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ISRAEL DENIES REPORT IT COOPERATED WITH SOUTH AFRICA ON NUCLEAR ARMS By Hugh Orgel

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TEL AVIV, Oct. 26 (JTA) -- Israel's Defense Ministry has vigorously denied an NBC News U.S. Congress, Israel's Inner Cabinet agreed in report Wednesday night that Israel and South nuclear weapons and ballistic missiles.

"There is no truth whatsoever to NBC's report made last night on the alleged links between Israel and South Africa in the nuclear field," the ministry said in a statement issued Thursday.

But The Washington Post reported Thursday that "knowledgeable U.S. officials" have confirmed the essence of NBC's story.

The report, broadcast on the "NBC Nightly News" program, said that Israel has shared advanced missile technology with South Africa in exchange for a steady supply of uranium for its nuclear weapons program.

NBC credited unnamed Pentagon sources and a U.S. intelligence document for information that "Jerusalem is in 'full-blown partnership' with Pretoria to produce a nuclear-tipped missile for South Africa."

NBC also claimed that the first long-range missile built with technology acquired from Israel was launched and flown by South Africa on July

In Washington, White House spokesman Marlin Fitzwater said Thursday, "We've seen the reports of that involvement, and we are looking into the facts and issues raised by these reports as best we can."

Fitzwater, pointing out that Israel has denied the reports, said, "We don't have any conclusions at this point."

At the State Department, spokeswoman Margaret Tutwiler said, "We do not comment on intelligence reports."

U.S. Denies Baker Knew Of Deal

Nor would she comment on NBC's story, except to say that its allegation that Secretary of State James Baker "has full knowledge of the missile deal" is not true.

Noting that the U.S. ambassador in Israel, William Brown, has discussed similar reports on missile and nuclear proliferation with the Israeli Defense Ministry, Tutwiler said she assumed this latest report would also be raised by Brown.

Both the State Department and the White House strongly reiterated U.S. opposition to the proliferation of ballistic missile technology and nuclear weapons.

NBC described Urdan Industries Ltd., an Israeli firm outside Tel Aviv, as "the front company transferring the missile technology" to South Africa.

Urdan denied Thursday that it had any connection with South Africa or any other country in the production of missiles.

Meanwhile, Prime Minister Yitzhak Shamir and other ministers on Thursday repeated Israel's longstanding assertion that it would not be the first to introduce nuclear weapons into the Middle East.

Industry and Trade Minister Ariel Sharon

told Israel Radio that the Inner Cabinet had an exhaustive discussion of Israel's nuclear policy sand was also united in its commitment not to do business with South Africa.

Facing the possibility of sanctions from the March 1987 to phase out military cooperation with Africa are collaborating in the development of South Africa, but said it would not abrogate existing contacts.

> The Defense Ministry reiterated Thursday that Israel is adhering to that decision, "which states that no new defense contract between Israel and South Africa shall be signed."

> Sharon, meanwhile, accused advocates of sanctions against South Africa of hypocrisy.

He claimed on Israel Radio that most countries vocally in favor of boycotting South Africa are, in fact, dealing with it clandestinely.

The hard-line minister also seemed to be saying that South Africa is a truly loyal friend of Israel.

"We must remember who our friends are: those who stood by us when the going was tough, while some of those countries which claim to be our greatest friends have let us down in the past," he observed.

(JTA correspondent David Friedman in Washington contributed to this report.)

MITTERRAND PROPOSES E.C. INITIATIVE ON MIDEAST WITH ARAB STATES AND PLO By Edwin Eytan

PARIS, Oct. 26 (JTA) -- France is planning on launching a major initiative between the European Community and the Arab states in order to establish a joint policy on the Middle East conflict with the participation of the Palestine Liberation Organization, but not Israel.

President Francois Mitterrand, in an astonishingly strong anti-Israel statement, announced Wednesday night that he will convene a Euro-Arab conference for that purpose in Paris in December.

French sources said the 12 E.C. member states would attend, along with 22 Arab states and organizations, including the PLO. But the conference, by its very nature, excludes Israel.

Jewish reaction so far as been muted but deeply concerned.

