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ISRAEL AGREES TO FOREIGN MINISTERS MEETING IN LONDON THIS MONTH

JERUSALEM, July 2 (JTA)--Vice President Walter Mondale said this afternoon that Israel had agreed to a meeting between Foreign Minister Moshe Dayan and Egyptian Foreign Minister Mohammed Kaamel in London later this month in which Secretary of State Cyrus Vance is expected to participate. Mondale made the announcement after a 90 minute meeting with Premier Menachem Begin and members of the Ministerial Defense Committee. The Vice President flies to Alexandria tomorrow for a meeting with President Anwar Sadat to learn if Egypt is also agreeable to the London meeting. Replying to reporters' questions, Mondale said he discerned no changes in Israel's positions.

CARTER'S WARNING OF REVIVED UN ROLE IN MIDEAST PEACE PROCESS SEEN AS SPUR TO ISRAEL AND EGYPT TO RESUME TALKS

By David Landau

JERUSALEM, July 2 (JTA)--Vice President Walter Mondale's visit to Israel was to some extent overshadowed today by a statement from President Carter pledging America's own "compromise proposals" soon and referring to the Geneva framework as an available "fallback position" if Washington's mediation efforts ultimately fail. The statement, issued by the White House yesterday following a Friday briefing for out-of-town editors, sent shivers down Israeli spines, especially the last reference to a possible reversion to Geneva.

Mondale himself told Knesset speaker Yitzhak Shamir this morning that the statement did not represent any change in U.S. policy thinking on the Mideast. Sources close to the Vice President indicated that the White House statement had taken them as much by surprise as it had the Israelis. But seasoned observers here did not entirely "buy" that. They believe that Carter's statement was carefully worded and deliberately timed to coincide with the start of Mondale's substantive talks here. It was intended, these observers said, to pose the stark choice, before both Israel and Egypt, of drawing closer together or facing the prospect of the eventual collapse of President Anwar Sadat's peace initiative.

New U.S. 'Diplomatic Thrust Seen

Mondale is to fly to Alexandria tomorrow for a meeting with Sadat before returning home via the Azores. (The Jewish dignitaries accompanying him will fly straight to the Azores aboard the backup plane and await him there.) Observers here felt the Carter statement put the Mondale mission into proper perspective: as the spearhead of a new U.S. diplomatic thrust towards injecting new momentum in the stalled peace process. According to the scenario for the weeks ahead, mapped out by the American President, Mondale's discussions with Israel and Egypt are to be followed by the submission by

Egypt of a counter-proposal. With two peace plans then on the table, Secretary of State Cyrus Vance will convene a Foreign Ministers conference to consider the "compatibilities and incompatibilities" of the two positions, and then to lay down compromise proposals formulated by the U.S. with a view to bridging the gaps.

Carter's statement was the first unequivocal top-level American undertaking to come forward at last with specific American compromise proposals, although that possibility has been in the air now for several months. Carter added that if the compromise proposals also failed to draw the two sides towards a settlement there could be a recourse back to Geneva. This remark--the first reference by the U.S. leader to the possibility of the failure of Sadat's peace initiative and a revival of Geneva since November 1977--is seen here as an application of psychological persuasion to both sides.

Neither Israel nor Egypt is at all enthusiastic about the prospect of reviving Geneva because that would entail the active involvement of the Soviet Union and the hardline Syrians again. Indeed, Sadat has often explained that he was prompted to launch his solo peace effort by the realization that Syria was stymying peace hopes with Soviet backing. And Israeli leaders have said for years that at Geneva the Arabs would almost inevitably adopt the position of the most extremist among them. Therefore, the President's interjection of Geneva at this stage, even as a far off possibility, is plainly intended to spur both Jerusalem and Cairo towards new concessions, observers here feel.

U.S. CHARACTERIZES EL FATAH AS 'TERRORIST' BUT NOT PLO AS WHOLE

By Joseph Palakoff

WASHINGTON, July 2 (JTA)--The U.S. government has publicly characterized El Fatah, the largest group within the Palestine Liberation Organization as "terrorist" and has come closer than ever before to identifying its leader, Yassir Arafat, as a terrorist. The American position was announced by the State Department's chief spokesman, Hadding Carter, Friday in the aftermath of the terrorist bombing of the Mahane Yehuda market in Jerusalem for which El Fatah claimed responsibility.

