

ISRAEL TO BEGIN RELEASE OF SHIITE PRISONERS AFTER U.S. HOSTAGES OUT OF MIDEAST, SOME 300 WILL GO FIRST

By David Landau

JERUSALEM, June 30 (JTA) -- Israel indicated tonight that it will release more than 300 Shiite Moslem prisoners from the Atlit detention camp after the 39 Americans held hostage in Beirut for the past 17 days are safely in American hands.

The hostages, passengers and officers of TWA Flight 847 hijacked by Lebanese Shiites on June 14, were reported to have arrived in Damascus this evening where they will have a two hour rest before being flown in a U.S. Air Force transport to Frankfurt, West Germany, for debriefing and medical examinations prior to returning to the U.S.

Well placed sources here said there would be no release of Shiite prisoners before the hostages left Damascus, adding "that, at any rate, is the situation as of now." They said that "previous plans" announced a month ago -- long before the hijacking -- provided for the release of 341 Shiite detainees in a batch and the phased release of the remaining 425 "as the security situation in south Lebanon permits."

Incidents Delayed Original Plans

But, according to Israeli sources, release of the 341 was delayed, first because of an incident in south Lebanon involving the Israel-backed South Lebanon Army (SLA) and Finnish troops of the United Nations Interim Force in Lebanon (UNIFIL) and later by the hostage crisis. There are now 735 Shiite prisoners at Atlit.

Israel released 31 last week in what was seen as a gesture to assist behind-the-scenes negotiations for the American hostages and to defuse American media criticism of Israel for not turning loose all 766 prisoners as demanded by the hijackers.

That criticism and opinion polls which indicated that a substantial number of Americans blamed Israel for prolonging the hostage crisis worried Israeli leaders. Defense sources noted over the weekend that south Lebanon has been relatively quiet of late, implying that the release of the Atlit prisoners could now be resumed according to plan while allowing Israel to echo the Reagan Administration's assertions that "no deal" had been made with the hijackers.

PRESIDENTS CONFERENCE DENIES ANY ADMINISTRATION PRESSURE ON JEWS

By Kevin Freeman

NEW YORK, June 30 (JTA) -- An official of the Conference of Presidents of Major American Jewish Organizations said today that the Reagan Administration did not exert pressure on American Jews to press Israel to release the some 700 Shiites held at the Atlit prison camp.

"There was no government pressure on American Jews to pressure Israel," said Yehuda Hellman, executive vice president of the Presidents Conference. "And there was no pressure of American Jews on Israel whether government inspired or autonomously inspired."

Hellman was responding to an inquiry from the Jewish Telegraphic Agency about a Washington Post report last Friday in which an unidentified "well informed White House official" was quoted as suggesting that American Jews pressure Israeli Premier Shimon Peres to release the Shiite detainees it holds in order to facilitate the release of the American hostages in Beirut.

"We figure that Peres can read our minds," the official was quoted as saying. "Peres knows what is happening here. He can understand the delicacy of the situation." The official was also quoted as saying that "certainly there are enough people over here of the Jewish faith who can read ... who must be telling people over there (in Israel) 'for God's sake, look what you're doing to public opinion'" in the United States.

Jewish Leaders Concerned

Jewish leaders here were clearly concerned that Israel's position on the release of the Shiite detainees could result in a backlash of anti-Israel or anti-Jewish sentiments. A Washington Post-ABC News poll last week suggested that American public support of Israel might be weakening due to the impasse over the hostage drama.

Nonetheless, the Washington Post quoted a senior White House official over the weekend as describing the words of his colleague as an "unfortunate remark" but he did not elaborate. The Post also reported that representatives of some six leading American Jewish groups had been contacted by the White House and assured that the White House official's comment does not reflect the views of the President. This however could not be independently confirmed at press time.

Reagan has during the hostage drama repeatedly assured Israel that it will not ask Jerusalem to bow to the demands of the hijackers and release the Shiite detainees. In fact, Reagan, in response to a reporter's question last Friday in Chicago, said he would not ask Israel to give into the demands of the hijackers. "I only know that none of us, any country, can afford to pay terrorists for crimes that they're committing because that will only lead to more crime," Reagan said.

