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'What Do You Expect Israel To Do?' RABIN STRESSES IT IS AMERICAN RESPONSIBILITY TO DECIDE HOW TO DEAL WITH TWA HIJACKERS

By David Friedman

NEW YORK, June 20 (JTA) -- Israeli Defense Minister Yitzhak Rabin stressed last night that while Israel has always planned to release the some 700 Shiite prisoners it is holding, if the United States wants it to do so as a means for freeing the American hostages captured aboard a TWA plane it must make such a request of Israel. He said the request would then have to be considered by the Cabinet.

"What do you expect Israel to do?" Rabin said in an interview on ABC-TV's "Nightline," the first American television interview given by an Israeli Cabinet member since the plane was hijacked enroute from Athens to Rome.

"You (the U.S.) say we are not to give in to the demands of terrorism. We are not going to give into any blackmail. But we want you to do so even without asking you to do so," Rabin said.

The Defense Minister was apparently responding to President Reagan's press conference statement Tuesday night that the U.S. will not meet the demands of terrorists and will not ask other nations to do so.

Israel Committed To Release Prisoners

Rabin repeatedly said that Israel is committed to release the prisoners, but would give no timetable. He repeated this today in a talk before Nahal Army units and said some of the prisoners would already have been released if it were not for the recent incident between the South Lebanon Army and the Finnish unit of the United Nations Interim Force in Lebanon.

In his television interview, Rabin stressed that the hijacking problem was an American one since the hostages were Americans who were hijacked aboard an American plane. "The United States government has to make up its mind to what they want to do," he said. "It's first and foremost their decision."

"I've never tried to avoid responsibility" both as Premier and now as Defense Minister, Rabin added. "I expect the United States to do the same."

He said that while Israel for the past 17 years has experienced terrorism more than any other country, both inside and outside its borders, it cannot advise another country what to do. "The government of a country is responsible for whatever happens to its own people regarding whenever they are caught by terrorists," he said. "No one else can make the decision...."

Israel Has Own Policy

Rabin said that Israel has devised its own policy and "we have never hesitated to use" the military option "even at the cost of lives to our own people, soldiers and civilians alike." Rabin noted he was Premier when Israel rescued the hostages held at Entebbe, Uganda.

But Rabin stressed that Israel never hesitated to "make a deal" when it was necessary. He defended the decision to release 150 terrorists for three Israeli soldiers which has come under heavy criticism. He said he did not have the "moral right" to tell the three soldiers and their families and any future soldiers who may be captured to "go to hell because of a principle."

As for the Shiite prisoners, Rabin said Israel made it clear when they were taken in March that they would be released after Israeli troops withdrew from Lebanon and the security danger is lessened along Israel's border. But he said there are still security problems and neither the Lebanese government nor the Shiite organization of Amal will discuss it with

Rabin rejected Reagan's contention that by bringing the prisoners into Israel, Israel violated the Geneva Convention. He said the men being held wounded and killed Israeli soldiers, but since Israel had not set up a military government in Lebanon it did not try them in a military court as it does terrorists on the West Bank and Gaza.

PERES PRAISES U.S. POSITION

By Hugh Orgel

TEL AVIV, June 20 (JTA) -- Premier Shimon Peres said today that Israel is not responsible for the rescue of the 40-odd Americans held hostage by Shiite hijackers in Beirut. At the same time he praised the position taken by President Reagan and his Administration.

The hijackers have demanded that Israel release 766 Shiite guerrillas it holds prisoner. Peres said, during a visit to Netanyahu, "Israel will not make any comment because we are not responsible for the rescue of the people who were hijacked." He added, "I respect and admire very much the position taken by the U.S. President and the Administration. Our hearts are with the hijacked people and we pray for their safety."

The Premier observed that judging "from our own experience, as I do, nobody likes another party to intervene, either by declarations or promises or otherwise. It is out of experience and sympathy that I prefer to make no comments."

ECONOMIC 'PACKAGE DEAL' DEAD, BUT NO NEW MEASURES ANNOUNCED

By Gil Sedan

JERUSALEM, June 20 (JTA) -- The Treasury has conceded that its economic "package deal" -- the wage-price freeze in effect since last March -- has collapsed but did not say what will replace it.

