

SHOVAL SAYS ISRAEL MUST CHOOSE BETWEEN SETTLEMENTS AND GUARANTEES

By David Landau

JERUSALEM, June 23 (JTA) -- Israel's outspoken ambassador to Washington, Zalman Shoval, stirred up a hornet's nest over the weekend when he advised Israelis that they would have to choose between building new settlements in the administered territories and U.S. economic aid to absorb Soviet immigrants.

In a series of Israel Radio interviews from the U.S. capital, the envoy made clear his opinion that Israel could not have both.

Israel's official position is that the two issues are unrelated.

Government officials could not conceal their embarrassment, and the political right is furious. Reports circulated that Shoval was upbraided by Prime Minister Yitzhak Shamir.

Shamir said Sunday that he merely had a "clarifying conversation" with the envoy, leaving observers to ponder the distinction.

Israel is expected to seek \$10 billion in U.S. loan guarantees this September to help absorb Soviet immigrants. The Bush administration has hinted that its receptivity to the request may be influenced by the degree to which Israel cooperates with its peace efforts.

Israel's settlement drive in the West Bank and Gaza Strip has been a major source of friction. The Americans view the settlements as an "obstacle to peace."

But a statement issued by the Prime Minister's Office on Sunday reiterated that Israel did not regard the two issues to be in any way linked.

The statement stressed that economic aid is humanitarian, while the settlements are a political matter.

Shoval's remarks made clear his opinion that the Americans think differently.

"The government of Israel will have no choice but to decide if it is more important to continue settlement-building in Judea, Samaria and Gaza, or obtain American aid for the absorption of Soviet immigrants," the ambassador said.

A Polarization Of Opinion

He stressed that he himself took no position but intended only to lay out the problem facing the government.

"There is no escape from this choice," Shoval said on his first Israel Radio interview. "If the government refuses to freeze the settlements, it must know whether it is capable of absorbing the immigrants without U.S. aid."

He made the same point in subsequent interviews. Some observers said he pulled the rug from under the efforts of Israeli diplomats and pro-Israel lobbyists to persuade Congress that immigrant aid and peace policy should not be linked.

Shoval, a Likud Knesset member when he was appointed to Israel's top diplomatic post abroad, has been in hot water before. He was rebuked by the White House in February for complaining publicly that the administration was foot-dragging on \$400 million in loan guarantees to Israel to provide housing for Soviet olim.

His latest comments have contributed to a

polarization of opinion along existing political and ideological fault lines.

Leftist Knesset members welcomed Shoval's "straight talking" and praised his "realism."

On the right, there were demands for his recall.

Some Israeli newspapers reported from Washington and New York on Sunday that Shoval's assessment of the situation is widely shared by the American Jewish establishment.

Ma'ariv quoted Abraham Foxman, head of the Anti-Defamation League, who is considered right of center on most issues, as saying Israel's current settlement drive is "a provocative act that ultimately will harm the settlements themselves."

Foreign Minister David Levy, who has the reputation of a "dove," avoided reporters' questions about Shoval's remarks, saying he had not yet spoken to the ambassador.

But Shamir spoke to him at least twice on Saturday.

Shimon Peres, leader of the opposition Labor Party, said Shoval was reporting "the truth." But according to Peres, the government prefers not to face the choice between "one million Soviet Jews and two million Palestinian Arabs."

At the extreme right of the political spectrum, Rehavam Ze'evi, leader of the Moledet party, threatened to quit the Likud-led coalition which he joined only recently.

Ze'evi said he finds no fault with Shamir's uncompromising stand on peace talks, but objects to his persistent refusal to even discuss "practical proposals" to end the intifada.

Among Ze'evi's proposals is one for the "transfer" -- meaning expulsion -- of Palestinians out of the administered territories.

On the far left, Knesset members Yossi Sarid and Dedi Zucker of the Citizens Rights Movement hailed Shoval for pointing out "that the settlers are the main enemy of aliyah and absorption."

But Geula Cohen, of the right-wing Tehiya party, called the linkage "immoral" and accused Shoval of allowing himself "to be pressured and then to pressure his government, rather than standing firm against Washington's design."

ISRAEL TV, WITH IDF APPROVAL, SHOWS SCENES OF CLANDESTINE WAR ON INTIFADA By Gil Sedan

JERUSALEM, June 23 (JTA) -- Israel Defense Force soldiers disguised as women, old men and masked Arab youths have been waging an undercover war against intifada activists which the IDF claims has been eminently successful.

Disclosure of the hitherto top-secret operation on a popular weekly television show Friday night, with the approval and full cooperation of the armed forces, was hailed by some Israelis but shocked and angered others.

Actual scenes were shown of soldiers putting on disguises and undercover squads wearing black-and-white checkered headdresses quietly nabbing surprised suspects in the middle of the street.

Defense Minister Moshe Arens and IDF Chief of Staff Gen. Ehud Barak said the "surgical" operation by teams of specialists captured the real troublemakers, thereby avoiding the collective punishment of entire Arab towns and villages and

lowered the IDF profile in the territories.

The decision to publicize the operation was taken by Barak.

