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THE VIEW FROM WASHINGTON TONING DOWN AN ATTACK

By Joseph Polakoff

WASHINGTON, Dec. 17 (JTA)--The Dec. 17 "deadline" President Carter has been insisting on for an Egyptian-Israeli peace treaty came and went and consultations by the United States with Egypt and Israel are to be resumed after a "decent interval," U.S. official sources indicated. Despite what a State Department source described as "slippage" in the Dec. 17 deadline, he added that "we will, however, continue our conversations on the diplomatic level."

These ameliorative remarks, together with Carter's own softened tone last Thursday night in an interview with Barbara Walters on ABC-TV followed an outburst of anger at the White House by friends of Israel and Jewish organizational leaders, who protested the President's ardent praise of President Anwar Sadat of Egypt while unmistakably blaming Israel for the impasse in the peace talks during an address Wednesday night at a dinner of the Business Council. (See related story, P. 3.)

In his television interview, Carter said "I consider the December 17 date to be quite significant, but if we don't succeed in getting an agreement by them--it is certainly a strong possibility--then we will continue tenaciously to pursue the peace prospects and to try to reach an agreement between Israel and Egypt at a later date."

Another summit between Premier Menachem Begin of Israel, Sadat and Carter "is always a possibility but that would not be my preference," the President said. He stated that he "would encourage at any time" that Sadat and Begin get "together themselves," but added, "I think for them to plan on coming over here anytime in the future would probably be a mistake because I have other pressing international problems."

He named the Chile-Argentina dispute, the situation in Nicaragua and the SALT talks with Secretary of State Cyrus Vance meeting Soviet Foreign Minister Andrei Gromyko in Geneva Dec. 21. On Friday night Carter announced that the U.S. will establish full diplomatic relations with the People's Republic of China on Jan. 1 and at the same time terminate diplomatic relations with Taiwan and cancel its mutual defense treaty with that country.

Security Of Israel Stressed

Asked during his interview with Ms. Walters about the possibility of a U.S. "reassessment" of its policy toward Israel, Carter replied, according to the White House transcript of the interview: "No. Our policy with Israel--and with the Middle East--is that the security of Israel is paramount, the continued existence of Israel, their ability to protect themselves adequately, and the ability of the Israeli people to live in peace is paramount above anything else that relates to the Mideast."

After Ms. Walters said that "Israel was reported to be very upset" over Senate Majority

Leader Robert Byrd's remarks that the Senate may not increase aid to Israel if it builds settlements in the future, Carter replied that "I can say with assurance" that Byrd "was speaking for himself." Asked whether Byrd's remarks represented his own viewpoint the President replied, "not necessarily."

However, Carter said that the "settlements in the occupied territories are illegal" and "they are a genuine obstacle to peace." He added: "Whenever the Israelis publicize with varied voices that there will be \$35 million spent on new settlements or a billion dollars spent on new settlements or another new settlement is going to be created, it really puts a damper on cooperation from the Jordanians, from the Palestinians who live on the West Bank, and even from the Egyptians in carrying out the spirit of Camp David."

Carter Administration Rebuked

Meanwhile, the Carter Administration was rebuked by friends of Israel for assailing Israel with such vehemence after Israeli leaders openly and directly rejected the escalated Egyptian demands on the peace treaty with full support of the U.S. Friends of Israel said that U.S. officials in the party headed by Vance, returning from the Mideast after failing to bridge the gap between Israel and Egypt, hid behind anonymity in charging Israel with responsibility for the breakdown in negotiations.

A senior American official on the Vance plane was quoted as saying that the Israel Cabinet's rejection last Friday of the U.S.-Egyptian proposals was "not worth commenting on; it doesn't deserve any comment." Accusing Israel of distorting facts and "being misleading," the U.S. officials reportedly adopted the tactic they have criticized the Israelis and Egyptians for having used earlier.

The American officials read to reporters from the text of still unpublished letters in an attempt to disprove the Israeli view that the letters changed the spirit and intent of the basic peace treaty between Israel and Egypt that the U.S. had proposed and which both Israel and Egypt had accepted.

The fact that the U.S. officials refused to lend their names to their charges against Israel caused a reaction here that the charges they made were not in keeping with the facts as they had emerged since the Camp David frameworks were announced Sept. 17 at the White House.

