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**CABINET AGREES ON A \$20.1 BILLION
BUDGET FOR 1984; CUTS GOVERNMENT
EXPENDITURES BY SOME \$600 MILLION**

By Gil Sedan

JERUSALEM, Jan. 23 (JTA) — The Cabinet agreed on a \$20.1 billion budget for fiscal 1984 last night after slashing government expenditures by some \$600 million. The cuts include about \$169 million from the defense budget, hitherto virtually sacrosanct, and substantial reductions in spending for education and other items.

Agreement was finally reached in a marathon Cabinet session which began yesterday morning and stretched into the night, with frequent interruptions for informal consultations among the ministers. It was achieved only after Premier Yitzhak Shamir made it clear that unless a budget was adopted he would resign, thereby bringing down the government and forcing new elections which Likud obviously does not want at this time.

Shamir was determined to have a budget before the Knesset convenes Wednesday to debate an opposition non-confidence motion. While the coalition has easily defeated such motions in the past, deep internal divisions over the budget, the precarious state of the economy and widespread labor unrest have cast doubt over the outcome of Wednesday's vote.

Arens Threatened To Resign

The ministers have been arguing over the budget for weeks. All agreed a nine percent across-the-board reduction in spending was urgently needed to deal with galloping inflation, the widening balance of payments gap and dangerously low hard currency reserves. But Defense Minister Moshe Arens adamantly opposed the cuts in the defense budget proposed by Finance Minister Yigal Cohen-Orgad.

Arens' threat to resign yesterday if the cuts were adopted was countered by the same threat from Cohen-Orgad if they were not. At that point, Shamir intervened and, with the help of Deputy Premier David Levy, managed to effect an understanding between the ministers.

The education and welfare budgets also posed problems. Cohen-Orgad told reporters last night that the remaining differences between his proposals and those of Education Minister Ze'evulun Hammer would be reconciled during the week.

Negotiations are also continuing with the Tami party which controls the Welfare Ministry. Tami has agreed to some cuts but is demanding higher tax exemptions for low income families, increased child care allowances and a new minimum wage law.

According to Cohen-Orgad, the cuts in military expenditures will not have any serious effects on the country's defense capabilities, a point disputed by Arens, although he finally acquiesced to the compromise supported by Shamir. The \$20.1 billion budget finally agreed on is only a shade higher than the \$20 billion budget for fiscal 1983. But the cost of virtually everything has soared. The inflation rate for 1983 exceeded 190 percent. Last year's balance of payments deficit stood at \$5.3 billion.

Meanwhile, the coalition and opposition are rallying their forces for Wednesday's non-confidence showdown. The Likud coalition is trying desperately to muster its four vote majority in the Knesset.

Former Defense Minister Ariel Sharon, embroiled in a bitter dispute with his Herut colleagues in recent days, has reportedly promised to support the government on Wednesday. There had been rumors that he would have liked to see the present government fall, opening the way for a new Likud coalition headed by himself.

The three Tami MKs have not divulged their intentions and their support seems to depend on the outcome of negotiations over Tami's demands. Former Premier Menachem Begin, who has not been seen in the Knesset since he announced his resignation last summer, is expected to attend Wednesday's session to cast what may be the crucial vote in support of the Shamir government.

**SPECIAL TO THE JTA
THE VERBELEN CASE**

By Charles Allen, Jr.

(Part One Of A Three Part Series)

NEW YORK, Jan. 23 (JTA) — Will the United States Justice Department really get to and reveal the full truth about the most recent case of yet another convicted SS mass murderer who was used by American intelligence after World War II?

An investigation into the matter of Robert Jean Verbelen, 72-year-old resident of Vienna, suggests that there is doubt as to whether the government will come forward with the unvarnished facts. The Verbelen case will take more time, trouble and prove more embarrassing to the United States than Washington foresees at this time. (The media use "Jan" as Verbelen's middle name. However, all the official documents in the case, except one, use Jean as his middle name.)

When U.S. Attorney General William French Smith (who has just resigned) recently ordered his Office of Special Investigations (OSI), the unit responsible for tracking down and bringing to denaturalization/deportation trials suspected Nazi war criminals living in this country, to investigate the Verbelen matter, there was ambivalence at OSI over the assignment.