Hostage Release Welcomed

The Presidents Conference, meanwhile, welcomed today's release of the 39 American hostages taken on June 14 when the TWA flight 847 was hijacked enroute from Athens to Rome and said "It seems clear that the hostage crisis, far from disturbing relations between Washington and Jerusalem, in fact drew them closer together in common refusal to surrender to terrorism."

"President Reagan wisely rejected the terrorists' demands and refused to pressure Israel to release the Shiite detainees as Amal had demanded," the Presidents Conference said in a statement issued here. "If there is any lesson to be learned, it is that freedom loving countries must stand together in the war against terrorism in which they find themselves the targets."

"During the period ahead, we believe America and Israel will work even more closely together on the common agenda of preventing and punishing terrorism," the Presidents Conference said. "The American-Israeli alliance today is stronger than ever."

Bialkin Sees Relations Not Damaged

In Israel, Presidents Conference chairman Kenneth Bialkin echoed the statement issued here that Israel-U.S. relations had not been damaged by the hijacking-hostage episode. "Perhaps at the margins there was some difference of view as to who is trying to get who to blink first --but that's part of the give and take," Bialkin said.

Bialkin conceded that there had been communications problems early on, but spoke of harmony during the later stages of the crisis. He voiced criticism of the Reagan Administration for focusing on its view that Israel's detention of the Shiites here was contrary to international law and thereby centering media attention on them rather than on the hijack victims.

He said that if there was an impression of damaged relations in the media, it was for the Administration as well as for the Jewish leaders to work to repair them. Bialkin spoke to reporters after meetings with Premier Peres and Deputy Premier and Foreign Minister Yitzhak Shamir. He added that he hoped the release of the hostages had been obtained without an American pledge not to retaliate. If such a pledge had been given -- it ought not to be considered binding, he urged.

JEWISH AGENCY ADOPTS \$413 MILLION BUDGET By Gil Sedan

JERUSALEM, June 30 (JTA) -- The Jewish Agency Assembly approved a \$413 million budget for fiscal 1985-86 before the close of its annual meeting here last week, plus an additional \$48 million for Project Renewal.

The Assembly urged Jewish communities abroad to continue their efforts until all deprived neighborhoods in Israel are rehabilitated. It also decided to promote new economic projects in slum neighborhoods and development towns where unemployment is high.

Other decisions were to refrain from competitive fundraising. All fundraising, except for the women's organizations, will be conducted by the United Jewish Appeal in the U.S. and the United Israel Appeal elsewhere. All Jewish Agency departments were instructed to offer their services without giving preferential treatment to any trend in Judaism.

With respect to immigration and absorption, the Assembly decided to consider ways to increase the involvement of new immigrant associations in Israel.

One delegate, John Najmann of London, urged greater efforts to promote the immigration of wealthy Jews to Israel. He told the plenary session of the Assembly that potential wealthy immigrants should be invited to Israel to see they can enjoy living standards to which they are accustomed. They should be told, he said, that life in Israel is stimulating, that schools and hospitals are good and it is safe to walk in the streets at night. "I feel that in the past there has been a tendency to present Israel as a stretcher case rather than the success story it is," Najmann said.

FUNDRAISING GROUP FORMED TO FINANCE DEFENSE OF CHURCH-STATE SEPARATION

By Kevin Freeman

NEW YORK, June 30 (JTA) -- The American Jewish Congress announced here the formation of a new fundraising organization of prominent lawyers to oppose what the AJC described as a "growing assault" on the Constitutional principle of separation of church and state.

The new group, the Fund for Religious Liberty, will provide financial support for a broadly expanded program of litigation, education and research by the AJC. It hopes to also provide the AJC with finances in order to enlarge its full-time legal staff from three to five lawyers.

The Fund for Religious Liberty was introduced last week at a \$500-a-plate dinner at the Park Avenue Synagogue. Ira Millstein, a senior partner in the law firm of Weil, Gotshal & Manges, will be chairman of the new group. Co-chairmen are Edgar Bronfman, president of the World Jewish Congress, and Philip Klutznick, honorary president of the American Jewish Congress.

