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ISRAEL HOPEFUL THAT BAKER MEETING WITH LEVY WILL ALLAY U.S. CONCERNS

By David Friedman

WASHINGTON, July 8 (JTA) -- Once Secretary of State James Baker has his first meeting with Israel's new foreign minister, David Levy, the Bush administration will no longer have any doubts about Israel's commitment to the peace process, Israeli officials here believe.

Baker has sent a letter to Levy inviting him to meet with him in Paris on July 18 or 19, while the secretary is in the French capital for talks on German reunification.

Levy has been seeking such a meeting since he became foreign minister last month. But Israeli officials point out that Levy is still at home recuperating from a mild heart attack he suffered June 14, and they say it is still uncertain whether his doctors will allow him to travel.

Nevertheless, Israeli officials said they were "happy" with the Baker letter, which was delivered to Levy last Thursday night by U.S. Ambassador William Brown.

They believe the meeting will clear up the questions President Bush said he still has about the Israeli position after receiving a letter from Israeli Prime Minister Yitzhak Shamir.

That letter "leaves me feeling we need further clarification, in terms of the questions I put to him," Bush said during a televised news conference in London on Friday, at the conclusion of the NATO summit meeting.

This was Bush's first public comment on the contents of the Shamir letter, which he received June 28. Until now, Bush and Baker had only said that the lengthy letter, Shamir's reply to a series of questions sent to him by Bush two weeks earlier, needed careful study.

U.S. Insisting On Dialogue

On Friday, Bush did not cite any specific responses from Shamir, but indicated the next step in the peace process is up to Israel.

"We need more clarification, and, very candidly, I'd like to think that Israel would now move forward," the president said.

Officials at the White House and the State Department were reluctant Friday to explain what Bush meant, except to suggest that there were "ambiguities" in the Shamir letter.

But the contents of the letter, as reported in Israel, left no doubt that Shamir continues to reject Baker's proposal for an Israeli-Palestinian dialogue in Cairo.

Shamir also stressed that the real obstacle to Middle East peace is not the Palestinian issue, but the refusal of Arab states to end their hostility toward Israel.

But Baker said Sunday that "fundamental to any peace process moving forward is a dialogue between Palestinians and Israelis."

The United States is "working very hard to get other Arab countries to do what Egypt has done, and that is recognize Israel's right to exist," Baker said in an interview from Houston on ABC-TV's "This Week with David Brinkley."

He said such recognition "is part of moving toward peace, but it cannot be a precondition to getting a dialogue going between Israelis and

Palestinians. I think if you had such a peace process moving, such a dialogue going, we would have a better chance of pushing Arab countries toward a recognition of Israel," he said.

In his letter to Bush, Shamir stated clearly that his government still rejects the Baker proposal that Palestinian residents of East Jerusalem and those deported from the territories be included in the Palestinian delegation to preliminary talks with Israel.

Bush Wants To Resume Talks With PLO

Nevertheless, Bush stressed Friday that the United States will stick with Baker's proposal. Maintaining that there must be talks between Israelis and Palestinians, the president said, "The ground rules are out there, and we've got to go forward."

Bush indicated he has not dropped his personal concern about Jewish settlements in the territories. "We have a United States policy, and we are going to stay with the policy in terms of settlements," he said.

The president also said he would like to resume the U.S. dialogue with the Palestine Liberation Organization, as soon as PLO leader Yasir Arafat meets U.S. demands to denounce the May 30 attempted terrorist attack on Tel Aviv area beaches.

"I happen to think the dialogue has been useful," Bush said. "I don't think Mr. Arafat particularly agrees with that, and I am quite confident that Mr. Shamir doesn't agree with that. But nevertheless, that's the view of the United States."

Bush stressed that he did not break off the dialogue, only suspended it, until Arafat can get the Palestine National Council "not only to denounce that particular terrorist act, but also to take some action against the person who perpetrated it."

When this happens, "I think we would certainly give rapid consideration to renewal of the dialogue," he said.

POLICEMAN STABBED IN THE OLD CITY SUFFERS INJURY TO LUNG, BUT IS OK

By Gil Sedan

JERUSALEM, July 8 (JTA) -- A Jerusalem policeman was stabbed and seriously wounded Sunday in the Old City of Jerusalem.

