLO AS TERRORIST OR NON-TERRORIST

By Joseph Polakoff

WASHINGTON, June 29 (JTA)--The State Department today deplored the loss of life resulting from this morning's terrorist bomb outrage in Jerusalem's Mahane Yehuda market, for which the Palestine Liberation Organization has taken credit. But Department sources informed the Jewish Telegraphic Agency that it would have no comment or statement on a remark by Deputy Assistant Secretary of State for African Affairs, William Harrop, this week that, the U.S. does not regard the PLO as a terrorist organization.

Harrop made that assertion in testimony Monday before the Senate Foreign Relations Committee, in connection with the issuance of Ugandan passports to 27 Palestinians, one of them a reputed terrorist. Apparently as a result of Harrop's comment, the issue of how the U.S. regards the PLO was raised yesterday with Ambassador-at-Large to the Middle East Alfred L. Atherton and Assistant Secretary of State for Near Eastern Affairs, Harold Saunders, both of whom appeared before the Foreign Relations Committee subcommittee on the Middle East to explain Carter Administration policies in that region.

Atherton stated that "the United States government has never had occasion to characterize the PLO as a terrorist or a non-terrorist organization." He noted that the "term terrorist or terrorist organization" does not appear anywhere in the law by which the U.S. Immigration and Naturalization Service has declared the PLO undesirable. Under that law, the U.S. grants waivers to permit PLO members to enter the country. The PLO has information offices in New York and Washington, D.C.

Friction With Israelis Seen Over PLO View

Atherton and Saunders were questioned on the PLO issue by subcommittee chairman Richard Stone (D-Fla.). Apparently anticipating the questions, Atherton, reading from a prepared statement, noted that the PLO is recognized by the United Nations General Assembly and "much of the world" as representing the Palestinians. The U.S. position, he said, is "not to recognize or deal with the PLO as long as it does not recognize Israel and the right of all nations to live in peace."

Asked by the Jewish Telegraphic Agency after the hearings, if he was repudiating Harrop, Atherton replied he was "not repudiating him" but that his own statement just made overtakes Harrop's remark. He said Harrop "is not as familiar as some of us" with the PLO. The JTA, seeking to trace the genesis of the view expressed by Harrop, learned that Saunders had told a State Department-sponsored "workshop" on Middle East affairs in Detroit that the PLO was "an umbrella organization" for elements that included terrorist and non-terrorist groups.

Observers here believe the non-committal U.S. position on the PLO is certain to raise controversy between Vice President Walter Mondale and his hosts when he visits Israel this weekend. Sources who studied Atherton's responses to the Senate subcommittee on the PLO claimed his language was virtually identical to the PLO's own description of itself.

BEGIN STRESSES DANGERS OF PALESTINIAN STATE AT MEETING WITH W. GERMAN MINISTER By Gil Sedan

JERUSALEM, June 29 (JTA)--Premier Menachem Begin seized upon this morning's terrorist bombing in the Mahane Yehuda market as further proof of the dangers a Palestinian state would pose for Israel. He made that point repeatedly in his hour-and-40-minute talk with West German Foreign Minister Hans-Dietrich Genscher today during which the visiting German diplomat offered condolences in his name and in the name of his government to the families of the victims.

"A Palestinian state means killing and bloodshed," Begin told his guest. He expressed concern over recent statements by West German leaders, notably Chancellor Helmut Schmidt, which, he said, indicated a "regretful" shift in policy toward Israel and support for a "Palestinian organization in the framework of a state." He also claimed that Egypt was demanding pre-conditions for the resumption of peace negotiations with Israel.

Questions-Missile Sales To Syria

Genscher said there was no change in German Mideast policy. His government's stand, he said, was in line with the June 29, 1977 declaration of the European Economic Community (EEC) which supported the right of self-determination for the Palestinians. Begin also raised the issue of the sale to Syria of missiles produced by a Franco-German consortium. He said that Germany had a moral obligation to cancel the deal. Genscher promised to re-examine the issue but he, and other West German leaders, have stressed that Bonn could do nothing to prevent its French partners from consummating the sale.

Begin complained about the statute of limitations on the prosecution of Nazi war criminals in West Germany which goes into effect in January, 1980. He said that even France has not introduced such a measure and questioned how Germany could do so. Genscher said the matter was under review and promised that German war criminals whose cases were opened before the law goes into effect will be tried "even if they are captured in 50 years."