Carter said his statement "represents the Administration's view on the question of the PLO and terrorism" and "clearly supercedes any other statements that have been made." The U.S., however, continues to refrain from describing the PLO as a whole as a terrorist organization and maintains its policy of being prepared to communicate with the PLO when that body accepts United Nations Security Council resolutions 242 and 338 which imply recognition of Israel and call for peace negotiations.

The issue of the PLO came to the fore last week when Alfred L. Atherton, President Carter's Ambassador-at-Large to the Middle East informed a Senate Foreign Relations Committee subcommittee that the U.S. has not had "the occasion to characterize" the PLO as "terrorist or non-terrorist" but that it was regarded as an "umbrella organization" composed of diverse elements.

Carter would not say what prompted the U.S. to make its most far-reaching condemnation of El Fatah Friday. It was understood from State Department

sources that Vice President Walter Mondale's current visit to Israel and the Carter Administration's desire to repair its relations with Israel and the American Jewish community were major factors in the condemnation.

Anti-Terrorist Measures Pending In Congress

Meanwhile, legislation aimed at fighting international terrorism, such as the PLO engages in, is pending in both houses of Congress. The Carter Administration is backing a measure introduced by Sen. Abraham Ribicoff (D. Conn.) that would empower the President to impose sanctions against countries identified as aiding and abetting terrorism. In the House, Rep. Robert K. Dornan (R. Calif.) has proposed a three-point measure to curb terrorists and their supporters in the U.S. It would exclude admission to this country of any alien affiliated with a terrorist organization and direct the Attorney General to investigate the activities of any person registered as a foreign agent of a terrorist organization. The Dornan bill has more than 30 backers from both parties but the Carter Administration has not yet expressed itself on the legislation.

CABINET VOICES CONCERN OVER WORSENING SITUATION IN LEBANON

TEL AVIV, July 2 (JTA)--Although the visit of Vice President Walter Mondale overshadowed all other business, the Cabinet today was forced to take up the rapidly deteriorating situation in Lebanon where Syrian forces are shelling Christians and the Christians, divided into hostile groups, are fighting each other.

At the close of its weekly session, which was somewhat shorter than usual, the Cabinet issued a statement saying that "The Government of Israel expresses its deep concern over the repeated attacks on the Christians and over the great deterioration of the situation in northern Lebanon." Meanwhile, there were reports from south Lebanon, now occupied by the United Nations Interim Force in Lebanon (UNIFIL), that the Palestinian terrorists were bracing for a retaliatory attack by Israel for the bombing in Jerusalem's Mahane Yehuda market Thursday which killed two and injured 47. El Fatah has claimed responsibility for the outrage.

JEWISH AGENCY ASSEMBLY ENDS, ADOPTS \$350 M. BUDGET FOR FISCAL '78-'79

By Gil Sedan

JERUSALEM, July 2 (JTA)--The 7th annual Assembly of the Jewish Agency ended here over the weekend after approving a \$350 million budget for the fiscal year 1978-79 and an additional sum of \$48 million to implement the first phase of a massive program intended to improve the housing and overall living conditions of some 45,000 poverty families in 160 slum areas around the country.

"The actual needs are far in excess of the proposed budget," Jewish Agency Treasurer Akiva Lewinsky told the delegates shortly before the four-day session ended. He said that because of the high rate of inflation, the budget in Israeli Pounds had to be raised by 55 per cent each year to maintain the same level of activities. He urged diaspora fund-raisers not to be misled by the illusion that because their dollars are worth more in terms of Israeli Pounds that that less money needs to be raised.

Max Fisher of Detroit, chairman of the Jewish Agency Board of Governors, said "A new spirit

has penetrated the Assembly. . . . While there are differences among us, what unites us is the most basic characteristic: Today we are all Zionists." Fisher observed that "In the previous generations, our enemies did not distinguish between Jew and Jew. Today the United Nations does not distinguish. In the deepest sense we are all Zionists. . . . in this new Zionism there is a role for every single Jew."

DMC TREND TOWARD PRO-COALITION FACTION

TEL AVIV, July 2 (JTA)--The Democratic Movement for Change (DMC) is shifting away from its dove-ish faction Shinooy (Change) and toward the views of the group headed by Deputy Premier Yigael Yadin and Justice Minister Shmuel Tamir who favor remaining within the Likud-led coalition government. That trend emerged from a partial assessment of the internal elections to the DMC Council in Jerusalem Wednesday. The election results were invalidated Friday after complaints of irregularities were upheld by the DMC election committee. New elections are to be scheduled.