The assault, the second in three weeks on a Jew in the Old City, cost 23-year-old Moshe Tatgin part of a lung. It occurred shortly before 11 a.m. local time, while he was on duty near the Church of the Holy Sepulcher.

The attacker plunged an eight-inch knife into Tatgin's back and fled.

Police cordoned off the Old City and arrested scores of Arabs for questioning. But there was no indication whether a serious suspect was being held.

The young officer was carried to the church, where he was given first aid by a friend before an ambulance rushed him to the hospital. The knife remained lodged in his back until he underwent surgery.

Although doctors classified the wound as "medium," part of the lung had to be removed.

They said the patient might be able to leave the hospital in a few days.

In other violence, a hand grenade was thrown at a policeman Friday near Damascus Gate, in the Old City. No injuries were reported.

The last stabbing attack in the Old City occurred on June 12, when 18-year-old yeshiva student Yosef Edri was knifed in the stomach, just outside Damascus Gate. He was slightly hurt.

ISRAELI JETS STRIKE BASES IN LEBANON USED BY HEZBOLLAH AND JABRIL GROUP By Hugh Orgel

TEL AVIV, July 8 (JTA) -- Israeli air force jets on Sunday blasted a base in southern Lebanon used by the Islamic fundamentalist Hezbollah, or Party of God, a military spokesman announced.

The target was in Jarjua village, which lies north of the Israeli-patrolled border security zone in southern Lebanon. All Israeli aircraft returned safely to their bases.

The raid came amid reports that pro-Iranian groups in Lebanon would soon release another Western hostage. Hezbollah is believed to be an umbrella for various factions holding hostages.

The strike was the second against targets in Lebanon since Friday, when Israeli planes struck simultaneously at two widely separated installations of Ahmed Jabril's Popular Front for the Liberation of Palestine-General Command, one of which was in northern Lebanon.

All planes returned safely from that raid as well, although they encountered anti-aircraft fire, a military spokesman said.

Reports from Beirut said eight to 10 terrorists were killed in the raids on Friday. The targets were described as staging areas for attacks on Israel.

An ammunition dump was hit at one of the sites, located in the Bekaa Valley of eastern Lebanon, south of Sultan Ya'akub. Three terrorist senior officers were reported to have been seriously wounded.

The other target was in a cove on the coast near Khan Khayat, in northern Lebanon, about 62 miles from the Israeli border.

Both raids Friday were in areas of Lebanon controlled by Syria, but Syrian forces made no attempt to intervene.

SHAHAL MAKES BID TO HEAD LABOR By Hugh Orgel

TEL AVIV, July 8 (JTA) -- The two-man fight for leadership of the troubled Labor Party became a three-man contest Sunday, when former Energy Minister Moshe Shahal declared his candidacy for the office of party chairman and possible prime minister, in opposition to incumbent Shimon Peres and challenger Yitzhak Rabin.

Shahal said he would emphasize social issues, such as jobs and housing for new immigrants and the established population, in order to underline Labor's differences from the right-wing Likud.

Although the Labor Party has long fretted over the lack of "young blood" in its top leadership, Shahal, 56, is the first Laborite to challenge Peres and Rabin.

He is 10 years Peres' junior and 12 years younger than Rabin, which puts him in the middle generation of aspiring politicians.

Shahal denied charges by Rabin supporters that his candidacy is a ploy to postpone a showdown between Peres and Rabin.

AUSTRALIAN JEWS PRESS PRIME MINISTER ON MIDDLE EAST ISSUES, BUT GAIN LITTLE By Jeremy Jones

SYDNEY, Australia, July 8 (JTA) -- An unprecedented two-hour meeting that Australian Jewish leaders held last week with Prime Minister Bob Hawke and Foreign Minister Gareth Evans did little to resolve the "continuing significant differences" Australian Jews have with their government's Middle East policy.

But the Jewish leaders believe the ministers are sincere in their "commitment to seek a settlement in the Middle East that would ensure secure and recognized boundaries for Israel."

They also seemed mollified, if not satisfied, by a statement from the ministers on relations with the Palestine Liberation Organization.

The July 4 meeting was the first since May 1989 between top government officials and Jewish community leaders. It was also the longest such session on record.