Prior to his meeting with Begin, Genscher met for two hours with Foreign Minister Moshe Dayan and earlier with Finance Minister Simcha Ehrlich and former Foreign Minister Yigal Allon of the opposition Labor Alignment. Dayan told reporters later that his talk with Genscher went beyond Israel's immediate problems to cover the

security needs of the entire region and Africa. "I believe there is a basic understanding between us on Israel's security needs in the long run although there are differences on the immediate and tactical steps necessary," Dayan said.

FORMER AIPAC CHAIRMAN TO BE CARTER'S LIAISON WITH JEWISH COMMUNITY

By Joseph Polakoff

WASHINGTON, June 29 (JTA)--The White House will announce officially soon President Carter's selection of Edward Sanders, a Los Angeles lawyer and former chairman of the American-Israel Public Affairs Committee (AIPAC) as his principal advisor on matters affecting the American Jewish community. The move was seen as part of the Administration's efforts to repair its relations with American Jewry which have become severely strained over U.S. Middle East policy.

Sanders' title has not yet been decided, White House sources said. Since the resignation of Presidential assistant Mark Siegel, the President's principal liaison with the Jewish community over White House activities affecting Israel, most of the liaison duties have been carried out by Presidential Counsel Robert Lipshutz and Domestic Affairs Chief Advisor Stuart Eizenstat. Since Siegel's departure, in a clash over the Administration's Mideast policies, the President has named Anne Wexler and Gerald Ratshoon as political and media advisors respectively.

Sanders resigned as chairman of AIPAC when he joined Carter's election campaign organization in 1976 as deputy national campaign director. He has been serving this year as an unpaid consultant to the President. In his new post he will have offices at the White House and at the State Department. Sanders is among the 27 prominent Americans, mostly Jewish leaders, who are leaving for Israel today as part of Vice President Walter Mondale's party at the invitation of the Vice President. A graduate of the University of California, Los Angeles and the University of Southern California Law School, Sanders is a partner in a law firm dealing with corporate matters. Apart from heading AIPAC he has served as chairman of the United Jewish Welfare Fund-Israel Emergency Fund campaign, as vice-president of the Council of Jewish Federations (CJF) and as an executive committee member of the United Jewish Appeal.

PERCY BACKS EL AL

WASHINGTON, June 29 (JTA)--Sen. Charles Percy (R.Ill.) charged yesterday that the U.S. team negotiating new landing rights for Israel's El Al airline in the U.S. is "freezing out" public and civic American interests by refusing to grant El Al more than one or two additional landing sites in this country.

"This is hardly the proper way of treating a trusted friend and ally whom we economically assist in a number of ways," the Senator said. "Why not hard-earned trade instead of that much more economic aid?" he asked. The U.S.-Israeli negotiations opened at the State Department this week and may be resumed next month in Jerusalem. "The Israeli initiatives appear to be eminently reasonable and should be warmly received by the U.S.," government, Percy said with respect to the additional landing rights. El Al, which presently flies only to New York; seeks access to Los Angeles, Miami, Chicago and Boston and eventually to other American cities. It is also prepared to offer charter flights from all 50 states.

CCAR LEADER SEES 'HAZINESS' IN BAKKE RULING

TORONTO, June 29 (JTA)--The president of the Central Conference of American Rabbis, Rabbi Ely Pilchik, declared here today that "we of the CCAR who always have fought for real implementation of civil rights in the United States, will continue to work with all segments of the population toward the genuine development of democracy in our country." The CCAR is holding its 89th annual convention here.

Pilchik asserted that "haziness hovers over the entire Bakke issue and it is not at all clear who has won and who has lost" in the Supreme Court decision yesterday which ordered Allan Bakke's admission to the University of California medical school at Davis. "However, it is the duty of all right-thinking Americans in each state of the nation to join together to effectuate a society of equal opportunity in education, employment, health service and in all human needs for the American citizenry," he said.

The CCAR also adopted a resolution that it believes that "affirmative action utilizing goals and time-tables is an effective means of correcting historical injustice in our society. . . . In the light of the Supreme Court decision in the Bakke case, we call on the Jewish community to close ranks with the various dispossessed groups in American life and to support and promote the use of such instruments of remediation in all the institutions of American life."

The court, in a majority decision yesterday, ruled that it was unlawful for the medical school to reserve a certain number of places for minority applicants. In effect, it upheld a California Supreme Court ruling that Bakke had been discriminated against because he is white. But the court also held that government-supported programs may take race into account "to remedy disadvantages cast on minorities by past racial prejudices."

SCHOLARS URGED TO COMBAT ANTI-SEMITISM THROUGHOUT THE WORLD

By Yitzhak Shargit

TEL AVIV, June 29 (JTA)--Israeli university scholars on contemporary Jewish history agreed here that efforts should be made to urge intellectuals throughout the world to resume their role in combatting anti-Semitism. The scholars and some 100 Israeli communal leaders discussed examples of recent anti-Semitic propaganda at a meeting of the Israel Public Advisory Committee of the World Jewish Congress.

