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HUNGARY RE-ESTABLISHES FULL TIES WITH ISRAEL, ENDING 22-YEAR BREACH

By Ruth E. Gruber

BUDAPEST, Sept. 18 (JTA) -- Hungary re-established full diplomatic relations with Israel on Monday, ending a 22-year-old breach dating from the 1967 Six-Day War.

All East bloc countries except Romania severed relations at the time.

Hungary, the first to restore full relations, acknowledged Monday it had been a bad mistake to break with Israel in the first place.

Israeli Foreign Minister Moshe Arens, who flew secretly into Budapest at dawn, and Hungarian Foreign Minister Gyula Horn signed "a protocol on the re-establishment of Hungarian-Israeli relations" in ceremonies at the Foreign Ministry, the official Hungarian news agency, MTI, announced.

Arens called it "a historic step in the right direction."

MTI quoted Horn as saying the resumption of full diplomatic relations with Israel signifies that Hungary is discarding past mistakes and is further proof of its new reformist thinking.

The two countries will exchange ambassadors. Jerusalem announced Monday that Shlomo Merom, who has headed the Israeli interests section here since it was established 18 months ago, will be the new envoy.

Merom, who already holds the rank of ambassador, will present his credentials shortly.

Hungary is expected to send a ranking diplomat to serve as its ambassador in Tel Aviv.

Horn was quoted as saying that "Hungary is against confrontation, endorses dialogue and wants good relations with all countries based on mutual advantage."

Referring to the resumed ties with Israel, he stressed that "this step is not aimed against anybody and will probably be helpful in solving the Middle East conflict."

Rumors As Early As 1983

But according to Merom, the Hungarian decision was a blow to persistent Arab diplomatic efforts to isolate Israel on the world scene. He noted, nevertheless, that the two countries have not altered their divergent views of the Middle East conflict.

Arens was accompanied at the signing ceremony in Budapest by Yeshayahu Anug, deputy director general of the Foreign Ministry, and Salai Meridor, his political secretary.

In Washington, the U.S. State Department said it was pleased that Hungary and Israel had decided to re-establish full relations. "We hope that other members of the Warsaw Pact will follow Hungary's lead," said department spokeswoman Margaret Tutwiler.

The restoration of Hungarian-Israeli ties was long in coming. There were reports as early as April 1983 that Hungary was secretly negotiating economic relations with Israel.

Israeli officials refused to confirm or deny the rumors, but trade eventually materialized. Hungarian exports to Israel reached \$8.5 million this year, and imports totaled \$9 million.

The creation in 1988 of Israeli and Hungari-

an interests sections in Budapest and Tel Aviv was a first step toward normalization.

Interest sections, the lowest level of diplomatic representation, were established at about the same time by Israel and Poland.

Israel and the Soviet Union have exchanged consular delegations. But normal diplomatic relations are not imminent.

According to Merom, Hungary's decision to go all the way was "not against the wishes" of the Soviet Union. He thought it might serve as a precedent for other East bloc countries.

An inkling that something might be in the wind with Hungary came on April 17, when Israeli Prime Minister Yitzhak Shamir made a one-day, unexpected and unannounced visit to Budapest.

Life Easier For Hungary's Jews

Deputy Foreign Minister Istvan Oszi told the Jewish Telegraphic Agency a few days ago that "no doubt our target is to establish diplomatic relations." He gave no indication, however, how soon it would happen.

One of the reasons Hungary wanted full relations with Israel, Oszi said, is that "there are lots of Israelis of Hungarian origin." He added, "Their problems cannot be fully dealt with without full diplomatic relations."

The resumption of diplomatic relations will affect Hungary's Jewish population, which is estimated to be between 80,000 and 100,000.

Uri Gordon, head of the Jewish Agency's Immigration and Absorption Department, said he was expecting some 300 olim from Hungary by the end of the year.

But for the majority of Hungarian Jews who will remain, life has become easier in the last two years of reform-minded Communist leadership.

"In the past few months, the whole system has changed," said Ilona Seifert, secretary-general of the Central Board of Hungarian Jews.

"We have very close relations with Israel now," she said.

The World Jewish Congress opened an office in Budapest in July, and on Sept. 8, the American Jewish Joint Distribution Committee officially reopened its office here, after an absence of more than 30 years.