Campaign Against Religious Liberty Cited

According to Millstein, the United States is being subjected to "a powerful campaign against Constitutional guarantees of religious liberty and the separation principle." He cited recent developments including attempts to seek a constitutional amendment permitting prayer in public schools and the growing display of nativity scenes and other religious symbols on public property as examples of what he termed "a growing assault on constitutional principles."

Such a vision of America, Millstein said, "leaves little room for religious minorities who would be made to feel as strangers in their own land -- a threat that Jews particularly view with the gravest concern."

Millstein told the dinner that the success of the fund "is critical" in order to provide the AJC with "adequate resources to act with 'prudent jealousy' regarding the First Amendment. We obviously have no quarrel with any groups' right to hold whatever beliefs it wants.

"But we will fight vigorously if anyone seeks to enlist government in their efforts to spread or enforce their beliefs," he said. "For such efforts are destructive of religious liberty and particularly that of religious minorities. Let's never forget that the time to resist intolerance is when it first shows its head."

Concern About Administration Position

AJC associate executive director Phil Baum expressed concern that the Reagan Administration, unlike previous administrations, is concerned with seeking an accommodation with religions, instead of seeking a separation of state and religion.

Baum noted an increased direct mail campaign by Christian fundamentalists to enlist support for their causes and charged that "highly placed persons" within the Reagan Administration have indirectly encouraged the efforts of the Moral Majority and other fundamentalist groups.

The Fund will also enable the AJC to expand its legislative activities on the municipal, state and federal levels through more effective monitoring of legislative developments, initiation of public campaigns for specific proposals and intensive work with legislative bodies and individual legislators.

ISRAELIS ANXIOUSLY AWAIT GOVERNMENT ANNOUNCEMENT OF STRINGENT MEASURES AIMED AT CURING ECONOMIC PROBLEMS

By David Landau, Gil Sedan and Hugh Orgel

JERUSALEM, June 30 (JTA) -- Suspense ran high in Israel tonight as the nation awaited the outcome of a marathon Cabinet session that was expected to produce the most far-reaching and draconian economic emergency program in the history of the State.

The program, presented by Finance Minister Yitzhak Modai, has the strong backing of Premier Shimon Peres. Its aim is to try to halt Israel's rapid slide toward economic collapse. Cabinet sources said today that Peres made it clear at the outset of today's meeting that he would keep the Cabinet in session all night if necessary until the ministers took a decision.

Once the decision is made, every minister will have to support it publicly or resign, Peres is reported to have said. Sources close to the Premier expressed confidence however that the economic program, however painful, will be adopted. If not, they warned, the Labor-Likud national unity government will not long survive.

Histadrut Leader Denounces Measures

Selling the program to the Cabinet is only a first step. As the ministers began their meeting today, Histadrut Secretary General Yisrael Kessar angrily denounced some of the likely measures: a drastic hike in the prices of subsidized products; a three month total freeze on wages and prices; suspension of cost-of-living increments for the months of May and June; dismissal of about three percent of the civil service workforce; a three percent cut in the wages of civil servants; and a new devaluation of the Shekel.

"We shall not allow a government headed by a representative of the Labor Party to harm the wage-earners in this way," Kessar declared. He and Chaim Haberfeld, head of Histadrut's trades union department, said they would not allow Peres and Modai to impose an economic plan that would reduce the living standards of working people, even if it meant bringing down the government. The Histadrut Central Committee is threatening to disrupt and prevent implementation of such a plan if the government tries to impose it by emergency decree.

Pain Will Be Short

According to government sources, the economic measures will hurt many constituencies but the pain will be relatively shortlived and mass unemployment will be avoided. Peres himself last week said that workers will earn less but they will not go jobless.

Cabinet sources said Modai is convinced that if his program is implemented, the economy could be turned around by next fall. Economic growth and expansion would resume and there will be no sustained large scale unemployment.