'Nothing We Can Do About Verbelen'

"There's nothing we can do about Verbelen," an official told this correspondent after the Justice Department announced it would look into American usage of the wartime SS officer who had also been an SD (Sicherheitsdienst, a security/intelligence) agent in his native Belgium.

"We can get the records and give the results like we did with the (Klaus) Barbie thing," the Justice Department official said, alluding to the 1983 two-volume "Klaus Barbie and the U.S. Government" authored by Allan Ryan who was director of the OSI, "but we can't deport him, and so far there's no indication he came to the country as Barbie did."

The report by Ryan confirmed that U.S. intelligence agencies had used Barbie after the war. During the course of his work with the Central Intelligence Agency,

Barbie visited several American cities, travelling freely on his Bolivian passport which he acquired after settling there under the assumed name of Klaus Altmann.

The Justice Department official complained that probes, such as the one of Barbie, "takes time out of our main job here of going after Nazi war criminals that live in this country." The Barbie undertaking proved "very disruptive to the OSI's mission," he added.

At the same time, the official acknowledged that the OSI "was the most likely candidate to do the job" of investigating the new case of Robert Jean Verbelen. The feeling was also expressed that "we ought to be able to get the Verbelen case out of the way pretty quickly."

Congressional Sources Disagree

Congressional sources disagreed. Said a staffer on the House Committee that oversees the OSI: "This could get to be a habit. I agree that intrusions like the Barbie and Verbelen things slow them down over there. They are not equipped for such random forays. Perhaps we should do something here from the Hill. Besides, the Executive (branch agencies) can be counted on to cut corners. We need a full hang-out, not a modified one on this (war criminal) question."

Actually, the hard yet very few facts at hand on Verbelen tend to support this Congressional critic. They are thus far contained in the 92 pages of documents declassified -- heavily deleted and excised -- on October 4, 1983 in response to a Freedom of Information Act (FOIA) request on Verbelen from the Anti-Defamation League of B'nai B'rith.

On December 21 the ADL released a press statement noting that the Verbelen case followed by four months the Justice Department's confirmation that Barbie, known as the "butcher of Lyon," was employed by American authorities including the CIC, after being given the death penalty by a French court for sending thousands to their deaths in Nazi concentration camps.

Basic Facts About Verbelen

From the documents obtained under the FOIA, the consistent and basic facts about Verbelen can be summarized quickly.

Verbelen is Flemish, born April 5, 1911 in Belgium. As a youth he was active in the fascist group Dervlag (The Flag). He served with the Germans 1940-1945 as an SS Obersturmfuehrer (1st Lieutenant) and later in the SD. He was a member of the NSDAP (Nazi Party) in its AO (Ausland Organization) for full-fledged Nazi Party members who were citizens of countries outside of the Third Reich.

He fled with his Nazi masters in 1944 back to Germany. He was "last seen in Berlin" at war's end. He resurfaced in 1945 at an Austrian Alpine resort, Zell am See, as a "bartender" for a U.S. Officers Club close to then American-occupied Germany.

Army records show that in 1946, Verbelen worked for "U.S.A. Special Services" in Bad Hofgastein, Austria, some 20 miles from his previous employment as a "bartender."

From 1947 to 1956, under at least nine different aliases -- most notably, "Alfried H. Schwab" -- the one-time SS officer worked for the U.S. Army's CIC (Counter Intelligence Corps), its 430th Detachment (not the 66th as has erroneously been reported), part of the USFA (United States Forces, Austria).

On December 13, 1956, the FOIA-released documents indicate, after months of dickering with even considerations of rehiring Verbelen in the face of open war crimes accusations and trial, the CIC gave him two months pay (\$5,000 Shillings) and discharged him.

Even though the CIC offered Verbelen assistance in getting out of Europe, he declined, went to work for the Austrian secret police, and became an Austrian citizen in 1959. In 1965, he was acquitted of war crimes in Vienna. (In 1947, a Belgian tribunal had convicted him of war crimes.)

Army Records Sought Out

These are the bare bones of the Army documents given to the ADL. Moreover, virtually all media sources to date -- relying on the ADL report -- have carried the Verbelen story to this effect. Sensing a possibly more involved and more-in-depth story, even in the released FOIA documents, the JTA sought out the Army records. This correspondent secured all Verbelen documents released to the ADL by the U.S. Army Intelligence and Security Command in Fort Meade, Md.

