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U.S. AND SOVIET UNION WARN ISRAEL ABOUT SETTTLING OLIM IN TERRITORIES

By David Friedman

WASHINGTON, Jan. 29 (JTA) -- Israel received strong warnings Monday from both the United States and the Soviet Union about settling newly arrived Soviet Jews in the West Bank and Gaza Strip.

In Moscow, the chief Israeli consular official, Arye Levin, was summoned to the Soviet Foreign Ministry and warned by the first deputy foreign minister of the "grave consequences" of settling immigrants in the administered territories, according to reports from Jerusalem.

Later, at a Moscow news conference, the Soviet Foreign Ministry spokesman said an influx of immigrants in the West Bank and Gaza Strip would "expose the Middle East to grave dangers and would jeopardize the peace process."

In Washington, the State Department said the United States had informed Israel that housing the new immigrants in the territories would not help Middle East peace efforts.

"Building settlements or putting even more settlers in the territories is an obstacle to the cause of peace," said the State Department's deputy spokesman, Richard Boucher.

Boucher said the United States expressed its concern to Israel, because "we have seen reports that some of the (Soviet) emigres have chosen to settle in the occupied territories."

With the growing number of Soviet Jews coming to Israel, several American newspapers have focused attention in the last week on those settling in the West Bank.

One report estimated that of 12,056 Soviet Jews said to have come to Israel in 1989, 400 have gone to the West Bank.

Alarm Bells In Arab World

The Israeli government is not openly encouraging Soviet immigrants to make their homes in the West Bank or Gaza Strip. Most who go there do so to join families, because of their own ideological bent or at the urging of West Bank settlers, who have been courting Soviet olim.

But recent remarks by Israeli Prime Minister Yitzhak Shamir have helped create the impression that at least an influential portion of the Israeli government would like nothing better than to see a massive exodus of immigrants to the territories.

Shamir drew criticism from the Bush administration when he told a Likud party meeting in Tel Aviv on Jan. 14 that the increasing Soviet aliyah would lead to a "bigger Israel, a strong Israel, Eretz Yisrael."

This was interpreted in Jerusalem and Washington as advocating the need for the territories to handle the new immigration.

But after the United States called his remarks "not helpful," Shamir told a news conference that he only meant to say that the increased immigration requires a "strong, united Israel."

Nevertheless, the prime minister's remarks have sounded alarm bells in the Arab world, where Arab leaders have stated in recent days that the growing number of Soviet Jews in the West Bank may lead to the ouster of Palestinians living there.

King Hussein of Jordan called the Jewish immigration an "impending danger" in a recent interview with Jordanian reporters. "Whom will these thousands of immigrants replace and what will happen to those who will be replaced by the new arrivals?" he asked.

No Change In Israel Aid Expected

Other Arab leaders and officials of the Palestine Liberation Organization have reportedly been complaining to Soviet ambassadors in the Middle East. The PLO's executive committee was scheduled to meet in Tunis on Monday to discuss the issue.

"We are aware of their concerns," Boucher said Monday of the Arabs.

Boucher also repeated the administration's contention that no U.S. aid is used for the settlements.

"We do not and will not provide U.S. government resources or funds for settlement of immigrants in the occupied territories," he said. "U.S. assistance to Israel is explicitly limited to Israel inside the Green Line."

The United Jewish Appeal, which this month announced plans to raise \$420 million to help resettle Soviet Jews in Israel, has also stressed that the funds for jobs, housing and others forms of assistance will only be used within the Green Line, the border that separates pre-1967 Israel from the territories.

Although the \$1.2 billion in economic aid Israel receives annually from the United States is not earmarked for specific projects, Boucher maintained that the United States can monitor and audit how the funds are spent.

Meanwhile, the 1991 budget submitted to Congress by President Bush on Monday does not contain specific foreign aid allocations. These will be outlined at a State Department briefing Thursday afternoon.

However, Israel is expected to continue receiving its \$3 billion annual allocation, including \$1.8 billion in military aid.

(JTA correspondent Gil Sedan in Jerusalem contributed to this report.)