The six-member Jewish delegation was led by Leslie Caplan, president of the Executive Council of Australian Jewry, and Mark Leibler, president of the Australian Zionist Federation.

Australian Jews were deeply disturbed when the government decided last month not to emulate the United States by breaking off its dialogue with the Palestine Liberation Organization, upgraded 18 months ago when the U.S. talks began.

President Bush suspended the U.S. dialogue when the PLO refused to condemn the aborted May 30 raid on Tel Aviv area beaches, which was perpetrated by a PLO constituent group.

Hawke, who heads the Labor Party government here, argued that it is inappropriate to calibrate the level of dialogue with the PLO.

'More Limited' Contacts With PLO

But a statement issued in his and Evans' names said the government "would avoid any new gesture for the immediate future which would detract from the seriousness with which Australia views the recent terrorist raid on Tel Aviv."

The statement pointed out that the PLO representative in Australia had been refused access to the foreign minister as part of the Arab ambassadorial delegation since the raid.

Caplan and Leibler said that while they did not agree with the government's failure to suspend dialogue with the PLO, they were "satisfied that Australia's contacts with the PLO will be more limited in the future."

Australian Jews also have been irked in recent months by the government's criticism of Israel for settling Jewish immigrants in portions of Jerusalem once occupied by Jordan.

Negative statements on the subject were made by Paul Keating, who was acting prime minister during Hawke's brief hospitalization, and by Michael Costello, deputy secretary of the Foreign Affairs Department.

The Jewish leadership consequently asked the ministers for an endorsement by the Australian government of a united Jerusalem, in which Jews are free to live anywhere in the city.

Hawke and Evans responded by recalling the opposition of successive Australian governments to Israel's annexation of East Jerusalem after its capture from Jordan in 1967.

They agreed, however, that the future of Jerusalem is a special case and that the city should not be confused with the administered territories.

GERMAN FIRM ON TRIAL FOR HELPING LIBYA GAIN ABILITY TO STRIKE ISRAEL

By David Kantor

BONN, July 8 (JTA) -- State prosecutors in Munich are seeking a stiff penalty against a Bavarian firm alleged to have helped Libya develop midair refueling capability for its fighter bombers, enabling them to strike long-range targets, including Israel.

Officials of the Bavarian Economics Ministry testified before the state parliament here Friday that the company, Intec, participated in a multi-million dollar program to convert U.S.-made Hercules transport planes into refueling tankers.

Military experts say Libya wanted to develop the capability to launch a poison gas attack against Israel from the air. This would be accomplished by outfitting the bombers with air-to-ground missiles carrying chemical warheads.

The prosecution is seeking fines of several hundred thousand marks against Intec in Vaterstetten, a town near Munich.

Heinz Kaiser, a member of the Munich parliament, criticized the prosecutor for taking no action until now, even though Intec's illegal involvement with Libya has been known since 1988.

Kaiser charged that some influential quarters in the government wanted to cover up the affair.

The owner of Intec, Eberhard Mohring, was found dead in his hotel in the Libyan capital of Tripoli on May 19, 1989. Munich tabloids suggested he was murdered by Israel's secret service.

But prosecution officials said Friday that an autopsy showed no evidence of foul play.

Libya is believed to have manufactured poison gas at a plant in Rabta, south of Tripoli.

On June 27, West German industrialist Jurgen Hippenstiel-Imhausen, founder and former manager of a chemical firm called Immhausen-Chemie, was sentenced to five years in prison for illegally helping Libya build the Rabta plant.

GERMAN EXTREMIST ATTEMPTS COMEBACK

By David Kantor

BONN, July 8 (JTA) -- Franz Schoenhuber, ousted former leader of West Germany's extreme right-wing, purportedly neo-Nazi Republican Party, is making a strong bid for reinstatement at the party's national convention in the Bavarian town of Ruhstorf.

Schoenhuber, a former Waffen SS officer, announced Sunday that he was a candidate for chairman of the party, which is based in Munich.

The party's internal court ruled last week that his member privileges should be restored.

But Schoenhuber's opponents are determined to defeat his comeback attempt. They claim that as party leader he had systematically injured its interests and reputation.

Schoenhuber accused his rivals of turning the party into a haven for old-line Hitlerites and neo-Nazi groups that want to re-establish a Germany based on the heritage of the Third Reich.