IDF spokesman Brig. Gen. Nahman Shai said Sunday that the purpose of the disclosure was to let the Palestinian activists know they are not safe in their own backyards.

Another important purpose, military sources said, was to refute Palestinian claims that the undercover units were "hit squads" sent to assassinate intifada leaders.

But an unidentified Arab caller from the Gaza Strip told Voice of Israel radio that the local Arab populations can easily spot outsiders regardless of any disguises.

Yitzhak Rabin, a leader of the opposition Labor Party who was defense minister when the intifada began in 1987, was a sharp critic of the disclosure, as was Eliahu Ben-Elissar of Likud, chairman of the Knesset Foreign Affairs and Security Committee.

Rabin conceded that the undercover operations were no secret to the Palestinian population in the administered territories. But exposing them allows "hostile elements to blame us for things we haven't done by merely noting the fact that the IDF, too, was using masked men in the territories."

Rabin called the television broadcast a "grave mistake."

The television report was discussed at the weekly Cabinet meeting Sunday, where ministers reportedly differed sharply.

Likud Health Minister Ehud Olmert praised the televised report. He welcomed the fact that the army has found a way to deal with specific intifada targets, thereby sparing the general Arab population.

But Rehavam Ze'evi of the far right-wing Moledet party, a minister-without-portfolio, took an opposite view and threatened to leave the coalition -- a threat the Prime Minister's Office said it did not take seriously.

Ze'evi objected to the release of "hundreds" of Arab prisoners on the occasion of the Moslem feast of Id Al Adha.

About 80 Gaza Strip residents were freed Sunday from the Ketziot detention camp in the Negev for the feast. Most had either finished their sentences or would have shortly.

Another 80 prisoners are to be released Monday from Ketziot and nine were released from the Megiddo military prison near Afula.

WALDHEIM 'POLITICAL DEMISE' HAILED BY JEWISH GROUPS

By Debra Nussbaum Cohen

NEW YORK, June 23 (JTA) -- Austrian President Kurt Waldheim's decision not to run for a second term has been met with relief by Jewish organizational leaders, one of whom called "Waldheim's political demise" a "great victory for decency."

Israel Singer, secretary-general of the World Jewish Congress, which led an international effort to uncover Waldheim's Nazi past, also said Friday that his decision not to run for another 6-year term as president "lifts a great burden from Austria."

The international campaign by Jewish and non-Jewish groups, led by the WJC, may actually have boosted Waldheim's standing in Austria in 1986, where voters were incensed over what they perceived to be attempts by outsiders to influence

their internal affairs.

The WJC's efforts culminated with a public announcement just prior to Waldheim's election that he had been "part and parcel of the Nazi killing machine."

On Friday, Singer expressed hope that Austria and the Jewish people will now "open a new chapter."

Rabbi Avi Weiss, president of the Coalition for Jewish Concerns, followed Waldheim around the world for years to dramatically expose his Nazi past. Weiss called Waldheim's decision not to run again "a moral victory."

David Harris, American Jewish Committee executive vice president, also reacted with "approval and profound relief" to Waldheim's decision, noting that this "will certainly remove a cloud that has blighted Austrian-Jewish relations these past several years."

Waldheim "has impaired relations between the Austrian and Jewish peoples," agreed Rabbi Abraham Cooper, associate dean of the Simon Wiesenthal Center.

Insists He Knew Nothing

"We earnestly hope that, as a result of this welcome news, relations between Austria and the Jewish people can be placed on a more stable basis," said AJCommittee's Harris.

While Austria and Israel have formal diplomatic relations, Israel recalled its ambassador five years ago to protest the election of the former Nazi to the prominent, though largely ceremonial, position.

Waldheim's decision not to run again has been tied to pressure from within Austria over concern that his re-election could hurt Austria's attempts to join the European Community.

Waldheim, 72 years old, has been treated as a pariah by Western leaders for hushing up his World War II service with a German army unit.

His only official contacts have been with Arab and Islamic leaders, and Pope John Paul II.

Waldheim was stationed in Salonika for many months in 1943, as 48,000 Greek Jews were deported to Birkenau. He insists he knew nothing about it.

No personal involvement in the deportations was established, but historians and journalists researching in Greece later insisted that he must have known about them.

He claimed in his autobiography that he spent most of the war as a student at the Consular Academy of Vienna University because he had been injured on the Russian front in 1941. He included no reference whatsoever to the time he spent in Salonika.

In March 1986, the Austrian news magazine Profil reproduced Waldheim's military registration card with endorsements suggesting he belonged to the Nazi brown shirts, Hitler's quasi-military street fighters.

Profil said Waldheim served in the Balkans from 1942 to 1945, much of that time under Gen. Alexander Lohr, who was executed for war crimes in 1947.

The magazine article, and the WJC campaign, forced Waldheim to admit that his earlier explanations had been false.

After his election, Waldheim was put on the U.S. Justice Department's "watch list" of people to be refused entry to this country because of their association with Hitler's regime.

(JTA correspondent Reinhard Engel in Vienna contributed to this report.)