VIEW FROM ISRAEL RIFT WITH U.S. DEEPENS

By David Lanlou

JERUSALEM, Dec. 17 (JTA)--Israel's rift with the United States seemed to deepen this weekend, the weekend which, under the Camp David agreements, should have been the occasion of signing a peace treaty between Israel and Egypt.

The Foreign Ministry in Jerusalem reacted with forceful indignation to accusations attributed to a "high U.S. official" that Israel had been seeking to "mislead" world public opinion by claiming it was ready to sign the U.S.-drafted treaty package. The Ministry spokesman expressed "protest and outrage" at these accusations, adding that they were "wholly without foundation."

Israeli sources said the Ministry statement was drafted by Premier Menachem Begin and Foreign Min-

ister Moshe Dayan personally. The sources said the Israeli leadership was particularly incensed by an assertion also attributed to the "high U.S. official"—that Israel's cabinet communique of Friday was "not worthy of comment."

This remark was regarded as plumbing unprecedented depths of abusiveness and requiring an immediate and vigorous response. The Premier is likely to respond with equal vigor, and at greater length, when he opens a political debate in the Knesset, probably on Tuesday.

Basis For U.S. Pique

The Cabinet communique on Friday asserted that: "The Government of Israel is prepared to sign without delay the draft peace treaty and annexes as formulated on Nov. 11, 1978, with the approval of the U.S. government...." The "high U.S. official's" irked reaction apparently stemmed from the fact that while Israel was, and is, indeed ready to sign the draft treaty and annexes, it is not prepared to sign an accompanying letter on the arrangements for applying the Palestinian autonomy, including the controversial "target-date" (December 1979) proposed by the U.S. and originally endorsed by the Israel negotiating team in Washington.

That letter was the focus of much of the negotiations towards the end of the Blair House conference and the U.S. was discouraged when Begin and the Cabinet majority overruled Dayan and Defense Minister Ezer Weizman and rejected the "target date."

The Cabinet communique of Friday, in a deliberately conciliatory gesture designed to keep the door open for further negotiations, noted that "the letter concerning the autonomy arrangements can be clarified and reformulated." But government sources here said this did not mean that Begin had changed his position opposing any specific target date.

Points In The Communique

The communique, read out by the Premier in front of a battery of newsmen, listed the Egyptian demands conveyed to Israel Wednesday by Secretary of State Cyrus Vance, and rejected them. It said:

"During this week we have received through the Secretary of State of the U.S. new demands from Egypt, namely: (a) making the exchange of ambassadors conditional upon the implementation of the autonomy, at least in Gaza. (b) A basic change in Article IV (Security Arrangements) of the peace treaty with intent to bring about a review of the security provisions of the peace treaty after five years. (c) The addition of an interpretive note to Article VI (Priority of Obligations) which negates its content. (d) Inclusion of a date, called a target date, for the implementation of the autonomy in Judea, Samaria and the Gaza district.

"These demands are inconsistent with the Camp David framework or are not included in it, and change substantially provisions of the peace treaty. Therefore they are unacceptable to Israel and rejected by it. The Government of Israel rejects the attitude and interpretation of the U.S. government with regard to the Egyptian proposal."

The Sense Of Resentment

The last paragraph brought into the open the sense of resentment that had been building up

in policy-making circles here ever since Vance flew in last Wednesday with what Israel regards as new, and tougher Egyptian demands and proceeded to recommend them for the Israeli Cabinet's approval.

The Israelis felt this was hardly the correct behavior for an impartial "honest broker." The least Vance should have done, they said, was to discuss the Egyptian proposals first with the Israeli side, before forming his own opinion in favor of them.

There was a feeling here, moreover, that Vance was presenting the Egyptian demands on an almost take-it-or-leave-it basis, having first gone out of his way to publicly praise President Anwar Sadat for his moderation and proclaim to the world that he had made "good progress" during his three days of talks with the Egyptian leader. On the substance of Egypt's demands, Israel regarded all of them as an effective "upping of the ante" on the vexed issue of linkage, which has bedeviled the talks almost since their outset.

The Egyptian Demands

With respect to Article IV, the Egyptians are seeking a specific time-limit for the review of security provisions: five years. The Israeli side claims that this is a transparent attempt to link the Sinai agreement to the progress of the Palestinian autonomy. After five years, the parties are due, under Camp David, to conclude an agreed solution on the "permanent status" of the West Bank and Gaza.