NEW ISRAELI STATE BUDGET COVERS LESS THAN HALF OF EXPECTED OLIM

By Gil Sedan

JERUSALEM, Jan. 29 (JTA) -- The Treasury submitted a \$32 billion state budget for fiscal 1990 to the Knesset on Monday that underestimates by more than half the number of immigrants from the Soviet Union expected in Israel this year.

The \$900 million earmarked for immigration provides for 40,000 newcomers. By the time the budget was completed, estimates had been revised upward to 100,000.

Finance Minister Shimon Peres said the budget shortfall in absorption costs would have to be made up through overseas loans and the sale of state-owned corporations and commercial bank shares.

Treasury experts said large-scale aliyah has its good and bad sides, as far as the economy is concerned. It is expected to contribute to the surging inflationary trends and mounting unem-

ployment. And absorption costs are likely to increase the foreign debt.

On the positive side, however, the influx of immigrants will boost consumption and nudge the economy back to renewed growth, one of Peres' major goals.

In fact, the finance minister described the budget Monday as "a bridge from the period of economic slowdown to one of economic growth."

Changes In Taxes And Subsidies

But it spells some new hardships for Israelis, established citizens and immigrants alike. The value-added tax will go up, as will the costs of subsidized goods and services, including fuel, water, milk, cigarettes and public transportation.

Parents will have to pay for an extended school day, whereas elementary education until now has been virtually free. Child-support allowances will be reduced, as well.

The Treasury will abolish tax exemptions for students, working women, residents of development towns and workers employed on late-night shifts.

The marginal income-tax rate, now 51 percent, will be reduced. The sales tax will be cut and the Defense Ministry will reduce the number of days of active duty required of reservists.

Peres told the Knesset that the fate of the economy in the next decade would be determined by peace or its absence, the intifada, security needs and the scope of aliyah.

He said the four main goals of the new budget are creating conditions for economic growth, minimizing the government's role in the economy, correcting the imbalance in the distribution of income and absorbing immigrants.

In the past year, the gross national product rose at a per capita rate of 2.5 percent. Industrial production increased by 5.5 percent. The foreign debt went down and tourism picked up.

But the annual inflation rate exceeded 20 percent, foreign investments continued to lag behind needs and unemployment soared to 9 percent.

BUSH CHAMPIONS SECTARIAN CHILD CARE AND VOLUNTARY PRAYER IN THE SCHOOLS By Howard Rosenberg

WASHINGTON, Jan. 29 (JTA) -- President Bush vowed Monday to oppose child-care legislation that prevents parents receiving federal funds from enrolling their children in sectarian programs.

"I will not see the option of religious-based child care eliminated or restricted," Bush said in a speech to 3,200 people at the 47th annual convention of National Religious Broadcasters.

Bush, who has spoken to the largely Evangelical group three times previously, reiterated several of his longstanding positions on such issues as school prayer and abortion.

"There is no denying that America is a religious nation," Bush said. "While God can live without man, man cannot live without God."

Last year, both houses of Congress gave initial approval to child-care legislation. But it was scrapped by lawmakers late in the session, along with a proposed cut in the capital gains tax.

Both versions of the bill would have allowed federal funds to be used for religious-based child-care programs, which pleased Orthodox Jewish groups but disturbed most other Jewish groups.

Bush told the broadcasters that he wants to "ensure that parents, not bureaucrats, are the ones who decide how to care for these children."

Bush has previously said he wants parents seeking child-care services to receive tax credits and has threatened to veto legislation that does not follow that approach.

Speaks Out Against Abortion

On other church-state issues, the president said he continues to support "a belief held by the overwhelming majority of Americans, the right to voluntary school prayer."

He added that he supports a constitutional amendment restoring voluntary prayer. "We need the faith of our fathers back in our schools," Bush said.

Bush did not discuss another church-state concern of Jewish groups, that of the use of school grounds after the school day by religious groups.

Earlier this month, the Supreme Court heard oral argument in a case originally brought by a Nebraska high-school student that may decide the constitutionality of such activity, referred to as "equal access" to school premises.