Mitterrand dropped his bombshell in the course of an address to the European Parliament in Strasbourg, the E.C.'s legislative body.

At the same time, the French president, who has been considered a strong friend of the Jews and Israel, expressed anger and disgust with Israel's treatment of the Palestinians in the West Bank and Gaza Strip, in some of the harshest terms ever used by a Western leader against Israel.

"What is taking place on the West Bank has lasted enough. It should not take place any longer," he told a stunned chamber.

"Whatever the dialectic used, nothing can excuse this continued repression, which consists of give-and-take between . . . the one who kills and the one who is killed," Mitterrand declared.

He reasserted France's traditional policy of support for Israel's right to exist within safe, recognized borders.

But "the Palestinian people has just as justified a right to its homeland, on which it should be able to erect the structures of its own choice," the French president added.

He said he wants the European Community to deal with this issue, and therefore decided to convene the joint conference with the Arabs to work out arrangements for the Middle East and hammer out a joint Euro-Arab policy.

Dramatic Turning Point

Israeli circles here and Jewish organizations privately described Mitterrand's address as a major, and even dramatic, turning point in Franco-Israeli relations that could have far-reaching consequences.

France is not only a major partner in the E.C. but, as current holder of its rotating chairmanship, exerts additional political and economic influence.

France's tenure ends on Jan. I, when it will be replaced by Ireland.

Jewish circles fear that the French position will have added impact because of Mitterrand's personal prestige and because many of France's E.C. partners hold very similar views on the Middle East, although they have not expressed them in such stark terms.

Moreover, there is fear among Israeli diplomats here that a joint European stand on this issue will influence American public opinion and the Bush administration's policy toward Israel.

The last serious break between France and Israel occurred in 1967, when President Charles de Gaulle imposed a military embargo on Israel after the Six-Day War.

Franco-Israel relations were also very cool during the Lebanon war.

WHITE HOUSE SAYS BUSH LIKELY TO MEET WITH SHAMIR NEXT MONTH By David Friedman

WASHINGTON, Oct. 26 (JTA) -- The White House eased doubts Thursday that President Bush would meet with Israeli Prime Minister Yitzhak Shamir when he comes to the United States in November.

"It hasn't yet been determined or scheduled," White House spokesman Marlin Fitzwater said. "That's probably likely, I think, it just hasn't been worked out."

Shamir, who is coming to the United States to address the annual General Assembly of the Council of Jewish Federations in Cincinnati on Nov. 16, had been expected to meet with Bush the day before.

But after Shamir had denounced Secretary of State James Baker's five-point proposal for Isracli-Palestinian talks in Cairo, there were indications that Bush might refuse to see Shamir.

At the same time, there were hints from Jerusalem that Shamir might cancel his U.S. trip, not only because of difficulties with the Bush administration, but also to avoid public clashes with some Jewish leaders who had urged him to be more flexible.

Fitzwater denied that the White House was using the meeting to achieve more compliance from Shamir.

But a week of acerbic exchanges between the administration and Israel appeared to end Monday night, when Baker received a letter from Israeli Foreign Minister Moshe Arens accepting the U.S. proposals, but with two reservations. The first objection was that Israel wanted assurances that it would not have to negotiate with the Palestine Liberation Organization.

The second was that the Cairo talks deal only with Shamir's proposal for elections in the West Bank and Gaza Strip, in which Palestinians would select representatives to negotiate with Israel for autonomy.

State Department spokeswoman Margaret Tutwiler said Thursday that Baker had completed his review of Arens' proposed changes.

"He knows what he thinks about it," she said, but would not reveal what conclusions he has made. She said he was continuing to discuss his proposals by telephone with Arens and Egyptian Foreign Minister Esmat Abdel Meguid.

Baker told a news conference Wednesday that while he would review Arens' suggestions, he believed his five points were a "reasonable" way of bringing about the elections proposed by Israel.

He warned that if changes were made to meet Israeli concerns, the matter would drag on, since the other side might also ask for changes.