Finance Minister Yitzhak Modai said on a television interview last night that the freeze would not be replaced by another similar package after its nominal expiration date at the end of July. He hinted that new economic measures would have to be taken but did not elaborate.

However, Modai made it clear that whatever the government does it intends to control economic policy and will not give its partners, labor and management, the right of veto as has been the case in the last two package agreements.

The current deal, which replaced one instituted in November, 1984 that expired in February, 1985, was worked out between the government, Histadrut and the manufacturers and employers associations. It floundered against new demands for wage and price hikes by labor and business to offset soaring inflation. Those demands were backed by a recent rash of strikes, work-stoppages, slowdowns and shutdowns in both public and private sectors.

The government is treating the economic crisis as its top priority. Yesterday, Gad Yacobi, the Minister

of Economic Planning, presented Premier Shimon Peres with a five year economic program aimed at vigorous economic growth by 1990, led by export industries. But Yaacobi's plan calls for painful belt-tightening in the immediate future.

It envisages a 1.9 percent reduction in public spending over the next two years, a 5.8 percent decrease in investment and a 12 percent rise in exports, but a two percent decline of living standards in each of the next two years.

According to the plan, rapid economic growth will be resumed in 1987 when the gross national product will begin to rise at an annual rate of 5.5 percent until 1990. In this period, exports are expected to rise at an average annual rate of 13.6 percent and industrial output by seven percent annually. The prognosis is based on the assumption that subsidies for exports and basic commodities will be eliminated.

The program was prepared by the Economic Planning Authority which Yaacobi heads. Yaacobi, a Laborite, told reporters he hoped the government would adopt it despite the fact that the chief economic portfolios are held by Likud ministers. The grave economic situation demands a cohesive economic program, not a system of extinguishing fires here and there, Yaacobi said.

16 TOP ISRAELI ECONOMIC FINANCIAL FIGURES FACE LEGAL ACTION IN BANK SHARES CRISIS

By Hugh Orgel

JERUSALEM, June 20 (JTA) — Some of Israel's top economic and financial figures in both public and private sectors have been officially notified that they may be incriminated by the findings of the special commission of inquiry into the collapse of bank shares in October, 1983.

Among 16 individuals to whom letters were sent yesterday are two former Ministers of Finance, the incumbent Governor of the Bank of Israel, the country's central bank, and one of his predecessors, and three former directors general of the Finance Ministry. Similar warning letters were sent to 11 commercial banks, among them the largest in Israel.

The letters are mandated by law if the commission reaches the conclusion that some or all of the persons and institutions involved in the collapse might face legal proceedings as a result of its findings.

Heavy Losses For Investors

The collapse of bank shares — stocks issued by banks — caused severe financial losses to thousands of investors. Bank shares were a favored security among Israelis. But the sharp devaluation of the Shekel and rumors of further devaluations, triggered a mass sell-off of bank shares in order to purchase Dollars. The banks have been accused of taking questionable measures to inflate the value of their shares and concealing information from the public.

One purpose of the warning letters is to allow the recipients time to prepare defense against charges that might be brought against them. They are allowed to cross-examine witnesses and to testify in their own behalf when the next stage of the inquiry begins, probably in September.

Individual recipients of the warning letters include former Finance Ministers Yigael Hurwitz and Yoram Aridor; Yaacov Neeman, Ezra Sadan and Ben-Ami Zuckerman, all former directors general of the Treasury; Moshe Mandelbaum, Governor

of the Bank of Israel and a predecessor, Arnon Gafni; Galia Maor, the Bank Examiner of the Bank of Israel and her predecessor, Oded Messer; and Meir Het, chairman of the Tel Aviv Stock Exchange.

The leading bankers notified of possible charges against them are Ernest Japhet of the Bank Leumi; Giora Gazit and Ephraim Reiner of the Bank Hapoalim; Raphael Recanati of the Discount Bank; Aharon Meir of the Bank Hamizrahi; and David Shoham former managing director of the Israel General Bank.

MENGELE UNREPENTANT ABOUT ATROCITIES HE COMMITTED, ACCORDING TO DOCUMENTS

By David Kantor

BONN, June 20 (JTA) — If Josef Mengele is in fact dead, the notorious Auschwitz death camp doctor died unrepentant, according to documents published in the Munich-based weekly Bunte Illustrierte today.

