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**SHAMIR SAYS HE'S READY TO ALLOW
NEGOTIATORS TO CONSULT WITH PLO**

By David Landau and Gil Sedan

JERUSALEM, July 16 (JTA) -- Prime Minister Yitzhak Shamir says he has no objection to Palestinian negotiators consulting with the Palestine Liberation Organization during the course of peace talks with Israel, as long as the PLO does not try to "run the whole thing."

Shamir, who has staunchly opposed any PLO role in the peace process, made the comment in a wide-ranging weekend interview with Yoel Markus, veteran columnist of the Israeli daily Ha'aretz.

His statement appeared to indicate that while the Likud-led government continues to oppose any PLO involvement in peace negotiations, it has come to realize that any Palestinian who participates in peace talks with Israel is likely to consult with the PLO leadership.

In another sign of movement in Likud's stance on the peace process, a leading member of the party indicated Monday that he would be prepared to support the idea of an international peace conference under U.N. auspices, which Likud until now has strenuously opposed.

Knesset member Michael Kleiner, in fact, argued in an army radio interview that an international conference would be preferable to the negotiating scenario outlined in Shamir's May 1988 peace plan.

The plan calls for Palestinians in the West Bank and Gaza Strip to elect representatives who would negotiate with Israel on limited self-rule and eventually the final status of the territories.

Kleiner maintained that elections in the territories would produce representatives backed by the PLO, who would insist on the creation of a Palestinian state. He contended that an international peace conference would be a safer alternative.

Concerned About Relations With U.S.

Likud is opposed to an international peace conference, long backed by the Arab states and the European Community, because it fears that Israel would be outnumbered by hostile states, including China and the Soviet Union, both permanent members of the U.N. Security Council.

But Kleiner argued Monday that the Soviet Union is not the threat to Israel it once was and could actually play a constructive role in encouraging Arab countries to make peace with Israel.

An international conference, he said, would be in line with Israel's policy that a solution to the Palestinian problem should be part of an overall peace settlement with Israel's Arab neighbors.

Once Israel achieved peace with the Arab states, it would be much more forthcoming toward the Palestinians, he said. While he refused to say whether Israel would be prepared at that point to make territorial concessions in the West Bank or Gaza Strip, Kleiner hinted that Syria might win some concessions on the Golan Heights.

In his interview with Ha'aretz, Shamir said he was "worried about the state of relations with the United States."

He also said he was concerned about the "erosion" of support for Israel in the United

States. He cited the powerful Arab lobby and the "hostile media" as forces molding American public opinion on the Middle East.

The prime minister referred to "an impression that certain elements" in the Bush administration "don't like us." He added, "Their threatening tone is not helpful."

"Speeches and statements against us are counterproductive," he said. "The State of Israel can hardly act against its perception of its own interests."

Sidesteps Questions On Settlements

Regarding U.S. proposals to advance the peace process, Shamir contended that allowing East Jerusalem residents and Palestinians deported from the territories to participate in negotiations with Israel would allow the PLO to "run" such discussions.

But in a recent letter to President Bush, the prime minister expressed his readiness to work out an acceptable Palestinian delegation on a "name-by-name" basis.

Talks between Israel and the United States are expected to move into high gear when Secretary of State James Baker meets with Foreign Minister David Levy, a meeting now believed to be planned for early August, possibly in Washington.

Baker had asked to meet with Levy this week in Paris, but Levy's doctors, treating him following a mild heart attack, advised him not to travel yet.

In the interview with Markus, Shamir sidestepped questions about building new settlements in the administered territories, pointing out that the new government's top priority now is immigrant absorption.

**ASSAD, IN EGYPT, SAID TO CONFIRM
SYRIAN INTEREST IN PEACE PROCESS**

By Gil Sedan

JERUSALEM, July 16 (JTA) -- Syrian President Hafez Assad, visiting Egypt for the first time since relations between the two countries were broken off in 1977, has confirmed indirectly that a new rapprochement between the two nations may lead Syria to join the Middle East peace process.