The sources said the program allows for skyrocketing inflation over the summer, in the order of 25-30 percent a month. But by September or October, the inflation rate would fall to 3-5 percent a month.

The urgency of the government's measures stemmed apparently from an anticipated further steep decline in the country's foreign currency reserves.

Peres and Modai spent most of last Friday closeted with top Treasury and Bank of Israel officials and two leading economists, Profs. Michael Bruno and Eitan Berglass. It was after those conferences that the Treasury worked feverishly to prepare detailed proposals for today's Cabinet meeting.

Comprehensive Plan Replaces Piecemeal Efforts

Observers noted that this would be the first time the unity government attempted a comprehensive plan to cure Israel's economic ills. Past measures had been piecemeal, addressed to one or another problem, either soaring inflation or stagnant growth. There has never been an across-the-board approach.

The heart of the new program is a deep slash of the national budget, a measure virtually all economists have been urging for many months. The Cabinet, it was said, must recognize that its earlier budget-trimnings were often honored more in the breach than in the observance.

Reports leaked from the Cabinet room today spoke of a \$1.5 billion cut in the State budget which stands at about \$23 billion. This would be achieved by slashing price support subsidies and cutting back on government activities. The latter would include dismissals of about three percent of government employees. Various taxes and levies would be raised while social entitlements and incentives to business would be lowered.

12 Percent Erosion In Real Wages

According to unofficial reports, other measures include: a 20 percent devaluation of the Shekel, the rate of which would be frozen for a three month stabilization period resulting in reduced government incentives to exporters; a 20-30 percent one-time rise in the prices of subsidized items and higher prices as well for non-subsidized consumer products, all prices to be frozen for three months.

There would be, according to these reports, an estimated 12 percent erosion in real wages and salaries by the beginning of October, part of which would not be compensated for, as in the past, by cost-of-living increments. Income tax advances paid by companies and self-employed persons at the start of the tax year would be raised.

In addition, the government would clamp down on foreign currency transactions. Israelis no longer would be able to deposit their Shekels in Dollar-linked accounts. However, the Treasury would allow people now holding Dollars illegally to deposit them in interest-earning accounts and draw on them for travel abroad.

LAST MINUTE TEACHERS SETTLEMENT

By Hugh Orgel

TEL AVIV, June 30 (JTA) -- Elementary school children were happy today. It was the last day of the school term and they received their certificates of completion because an 11th hour settlement between the teachers' union and the Education Ministry averted a teachers' strike that had been called for today.

But the mood of motorists and cigarette smokers was less than joyous. The owners of garages and service stations shut down their facilities for three days to back up demands to increase charges for vehicle repairs.

Dubek, which monopolizes the domestic cigarette market, continued its lockout begun last week because it claims it is losing money on the government-controlled price for tobacco products.

COMMISSION COMPILES LIST OF 660 SUSPECTED NAZIS LIVING IN CANADA, EVIDENCE BEING WEIGHED FOR ACTION

By Michael Solomon

MONTREAL, June 30 (JTA) -- A federal commission announced last week that it has compiled a list of 660 suspected Nazi war criminals who now live in Canada or may have lived here and is weighing evidence against them.

Former Quebec Superior Court Justice Jules Deschenes who comprises the one-man commission outlined his next steps in the investigation. He has established a committee of six lawyers chaired by Douglas Adra, of Winnipeg, to review the evidence and report back on September 1. He has also set up a panel of lawyers and academicians to recommend by September 1 how Nazi war criminals found to be living in Canada might be brought to justice under existing or new legislation.

The announcement stated: "It is our mission to do everything humanly possible to avoid doing an injustice to anyone through ignorance of the facts, and the commission must work through an immense quantity of documents that have been accumulating in public and private archives both in Canada and abroad for the last 40 years."

Former Official To Give Testimony

Former Solicitor General Robert Kaplan, a Liberal member of Parliament, is expected to testify before the commission on July 9. He has complained that the present Solicitor General, Elmer MacKay, has denied him access to records and files to aid his testimony.