HARSHER MEASURES FOR IDF SPLIT KNESSET COMMITTEE By Gil Sedan

JERUSALEM, Oct. 26 (JTA) -- The Knesset Interior Committee is split along ideological lines over the refusal of Police Inspector General David Kraus to adopt tough measures used by the Israel Defense Force when the intifada spills over into East Jerusalem.

Kraus made clear to the committee this week that he will not order the police to emulate recent IDF orders to shoot any masked Palestinians, whether or not they are committing overt acts of violence.

Masked men are believed to be responsible for instigating disturbances and killing fellow Palestinians suspected of collaborating with Israeli authorities.

But Kraus argued that while the IDF operates in the administered territories, the unified city of Jerusalem is sovereign territory of Israel, where military rule does not apply.

The subject was raised in the Knesset committee after a recent wave of violence in East Jerusalem that culminated in a day of riots in the center of town.

Right-wing Knesset members are pressing the police to adopt tougher methods.

Yehoshua Saguy of Likud, a former chief of military intelligence, proposed that the police use "hunting rifles, drugged arrows and dogs to seize the rioters."

Labor Knesset member Eli Dayan retorted wryly, "Soon we shall hear of poison arrows."

Kraus insisted that he saw no point in adopting any IDF techniques to fight the intifada. He rejected proposals to use plastic bullets against rioters. "If we have several casualties, will this calm down the situation?" he asked.

Meanwhile, a coterie of right-wing activists demonstrated Wednesday outside the Justice Ministry, demanding a trial for four prominent Palestinians whom they described as "leaders of the intifada."

They named Faisal Husseini, a respected Jerusalem intellectual; Dr. Sari Nusseibeh, a lecturer at Bir Zeit University; Raduan Abu-Ayyash, chairman of the Palestinian Press Association; and Elias Freij, the veteran mayor of Bethlehem, who has long preached coexistence.

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CONGRESS CONSIDERING LOAN FUND TO REPLACE U.S. AID TO REFUGEES By Howard Rosenberg

WASHINGTON, Oct. 26 (JTA) -- U.S. Jewish groups are grappling with a radical proposal to replace government aid to Soviet and other refugees with a "revolving loan fund" that recipients would replenish.

Such a government loan fund, reminiscent of the Hebrew Free Loan Society that helped pay for many Jews to immigrate to the United States decades ago, would likely parallel the Guaranteed Student Loan program.

The proposal, floated by Sen. Howard Metzenbaum (D-Ohio), would not go into effect this fiscal year, because it would involve restructuring the entire refugee program, said Ellen Witman, associate Washington representative of the Council of Jewish Federations.

Since federal funds would be needed primarily for the start-up costs of the fund and for costs of U.S. personnel to process refugee applications, it could save the government millions of dollars now spent on transporting refugees and aiding their initial resettlement.

Such savings could lead to a dramatic increase in the number of Soviet Jewish refugees admitted to the United States. This fiscal year, which began Oct. 1, the U.S. quota on all refugees from the Soviet Union is 50,000, though many times that number are expected to seek

Under the plan, working-age refugees would be required to pay back their loans, with exemptions or special treatment possibly given to the young, elderly and handicapped, said Nancy Coffey, Metzenbaum's spokeswoman.

Concern About Inequities

Phillip Saperia, assistant executive vice president of the Hebrew Immigrant Aid Society, said he would object to seeing the current refugee program become essentially loan-based.

Saperia expressed a community relations concern, that Jews could face "negative fallout" from a complete overhaul of the refugee program. He said an argument could be made that because of a greater demand by Soviet Jews to emigrate, "suddenly the refugee program becomes a loan program."

He added that a loan program could "perpetuate inequities" between refugees from different countries. For example, a Soviet Jewish doctor might be "in a better position to get in" than a refugee from elsewhere, he said.

"Our people (Soviet Jews) by and large are more capable of entrepreneurship," which could lead policy-makers to give a "leg up to one group and not to another," Saperia argued.

Witman of CJF agreed with Saperia that the United States should not "bar people from coming who qualify as refugees simply because they are not a good loan risk." She expressed confidence that Metzenbaum would issue many exemptions for loan repayment.

But Metzenbaum's spokeswoman said that, with the exception of the young, elderly and handicapped, it would be "inappropriate to say certain kinds of people pay and some do not."