(JTA Jerusalem Bureau Chief David Landau contributed to this report.)

RABIN RETURNS FROM CAIRO MISSION TO FIND GOVERNMENT SHARPLY DIVIDED

By David Landau

JERUSALEM, Sept. 18 (JTA) -- Egypt is prepared to bring Israelis and Palestinians together for a dialogue to facilitate elections in the West Bank and Gaza Strip, Defense Minister Yitzhak Rabin said Monday night.

He spoke on his return from a one-day visit to Cairo that has thrown Israel's domestic politics into turmoil.

Rabin told a news conference at Ben-Gurion Airport that he and President Hosni Mubarak, who initiated the meeting, agreed that Egypt would organize the dialogue, subject to the prior approval of the Israeli Cabinet.

The dialogue would be aimed at deciding the ground rules for the Palestinian elections, which

Israel proposed this spring as part of a two-phase plan to end the conflict between Israelis and Palestinians.

The elections would produce Palestinian representatives with whom Israel would negotiate self-rule in the West Bank and Gaza Strip, and eventually the final status of the territories.

The preliminary Israeli-Palestinian dialogue was one of 10 points Mubarak suggested in a paper aimed at advancing the Israeli peace plan.

Egypt will now try to facilitate the dialogue, Rabin said, by proposing the members of the Palestinian delegation, after "coordination with various parties," Rabin said.

If Rabin's one-day trip to Cairo achieved an understanding with the Egyptians on these matters, it widened the deep rift between his own Labor Party and Prime Minister Yitzhak Shamir's Likud bloc over how the conflict could and should be resolved.

Next Round In New York

During three hours of meetings with Mubarak, mainly at the president's residence in the Cairo suburb of Heliopolis, Rabin said he spoke frankly about the differences in the Israeli Cabinet over key points.

He said no Israeli decision could be expected for two or three weeks. And first, there would have to be further Israeli-Egyptian discussions to clarify the details of what Egypt is proposing.

He suggested that Mubarak might hold talks with Israeli Vice Premier Shimon Peres of Labor and Foreign Minister Moshe Arens of Likud. All three men will be in New York next week, where Mubarak and Arens will be addressing the 44th U.N. General Assembly session.

Likud and Labor are severely at odds over whether Rabin should have gone to Cairo at this time.

On Saturday night, Shamir, Rabin, Peres and Arens met for the third time in a week and failed to reach agreement on an Israeli response to Mubarak's 10-point paper proposing terms and conditions for the Palestinian elections.

The following day, on the eve of Rabin's departure, the Likud ministers of the Cabinet convened and proclaimed their rejection of the 10-point paper.

Likud flatly rejects the Mubarak paper, because it speaks of trading land for peace and because it would allow Arab residents of East Jerusalem to participate in the elections. Labor is more flexible on both points.

Likud also is opposed to international supervision of the elections and the withdrawal of the Israel Defense Force from the immediate vicinity of the polling stations, both proposed by Egypt.

Rift Over Delegation's Composition

But it is the question of Palestinian representation in preliminary talks with Israel that immediately threatens the survival of Israel's national unity government.

Egypt, reportedly with U.S. backing, is canvassing a delegation that would comprise mainly leaders of the West Bank and Gaza Strip, but would also include two Palestinians from the "Diaspora."

The two would likely be Palestinians deported by Israel from the territories who have informal links to the Palestine Liberation Organization.

PLO leader Yasir Arafat has reportedly signaled that he would be prepared to accept the 10-point Egyptian paper if such an accommodation

could be made.

Likud officials have blasted the idea, pointing out that the guidelines establishing Israel's current unity government specifically rule out negotiations with the PLO.

Rabin told reporters the delegation, in his view, would be composed "mainly of Palestinians from the territories." But he refused to be drawn by reporters into a public argument with Likud.

In the Knesset, meanwhile, Labor members managed to get the 20 signatures needed to call the legislative body out of recess for a special session to discuss the quickening pace of the peace process.

Likud whips, apparently not consulted, reacted angrily. They denounced "Labor's acquiescence in talks with the PLO."