Speaking at a joint news conference in Alexandria, Egypt, with his host, President Hosni Mubarak, at his side, Assad said his country would join the peace process "depending on other circumstances."

He did not elaborate, but Syria has traditionally demanded that the Arab-Israeli conflict be resolved at an international peace conference, with the active participation of the Soviet Union.

But Assad said he and Mubarak had agreed there was now a need for "a new move toward peace."

Syria broke relations with Egypt after Egyptian President Anwar Sadat traveled to Israel in November 1977. Sadat signed a peace treaty with the Jewish state two years later.

A senior Egyptian official told the Israeli daily Yediot Achronot on Sunday that Israel should not be concerned about the Syrian-Egyptian rapprochement, since all Arab leaders, includ-

ing Iraqi President Saddam Hussein, want peace with Israel.

Assad also said there were "no problems" between the Palestine Liberation Organization and Syria, but rather "differences over methods to achieve peace in the region."

Conciliatory Tone On Iraq

Syria has actively supported and given haven to more militant dissident factions of the PLO opposed to the more moderate policy course Yasir Arafat has advocated. Assad has had a history of sour personal relations with the PLO chief, although their relationship is said to have improved recently.

Assad also spoke in a conciliatory tone about his arch-enemy, Saddam Hussein, and predicted a time would come when they would make amends.

"Both Syria and Iraq are Arab countries, and we shall accept what time will dictate," he said.

Mubarak, for his part, described relations between Iraq and Syria as "much better than it had been in the past."

Assad concluded his visit to Egypt with Mubarak in an aerial tour of the Sinai peninsula, which Israel captured during the 1967 Six-Day War and later returned to Egypt as a result of the 1978 Camp David accords.

Assad said he was impressed by tremendous Egyptian development of the area, particularly in the southern resort town of Sharm el-Sheikh.

The talks between the two leaders were described as "excellent," and they reportedly have agreed to meet at least once a year.

Assad and Mubarak seem bent on solidifying a Cairo-Damascus axis as a counterweight to attempts by Iraq to seize a leading role in the Middle East.

LEVY COMES UNDER INCREASING ATTACK FOR ROLE PLAYED AS HOUSING MINISTER By David Landau

JERUSALEM, July 16 (JTA) -- Foreign Minister David Levy has accused his Cabinet colleagues of failing to defend him against a growing wave of "base and baseless attacks" on his 10-year record as minister of construction and housing.

Levy made a bitter personal statement Sunday at the weekly Cabinet meeting. Political gossip and newspaper articles have pointed to Levy as the man responsible for the present dearth of housing for young couples and the growing numbers of Soviet immigrants.

There is speculation that Ariel Sharon, Levy's successor at the Housing Ministry -- and likely future rival for the Likud leadership -- may be encouraging such attacks as "ammunition" that could be used against Levy in future political battles. The two men are seen as rivals to succeed Yitzhak Shamir as party leader.

Levy told his colleagues that his 10 years at the Housing Ministry had been "a life's work" that had produced a veritable revolution in the national housing situation. Tens of thousands of families had been provided with decent homes for fair prices, he said.

Levy's aides, deflecting criticism about his role in the current acute housing shortage, said their boss gave substantial advance warning that adequate housing had to be provided for the influx of Soviet olim, but they said his words were ignored.

The crisis has brought hundreds of Israeli

families to pitch "tent cities" in urban parks, in protest against skyrocketing rents and mortgages.

The aides recalled Levy telling the national unity Cabinet last November that the government's approval of 3,000 housing units was woefully inadequate, and that tens of thousands would be needed in the months ahead.

Warned Of A 'Conflagration'

Levy reportedly had warned that Israel faced "a conflagration -- Israeli young couples will end up sleeping in public parks, and when that happens, you will all point to me as Brutus."

But Levy's critics have cited a series of calm, confident statements emanating from the Housing Ministry over the past year or more, which, they say, contradict these claims.

Yediot Achronot reported over the weekend that Levy's aides had burned piles of official documents and records on the last night of their minister's tenure at the Housing Ministry. It cited an unnamed senior official as a source.