In Article VI, Paragraph 2, Egypt is demanding an "interpretive note" explaining that the words of this provision, "Independently of any instrument external to this treaty," do not come to "contradict the fact that this treaty is concluded in the context of a comprehensive settlement in accordance with the Camp David framework."

Israel claims that Article VI (2) does indeed come to specifically rule out any linkage to the Camp David framework which deals with the autonomy for the Palestinians. The Israeli negotiators contend that the references in the preamble of the draft treaty to the Camp David framework are acceptable because Article VI (2) effectively denied them operative impact, rendering them only declaratory or exhortative.

The American View

Vance and his team saw these disputed issues in a very different light from the Israelis. They regarded Article IV as basically in need of specificity, omitted in the original drafting. And they said there was no linkage element intended here because Sadat was not insistent on the five-year deadline and would consider any other fixed period.

His concern, they explained to Begin and his aides, was over criticism within Egypt that the treaty's security provisions would mean a significant diminution of Egypt's sovereignty over Sinai. He believed in the course of time that some of the arrangements—particularly the United Nations presence—could be dispensed with by mutual agreement. Vance stressed that Article IV provided explicitly that any change in the security arrangements must be made through mutual agreement and so Israel had nothing to fear from fixing a definite review deadline.

On Article VI, Paragraph 5, Vance argued that Egypt could not be expected to publicly renounce its commitments to the Arab world. In practice, he argued, the conclusion of peace with Israel and the institution of peaceful relations would create a dynamic of its own that would effectively reduce the danger of Egypt joining a war against Israel.

On the exchange of ambassadors, the U.S. diplomats maintained that Egypt's regression on this issue followed Israel's rejection of the Egyptian demand

for "sub-phases" in the Sinai interim withdrawal. Egypt had wanted Israel to declare in advance that it would evacuate specific areas at specific times during the nine-month period earmarked for the interim withdrawal. But, though Weizman tentatively agreed to this in Washington, the Cabinet back home refused. Sadat thereupon "withdrew his part of the bargain," the U.S. diplomats explained.

Vance said the exchange of ambassadors was regarded in Cairo as a symbolic move to be withheld until there was tangible progress on the West Bank or at least in Gaza. He argued that the major concession on this issue had been made by Sadat back at Camp David when he agreed to have diplomatic relations while Israel still occupied more than half of Sinai, i.e. between the interim and the final withdrawals.

Israel, for its part, argues that the five demands, taken as a whole, would invest the treaty with a measure of "linkage" that is intolerable from Israel's standpoint, especially when it is borne in mind that progress in implementing the autonomy will be dependent neither on Israel nor on Egypt but on the Palestinians themselves, who thus far have shown no great enthusiasm for it.

JEWISH LEADERS RAP CARTER

By David Friedman

NEW YORK, Dec. 17 (JTA)--Jewish leaders accused President Carter over the weekend of abandoning his role as a mediator in the Middle East peace negotiations and siding with Egyptian President Anwar Sadat. Their anger and dismay was voiced after Carter called Sadat "generous" and forthcoming in the negotiations and said the signing of an Egyptian-Israeli peace treaty is now "up-to Israel."

This view is expected to be strongly expressed when Jewish leaders meet with Secretary of State Cyrus Vance in Washington Tuesday at Vance's invitation to discuss the latest developments in the peace negotiations. They are expected to urge the U.S. to return to the role of mediator.

Theodore R. Mann, chairman of the Conference of Presidents of Major American Jewish Organizations, declared that American Jews had supported the Camp David agreements based on what Carter had said publicly to all Americans and "privately" to Jewish leaders that "peace was not to be a mere absence of war, it was to include full diplomatic, cultural and economic relations, such that it would have a fair chance to endure."

Mann charged Carter was backing Sadat's demands while Israel "has imposed not a single new condition" on its promise "to withdraw from the Sinai entirely." He added that this is why "I must express deep disappointment and dismay that the Administration has supported Egyptian conditions which dilute the nature, quality and permanence of the Egyptian commitment to peace."

Albert D. Chernin, executive vice-president of the National Jewish Community Relations Advisory Council, noted that "We are deeply concerned by the shift of the Administration from that of mediator to that of advocate of Egypt's new demands." He charged "the Administration supports a position that would make the Egyptian-Israeli treaty hostage to those who are opposed to the Camp David agreements."