On abortion, Bush said, "I support the sanctity of life." He added that he supports policies that "encourage adoption, not abortion."

On the separation between church and state, Bush said that since its founding, "America has endorsed, properly so, the separation of church and state, and it has also shown how religion and government can co-exist."

Bush also said that religious figures have been influential worldwide in effecting recent change. For example, he spoke of South Africa and the Philippines, "where the values of church leaders have been a force for democratic change."

In the early 1980s, the Rev. Billy Graham, whom Bush called "one of the Lord's great ambassadors," made a historic trip to Eastern Europe.

Upon returning, Graham "spoke of a movement there toward more religious freedom," said Bush. "Perhaps he saw it before many of us. Because it takes a man of God to sense the early movement of the hand of God," the president said.

Support For Israel Urged

Bush also mentioned that the Soviet Union last year allowed "the first nationwide gathering of Jews since the fall of the czar," as well as the first broadcast of Christmas songs on radio since 1946.

The convention continues through Wednesday, when the Religious Roundtable will hold its ninth national "Christian Prayer Breakfast in Honor of Israel."

Former Attorney General Edwin Meese will be the special guest at the 7 a.m. event. Housing and Urban Development Secretary Jack Kemp is to be recognized at the breakfast as a "Christian statesman friend of Israel."

The proclamation issued at this year's breakfast refers to Jews as "the chosen people of God."

It also decries "a renewed and growing anti-Semitism within America, as well as in other nations," and it expresses concern about "clear indications of a decline of support for Israel in our political, national and media institutions."

The proclamation urges breakfast attendees to make support of Israel a "high priority."

FIRST ACCUSED WAR CRIMINAL IN AUSTRALIA GOES ON TRIAL

By Jeremy Jones

SYDNEY, Australia, Jan. 29 (JTA) -- A 74-year-old resident of Adelaide has become the first person to face prosecution under Australia's new war crimes legislation.

Last week, Ivan Polyukovich was formally charged by the director of public prosecutions with complicity in the murders of more than 850 persons in the Nazi-occupied Ukraine in 1941 and 1942.

He is alleged to have been "knowingly concerned" in the murders of "Jews from the Serniki Ghetto" and the murders of 24 other people, including five children from the villages of Serniki, Alexandrovo and Brodnitsa.

The accused has not yet entered a plea but has denied to the news media that he was implicated in the crimes.

Parliament passed the War Crimes Amendment Act, under which Polyukovich was charged, in December 1988. It has been controversial since its inception.

The measure was the outcome of long campaigning by the Executive Council of Australian Jewry to change the law, so that Nazi war criminals found living in Australia could be brought to justice.

Canada adopted a similar act in 1987 and the British Parliament passed a law at the end of 1989 which allows the prosecution of war criminals in British courts.

But the legislation here provoked a bitter debate. Opponents maintain that the delay in bringing alleged war criminals to trial has made fair trials unlikely.

The Jewish community argued that past governments abrogated morality by failing to take firm action to prevent Australia from becoming a haven for Nazi fugitives.

But while welcoming the legislation, the community has been circumspect in commenting about individuals facing war crimes allegations.

EAST GERMANY CRACKING DOWN ON RIGHT-WING HATE PROPAGANDA

By David Kantor

BONN, Jan. 29 (JTA) -- The East German authorities are cracking down on the dissemination of hate propaganda by West Germany's extreme right-wing Republican Party.

The state prosecution announced Sunday that Republican activist Hans-Rudolf Gutbrodt, 40, is under close surveillance because of his connection with the Munich-based party.

He is suspected of violating the law that prohibits preaching hatred of foreigners, incitement to racism and spreading "neo-fascist" propaganda.

He also has a long criminal record. The prosecutor's office disclosed that Gutbrodt has five convictions as a child molester.

According to Dieter Plath of the prosecutor's office, a search of Gutbrodt's apartment yielded large quantities of outlawed political material, most of it put out by the Republicans.

Gutbrodt attended the recent Republican convention in Rosenheim, Bavaria.