Flatly denying this, Uri Oren, Levy's long-time aide and adviser, termed the accusations against Levy "evil, ignorance and hypocrisy. There is much building under way, and it will produce 60,000 apartments by the end of this budgetary year.

"All the plans and projects that the ministry is announcing now are in fact plans that were prepared under Levy," Oren said. "And don't let us forget that under Levy, some 270,000 homes were built in this country."

RELIGIOUS AFFAIRS MINISTER ACCUSED OF IMPROPRIETIES By David Landau

JERUSALEM, July 16 (JTA) -- Avner Shaki, the recently appointed minister of religious affairs, has been accused of improprieties in the disbursement of bequests to various charities.

The Israeli branch of the World Union for Progressive Judaism filed a complaint over the weekend against Shaki, following a television report alleging the improper allocations.

Shaki, a member of the National Religious Party, has denied any wrongdoing on his part or on the part of any of his family or aides.

The television report, which was prepared with the help of members of the Progressive Union, claimed that the ministerial committee that handles bequests left to the state handed out some 1 million shekels (about \$500,000) in grants to charitable societies of which Shaki's wife, son and son-in-law were founders and members.

The funds have not yet been remitted to the recipients.

According to the report, broadcast July 12, the charities in question were established and registered in an accelerated bureaucratic process last year, thanks to the direct written intervention of Shaki, who was at the time a minister without portfolio.

Shaki insists that the charities were genuine, that his family was sincerely involved in their work and, most importantly, that he instructed them all to resign from the societies as soon as the ministerial committee had made its decisions, "so as to avoid any loose tongues."

Shaki told the daily Yediot Achronot that if the resignations of his relatives had not yet been formally recorded by the Registrar of Charitable Foundations, that was merely due to bureaucratic slowness.

**FOUR CHILDREN STABBED BY WOMAN
IN ATTACK ON AUCKLAND DAY SCHOOL**
By Jeremy Jones

SYDNEY, Australia, July 16 (JTA) -- The Jewish community of New Zealand has expressed shock following what appears to have been an anti-Semitic attack here Monday on Jewish schoolchildren.

A 52-year-old woman wielding a 4-inch vegetable knife attacked children at Auckland's small Jewish day school, stabbing four of the youngsters. She called out what seemed to be anti-Semitic remarks before carrying out the attack.

The children were scheduled for surgery Monday for their injuries, including punctures to the lungs and stomach, cuts and lacerations.

A spokesman for the New Zealand Jewish community said the condition of all the injured children was stable.

A teacher intervened and was able to wrest the knife from the attacker, but not before the woman had wounded the children.

The woman, who has a history of psychiatric illness, entered the school area as the children were arriving for class. A police spokesman said she called out "a Jewish name," which was not that of any of the pupils at the school, before lunging at the three 6-year-olds, including twins, and one 8-year-old child.

A leader of the Auckland Jewish community said the woman, who is unidentified, was "shouting anti-Semitic remarks," but, he said, "she is a known psychiatric patient."

The woman faces an Auckland court Tuesday on four counts of attempted murder.

The attack follows by two months the desecration of Jewish graves in the southern city of Dunedin, which appeared to be a copycat act following the May 10 desecration of the Jewish cemetery in Carpentras, France.

Auckland is home to half of New Zealand's 4,000 Jews. The community "has never before been so aware of its vulnerability," said a community leader, who declined to be named.

**RISE IN ANTI-SEMITISM IN ITALY
PROMPTS WARNING FROM LEADERS**
By Ruth E. Gruber

ROME, July 16 (JTA) -- Italy's highest political leaders have issued a stern warning against the rise of anti-Semitism and have voiced strong support for measures aimed at combatting it.

"A black thread runs through Europe," Nilde Iotti, president of the Chamber of Deputies, told a conference on anti-Semitism in Italy and Europe last Thursday night.

"It is the trace of racial hatred against the Jews, which we believed was extinct but which instead we once again find has come to the fore," she said.