Only about half of the 12,000 eligible voters participated in the balloting for the 120-member Council. Local branches elect 80 members and 40 are elected from a national list. Tel Aviv, which has ten seats, was split 5-5 between Yadin and the Shinooy faction headed by Amnon Rubinstein, which wants to leave the coalition. The group centered around Transport Minister Meir Yamin also drew fewer votes than expected. Several DMC leaders, including Gens. (res.) Tzvi Zamir and Avraham Botzer, were not elected to the Council. The Oded group of students of North African origin, registered impressive gains.

GENSCHER ENDS VISIT TO ISRAEL

By Yitzhak Shargil

TEL AVIV, July 2 (JTA)--West Germany's Foreign Minister, Hans-Dietrich Genscher, ended his visit to Israel Friday after an hour long meeting with Defense Minister Ezer Weizman. Their discussion reportedly focused on the prospects of renewed peace talks and efforts to maintain contacts between Israel and Egypt until the talks can be resumed. Weizman told the German diplomat that people tend to forget that for 30 years the Arab majority attacked the Israeli minority but nevertheless, Israel is often branded the aggressor.

Foreign Minister Moshe Dayan saw Genscher off at Ben Gurion Airport. Genscher told reporters at the airport that he had had open and useful talks with Israeli leaders. Dayan said the questions of peace in the Middle East and its implications for the European community and the Common Market were discussed. Dayan observed that West Germany's attitude on the Palestinian question does not deviate from that adopted by the nine member states of the European Economic Community (EEC).

Before he left, Genscher met with a delegation of widows of the Israeli Olympic athletes killed in the 1972 Munich massacre. They demanded indemnification from the Bonn government.

LONDON (JTA)--El Al, the Israeli national airline, carried 21 per cent more passengers to Israel from Britain in the first five months of this year, compared to the same period last year. Advance bookings for the summer are 23 per cent up on last year, and additional flights have been arranged for July and August in addition to the 14 weekly regular scheduled flights from London to Tel Aviv. This reflects a healthy British interest in Israel as a holiday resort.

MONDALE STRESSES U.S. COMMITMENT TO ISRAEL, SOME OF HIS HOSTS VOICE CONCERN OVER CARTER ADMINISTRATION STATEMENTS

By Gil Sedan and Yitzhak Shargil

JERUSALEM, July 2 (JTA)—Vice President Walter Mondale had, apart from his political talks, a crowded schedule today which included visits with Israeli President Yitzhak Navon, to the Knesset and to the Sde Boker, the Negev home of the late Premier David Ben Gurion. Later, he participated in the dedication of the Hubert H. Humphrey Center of Social Ecology at Ben Gurion University in Beersheba.

As has been the case since his arrival Mondale made little more than allusions to the differences between the United States and Israel over the current Middle East impasse, although his hosts were sometimes more specific. Navon, in welcoming Mondale at his residence today, said that Israel felt concerned "at the rather frequent public expression of censure" of it by President Carter. But he went on to express confidence that Carter "as a man of exalted moral values and a practical approach" would consider the problems of a small nation like Israel.

Mondale stayed clear of controversial issues in his reply. "My mission here is to reaffirm the profound and enduring commitment of the United States to the security of the State of Israel," he said. Again, at Beersheba, Yosef Tekoa, president of Ben Gurion University and a former Israeli Ambassador to the United Nations, said that recent remarks by President Carter and other U.S. officials concerned Israelis. But he expressed the hopes that the Vice President's visit would strengthen the bonds of friendship between the two countries as well as Israel's belief in the role the U.S. must play in seeking peace in the Mideast.

Mondale and Navon had a private talk but no details were released. The Vice President presented Navon with the first Bible ever printed in Hebrew in the U.S. "as a symbol of friendship and the deep ties between our people." It was printed in 1816. Later during a visit to the Knesset, Mondale gave Knesset Speaker Yitzhak Shamir the original copy of the de facto recognition given Israel by the U.S. on May 14, 1948 on the orders of President Truman. The document will be on loan to the Knesset for one-year from the State Department archives.

Visits Bomb Victims; Sees Golda

After laying a wreath at the Knesset's eternal flame, Mondale was shown around the Knesset by Shamir and the Knesset Secretary Netanel Lorch. The Vice President was accompanied by Samuel Lewis, the U.S. Ambassador to Israel, and Simcha Dinitz, the Israeli Ambassador in Washington. The Vice President told Shamir he had wanted to come to the inaugural ceremony of the Knesset building in 1966 but had to stay in Washington for a crucial Senate vote.