(Under law, FOIA materials released publicly become available to other requests for the identical materials particularly when its use is "in the public interest." In behalf of both the Jewish Telegraphic Agency and himself, this correspondent has petitioned the U.S. Army Intelligence and Security Command for the full release of all deleted and excised portions of the Verbelen files on which this JTA special was based.)

Not A Second Barbie Case

A claim in the media that the Verbelen case is the second of its kind to be uncovered since the Barbie matter is incorrect. Specific CIC protective usage of major war criminals well before the Barbie case broke has been documented on several occasions.

Most notably, CIC's Region IV involvement with both using and helping in the escape of Hitler's favorite terrorist, SS Lt. Col. Otto Skorzeny, who gained fame as the daring rescuer of Italian dictator Benito Mussolini and who created the notorious Die Spinnre organization which helped get Nazi war criminals out of Europe until the late 1950's, and was guilty of numerous war crimes, was documented by this writer and the late Glenn Infield. Skorzeny was also used periodically during the 1950-1970's period by the CIA.

Dr. Walter Schreiber, proven guilty of directing experiments on Auschwitz and Dachau inmates, and sentenced to death in absentia at Polish war crimes trials, was employed as a Project Paperclip scientist by the U.S. Air Force. He helped direct its B-W (Bacteriological Warfare) program in 1951-52.

This writer pointed out in articles and on network TV that CIC commands in Europe and the United States helped the Air Force "to resettle Schreiber in Argentina" in 1952. (Actually, those plans were changed. Some 500 CIC/Air Force telexes which this writer studied show that the Nazi SS doctor was instead flown to Paraguay by the U.S. Air Force.)

'Third Agency' Involvement

The ADL, in its statement on Verbelen, invoked Ryan in quite properly calling for a "democratic accountability" in matters of intelligence usage of Nazi war criminals. However, Ryan has frequently said to the media that the Barbie case was the only instance that intelligence agencies used a Nazi war criminal.

Notwithstanding their paucity nor the sharply limited use of the FOIA documents on Verbelen, they do contain internal evidence which are of extreme importance to the issue of Nazi war criminals in the U.S. The documents reveal a Barbie-Verbelen connection. They also specifically show "third agency" involvement -- probably the CIA -- with Verbelen before and after his usage by the CIC.

REPORT NO JEWS KILLED OR WOUNDED IN MOROCCO RIOTS; JEWS FRIGHTENED BY KING'S REMARKS ABOUT A CONSPIRACY BY ZIONISTS AND OTHERS
By Edwin Eytan

PARIS, Jan. 23 (JTA) -- "No Jews seem to have been killed or wounded in the riots" that swept several Moroccan cities over the weekend, the Jewish Telegraphic Agency was informed today by Jewish organizations which have been inquiring into the fate of Jews in that country.

The organizations obtained their information from visitors returning from Morocco. They have not been able to contact their branches there because direct communications with Morocco have been suspended by the Moroccan government since the rioting began.

According to the returning visitors, there was no panic among Morocco's 20,000 Jews but "many Jews were frightened" by the remarks made by King Hassan in a television speech last night in which he blamed the unrest in his country on "a multifaceted conspiracy perpetrated by Marxist-Leninists, Zionist agents and Khomeinists," supporters of the Ayatollah Khomeini of Iran, who, the King said, were trying to sabotage the Islamic Conference being held in Casablanca.

Most reports from Morocco said the riots were triggered by the government's announcement of higher food prices and higher school fees. They occurred in Tetuan, Casablanca and Marakesh. In Tetuan, thousands of unemployed or partly employed persons, joined by highschool students, went on a 48-hour rampage of looting and pillaging in the city's main residential and commercial quarters. As many as 200 were reported killed or wounded by troops and police.

The reports from Tetuan yesterday gave rise to fear for the safety of the city's 200-300 Jews (not 2,000 as inadvertently reported here yesterday). Although no Jews have been hurt, several Jewish-owned shops were among those looted.

U.S. MUM ON MUBARAK'S REMARK THAT CAMP DAVID IS DEAD
By Helen Silver

WASHINGTON, Jan. 23 (JTA) -- The Reagan Administration had no comment today on a remark attributed to President Hosni Mubarak of Egypt that the Camp David accords are devoid of substance because Egypt has already gained what it could from them, the Sinai and the oilfields.