Several Likud ministers spoke ominously of the government's likely downfall. Ronni Milo, the minister of environmental protection and a close confidant of Shamir's, warned that a "very serious crisis" hangs over the unity government.

ON THE TIRED STREETS OF HEBRON, LITTLE HOPE OF PEACE BREAKTHROUGH By Gil Sedan

HEBRON, West Bank, Sept. 18 (JTA) -- Despair and indifference. They seemed to sum up the attitude of Palestinians in this ancient town while talks that could directly affect their lives were taking place in Cairo.

The talks Monday were between Defense Minister Yitzhak Rabin, the second ranking Labor Party member of the government, and Egyptian President Hosni Mubarak.

They met to discuss the Israeli proposal for Palestinian elections in the West Bank and Gaza Strip. Egypt is prepared to play a key role in bringing Israelis and Palestinians together.

But the elderly men lounging on straw chairs in an alley near the Tomb of the Patriarchs saw nothing new under the sun.

"Forget about Sadat, Mubarak or any other Arab leader. None of them will bring about peace because Israel does not want peace," one of them said.

Another agreed that as long as Prime Minister Yitzhak Shamir "does not want peace, there will be no peace."

A younger man, clean shaven in his early 40s, foreswore political solutions.

"It says in our Koran that peace on earth will only prevail once the state of Islam is erected. Therefore, as long as this does not materialize, forget about peace," he said.

In Ramallah, north of Jerusalem, Jamal Tariqi, a successful Arab businessman, analyzed the situation differently than his Hebron fellows.

"If Rabin is clever, he should use the opportunity and declare that he is ready to sit with (Yasir) Arafat and reach a deal," Tariqi said, speaking of the Palestine Liberation Organization leader.

He predicted such a scenario would lead to "an immediate breakthrough."

Perhaps the clearest thinker in the West Bank is one of its oldest politicians, Elias Freij, who has been mayor of Bethlehem since 1967.

He has just returned from Tunis, where he urged the PLO leadership to accept the Israeli election plan with Mubarak's conditions and to give local residents the green light to negotiate with Israelis over the elections. Freij said it was too early to tell whether he had succeeded.

**POLICE FOIL PLANNED ATTACK ON BUS
BY ARRESTING WEST BANK PALESTINIAN**
By Hugh Orgel

TEL AVIV, Sept. 18 (JTA) -- An attack on a Jerusalem-bound passenger bus was averted by the arrest of a 21-year-old West Bank Palestinian early Sunday morning at Tel Aviv's central bus station.

According to a police report issued Monday, the suspect confessed he planned to stab the driver and force the bus off the road somewhere en route to Jerusalem.

A police spokeswoman said the suspect admitted he planned the act to mark the seventh anniversary of the massacre of Palestinians in the Sabra and Shatila refugee camps in West Beirut, and "because his brothers were being killed every day in the intifada."

Had the suspect succeeded, it would have been the third such assault in two months on Egged bus route No. 405, which travels daily between Tel Aviv and Jerusalem.

The arrest was credited to a bus security guard who collared the youth because he was acting suspiciously and had tried to force his way onto the bus.

The suspect was brought to a police post in the terminal, where he was asked to empty his bag. According to the police, a commando knife was found wrapped in cloth.

The two earlier attacks led to tightened security and a high state of alert on the route.

On July 6, an Arab passenger wrested the wheel from the driver of another No. 405 bus, plunging the vehicle into a ravine, where it exploded. Sixteen passengers were killed and 27 injured.

On Sept. 9, the driver of a bus on the same route was stabbed in the stomach by an Arab, who was overpowered by other passengers and arrested.

Both incidents have been linked to the Palestinian uprising.

U.S. TO BUY ISRAELI WEAPONS SYSTEM
By Hugh Orgel

TEL AVIV, Sept. 18 (JTA) -- The United States will purchase a highly sophisticated and apparently top-secret weapons system designed and produced in Israel, Moshe Peled, director general of the government's Arms Development Authority, disclosed Sunday.

He said the \$140 million contract will be signed shortly. He would not disclose the nature of the weapons system, except to say it has no equal in the world.

Peled said another \$600 million deal is pending, but gave no further details.

He observed, however, that it is necessary to "sell yesterday's and today's secrets to prepare for those of tomorrow."