Iotti was among a panel of senior government officials and Christian and Jewish leaders who took part in the conference, which was organized by the Italian chapter of the International Association of Jewish Lawyers and held in a meeting hall of the Parliament building.

Other speakers included Giovanni Spadolini, president of the Senate; Justice Minister Giuliano Vassalli; Elio Toaff, the chief rabbi of Rome; and Monsignor Pietro Rosano, rector of Lateran Pontifical University.

President Francesco Cossiga, who lent his personal support to the conference, was among the numerous other politicians, jurists and representatives of other fields who attended.

"It was an extremely successful initiative. I didn't imagine the response would be so great," Rome lawyer Oreste Bisazza Terracini, the meeting's organizer, said in a subsequent interview.

Terracini, president of the Rome branch of the International Association of Jewish Lawyers, said he began working on such a meeting in the wake of the May 10 desecration of the Jewish cemetery in Carpentras, France. He said he found immediate support from Cossiga and others.

"The response to our initiative by the highest leaders of the state comforts us and prompts us to believe" that attention will be paid to "carrying out concrete measures in the sphere of information and education" to combat anti-Semitism, Terracini said in his opening address.

He then enumerated the roots of anti-Semitism in three sources: Catholic teachings prior to the reforms of the Second Vatican Council 25 years ago; secular racist laws throughout Europe and enforced segregation of Jews that gave rise to pogroms; and ultimately the Holocaust.

Link To The Intifada

Terracini also spoke of more recent causes coming from the Middle East, in which anti-Zionism has become synonymous with anti-Semitism. There was a proliferation of anti-Semitic graffiti and remarks following the outbreak of the intifada in December 1987.

This last development, he said, has impinged on parts of Italy's political left, "which until not long ago was almost totally free of anti-Jewish prejudice."

Vassalli, the minister of justice, emphasized that the Jewish community "formed part of the Italian nation," noting that Israel's policy toward the Palestinian uprising "and the harshness of military occupation" contributed toward creation of "an alibi of positions of diffidence and distance with regard to the Jews."

Iotti, herself a veteran Community Party leader, said, "The presence of Cossiga and the highest state authorities at this meeting has great significance: It shows that for the democratic Republic of Italy, anti-Semitism is not a problem of the Jews but a problem of all our citizens, of all their political representatives and institutions."

Toaff proposed that the Education Ministry and the Jewish community form a joint commission to improve textbooks and even to promote special lessons on Jews in the schools.

The chief rabbi said a commission of experts was already examining Italian school texts, in which "Jews are referred to rather little, in many cases in a way that is factious and tendentious.

"In this way, school assumes a serious responsibility toward students, giving them incomplete notions, which can often generate hostility toward the Jewish people," Toaff said.

RISE IN JUNE PRICE INDEX IS SMALL

TEL AVIV, July 16 (JTA) -- Israel's cost-of-living index rose by a relatively low 0.7 percent in June, the Central Bureau of Statistics announced Sunday. That was down from a 1.5 percent rise in May and a 2.5 percent hike in April.

The news gave economists hopes that inflation could be kept to below 20 percent this year.

MAN WHO PLOTTED MUNICH MASSACRE SAID TO STILL LIVE IN EAST BERLIN

By David Kantor

BONN, July 16 (JTA) -- Abu Daoud, a Palestine Liberation Organization official who helped plot the 1972 massacre of Israeli athletes at the Munich Olympics, is still living in East Berlin, according to the West Berlin daily Berliner Morgenpost.

East German authorities confirmed Monday that police recently opened an investigation to locate and possibly arrest Abu Daoud.

The information follows on the heels of revelations that East Germany and other Eastern bloc countries gave shelter and aid to notorious terrorists from many countries.

There has been a flurry of such disclosures in recent weeks, as the emerging democracies in Eastern Europe come to grips with their Communist past.

Among the previous revelations were that the Soviet KGB gave succor to members of the Italian Red Brigades terrorist group and that Hungary helped hide Carlos, the notorious Venezuelan terrorist believed responsible for masterminding the June 1976 Air France hijacking to Entebbe.