In a telegram to Carter, Mrs. Charlotte Jacobson, chairman of the World Zionist Organ-

ization-American Section, charged that "The United States has apparently abandoned even the pretext of evenhandedness and is allying itself with Egypt and against the security and viability of Israel. It is also becoming clear that the pressure tactics which the Administration had promised never would be used are now being wielded with a heavy hand."

Summit Accords Rewritten

Bertram Gold, executive vice-president of the American Jewish Committee, urged Carter to "continue his efforts toward peace in the Middle East based on the agreements reached at Camp David, and not to superimpose on those agreements the added demands that Egypt has proposed since that conference, and that Israel has found it necessary to reject." He charged that since Camp David there has been a "virtual rewriting" of the agreements to include the "linkage" issue which was not mentioned in the Camp David agreements.

Maxwell E. Greenberg, chairman of the Anti-Defamation League of B'nai B'rith, said that the President was being "unfair and one-sided" in rebuking Israel. He noted, "When Israel agreed two weeks ago to the U.S. package, President Carter made no comment. Now that Egypt has made additional conditions, the President imprudently, I believe, blames Israel." Greenberg added that comments by the President, as well as those by Senate Majority Leader Robert Byrd (D. W.Va.), "who, in effect, threatened Israel with a cutoff of U.S. aid, heighten suspicion and present frightening obstacles to the tenuous road to peace."

Haward M. Squadron, president of the American Jewish Congress, said the AJCongress "cannot understand, either in terms of justice between the parties or the national interest of the U.S., why the Administration has now abandoned the role of impartial mediator which has earned it world-wide credit in favor of partisan, one-sided advocacy which can only impair American standing, reputation and credibility--and with it the chance of our government to continue to play a creative role in that part of the world."

Rabbi Saul I. Teplitz, president of the Synagogue Council of America, in a telegram to Carter, accused the President of trying "to force Israel to accept terms demanded by President Sadat" that Israel cannot accept.

Rabbi Alexander M. Schindler, president of the Union of American Hebrew Congregations, charged that "American policy in the Middle East is now openly siding with Egypt and publicly appeasing Saudi Arabia. Both sides imperil the security of our ally Israel--and our own as well."

Ivan J. Novick, president of the Zionist Organization of America, declared that by siding with Egypt, the U.S. has made "problematic" whether it can continue to play a role in helping to successfully achieve an Israeli-Egyptian peace agreement. Bernard Backer, president of The Workmen's Circle, told some 1200 guests attending the 60th annual banquet of The Workmen's Circle Schools that the Carter Administration should "keep the door open for additional Camp David-type negotiations--even if the site is other than Camp David."

JERUSALEM (JTA)--Foreign Minister Moshe Dayan warned this weekend that if the stalled Egypt-Israel treaty talks did not resume within weeks, they would be in danger of losing the peace momentum and we will have to start again on the basis of new foundations." Dayan spoke in a television interview after the Cabinet had voted unanimously last Friday to reject Egypt's latest demands.

BOMB EXPLOSION INJURES 11 PEOPLE

JERUSALEM, Dec. 17 (JTA)--A bomb exploded on a crowded suburban bus this afternoon, injuring 11 persons, at least one of them seriously. Seven of the victims were rushed to Shaare Zedek Hospital and four were taken to Hadassah Hospital in Ein Kerem.

The bombing, which occurred at 5 p.m. local time, was the second serious terrorist outrage perpetrated on a No. 12 bus which travels a long route from East Jerusalem to the predominantly Orthodox suburb of Boyit Vegan. Last June, six persons were killed and 19 were injured by a bomb explosion on the same route. Ambulances and army jeeps were at the scene within minutes of today's explosion. Police sealed off Nopispa St. in Boyit Vegan while they inspected the wreckage and evacuated the injured.

Meanwhile, 14 children were hurt in an unrelated incident today when a drum of hot tar exploded near a Jerusalem schoolyard. Five were hospitalized for the treatment of second and third degree burns. According to police, the explosion was accidental. An investigation is underway to determine whether it was due to negligence by workers who were heating the tar.

ISRAEL FLAYS UN RESOLUTION ON ARMS EMBARGO ON ISRAEL

UNITED NATIONS, Dec. 17 (JTA)--Israeli Ambassador Yehuda Blum said that the General Assembly resolution adopted last Thursday night calling on the Security Council to impose an arms embargo in Israel was aimed at destroying Israel by denying it the right to self-defense.