He himself wrote a book praising his service with the Waffen SS as a patriotic endeavor.

Schoenhuber has led the party's generally successful campaigns in local and regional elections in recent years on platforms that combined extreme nationalism with xenophobia.

But the Republicans have done badly in more recent elections. The imminent unification of East and West Germany seems to have deprived it of its most potent issue.

PLO PROTESTS WON'T DETER FINLAND FROM AIDING ALIYAH OF SOVIET JEWS

By Hugh Orgel

TEL AVIV, July 8 (JTA) -- Finland has officially rejected protests by the Palestine Liberation Organization over its decision to allow Soviet Jewish emigres to fly from a Finnish airport directly to Israel.

But Finland has beefed up security for its 520-troop battalion serving in southern Lebanon as part of the United Nations peacekeeping force.

The Finns advised the PLO they would continue to facilitate the immigration of Soviet Jews to Israel on "humanitarian grounds, to allow the reunification of families."

Earlier reports here said the Israeli airline El Al would begin special charter flights this week to an airport in the eastern city of Lappeenranta, near the Soviet border, to pick up Jewish immigrants, mainly from nearby Leningrad.

But the flights reportedly have been postponed for several days.

Finland is one of nine countries contributing troops to the United Nations Interim Force in Lebanon, a 5,800-member armed force that has been in southern Lebanon since 1978.

EAST GERMANS EYE ISRAEL FOR TOURISM

By David Kantor

BONN, July 8 (JTA) -- With hard currency in their pockets for the first time, 16 million East Germans are able to vacation abroad, and at least one tour organizer has begun to promote Israel.

Scuba Reisen of Stuttgart organized the first inspection tour of Israel for East German journalists and tourism officials. Participants just returned from the weeklong junket, after visiting every part of the country, including Eilat.

A spokesman for the firm predicted many East Germans will want to visit Israel after years of official hostility toward the Jewish state.

The only problem is Israeli visa requirements for East Germans. Unlike West Germans, who do not need visas to enter Israel, East Germans must apply two to three weeks in advance.

Moreover, the application must be made at the Israeli Embassy in Bonn, because there is no Israeli diplomatic representation in East Germany.

According to informed sources in Jerusalem, Israel is considering abolishing visa requirements for East Germans.

'SPASIBA' FOR FLYING EL AL?

By Cathrine Gerson

JERUSALEM, July 8 (JTA) -- If direct flights between Moscow and Tel Aviv ever materialize, Jews departing the Soviet Union may find a Russian-speaking flight attendant on El Al.

That at least is the ambition of Nina Kugiatov, 30, who was a stewardess for nine years with the Soviet airline Aeroflot before making aliyah.

She and her husband, Boris, 26, arrived in Israel as immigrants themselves only a month ago. He was an air traffic controller at Leningrad's international airport.

"I would like to work for El Al serving Soviet immigrants," Nina said in a recent interview. "My great dream is to fly as a stewardess on the first Moscow-Tel Aviv El Al flight."

But first she will have to learn Hebrew. Nina and her husband are taking intensive courses in Tel Aviv, where they live in a small apartment.

BEHIND THE HEADLINES:

**JEWS BATTLE ARABS AT STATE LEVEL
AND SOMETIMES EVEN COME TO TERMS**
By Howard Rosenberg

WASHINGTON, July 8 (JTA) -- In the heat of state political party conventions, Jewish and Arab groups have sometimes been working together to negotiate mutually acceptable platform planks dealing with Israel and Palestinian rights.

While they squabble for public opinion in the media and the halls of Congress, the pro-Israel and pro-Palestinian groups are forced to work together by state party leaders who want to achieve unity by keeping bruising fights over largely symbolic measures off the convention floors.

The Arab-American Institute claims that this year it reduced its level of state activism from that of 1988, when it succeeded in getting a half-dozen or so pro-Palestinian measures adopted by state conventions. It decided that building grassroots support for Palestinian positions is much more important in a presidential election year.

James Zogby, the institute's executive director, charged that, by contrast, the Jewish community "poured in, from best we can tell, major amounts of money and staff to kind of undo all of the (pro-Palestinian) resolutions of '88."

"The pro-Israel people were mobilized at a much earlier stage" this year, acknowledged Martin Raffel, director of the Israel Task Force at the National Jewish Community Relations Advisory Council. But he said he saw no diminution in pro-Palestinian activism at the conventions.