The Deschenes commission must render its final report and recommendations by December 31, 1985. It has yet to decide whether to travel abroad to gather more evidence before concluding its investigation. It must also decide whether or not to go to the Soviet Union for records of alleged war criminals. Soviet justice and legal procedures are considered unreliable here.

The U.S. Department of Justice has made extensive use of evidence provided by the Soviet Union in tracing Nazi war criminals living in the U.S. This has brought an outcry from Baltic and Ukrainian ethnic groups in the U.S. which consider anything from a Communist source suspect. Most of the war criminals rounded up in the U.S. so far come from Baltic or Eastern European countries occupied by the Germans in World War II. The Justice Department has said that all material from Soviet sources is carefully scrutinized and tested under U.S. rules of evidence.

FOUNDATION CREATED FOR EDUCATING AMERICANS, GERMANS ON NAZI PERIOD

NEW YORK, June 30 (JTA) -- The American Jewish Congress announced here the establishment of a new foundation that will sponsor educational programs in American schools and universities as well as exchanges between German and American students and educators to study the lessons of Nazi Germany and the model of resistance offered by the anti-Nazi White Rose Movement.

The White Rose Movement consisted of a small group of Christian students who in 1942 banded together in Munich and distributed leaflets opposing Hitler and his policies. Some 150 people were arrested for being part of the movement. Eighteen

died through execution or in concentration camps and 36 survived prison terms until being liberated by the allies in 1945. Among those executed by guillotine on February 22, 1943, after a trial by a Nazi "people's court" in Munich, were Hans Scholl, 25, and 22-year-old Sophie Scholl. Also beheaded on that day was 24-year-old Christoph Probsp. Several months later three others who had joined in the same activities, Willie Graf, Kurt Huber and Alexander Schmorell, were also tried, convicted and executed. After their death, a Hamburg group of the White Rose emerged to continue the work of the Scholls and their co-workers. The leaders of the Hamburg group were also tried, convicted and executed by the Nazis.

White Rose Survivors Lauded

At a dinner here last Thursday at the Park Avenue Synagogue, tribute was paid to the White Rose Movement. A survivor of the movement, Franz Josef Muller, a surviving sister of Hans and Sophie Scholl, Inge Aicher Scholl, and a sister of another executed leader, Annaliese Knoop-Graf, were guests of honor at the tribute. The three flew in for the occasion from Munich.

AJC executive director Henry Siegan said the need for the new foundation was highlighted by the controversy generated by President Reagan's visit to the military cemetery in Bitburg where Reagan and West German Chancellor Helmut Kohl honored German war dead. There are some 49 members of the Waffen SS buried there among the some 2,000 other war dead.

"The justifications that were offered for that visit indicate that the lessons of that tragic period of our recent history have already faded," Siegan said. "The tragic relevance of these lessons was underscored once again in the hijacking of TWA's Flight 847, in which Shiite terrorists sought to select and separate Jewish passengers from the rest. Forty years after World War II there are still those who are in the throes of the anti-Semitism that so obsessed Nazi Germany."

Just two days before Reagan's visit to Bitburg, several hundred people participated in a memorial service sponsored by the AJC to Hans and Sophie Scholl. White roses were placed on the graves of the Scholls in Munich.

MAGEN DAVID ADOM FACILITY OPENS

By Hugh Orgel

TEL AVIV, June 30 (JTA) -- Leaders of Magen David Adom (Red Shield of David) societies in the U.S., Canada, Britain and South Africa joined health minister Mordechai Gur at a ceremony Thursday marking the laying of the cornerstone of the MDA's national blood services center at the Sheba Hospital at Tel Hashomer.

The \$12-million facility is to be the largest and most advanced of its kind in the Middle East. It will include the country's central blood bank and a national training center.

It will also be used to fractionate blood into components which are used in hospitals and clinics.

TEL AVIV (JTA) -- The Israel Navy has unveiled its newest fighting craft, a 55-mph hydrofoil missile-boat known as "Snapirit" (Fin) which is twice as fast as any other vessel in the Navy. It was displayed to the public on Navy Day.

There will be no Daily News Bulletin dated July 4 a postal holiday.