He claimed afterward that the reputedly neo-Nazi party stands an excellent chance with East German voters in the May 6 parliamentary elections.

ALL EYES ARE ON EASTERN EUROPEANS AS U.N. BODY BEGINS ANNUAL SESSION

By Tamar Levy

GENEVA, Jan. 29 (JTA) -- The United States is expected to oppose the usual resolution condemning Israel's treatment of Palestinians in the West Bank and Gaza Strip, which invariably comes up at the annual meeting of the U.N. Human Rights Commission opening here Monday.

But now all eyes are on Eastern Europe.

"It will be interesting this year to watch the way the newly independent Eastern European states will vote on the anti-Israel resolution and to listen to their statements," a diplomatic observer remarked.

The first item on the agenda is "the violations of human rights in the territories occupied by Israel." The Eastern bloc countries have voted in the past with the Arab states and many Third World countries to condemn Israel.

Israel will be defended by its new ambassador, Yitzhak Lior, and by the recently appointed U.S. ambassador, Morris Abram.

Abram stated at a news conference last week that the United States will continue to block one-sided anti-Israel resolutions in the Human Rights Commission, which will be in session to March 9.

He also made clear that the United States will continue to oppose efforts by the Palestine Liberation Organization to gain admission into specialized agencies of the United Nations.

ISRAEL CRITICIZES U.N. FORCE FOR FAILING TO FIND LAND MINES

By Hugh Orgel

TEL AVIV, Jan. 29 (JTA) -- Israel has criticized the United Nations peacekeeping force in southern Lebanon for failure to detect or prevent the planting of land mines that threaten Israeli troops.

Three Israel Defense Force soldiers were injured by land mines last Friday, and two Merkava tanks and a tank transporter were damaged by mine explosions.

Maj. Gen. Yossi Peled, head of the IDF Northern Command, lodged a formal protest with the United Nations Interim Force in Lebanon after an inspection Sunday of the area where the mines detonated.

The mines were planted less than 200 yards from a post manned by members of UNIFIL's Irish battalion, in the vicinity of Beit Yahoun village, in the southern Lebanon security zone.

Amal, the mainstream Shi'ite militia in Lebanon, has claimed responsibility.

Peled charged that the Irish soldiers should have seen the mine-laying but apparently preferred to turn a blind eye to anti-Israel activities.

The IDF has a long record of friction with UNIFIL, which it has frequently accused of failing to interdict illegal armed forces passing through the region it is supposed to secure.

A senior UNIFIL source acknowledged that the mines were laid close to the Irish outpost. He insisted, however, that poor visibility due to rain and mist prevented the soldiers from seeing a distance of 200 yards.

The source said UNIFIL is as much concerned as Israel about land mines, because it uses the same roads as the IDF to bring in supplies.

The IDF, meanwhile, is investigating how the mines got on roads that presumably had been swept for them.

BEHIND THE HEADLINES:**FEDERATIONS TRYING TO JUGGLE NEEDS OF IMMIGRANTS IN BOTH U.S. AND ISRAEL**

By Allison Kaplan

NEW YORK, Jan. 29 (JTA) -- Across the country, leaders of local Jewish federations are pondering how to respond to Israel's urgent call for help in absorbing the historic Soviet aliyah without abandoning their commitment to assist the Soviet Jews still coming to the United States.

The United Jewish Appeal announced Jan. 19 that it was launching a special campaign, Operation Exodus, in order to raise \$420 million for the absorption of the Soviet Jews now streaming into Israel at a rate of about 4,000 each month.

But Operation Exodus, unlike last year's Passage to Freedom effort, does not address the question of how to pay for the needs of thousands of Soviet Jews still entering this country.

Soviet Jewish emigration to this country is not expected to drop much below last year's level of about 40,000, and most of the immigrants will continue to cluster in seven "impacted communities" in the United States.

The abandonment by UJA of the Passage to Freedom approach -- fund-raising for "here and there" at the same time -- leaves federations with the challenge of juggling domestic resettlement needs with the demands of the special UJA campaign.