An alternative being explored by Rep. Stephen Solarz (D-N.Y.) would preserve governmentfunded refugee slots, but would use the loan program to allow additional refugees to enter the United States once the quota had been exceeded.

Congressional action on legislation by Metzenbaum or Solarz is not expected until next spring at the earliest.

But Congress may act sooner on a proposal by Rep. Charles Schumer (D-N.Y.) to allow additional refugees to enter the United States this fiscal year by providing them with partial funding.

Under the plan, refugees would receive medical assistance, but not be reimbursed for transportation or other resettlement costs.

Of all components of U.S. government aid to refugees, medical assistance is the "most important" one, Schumer said in an interview Tuesday.

David Harris, Washington representative of the American Jewish Committee, called health insurance a "major obstacle" to those Soviet Jews who enter the United States without government funding.

Soviet Jews, Harris said, are "disproportionately elderly," compared to other refugees, meaning their medical needs are greater than average.

JEWISH GROUP ASKS D.C. COUNCIL TO RESCIND FARRAKHAN RESOLUTION By David Friedman

WASHINGTON, Oct. 26 (JTA) -- The Jewish Community Council of Greater Washington has urged the District of Columbia Council to rescind a resolution praising the drug-fighting work of the Rev. Louis Farrakhan, head of the Nation of Islam.

The JCC issued a statement Thursday that it "is dismayed and deeply disappointed that the D.C. Council approved without debate" the resolution praising the efforts of Farrakhan's group against drugs, and Farrakhan as the group's inspiration.

The resolution was adopted by the D.C. Council on Tuesday night, after its sponsor, Councilman Harry Thomas, presented an unsigned copy to Farrakhan on Monday night during an appearance by Farrakhan before 10,000 persons at a rally held in the D.C. Armory.

Thomas said the resolution was in praise of the efforts by local members of the Nation of Islam to remove drug dealers from two housing projects.

Jim Nathanson, the one Jewish member of the council, abstained in the vote. He was quoted in The Washington Post as saying that while he compared Farrakhan to Hitler, he couldn't "afford to let that Hitler make me cause divisiveness on this city council."

The D.C. resolution was also denounced by the Anti-Defamation League of B'nai B'rith.

"Passing a resolution in favor of Louis Farrakhan, who has a long record of racism and anti-Semitism, makes as much sense as the Louisiana state legislature lauding David Duke for some community service he may have performed," said David Friedman, director of the ADL's Washington-Maryland regional office.

During Monday's event, Abdul Alim Muhammed, a local Muslim leader, said he told Mayor Marion Barry that "when the people see you, weak and afraid, bowing down to the Jews, they will hate you."

The JCC statement noted that the resolution was presented to Farrakhan at a meeting which "publicly excoriated whites in general and Jews in particular."

"In its efforts to combat the evil of drugs, the D.C. Council has unwittingly reinforced the evils of racism and anti-Semitism," the JCC said.

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PLANS UNDER WAY TO PROTECT SITE OF AUSCHWITZ CAMP By Susan Birnbaum

NEW YORK, Oct. 26 (JTA) -- Efforts to preserve the site of the Auschwitz death camp in intended to house a stable for about 80 horses. Poland and the personal effects of the inmates at the camp are now in the planning stages, with expectations that the governments of several nations will foot the bill.

Emissaries of the Ronald Lauder Foundation in New York signed an agreement earlier this month with Kazimierz Smolen, the head of the Oswiecim-Brzezinka Museum, as Auschwitz-Birkenau is officially known, to allow a team of conservation experts to visit the camp to determine what work is necessary.

They were following up on a report made last January by the Lauder Foundation's Polish department chairman, Rabbi Chaskel Besser, that the camp was in serious disrepair.

"The whole site will need preservation, not just the barracks," said Frank Reiss, vice president of the Lauder Foundation, who signed the agreement with Smolen together with Kalman Sultanik, co-chairman of the Lauder Foundation's Auschwitz Preservation Committee.

"That includes gas chambers," said Reiss, who, like Sultanik, is a survivor of several camps.