Information about the former East German regime's role in protecting Abu Daoud and other international terrorists was reported last week by the country's interior minister, Peter-Michael Diestel.

According to Berliner Morgenpost, Abu Daoud had been a frequent guest in East Berlin's luxury Palast Hotel, where he had been registered under the name "Tarek."

Cooperation With Israel Possible

The much-sought PLO terrorist had been a guest at the hotel as late as in 1988. The hotel management and personnel reportedly knew Abu Daoud's real identity but remained silent.

Abu Daoud survived a 1981 attempt on his life in Warsaw, according to another German news report. Since then, there has been no word on the whereabouts of him or any other surviving Palestinian terrorists who massacred 11 Israeli athletes and coaches taking part in the Munich games.

Israeli agents are known to have traced down and killed most of the men directly responsible for the massacre.

East German Interior Ministry sources said police are now attempting to uncover the whereabouts of other terrorists. They mentioned the possibility of coordinating their search with Israeli authorities. Israel and East Germany do not have diplomatic relations.

In another development, Sigrid Sternebeck, a West German terrorist who had found haven in East Germany, was extradited Sunday to West Germany.

CEMETERIES DESECRATED IN EAST GERMANY

By David Kantor

BONN, July 16 (JTA) -- Several Jewish cemeteries have recently been desecrated in East Germany, according to the East German news agency ADN.

Gravestones have been found daubed with swastikas and the perpetrators also left posters at the sites with the slogan "Jews Out."

Some of the recent anti-Semitic incidents

that have been cropping up in East Germany have been directed at Gregor Gysi, leader of the Communist Party, whose father was Jewish.

Gysi had been accused of trying reinstate the former Communist regime and of plotting against the German people.

ZIONIST YOUTH GROUP BETAR PLANNING CHAPTER IN MOROCCO

By Gil Sedan

JERUSALEM, July 16 (JTA) -- The Betar Zionist youth movement plans to open a branch in Casablanca, Morocco, in the near future.

Such a move would follow the expected opening shortly of a branch in Budapest. Chapters already exist in the Soviet Union.

Details of the expansion of Betar's activities were given at a news conference here Monday by Herzl Makov, chairman of the World Executive of Betar, which is the youth movement of Israel's Herut party, the dominant faction in the Likud.

Makov said Betar also would open a branch in another Moslem country in the Middle East, but he did not identify it. So far, he said, the new branches have not been opposed by the host countries.

The opening of branches in previously unexpected places follows two years of work, said Makov. Betar now has chapters in 20 cities in the Soviet Union. "We try to give the new wave of immigration the blue color of Zionism," he said.

Before Betar began its operation in the Soviet Union, its leaders sent letters to the local authorities notifying them of their plans, but received no official response, he said.

Although no official contacts were established, there also was no interference, despite the authorities' awareness of Betar's activities.

Makov expressed hope that efforts to open a branch in Casablanca would succeed as well.

ISRAELI FARMERS SAY THEY'VE FOUND A PIG WHOSE MEAT IS FIT FOR A RABBI

By Hugh Orgel

TEL AVIV, July 16 (JTA) -- Hog farmers in Israel, fearing they may soon be put out of business by an Orthodox-inspired bill banning the raising of pigs anywhere in the Jewish state, have come up with a novel solution to their plight.

They are considering importing and breeding babirusas, an Indonesian species of wild hog related to the pig family that chews its cud and has cloven hoofs.

According to Indonesian farmers, the meat of the little-known animal tastes exactly like the kosher pig. But as it meets the biblical requirements for kashrut, it does not come under the ban on raising pigs for pork products such as bacon and ham.

In appearance, the babirusa is taller and longer-legged than the hog and has a longer face.

News of an alleged "kosher pig" appears to have taken the religious establishment by surprise. A local rabbi was quoted by Israel Radio as saying that although he had never heard of or actually seen the animal, he thought that from the shape of its mouth it could not chew the cud and therefore could not be kosher.

Israeli pig breeders, who could lose their livelihoods if the bill is passed, say they are investigating the Indonesian animal further and want to make sure it passes rabbinical muster before deciding whether to import it.