State Department spokesman John Hughes, asked if he had heard from the Israelis about that alleged statement or had spoken to the Egyptians about it, replied that he had no information on the subject.

Mubarak was quoted by King Hassan of Morocco during a press conference in Casablanca last week where the Islamic Conference had agreed to invite Egypt to rejoin that organization. Egypt was suspended after it signed its peace treaty with Israel in 1979.

Meanwhile, the joint U.S.-Israel political-military negotiating group on strategic cooperation met for the first time in Washington today for two days of talks. The American team is headed by Rear Admiral

Jonathan Howe, director of Political-Military Affairs at the State Department. According to the Israel Embassy here, the Israeli team is headed by Menachem Meron, Director General of the Defense Ministry. It includes Hanan Bar-On, Deputy Director General of the Foreign Ministry, and Israel's Ambassador to the U.S., Meir Rosenne. Neither the State Department nor the Embassy would provide details of the agenda.

CONTROVERSY OVER POLICE DISCLOSURE OF PRIME SUSPECT IN GRUNZWEIG MURDER
By Hugh Orgel

TEL AVIV, Jan. 23 (JTA) -- An angry controversy has developed over whether the police should have made public the identity of the man they call the prime suspect in last year's grenade murder of Peace Now activist Emil Grunzweig before he is formally charged.

Attorney General Yitzhak Zamir was sharply critical of the police for holding a live broadcast press conference last Friday at which they claimed to have evidence that Yona Avrushmi is the man who threw the fatal grenade that killed Grunzweig and wounded 10 others on February 10, 1983. Avrushmi, a 28-year-old resident of Ofra on the West Bank, was arrested last week but not charged.

Deputy Inspector General of Police Yehezkel Carty, head of the Criminal Investigation Division (CID), told Israel Radio that the police decided to hold the press conference because of the widespread public interest in the case. There had been growing demands that the police investigating team be replaced because of its lack of results to date.

According to Carty, the media would have learned the suspect's identity in any event and it was preferable that the arrest be announced by the police. The press conference was presided over by Interior Minister Yosef Burg.

Complaint Of Widespread Publicity

But the Civil Liberties Union and a number of prominent lawyers have complained that the widespread publicity may compromise a fair trial for Avrushmi. Zamir however, did not question the legality of the press conference, only its propriety. Former Supreme Court Justice Haim Cohen agreed that no legal principles were violated but said the publicity was "unwise and premature."

Avrushmi's lawyer, Ephraim Efroni, has appealed to the Supreme Court to order the police to allow him to visit his client before he is charged. A three judge panel is expected to rule on the appeal later today.

According to Efroni, his client has complained of police brutality during interrogation. He said he was made to sit on a hot stove and then taken out of doors into the cold. He was also not allowed to change his clothes until he soiled himself and was not given a mattress or allowed to lie down, the lawyer said.

The police claim to have a tape recorded conversation in which Avrushmi confessed to an undercover agent that he had thrown the grenade. But Maariv today quoted Avrushmi's former wife as saying he was with her at the time and both had watched the television report of the grenade throwing minutes after it occurred. The Civil Liberties Union said this sort of conflicting evidence was for the courts to hear, not for the public before trial.

MOBUTU TO VISIT ISRAEL

By Hugh Orgel

TEL AVIV, Jan. 23 (JTA) -- Zaire President Mobutu Sese Seko has accepted an invitation to visit Israel, according to Israeli reporters accompanying Israeli President Chaim Herzog on his state visit to Africa.

The invitation was extended and accepted at a meeting between the two Presidents yesterday, as Herzog wound up his five-day visit to Zaire. No date for the Mobutu visit has yet been set.

Herzog is to leave Zaire today for a short state visit to Liberia, where he will hold talks with President Samuel Doe, receive an honorary law degree and tour an army barracks and a large rubber plantation.

Herzog is scheduled to return to Israel on Wednesday, to meet West German Chancellor Helmut Kohl who will be in Israel on an official visit.

CONVENTION ON EAST EUROPEAN JEWISH HISTORY HELD IN TURIN

By Lisa Palmieri-Billig

ROME, Jan. 23 (JTA) -- The city of Turin will be peacefully "overrun" by scholars on Judaism today and tomorrow during an international convention on "The Jews of Eastern Europe: From Utopia to Revolution" covering the period between 1897 and 1947.