He explained that a special committee of the Defense Ministry decides which weapons can be made public and which can be sold abroad to raise revenue for new projects.

Meanwhile, another Israeli defense contractor, Elbit Computers Ltd., announced Sunday that it won a major contract to supply avionics systems for the American Atlas missile.

Elbit would not disclose the value of the contract, but said it beat out an array of international competitors, including the General Dynamics Corp., which manufactures the Atlas.

**SOLIDARITY LEADER SAYS JEWS HAVE RIGHT
TO DECIDE FATE OF CONVENT AT AUSCHWITZ**
By David Kantor

BONN, Sept. 18 (JTA) -- Lech Walesa, head of Poland's Solidarity trade union movement, believes Jews have the right to decide the fate of a convent on the grounds of the former Auschwitz death camp.

He expressed his views to Heinz Galinski, chairman of the Central Council of Jews in West Germany, when they met in Dusseldorf last week.

Walesa, whose movement now shares power with the Communist Party in the new Polish government, was the guest of DNB, the West German trade union umbrella organization, and met with Galinski at DNB headquarters.

He reportedly told the Jewish leader, who is an Auschwitz survivor, that, in his view, Jews have a preferential claim when it comes to resolving the convent dispute.

He said he was ashamed that a dispute had arisen at all between part of the Catholic Church in Poland and the world Jewish community.

Galinski suggested at their meeting that Walesa mediate between the Polish Church and Jewish groups. There was no report of how Walesa responded.

The Catholic Church committed itself to relocate the convent in an agreement signed with Jewish leaders over two years ago that has yet to be implemented.

The dispute has brought Jewish groups from many countries to Poland, mainly to stage protests at the convent.

Galinski will soon lead a delegation of West German Jews to Auschwitz and to other sites in Poland. The trip is to determine how German Jews can best cooperate with the tiny remnant of Jews in Poland.

**EAST GERMAN JEWS URGE GOVERNMENT
TO ESTABLISH RELATIONS WITH ISRAEL**
By David Kantor

EAST BERLIN, Sept. 18 (JTA) -- The editors of Nachrichtenblatt, the official newspaper of East Berlin's Jewish community, published their annual greetings on the occasion of the Jewish New Year on Monday, with one significant deviation from the norm.

They expressed the hope that the establishment of diplomatic relations between East Germany and Israel "will logically unfold."

The message appeared only hours before news reached here that Hungary had become the first East bloc country to re-establish full diplomatic ties with Israel, broken in 1967.

According to observers, it is safe to assume that the Communist Party officials assigned to keep tabs on the tiny Jewish community approved the wording in advance.

The paper noted that the past year was the first in which East German Jews were permitted to observe Israel's Independence Day.

East Germany, facing a mass exodus of its citizens to the West, has a serious image problem.

By alluding to a possible opening toward Israel, the Communist regime may be trying to demonstrate that it is not shutting itself off.

The New Year message appeared in the form of an editorial signed by Siegmund Rotstein, chairman of the community, and his colleagues, Peter Kirchner of East Berlin, Hans-Joachim Levy of Magdeburg and Raphael Scharf-Katz of Erfurt.

NEWS ANALYSIS: DESPITE MISGIVINGS, JEWISH GROUPS BACKING CHANGE IN REFUGEE POLICY

By Howard Rosenberg

WASHINGTON, Sept. 18 (JTA) -- U.S. Jewish groups are generally supporting the Bush administration's decision to process all Soviet refugees in Moscow, rather than Rome or Vienna, but they find many flaws with the Oct. 1 start-up date.

The new policy should save Jewish relief agencies millions of dollars spent on housing Soviet Jews in Rome while they await permission to enter the United States as refugees.

It will also likely bring an end to the government's practice of denying refugee status to some Soviet Jews, which has been harshly criticized by some members of Congress as a betrayal of the longstanding U.S. pledge to help rescue Soviet Jewry.

Under the Refugee Act of 1980, refugee status is accorded to those who can demonstrate a "well-founded fear of persecution" in the country of their origin. Those granted refugee status automatically receive U.S. government funds for transportation and initial resettlement.

Both houses of Congress have now passed legislation that would give Soviet Jews, Evangelicals and various Indochinese nationals the presumption of being entitled to refugee status, although it has not yet been approved in final form.