Mondale also visited the people injured in last Thursday's bomb blast at the Mahane Yehuda market who were still in Shaare Zedek Hospital. "I never know if I can make it safely to the store in the morning," one of the injured told him. The Vice President told the hospital's director, Prof. David Meir, that he felt committed to search for a solution to enable Israelis to do their Shabbat shopping without finding themselves in the hospital the next day.

One of the major private events of the tour

was Mondale's visit with former Premier Golda Meir for an hour and a half at her home in Tel Aviv. No statement was made about the meeting but Mondale did kiss Mrs. Meir on the cheek at the urging of photographers. However, it was learned that Mrs. Meir told the Vice President that while the Labor Alignment opposes the present government there is a national consensus against returning to the 1967 borders and a Palestinian state.

At The Western Wall

Mondale visited the Western Wall Friday accompanied by Mayor Teddy Kollek of Jerusalem who had earlier created a brief furor when he said he would boycott all of the Vice President's visit because Mondale, in accordance with U.S. policy, would not make an official visit to East Jerusalem. Mondale placed a message in the Wall asking for peace. He was accompanied by his wife, Joan, and daughter, Eleanor. For security reasons they were allowed on the side of the wall reserved usually only for men. There were many signs in the crowd at the Wall attacking U.S. policy but there were also many people, mostly U.S. tourists, who cheered the Vice President.

Earlier in the day Mondale was welcomed to Israel in a warm ceremony at Ben Gurion Airport. "Your goodwill visit here comes at a time of anxiety and hope throughout the world," Premier Menachem Begin said. "We do believe that hope will prevail and anxiety will disappear."

Vice President Mondale, in his reply, noted that "On your 30th anniversary we have to come to celebrate with you the miracle—and that's what it is—of the Jewish State." He stressed that the U.S. stood behind Israel when it was born and continues to back it. He noted that he had participated in most of the conversations Begin had in Washington with Carter "and so when we meet, we meet not just as representatives of two nations, but as friends."

LATE NEWS BULLETIN

JERUSALEM, July 2 (JTA)—In an address to-night at a dinner given in his honor at the Knesset, Vice President Walter Mondale pledged to Israel in the name of President Carter, "that the U.S. will not permit that your security will be compromised in the search for peace." He told the festive gathering hosted by Premier Menachem Begin, "I pledge to you that my country will not fail to provide Israel with the essential and crucial military assistance nor will we use that assistance as a form of pressure."

Mondale, however, urged Israel to make the necessary sacrifices in order to achieve peace. He stressed the common interests of Israel and the U.S. and stressed the importance of Security Council Resolution 242. He asked Israel to recognize the Palestinians' "right to participate in the determination of their own destiny," an expression first used by President Carter at his January 4 meeting with President Anwar Sadat of Egypt at Aswan.

"Real peace will clearly serve Israel's security interests," Mondale said. "Any peace settlement must include permanent protection to Israel." In possible hints as to what type of protection he had in mind, Mondale referred to the interim agreements reached between Israel and Egypt with the help of the U.S. (By Gil Sedan)

CHICAGO (JTA)—The Chicago Park District has filed an appeal against a court order that would allow the Nazis to rally at Marquette Park July 9.

BEHIND THE HEADLINES**JAVITS SEES NEW ISRAELI-EGYPTIAN
INTERIM AGREEMENT AS ONLY CHANCE
TO ADVANCE PEACE PROCESS NOW**

By Joseph Polakoff

WASHINGTON, July 2 (JTA)--The "best chance" to advance the Middle East peace process now would be a "third Sinai disengagement agreement" between Israel and Egypt, according to the senior Senator from New York, Republican Jacob K. Javits. The Senator made his views known in a breakfast interview with the Jewish Telegraphic Agency at the Senate Friday.

An Egyptian-Israeli agreement on the Sinai would be "a limited achievement, but that is all you can do now," Javits said. "It's not a peace agreement, but there is no use pretending one is possible. If you pretend it is you will get nothing but retrogression which is not good for the Middle East or the United States," he said.

Javits believes, however, that Egypt and Israel should renew their joint political committee talks in Jerusalem from the point where they broke off last January when President Anwar Sadat of Egypt unexpectedly called his delegation home. The Senator, who has spoken critically recently of some aspects of Israeli policy, believes that the Carter Administration should have had a "stronger" reaction to Egypt's "sudden departure from Jerusalem."