The documents, including diaries, were made available "on loan" to the West German authorities by Mengele's son, Rolf Mengele, a lawyer in Friburg. A spokesman for the State Prosecutor in Frankfurt said that a thorough study of the thousands of pages indicated they are authentic.

According to historians who studied the documents, Mengele never regretted the atrocities he committed at Auschwitz and believed throughout his life that Nazi racial theories justified his activities. They included the selection of inmates for the gas chambers and fatal or crippling medical experiments on thousands of others. Mengele is held responsible for the deaths of at least 400,000 Auschwitz prisoners, most of them Jews, which earned him the sobriquet "Angel of Death."

The Mengele papers were also published by a rival weekly, the Hamburg-based Stern which obtained them from the same source as Bunte, according to the authorities.

Couple Had Mengele Documents

Stern purchased the documents from Wolfram and Liselotte Bossert, an elderly couple of Austrian origin who said they sheltered the fugitive Mengele at their home near Sao Paulo, Brazil. It was the Bossert's claim that Mengele died in 1979 in a swimming mishap that caused Brazilian authorities to exhume the remains of a man buried near Sao Paulo under the name Wolfgang Gerhard, presumed to be Mengele.

The remains are still under examination by forensic experts from West Germany, the U.S. and Israel as well as Brazilian. But so far, conclusive evidence that they belong to Mengele has not emerged.

Rolf Mengele insists, however that they do. He said he was notified in 1979 of his father's death. The Mengele family, which operates an agricultural machinery factory in Guenzburg, Bavaria, admitted that it sent money periodically to Mengele during the more than 30 years he lived in South America after evading justice at the end of World War II.

Police Inaction Criticized

It has been reported that the money was delivered either by a courier employed by the Mengele family or by family members themselves. This led the mass circulation daily Bild to remark editorially today that the police of all the countries looking for Mengele must have been asleep. By watching the Mengele family they could have found the fugitive, Bild said.

"The work (of the police) was done sloppily and unprofessionally. Not only in Germany but in all other countries. Forget it? No. Explanations of the responsible authorities are overdue," Bild declared.

But many observers here say the failure to track Mengele down by keeping an eye on his family was not the result of police negligence so much as a lack of political will to investigate the matter properly.

TWA; GOVERNMENT REASSURES JEWISH LEADERS FLIGHT CREW DID NOT HELP HIJACKERS SINGLE OUT PASSENGERS

By Kevin Freeman

NEW YORK, June 20 (JTA) — American Jewish leaders emerged from a meeting with senior TWA executives and government officials convinced that TWA flight personnel on board hijacked aircraft 847 did not participate in aiding the Shiite Moslem hijackers in a selection process last weekend which led to the separation of some six passengers with Jewish sounding surnames from the other passengers.

"We have no reason to believe that the TWA crew comported themselves in anything less than a professional, courageous and exemplary manner," the National Jewish Community Relations Advisory Council said in a statement issued today on behalf of the organizations which participated in the meeting Wednesday afternoon. "Nothing in their reported behavior would appear to have put the lives of Jews, those with Jewish sounding names or any other passengers in greater jeopardy."

The two-hour meeting held at TWA offices here was requested by senior TWA officials to allay concerns in the Jewish community that the flight crew of the hijacked aircraft, now in Beirut, had collected passports from the passengers and given the hijackers those passports with Jewish sounding surnames. These passengers were taken from the plane and are reportedly being held by the Party of God, the fundamentalist Shiite group that is said to have organized the hijacking.

Presidents Conference Praises Reagan

In a related development, Kenneth Bialkin, chairman of the Conference of Presidents of Major American Jewish Organizations, today praised President Reagan for refusing "to yield to terrorist demands" and said the hijacking underscored "the importance of Israel as our country's strong and reliable ally in the region."

In a telegram sent to the White House, Bialkin also condemned "The cruelty of the terrorists and the racism and hate that motivate" the hijackers "in singling out passengers with so-called Jewish-sounding names and holding them separately. We know that you (Reagan) and all Americans share our pain over this vicious selection process, with its echoes of Auschwitz and the Holocaust," said Bialkin, who was just selected to a second one-year term as Presidents Conference chairman.