To coordinate their strategy collectively, some 200 federations are taking part in a highly unusual general assembly of the Council of Jewish Federations on Feb. 6 in Miami.

National leaders are optimistic that the gathering will produce an approach that ensures broad support for the UJA drive while also taking care of local needs.

Desire To 'Do The Right Thing'

"There's an almost universal desire to do the right thing," Donald Feldstein, associate executive vice president of the Council of Jewish Federations, said of Operation Exodus. "I think people are going to make an honest attempt, and I think it's doable."

Most federation leaders are highly supportive of UJA's decision to launch Operation Exodus as a campaign solely for resettlement in Israel.

They point out that, faced with growing anti-Semitism in the Soviet Union, a panicked desire by Soviet Jews to leave, and loud voices from Israel calling out for action and assistance, UJA had no choice but to focus the campaign on the Soviets going to Israel.

"UJA is trying to respond as well as it can to an international emergency," said Barry Schrage, executive vice president of the Combined Jewish Philanthropies of Greater Boston.

"Honest people sat down and decided that this is what is needed to be done to rescue our people," he said.

UJA's decision to launch the \$420 million special campaign for resettlement, Schrage explained, was a strategic move "to refocus from a low-key settlement problem" to a "drop-everything" call for immediate action.

"This is what we didn't get to do in World War II," he said. "And there's no one who knows the situation in the Soviet Union right now who's implied it's anything but a desperate situation."

But at least one local leader has questioned UJA's approach. A federation executive director from one city criticized the decision to launch

Operation Exodus as a campaign solely for resettlement in Israel.

"I, for one, don't make a distinction between the need to settle Soviet Jews in the United States and Israel. I think the notion of doing this is short-sighted and will be very divisive," said the official, who asked not to be identified.

"It's got to be a united effort," he said. "Too many of these folks are coming to the United States."

Individual Or Shared Burden?

Foremost among the policy decisions that will be discussed at the Feb. 6 assembly will be "whether the federations want to adopt some form of collective responsibility," for Soviet Jews settling in the United States, said Feldstein.

The choice will be whether American Jewish communities affected by Soviet immigration will generally fend for themselves this year or whether the burden should be shared.

The idea of redistributing domestic resettlement costs among U.S. Jewish federations, said Feldstein, might ultimately be combined with Operation Exodus target figures, putting the national fund-raising efforts into a global picture.

"What I've picked up in the last couple of months," he said, "is an inclination that it would be better if we could deal with the whole package as a unit."

But another CJF official said he believes it will be left up to each individual community to decide whether to raise funds for Operation Exodus separately or combine it with their campaigns for the resettlement of Soviet Jews here.

The UJA Operation Exodus drive "will be carried out as a separate campaign, and each federation will determine in its own way how to go about it," said Bernard Olshansky, CJF assistant executive vice president.

It is difficult for many federation leaders to comprehend how the dual resettlement challenges will be met without sacrifices in programs and plans in their own communities.

"We can't forever put off radical increases for Jewish education, funding to help the handicapped, the elderly and the mentally ill," said Schrage of Boston.

A 'Moving Target'?

Though UJA leaders have said bravely that Operation Exodus will not cut into regular campaigns, there is "some degree of trepidation" about the toll it will take, admitted Harry Kosansky, executive director of the Jewish Federation of Greater Buffalo.

Federations had just been "beginning to digest the \$350 million figure" that UJA had originally set for Operation Exodus, Feldstein of CJF said, when the growing need in Israel pushed it up to the \$420 million mark and reduced the amount of time to collect it to three years.

In San Francisco, for example, the Jewish Community Federation had already launched a \$7 million campaign to settle Soviet Jews in Israel, with the earlier \$350 million figure and the five-year time frame in mind.

Now, said Rabbi Brian Lurie, the federation's executive director, "we'll have to reassess that goal in what increasingly is beginning to look like a moving target."

(Contributing to this report were J.J. Goldberg of the New York Jewish Week and Winston Pickett of the Northern California Jewish Bulletin.)