The convention was organized by the Turin Jewish community and the history department of Turin University, and sponsored by the Piedmont regional government and the regional and provincial departments of culture. Scholarly papers by specialists such as Nora Levin, Israel Getzler, Jonathan Frankel, Victor Zaslavsky, John Bunzl and David Meghnagi will be delivered, as well as personal recollections by Holocaust survivors.

The planning of this first convention was entrusted to Marco Brunazzi, head of Turin University's Gaetano Salvemini Historical Institute, and Meghnagi, a psychoanalyst with a solid background in Jewish studies based on his recent, youthful past as a rabbi in Tripoli before he emigrated to Rome.

Basic Premises Of The Convention

Asked by the Jewish Telegraphic Agency to explain the basic premises of the convention, Meghnagi said:

"It started out with the request for a panel discussion in commemoration of the Warsaw Ghetto uprising, which I felt was not sufficient. Memory and history regarding Jews often contradict each other. Our fantasies are fogged over with prejudices. As Simone Weil (former President of the European Parliament) said, 'The problems of the past must be re-kindled in order to understand the present.' The Christian world has completely forgotten what the Jewish reality was before Auschwitz."

Continuing, Meghnagi said: "For example, at the Warsaw Museum no section has been set aside for the Jews of that city, even though before the war one in every four citizens was Jewish. Revisiting this population, this territory, by re-evoking and reanalyzing its past, will permit Europe to understand itself better."

The point of departure for Meghnagi is that the end result of the three main ideological movements of the late 19th century -- Socialism, Jewish nationalism and Zionism, and the Jewish Enlightenment -- all aimed at obliterating the Jewish character of the

diaspora communities as an integral part of their vision of solving "the Jewish problem."

This old thesis, which is the last thing Jews want today, Meghnagi noted, must be rethought in terms of contemporary needs and in terms of the interrelationships between the diaspora, Israel and the world at large.

"It is possible to learn more from a period of crisis than from a period of continuity," he said. "We are living through such a period now, and in the crisis of our collective memory, of our fantasies, we find that the old identity has been lost and a new one has yet been constructed."

ISRAEL WILL NOT BE REPRESENTED AT THE ANNUAL BOOKFAIR IN CAIRO

JERUSALEM, Jan. 23 (JTA) -- Egyptian officials said Israel will not be represented at the annual bookfair opening in Cairo Thursday for lack of space, according to reports from Cairo today. It will be the second consecutive year that Israel is absent from the event.

According to the reports, the Egyptians say Israel was invited but was late in responding and by then no more stalls were available. But diplomatic sources hinted a political motive. Only last Thursday, the Islamic Conference, meeting in Morocco, agreed to invite Egypt to resume its membership. Egypt had been suspended when it signed a peace treaty with Israel in 1979.

Israel was banned from last year's Cairo bookfair to protest its invasion of Lebanon in June, 1982. The normalization process between Cairo and Jerusalem has been frozen since then. Egypt has not returned its Ambassador to Tel Aviv. President Hosni Mubarak was quoted by King Hassan of Morocco over the weekend as saying that "For Egypt, Camp David is dead" because Egypt has gained what it wanted -- recovery of Sinai and its oil.

TEL AVIV (JTA) -- Labor unrest continued to spread Monday. The 3,500 engineers employed at Israel Aircraft Industries (IAI) -- a major employer -- stayed away from work Sunday and are threatening to halt all overtime work unless they receive a new wage scale. The engineers union said the strike is only the first in a planned series of work stoppages by the engineers. Meanwhile, the country's 2,000 railway workers and Defense Ministry employees who handle payments to suppliers are also continuing their work stoppage, now in its second week.

TEL AVIV (JTA) -- Unrest is reported from Shiite villages in south Lebanon following widespread detentions and searches by the Israel Defense Force in the area between Tyre and Nabatiya where 11 attacks against Israeli soldiers took place last week. Shiite religious leaders have reportedly instructed their followers to observe a general strike against the IDF because of what they charge is "harassment." Meanwhile, two remote-controlled explosive devices were discovered by IDF units in south Lebanon Sunday. Both were defused by army engineers before they did any damage.

TEL AVIV (JTA) -- An Israel Defense Force soldier was slightly wounded in Lebanon Sunday when light arms fire was directed at an army outpost from a passing car near Tibnin.