Javits said that "instead of trying to invent new ideas and meetings and new techniques for negotiations," Israel and Egypt should resort to traditional international discussions on the ministerial level. He suggested as a first step that Israeli Defense Minister Ezer Weizman and Egypt's Minister of War Mohammed Gamassy should act toward "tranquilizing Israel's western front and opening the door with Jordan and others on the eastern front." He pointed out that Gamassy and Weizman had been close to agreement on security problems in the Sinai when the joint military committee talks in Cairo were suspended following the break-off of the political talks in Jerusalem.

Questions White House Views

Discussing the Carter Administration's frequent criticism of Israeli government policies and its support, or silence, on pronouncements by Arab governments, Javits said "The White House believes--wrongly in my view--that it has to have the Arabs on its side; that the Israelis have to settle but the Arabs don't have to and they have to be wooed because they have land, population and wealth. But the Arab world is in turmoil; all the Arab kings sit on shaky thrones," Javits said.

The Senator will be the ranking Republican member of the Senate Foreign Relations Committee in January with the retirement of Sen. Clifford Case of New Jersey, who was defeated in his party's primary elections last month. He urged that the Middle East be handled in a "pragmatic way" and on a "case-by-case" basis rather than on "generalized principles." He observed that on the West Bank, for example, "abstractions about self-determination are not going to be nearly as important as security positions, what happens to the Jewish settlements, the administration of the area, internal and external immigration and the area of economics."

He said that the U.S. government's refusal to characterize the Palestine Liberation Organiza-

tion as terrorist is, presumably, to keep its "lines open with everyone in the Arab world." He said the Carter Administration believes you have got to win the Arabs to peace and that the Israelis need peace and have to go along. He agreed that it would be embarrassing for the U.S. to label the PLO "terrorist" when Saudi Arabia, described by President Carter as among "our staunchest friends," supports that group financially.

No Modification Of Jackson-Vanik Now

"Let us stop dissembling about the PLO because Sadat is still talking seriously about self-determination--another trade word for a PLO state," Javits warned. Egypt, with U.S. support, is pressing for Israel to agree to a "self-determination for the Palestinian Arabs while Israel points out such an act would enable the PLO to take over the West Bank and Gaza and threaten its existence," Javits said.

Discussing suggestions that the Congress modify the Jackson-Vanik Amendment linking U.S. trade credits to the Soviet Union with the latter's emigration policies, Javits said the amendment is a "test of wills." The American Jewish community, he said, "has stood that test extraordinarily well, notwithstanding the Soviet reduction of the numbers of emigrants. There has been no tendency (by the Jewish community) to capitulate," he said. Until the Soviet Union adheres to the Helsinki agreement, "we have to stand fast. The benefits (to the USSR) of regularizing Soviet trade with the U.S. are becoming greater all the time. That's the issue President Carter should push in July at Bonn" where the Western nations and Japan are to hold a major economic conference, Javits said.

He said that once "harmonization of policy by the West and Japan is achieved, the Soviet Union will have to come to terms with us." According to Javits, the "Soviets' ability to reduce or increase the number of emigrants should not induce us to modify Jackson-Vanik." He suggested that "Only a set agreement on when and how the Soviets intend to honor their obligation on freedom of emigration based on the Helsinki declaration" should be the factor for change in the U.S. trade law.

**DANGERS FACED BY SOVIET DISSIDENTS
DESCRIBED TO CANADIAN GROUP**

MONTREAL, July 2 (JTA)--The Canadian Parliamentary Helsinki Group met in Ottawa Friday with Soviet emigre dissident Dina Beilina and representatives of the Canadian Committee for the Release of Anatoly Shcharansky. The meeting was convened because of what McGill University law professor Irwin Cotler, counselor for Shcharansky, called the urgent plight of Jewish dissidents in the Soviet Union.

Mrs. Beilina, who has been Shcharansky's spokesperson to the free world, chronicled the dangers faced by Soviet Jewish dissidents. She said that immigration for Soviet Jews was not just a right but a salvation, because those who apply for immigration are branded Zionists and are considered "enemies" of the Soviet Union. She recommended that the Canadian Parliamentary Helsinki Group sponsor or support the nomination of the Moscow Helsinki monitoring group for the Nobel Peace Prize. Her recommendation was adopted by consensus at the Canadian Parliamentary Helsinki Group meeting. (By Michael Solomon)

TEL AVIV (JTA)--The Board of Governors of the Haifa Technion unanimously re-elected Evelyn de Rothschild of England to another one-year term as chairman.