TWA officials maintained this week that the flight attendants aboard the aircraft tried but failed to dissuade the hijackers from separating the passengers from those thought to be Jewish. A spokesman said the attendants were able to convince the hijackers that some of those they thought were Jewish were either German or Swedish.

Purser's Action Defended

Uli Derickson, the flight's purser, told a news conference last Sunday in New York that the gunmen ordered her to collect passengers' passports and give them those with Jewish sounding surnames. She stated that she did not single out any names.

Sally McElwreath, TWA staff director of corporate communications, said: "The hijackers were going through the passports and saying 'This is a Jewish name, this one sounds like a Jewish name.' At some point she (Derickson) said things like 'that's Swedish, that's a well known Swedish name.' She did not nominate passengers."

Derickson's performance was also defended this week by Jerry Cosley, TWA vice president of corporate communications. "Throughout the entire painful episode she tried to persuade the hijackers that they couldn't identify a person by their name and she resisted at every point. Her interest was to protect every passenger by every means and guile at her disposal."

The Jewish organizations that participated in the meeting Wednesday with TWA and government officials, were the NJCRAC, American Jewish Congress, American Jewish Committee, Anti-Defamation League of B'nai B'rith and the Jewish Community Relations Council of New York. The unidentified government officials who participated in the meeting are said to have participated in the debriefing of Derickson for several hours.

Separated Passengers 'Particular Risk'

"The remaining American hostages and TWA flight crew clearly are in great jeopardy and our uppermost goals continue to be the prompt and safe release and until then their safety and well being," the statement said. "Noting the intense hostility of the hijackers to the United States, Israel, and hence, by their perverted logic, to Jews or those they believe to be Jews, we believe hostages so identified by hijackers continue to be at a particular risk."

"But to repeat, and be as clear as possible, we believe, on the basis of available information, that members of the TWA crew did not single out or otherwise jeopardize their passengers and apparently did much to mitigate the terror and brutality of the situation," the statement concluded. It also noted that during the meeting there was a review of videotapes of the initial news conference during which Derickson appeared last Sunday and other details provided by government sources.

MUNICIPAL WORKERS END STRIKE

By Hugh Orgel

TEL AVIV, June 20 (JTA) — The 80,000 local government employees who had been on strike throughout the country for three days returned to work today, except from those in Safed, Beth Shean and local religious councils.

Municipalities in the three major cities began making efforts to clear away the garbage which had piled up in the streets. Mayors hoped they would clear the backlog by the weekend.

Meanwhile, motorists continued their search for gas for their cars, in the face of a refusal by most gas station owners to obey temporary orders by local labor courts to unlock their pumps.

Back to work orders were issued to 160 of the same 450 privately-owned filling stations. But the gas station owners association sent its members round to stations which opened of their own accord or on the orders of the courts, persuading virtually all of them to close down again.

4,000 JEWISH ATHLETES FROM 35 COUNTRIES IN 12th MACCABIAH

By Hugh Orgel

TEL AVIV, June 20 (JTA) -- A record 4,000 athletes, representing Jewish communities from 35 countries will participate in the 12th Maccabiah games due to open in the Ramat Gan Stadium on July 15.

Israel, the host country, will field the largest contingent, of 800 athletes, while the smallest contingent will be that of Monaco, sending a lone representative from the tiny principality. The U.S. will have the biggest contingent from abroad, with 503 athletes attending.

The Jewish communities from Zaire, Monaco and Gibraltar will make their debut at the games and Yugoslavia is returning to the games for the first time in 50 years; the first Eastern Bloc country to participate since World War II.

The 29 listed sporting events will take place all over Israel and the participants will be housed in 14 localities according to the placement of the event in which they are participating.

While the official games are in progress, events will be staged for veterans and for the first time, 330 youngsters up to the age of 15 will be able to participate in six events and represent 17 of the adult delegations.

The opening ceremony is expected to draw a crowd of some 50,000 spectators and the special closing ceremony will take place at Sultan's Pool Stadium in Jerusalem on July 25.

BISHOP CLOSES AUSTRIAN CHURCH THAT PERPETUATES 15th CENTURY RITUAL MURDER CHARGE AGAINST JEWS

By Reinhard Engel

VIENNA, June 20 (JTA) -- Reinhold Stecher, the Bishop of Tyrol, is staunchly holding the line against parishioners who demand the reopening of a local church that embodies in its traditions and decorations the medieval ritual murder libel against the Jews.