One example cited was the publication of anti-Semitic periodicals in Argentina which allege that Argentine Jews want to create a Jewish country, named "Andinija," on the slopes of the Andes. The stories claim that a New York rabbi went to Buenos Aires to discuss with Argentine Jewish leaders the creation of the new country to be sliced from Argentine territory. According to the alleged plan, Jews will work for the economic and social disintegration of Argentina which would allow them to break away the southern part of the country and create a Jewish State for Jews who will come there after Israel is eliminated by the Arab countries.

Prof. Yehuda Bauer of Hebrew University, said intellectuals throughout the world are becoming tired of being reminded of the Holocaust and of the guilt of the Western world in its treatment of Jews. He said this lack of will by the intellectuals to combat anti-Semitism means that anti-Semitic propaganda will be more acceptable by the masses.

U.S. EMBASSY IN ISRAEL SAYS NO CHANGE IN VISA POLICY

TEL AVIV, June 29 (JTA)--The United States Embassy announced today that there has been no change of policy with respect to the issuance of visas to tourists and other Israelis planning to travel to the U.S. The statement was released in response to rumors that the Consular Section has taken a tougher line on visas because of the presence in the U.S. of some eight million improperly documented foreigners.

Long lines of applicants are queued up outside the visa office each day. Some, mostly youths, camp outside the Embassy gates overnight in order to be the first on line. This is normal at the start of the summer vacation period. Israeli students going to the U.S. are anxious to receive their visas as quickly as possible in order to be able to return to Israel in time for the opening of the new school year at the end of summer. In past years there has been some abuse of visas by Israelis who go to the U.S. as visitors but remain after their visas expire. For that reason, the Consular Section carefully screens all applicants.

The Embassy announcement said that it expects to issue 45,000 visas to Israelis this year, including 2000 immigration visas compared to just over 40,000 last year that included 1774 immigrant visas. The Embassy said that last year it had rejected only 23 percent of the applicants, about 9000 persons. The Consular Section interviews about 500 applicants a day during the summer months compared to about 200 daily the rest of the year. Most people have no difficulty whatsoever in obtaining visas, an Embassy spokesman said.

JEWISH AGENCY ASSEMBLY DISCUSSES ALIYA

By Gil Sedan

JERUSALEM, June 29 (JTA)--The 7th annual Assembly of the Jewish Agency approved the new structure of its Board of Governors today. The number of Governors was increased to 45. One of the new members is a representative of West Germany.

Although the main subject on the agenda is the distressed neighborhood rehabilitation program, the Assembly devoted some of its sessions to the subject of aliya. Yosef Shapira, chairman of the Youth Aliya department, stressed the connection between proper Jewish education overseas and the encouragement of youth aliya. "How can we encourage youngsters and their parents to immigrate while they still have Jewish educational institutions in their own areas and have no need to come to Israel in order to preserve their Jewish identity? Youth Aliya can recommend educational institutions and frameworks which include Zionist motivation, full Jewish life and social ecology," Shapira said.

BUENOS AIRES (JTA)--Nehemias Resnizky, president of the DAIA, disclosed Thursday that he had two meetings with former U.S. Secretary of State Henry A. Kissinger who, he said, showed great interest in the situation of Argentine Jewry. Resnizky said he met Kissinger at a U.S. Embassy reception here last week and again on a private occasion. Resnizky reported that Kissinger encouraged denunciation of anti-Semitic activity wherever it may occur. With respect to reports that the U.S. will admit 500 refugees from Latin America, most of them Jews, the American Ambassador, Raul Castro, stated that in receiving refugees the U.S. never asked about their origin.

BEHIND THE HEADLINES**ISRAELIS DISENCHANTED WITH GOVT. OVER LACK OF PROGRESS IN CURING DOMESTIC ILLS**

By Uzi Ben-Ziman

JERUSALEM, June 29 (JTA)—Almost every week a strike takes place in one of the vital public services. Every month the inflation increases in the order of 3-4 percent. In April it was 4.5 percent. Every day several brutal crimes are described in the newspapers. One day recently public attention was focused on the story of a young woman from Herzliya who for months was regularly raped and tortured by a gang of delinquents before she dared to inform the police.

These gloomy and frightening accounts are not unique to Israel: such phenomena are widespread in this brutal world. As a matter of fact, Israel is a relatively pleasant place to live, compared with the violence and turmoil prevalent nowadays in so much of the Western world. Nevertheless, a year after the Likud government took office, Israelis are wondering whether the new administration has made any serious effort to cope with the domestic problems reflected so graphically and dramatically in examples cited above. The answer is negative.