The issue, however, may now be moot. Attorney General Dick Thornburgh issued a directive last week that orders Immigration and Naturalization adjudicators in Rome to "immediately re-evaluate" cases in which refugee status has been denied.

17,000 Jews 'In The Pipeline'

Thornburgh's directive apparently paves the way for U.S. adjudicators to grant refugee status to the 20,000 Soviets currently in the "Rome-Vienna pipeline," most of whom are Jews.

The Jews leave the Soviet Union on Israeli visas, arrive in Vienna and then decide whether to go on to Israel or "drop out" and settle elsewhere. Those who wish to settle in the United States are sent to Rome to apply for refugee status.

Among 17,000 Jews in the pipeline are 4,000 Soviets who have already been refused refugee status, and 400 who have been refused again on appeal, said Mark Talisman, Washington representative of the Council of Jewish Federations.

Thornburgh's directive applies just to Italy. It remains to be seen how selective immigration authorities will be in Moscow.

The U.S. announcement to move the processing site resolves one of two unprecedented strains Jewish federations have faced this year in coping with U.S. refugee policy.

Under the new system to be set up in the Soviet capital, Soviet Jews and other applicants for U.S. refugee status will live at home while their applications are adjudicated at the U.S. Embassy in Moscow.

This will mean that Jewish relief agencies supported by the federations will no longer have to provide housing to Soviet Jews in Rome.

But the federations will still have to spend millions for domestic refugee resettlement. Jewish federations match every federal dollar spent on domestic resettlement with two or more times that amount.

The Hebrew Immigrant Aid Society has expressed reservations about the Moscow processing plan. But Karl Zukerman, its executive vice president, said, "If we had a capacity in (the Soviet Union) to move people out rapidly, without a backlog, it would be worth taking a risk."

HIAS will discuss opening shop in Moscow with a working group to be set up by the administration and private groups to work out the logistics of the new policy.

More Adjudicators Needed

One big concern of Jewish groups is whether the Justice Department will provide enough adjudicators to process the backlog of 40,000 applicants for U.S. visas currently in Moscow.

U.S. officials told Congress last week that the number of INS adjudicators would be increased on Oct. 1 from three to six.

But Talisman said the administration would need to place at least 50 adjudicators to handle the current backlog. He said there are plans to send an additional 22, possibly followed by 25 more.

Perhaps the biggest "what if" of the new U.S. policy is its assumption that the Soviet parliament, the Supreme Soviet, will radically revise its emigration laws next spring, as promised, to permit large numbers to immigrate directly to the United States.

At present, the Kremlin largely confines Jewish emigration to just one country, Israel, a policy it justifies as repatriation of Jews to their homeland.

When asked if the Soviet government has assured the Bush administration that it would allow large numbers of Soviet Jews to emigrate to the United States, Max Robinson, U.S. consul general at the embassy in Moscow, told the Jewish Telegraphic Agency last week, "Oh no."

Robinson said, "At the present moment, they are showing a lot of flexibility in granting people exit permission." The Bush administration is counting on the Soviets to extend that flexibility to immigration to the United States.

Competition For 1990 Slots

A final concern Jewish groups have with the administration's new policy is the refugee ceiling it has set for the 1990 fiscal year. The quota of 50,000 refugees from the Soviet Union is expected to be exhausted by those who have already applied to immigrate either to the United States or to Israel.

Competing for those 50,000 slots will be:

- 20,000 Soviets in Rome or Vienna, who have dropped out of their intention to immigrate to Israel;

- 35,000 Soviets, mainly Jews, holding Israeli visas who have yet to leave the Soviet Union but are expected to enter the pipeline within the next few weeks;

- 30,000 to 40,000 Soviets already in line at the U.S. Embassy in Moscow awaiting visas, only a few thousand of whom are Jews; and

- 100,000 additional Soviets expected to apply at the U.S. Embassy in the coming year, none of whom will apparently be able to enter as refugees for at least another year.

Based on the expected backlog in Moscow through the next 12 months, a growing number of Jews are expected to immigrate to Israel. So while U.S. Jewish groups remain critical of the logistics of the Bush plan, Israeli officials are warmly endorsing it.