Pro-Palestinian and pro-Israel activists alike pay more attention to state Democratic Party conventions, since traditionally pro-Israel state Republican Party platforms are more difficult to change, because of their closed rules.

AIPAC Negotiates Directly With Arabs

Zogby said, for example, that no state Republican platforms this year have backed a proposal by Senate Minority Leader Robert Dole (R-Kan.) to cut foreign aid to Israel and other top recipients by 5 percent.

Because of the open rules at Democratic Party conventions, there is more potential for free-wheeling debates on Middle East issues, but also more risk of upsetting party unity.

To avoid destroying that unity, pro-Israel groups do not necessarily object to language supporting basic Palestinian rights, as long as there is no mention of a Palestinian state.

For their part, the Arab-American Institute does not necessarily object to language supporting "security for Israel," Zogby said.

In Iowa and Texas, the institute and groups supporting its position negotiated directly with the pro-Israel community, including the American Israel Public Affairs Committee.

A pro-Israel source confirmed that there were "a couple of negotiations" directly between AAI and AIPAC.

In those states, as well as in Maine, pro-Israel activists succeeded in supplanting pro-Palestinian platform statements from 1988 with pro-Israel ones.

Nevertheless, Zogby said this year's party conventions have been "a wash, and I feel comfortable about it."

"We won some victories in some states," he said, citing a clear-cut win in Washington state but claiming wins in Iowa, Maine and Texas, too.

"All we did was hold the line at the point

we thought it was acceptable to hold the line," he asserted.

Explaining AAI's satisfaction in Texas, Zogby said the language in the platform preamble "was close enough to (Palestinian) self-determination to make us happy." Self-determination is the code-word for Palestinian statehood.

Negotiations Over Semantics In Texas

In negotiations in Texas, pro-Palestinian groups realized that the pro-Israel platform was going to be adopted, so they focused on stripping the words "administered territories," and the phrase "legitimate rights" for Palestinians from the platform.

"Administered territories" is seen by Palestinians as a pro-Israel euphemism for what they call the "occupied territories."

The phrase "basic rights" is more palatable to Palestinian supporters than "legitimate rights," a phrase Israel accepted in the 1979 Camp David Accords, which allowed for limited Palestinian autonomy with no mention of statehood.

Zogby applauded the inclusion of language in the Maine and Texas Democratic platforms calling for a ban on U.S. aid to countries supplying military aid or nuclear technology to South Africa.

But Leonard Zakim, a political analyst who is also New England regional director of the Anti-Defamation League of B'nai B'rith, claimed that since Saudi Arabia could just as easily be doing that as Israel, "I don't think Zogby should be hailing that as a victory."

California and Minnesota adopted pro-Israel planks at their Democratic conventions, where no negotiations occurred among Arab and pro-Israel groups, for different reasons.

In California, AAI liked AIPAC's proposed language better than that introduced in the platform committee by former Gov. Edmund (Jerry) Brown, the party chairman. So, an Arab American offered it in the committee as an alternative, where, with modifications, it was adopted.

In Minnesota, a number of pro-Palestinian resolutions proposed by various "left-wing fringe groups" were defeated, said Ted Mondale, a candidate for state Senate.

Mondale, son of former Vice President Walter Mondale, said pro-Palestinian activists were more organized than they were in 1988, when he said a "moderately pro-PLO" platform was adopted.

A Defeat In Washington State

He credited a key Jewish supporter of the Rev. Jesse Jackson in Minnesota, Paul Wellstone, for not "actively organizing against our platform." Wellstone is the Democratic nominee challenging incumbent Sen. Rudy Boschwitz (R-Minn.).

Washington was the only state where Democrats reaffirmed a pro-Palestinian platform from 1988. Pro-Israel activists in the Evergreen State had drafted a platform that called for "direct negotiations first between Israel and duly elected representatives of the Palestinian people from the West Bank and Gaza."

They also proposed language that said "the legitimate rights of the Palestinian people can be realized in the context of negotiating a just and lasting peace with Israel."

But that language was too mild for pro-Palestinian activists, who succeeded in gaining the adoption of language recognizing "the right of the Palestinian people to safety, self-determination and an independent Palestinian state."