Inflation Still No. 1 Problem

The Likud government has failed to cope effectively with the economic problems. Economists write about the improvement in the foreign currency balance and in foreign investments. But the ordinary citizen, in his daily life, feels only the galloping inflation which diminishes the value of the Israeli Pound. Due to the rapid rise of the cost of living, the situation in the labor market is one of permanent restlessness. Almost every day another group of workers decides to strike or "go slow" in order to get higher salaries.

The negative consequences of the inflation are not only economic. Its social and moral results are even graver. As a result of the rising inflation, people reject established criteria by which to measure values and norms. A profound feeling of lack of stability prevails in many aspects of the national experience. Although both Likud and the Democratic Movement for Change (DMC) stressed in their election platforms the importance of bridging the social gaps, the government has not as yet made any mark in that field either. Meanwhile, inflation worsens the economic distress of the underprivileged classes.

Deputy Premier Yigael Yadin is in charge of directing national policy with regards to social affairs but nothing much seems to have changed in this field since the government was established. There is no improvement, either, in the government's performance as a decision-making and executive body. The Cabinet is a collection of individuals whose main purpose is to promote their personal careers and the particular interests of the ministries they head. There is little solidarity within the Cabinet. Ministers quarrel among themselves and ministries compete with each other.

Latently the world witnessed bitter clashes between Defense Minister Ezer Weizman and Foreign Minister Moshe Dayan over peace policy. Some months ago, Weizman foiled Agriculture Minister Ariel Sharon's plans to erect new settlements in Sinai and on the West Bank. The two Ministers Without Portfolio, Haim Landau and Moshe Nisim, failed in their efforts to wrest powers over subjects that are within the purview of other Cabinet members. Several ministries have been en-

gaged in a public controversy over which of them evaded responsibility for the so-called "archaeological mission" at Shiloh.

Promised Shake-Up In Govt. Still Awaited

Minister of Housing Gideon Patt and Sharon cannot reach agreement on which of their ministries should control the Lands Administration, a governmental agency which controls the State-owned lands. Likud ran in the elections on a platform that called for a major shake-up in the organizational structure of the government. In practice, however, only minor changes have taken place. The Ministry of Tourism was merged into the Ministry of Commerce and Industry; the Ministry of Labor was annexed to the Ministry of Welfare; the Ministry of Communications was combined with the Ministry of Transportation; and a Ministry of Energy and Infrastructure was formed. These changes were, in the main, formal and external. Six ministries are now administered by three ministers instead of by six as in the previous government. But nothing has really changed in the internal functioning of the six ministries.

Though they were transformed into three pairs of ministries the six departments continue to function separately. None of their myriad sections and sub-sections has been abolished. None of their employees was fired. Moreover, though a decrease in the number of ministries has indeed been effected, the number of Cabinet ministers is the same as in the previous government: 19. The same coalition considerations that dictated the number then still prevail now.

These phenomena have resulted in a steady deterioration of the government's image and credibility. The public remembers the promises that inflation will be restrained; that law and order will be tightened; that a hard line will be adopted to quell strikes in vital services; that new methods and initiatives will be implemented to improve the conditions of the deprived classes; that a major change in the functioning of the government will be introduced. With every passing day public beliefs in the government's ability to do these things inevitably weakens.

ISRAEL POUND HITS NEW LOW ON FOREIGN EXCHANGE MARKET

JERUSALEM, June 29 (JTA)—The U.S. dollar sold here today for IL 17.86, a 16 percent devaluation of the Pound and the biggest since the exchange rate for foreign currency was left to supply and demand last November. Economists said the spurt in the demand for dollars was the result of large numbers of Israelis going abroad for their summer vacations. Even if many will not make their trips for several months, they are purchasing dollars now at the relatively cheap rate, the economists said.

The Pound Sterling, which sold for IL 30.95 six weeks ago, stood at IL 33.22 today. The Deutschmark sold for IL 8.67 Pounds compared to IL 8.10 in mid-May and the Japanese yen jumped from IL 74 per 1000 yen to IL 87 per 1000.

BRUSSELS (JTA)—Cardinal Joseph Suenens, head of the Catholic Church in Belgium, gave a farewell party this week for Belgium's Chief Rabbi, Robert Dreyfuss, who is retiring at the end of the month and will settle in Israel. The Papal Nuncio and representatives of virtually all Belgian churches attended the "strictly kosher" affair. Dreyfuss has been Chief Rabbi for 15 years.