Addressing the Assembly, Blum said the adoption was "one more illustration" of the manner in which, "at a time when all efforts are being made to overcome 30 years of bitter hostility in our region, the majority of the General Assembly is being bullied into adopting policies of confrontation and condemnation in lieu of reconciliation and peace." He charged that the Arab states, particularly Iraq, which initiated the resolution, were using their oil revenues to arm themselves heavily while Israel had reduced its military budget by 20 percent.

The resolution, which was adopted by a vote of 72-30 with 37 abstentions, describes Israel as a "grave menace to international peace and security." It requested the imposition of a mandatory embargo against Israel on "any supply of arms, ammunition, military equipment or vehicles, or any spare parts thereof." The request is almost certainly to be vetoed in the Security Council by the United States and other Western powers.

CONSUMER PRICE INDEX SOARS

By Gil Sedan

JERUSALEM, Dec. 17 (JTA)--Israelis were shocked over the weekend to learn that the consumer price index soared by an unprecedented 6.2 percent during the month of November, an annual inflation rate of 10.1 percent. The unpleasant news sparked a new chorus of demands for the resignation of Finance Minister Simcha Ehrlich, who is in serious trouble with his Cabinet colleagues over his IL 305 billion draft budget for the fiscal year 1979-1980.

Histadrut Secretary General Yehoram Meshel warned today that the economic leadership of the country is courting financial disaster. He is scheduled to meet with Ehrlich this week to press for the payment of cost-of-living allowances in Jan-

uary, four months ahead of schedule, because of the run-away rise in prices.

The consumer price index rose 14 points last month to stand at 238.6 based on 100 points in 1976. The steepest rise was in the cost of food which went up by 5.9 percent in November. Vegetables skyrocketed by 19.6 percent and the price of tomatoes increased 100 percent in the course of a single month. During the first 11 months of this year, the cost-of-living index rose by 43.2 percent, nearly a full point higher than the total increase in 1977. If inflation continues at this rate, some economists believe, it may break the 50 percent barrier.

No Support For Ehrlich's Budget

Inflation was the subject of the Cabinet's regular weekly meeting today. Ehrlich told his fellow ministers that the price rise was but another indication of the urgent need to cut down public spending. The ministers agreed that the inflationary spiral is alarming but none of them seemed ready to accept stringencies in their own budgets and no decisions were reached.

There was no support for Ehrlich's budget. The Minister of Energy and Infrastructure, Yitzhak Mordeai, said he opposed it because it preserved the present rate of inflation. He submitted an alternative budget of his own, which he claimed could serve as the basis for a new economic policy.

Absorption Minister David Levy said he opposed the budget because it contained false priorities that neglected social issues. Similarly, Yitzhak Katz, the Minister of Social Betterment, argued that the economically deprived elements of society would continue to be deprived. Education Minister Zevulun Hammer said he would vote against Ehrlich's budget unless it was changed to improve social conditions and education. Ehrlich retorted that his budget would put a brake on inflation and questioned the present method of calculating the cost-of-living index.

According to Ehrlich, the cost of housing should not be included. Economists, however, say this is "masking the symptoms without treating the causes of inflation." Since there seems to be an impasse between Ehrlich and the other ministers, most observers believe Premier Menachem Begin will have to step in as an arbitrator if the Cabinet is to agree on a budget to submit to the Knesset next year.

The Cabinet did agree today on two monetary measures aimed at reducing the amount of currency in circulation and limiting foreign currency loans. But Bank of Israel sources said today that these moves alone could not improve the economic situation. They urged the government to initiate a bold new economic policy and, specifically, to reduce its expenditures.

STONE-THROWING YOUTHS DISPERSED

TEL AVIV, Dec. 17 (JTA)--Security forces used tear gas to disperse stone-throwing Arab youths in the West Bank town of Halhoul yesterday. They were summoned after the youngsters blocked the main road with wrecked cars. The incident was one of a rash of disturbances on the West Bank yesterday, mainly by highschool students. Curfews were imposed and lifted after several hours.

Other incidents were reported at Bethlehem and Beit-Sahur. They were apparently in reaction to recent orders prohibiting Arabs from constructing houses at Beit Sahur, the fencing off of areas near Hebron by Israeli authorities and general anti-Camp David sentiments. A small explosive charge was discovered and safely dismantled at a soldiers pick-up station in Petach Tikva last night.