Explaining that the Nazis had exploded the gas chambers to cover up their deeds, Reiss said, "The difficult task is that modern science does not know how to preserve modern ruins."

Sultanik corrected reports of a planned international campaign. "We are not planning a financial campaign, not an international campaign, no campaign at all -- because a campaign is connected with public relations, and we don't want Auschwitz to be connected with such things," he said.

Both men said there was a desire for the project to be paid for by governments, such as those of West Germany, Austria, the United States, France and Italy.

Expect Polish Cooperation

"We would expect that the Poles would give cooperation, expertise, manpower," said Reiss, emphasizing that the Lauder Foundation would not be paying the bill to preserve the camp.

The endeavor began in April, when Reiss took James Frantz, chief conservator of objects at the Metropolitan Museum of Art in New York, to Auschwitz.

Frantz will return to Auschwitz in December, accompanied by George Wheeler, a specialist in building conservation; Judith Levinson, a conservator at the Museum of Natural History in New York; and Sharon Zelinger, a projector director at the Lauder Foundation.

Frantz noted that the buildings at Birkenau "are in the state of rapid deterioration."

Frantz and Levinson would address themselves to the conservation of shoes, luggage and human hair. No plans have been set for what might be done to preserve them.

Frantz spoke of the problematic aspects of preserving such a site and repeatedly stressed that the issue was one of conservancy, not restoration or refurbishing, "which I think would be a great mistake.

"As for the actual degree of intervention, my own inclination is it be absolutely minimal, and that, indeed, there not be an attempt to restore such items at all," Frantz said.

Smolen, the Auschwitz director, pointed out to Reiss how unstable the barracks were, showing Reiss the Auschwitz construction plans.

The wooden barracks were built on very shallow foundations, from prefabricated panels

Preservation Efforts Applauded

The intended effort to preserve Auschwitz has been applauded by Auschwitz survivors interviewed, although leaders of Holocaust survivor groups expressed hope that the camp would not become a quasi-shrine or even a tourist site. Nobody wanted anything changed.

Dr. Hadassah Rosensaft, chairwoman of the Archives Committee of the U.S. Holocaust Memorial Committee, said it should "certainly" be preserved. "There's no question. It should remain as it is. Nothing should be changed there."

Helen Tischauer, who said she was one of the first women to enter Auschwitz and was the women's camp statistician, said hearing about the restoration was "The best news I ever heard. It's about time. The Polish government did the best it could since 1945."

Professor Rudolf Vrba, whose escape from Auschwitz led to informing the Hungarian Jewish community what awaited them, believes "it should be (preserved). I think it's an important part of the history."

Vrba said that even in 1949, when he was last in Auschwitz, "it looked to me decayed already at that time. I think that everything should be done to preserve the site and to do it professionally."

The restoration project was also described as "delicate" by Sam Bloch, vice president of the American Gathering of Holocaust Survivors.

He suggested a "meeting of minds to see what there is to do."

Menachem Rosensaft, founder of the International Network of Children of Jewish Holocaust Survivors, cited the need to preserve the barrack walls with their scrawled inscriptions, "the last messages of the dead. These must be preserved."

However, he cautioned against any possibility of turning Auschwitz into a shrine or tourist spot. "There is absolutely nothing sacred or anything positive there."

5,000 BEZEK WORKERS ON STRIKE By Hugh Orgel

TEL AVIV, Oct. 26 (JTA) -- More than 5,000 employees of the government-owned Bezek Telephone and Telecommunications Corp. continued a crippling strike Thursday, in defiance of back-towork orders issued by the Tel Aviv Labor Court.

The strike affects only the Tel Aviv area, where overseas telephone switchboards are unmanned and service personnel are not answering calls for repairs and assistance.

AM radio and UHF television transmitters, which Bezek engineers operate for the Israel Broadcasting Authority, are also out, but FM radio and VHF television continue to broadcast.

The strikers are demanding payment of a 6 percent wage increase granted government employees earlier this year, but Bezek management says the company is not subject to the increase.

It contends that the company was established as an independent, self-sustaining corporation, partly to allow it to work out its own salary scales with employees and also to offer higher bonuses for efficiency.