The church, in Rinn, a tiny community outside Innsbruck in the Austrian Tyrol, is called Judenstern (Jew's Rock). The Catholic cult that worships there was officially banned by the Vatican in 1961. But pilgrims continued to converge on Rinn several times a year.

Bishop Stecher encountered fierce protests when he ordered the church closed Sunday. Parishioners and pilgrims collected more than 3,000 signatures on a petition demanding its reopening. Several hundred reportedly threatened to leave the Catholic Church if the Bishop refused.

The church in Rinn perpetuates a legend that Jewish merchants, in 1462, killed a three-year-old Christian child, named Andreas or Anderle, to use his blood for ritual purposes. There is no historic basis whatever for the blood libel which is depicted in paintings in the church. Followers of the cult believe the child Anderle is an intermediary in delivering prayers to God.

Bishop Will Not Tolerate Defamation Of Jews

Bishop Stecher declared, during a Corpus Christi procession last Sunday, that he would not tolerate the defamation of Jews and had the church padlocked. He is standing tough against mounting pressure. Sources close to the Bishop indicated the church would remain closed until "certain circles" demonstrate insight and a willingness to listen to reason.

According to the Bishop, the large majority of the worshippers are not anti-Semites or neo-Nazis, though he admits there are race tendencies in the surrounding region. He said the legends of ritual murder by Jews were part of the centuries-old campaign of the Catholic Church against Jews which brought unspeakable sorrow to the Jews and disgraced Christians in the judgement of the world.

The Bishop noted in a pastoral letter that even if most of the inhabitants of Rinn are not anti-Semites, it is they who uphold a tradition of defamation.

IMPROVEMENTS MAKE BEN GURION AIRPORT ONE OF SAFEST, MOST MODERN IN WORLD

By Hugh Orgel

TEL AVIV, June 20 (JTA) -- Improvements at Ben Gurion Airport in Lod, near Tel Aviv, make it one of the safest and most modern airports in the world, according to Arie Grozboord, chairman of the Israel Airports Authority.

A major advance was the replacement of the old control tower, dating back nearly 50 years, when there was virtually no commercial air traffic, by a new 164-foot high tower containing the newest and most sophisticated equipment. In the old tower, the equipment was 30 years old.

Now, a long range radar, a computer terminal and computerized communications systems enable air traffic controllers to track aircraft at a distance of 165 miles -- about 20 minutes flying time from the airport -- and to reduce the distance separating them from 9.9 to 4.9 miles while maintaining the same margin of safety. This means more aircraft can land within a given time frame.

The only problem that remains unsolved is the constant noise of arriving and departing jets which has residents of the densely populated area around the airport up in arms. Night operations have been restricted because of the noise problem but complaints persist.

Aviation experts say Israel must soon make a long delayed decision to build a new international airport far from populated areas if it is to cope with the expected increase in air traffic in the next century.

LENINGRAD HEBREW TEACHER ARRESTED

NEW YORK, June 20 (JTA) -- Leningrad refusenik Roald Zelichonok, was arrested on June 11 and charged with "defaming the Soviet State," in reaction to appeals and letters he wrote to the West, including a recent plea to participate in the Human Rights Expert Conference in Ottawa, according to the Coalition to Free Soviet Jews.

Zelichonok, an electrical engineer and Hebrew teacher who has been active in pro-emigration and Jewish culture circles since 1978, had encountered harassment by the KGB beginning in 1980 when he was ordered to stop teaching Hebrew, the Coalition said. The 48-year-old refusenik has continually been persecuted with Jewish books and private letters being confiscated from his home, an anti-Zionist documentary being aired in Leningrad last November accusing Zelichonok of taking bribes from Zionist tourists from abroad, and ultimately his arrest.

Herbert Kronish, chairman of the Coalition, said, "The pace of arrests and imprisonments is increasing at a frightening level," with Hebrew teachers bearing the brunt of the imprisonments. "When coupled with the bleak emigration figure of 51 for May," Kronish noted, "it becomes clear that the Soviet government is waging a brutal battle against Jewish religion, culture, and emigration."