CONVENT AT AUSCHWITZ RENOVATED, SIGNS OF COMMERCE WITHIN CAMP

By Michel Di Paz

PARIS, June 23 (JTA) -- The Carmelite nuns whose convent on the grounds of the former Auschwitz death camp has severely strained Jewish-Catholic relations in recent years show no preparations to move, even though new quarters are being built for them off the site.

Moreover, there are signs at Auschwitz that buildings on the site of the former death camp have been leased as warehouses and that a brewery has been set up there.

The convent itself has been renovated and a new extension added, according to photographs taken several days ago by Serge Cwaigenbaum, secretary-general of the European Jewish Congress, which circulated the photographs here.

"Is this the attitude of someone about to move elsewhere?" Cwaigenbaum asked.

The pictures of the convent show that "the roof of the old building has been totally changed and a new building has been built alongside the old one," he said.

The photographs also show evidence of commercial exploitation on the camp grounds, which have been called the graveyard of European Jewry.

Photographs circulated by the EJC show that buildings within the camp's perimeter have been leased to businesses for warehouses and the signs of a brewery hang on the wire fence.

Under an agreement signed by European cardinals and world Jewish leaders in February 1987 in Geneva, the convent was to have been relocated within three years. But the deadline was not met.

Construction was supposed to have begun last year on an ecumenical center some distance from the Auschwitz camp site which would include a new convent. But construction could take another four to five years, Cwaigenbaum was told when he was in Poland last week.

Auschwitz As Expiation For Crucifixion

Jean Kahn, newly elected president of the EJC, a World Jewish Congress affiliate, stressed that the Catholic Church in France has always supported Jewish efforts to have the nunnery at Auschwitz relocated.

But "the Church of Poland reacts differently. We understand that the Catholic Church is not monolithic," he observed.

Kahn, who is also president of CRIF, the representative council of French Jewish organizations, lashed out at Pope John Paul II for equating abortion with the Holocaust in an anti-abortion polemic he delivered during his recent trip to Poland.

"By doing this, the pope is playing down the Holocaust and making it commonplace," Kahn said.

He quoted a statement made by Karol Wojtyla at Auschwitz in 1972, a few years before he became the first Polish-born pope. It hinted that the Jews who died there were an expiatory sacrifice for the crucifixion of Jesus.

"For years we have been promised by the Vatican an official text on the Holocaust. Nothing has been done yet, leaving us to think that what Karol Wojtyla said in 1972 is indeed the position of the Catholic Church on the Holocaust," the EJC leader said.

Kahn returned somewhat disturbed from Prague, where he had been invited to attend a

session of the Conference for Security and Cooperation in Europe.

"People had prepared speeches about 'the unacceptable period of Communist dictatorship.' But what about Nazism, was that acceptable?" he asked.

According to Kahn, "Jews will not go back to Poland or Czechoslovakia. But there is a very important Jewish cultural heritage, mostly ruined: synagogues, cemeteries, Jewish quarters.

"The EJC intends to help those countries to preserve this heritage, particularly in Poland and the old Jewish quarter of Kazimierz in Krakow and the Jewish Museum and quarter in Czechoslovakia," he said.

GERMANY ADMITS CONTRIBUTING TO IRAQ'S CHEMICAL, NUCLEAR ARSENAL

By David Kantor

BONN, June 23 (JTA) -- Germany has admitted for the first time that it legally contributed to Iraq's capacity for chemical and nuclear warfare before the Persian Gulf conflict.

Until now, German officials had insisted that whatever German weapons or technology went to Iraq was shipped illegally in violation of the export laws.

But Economics Minister Jurgen Moellmann disclosed Saturday that Germany legally exported to Iraq arms and high-tech products, including some that could be used to manufacture chemical and nuclear weapons.

In his country's defense, however, he claimed the German arms shipments to Saddam Hussein were far smaller than those of the French or the Americans.

According to the minister, illegal exports remain Germany's main problem. They continue with "criminal energy," he said. Germany is seeking an international consensus to define which goods and services may not be exported.

Israel, for its part, has criticized Germany's insistence on international cooperation in the matter, arguing that it would make for indefinite delays before any action is taken.

Meanwhile, the government's latest effort to toughen the arms-export laws has been stalled by the Bundesrat's refusal to approve a clause allowing state prosecutors to tap the telephones and open the mail of suspected violators.

GERMAN AID LINKED TO SETTLEMENT POLICIES

By David Kantor

BONN, June 23 (JTA) -- Germany will link economic assistance to Israel to progress in the Middle East peace process, diplomatic quarters indicated Sunday.

They privately confirmed reports appearing in the Israeli news media that long-term credits to Israel would be contingent upon the Jewish state's efforts to achieve peace -- with particular emphasis on a halt or freeze on the building of new settlements in the administered territories.

Diplomats here point out that while Germany never actually promised Israel financial aid to house new immigrants, Chancellor Helmut Kohl told Israeli Foreign Minister David Levy on a visit here in March that he would give favorable consideration to an Israeli request.

When Levy returned to Tel Aviv on March 16, he told reporters that Israel could expect German aid but mentioned no precise amount.

FAISAL HUSSEINI LOBBIES E.C. ON BEHALF OF THE PLO

By Yossi Lempkowicz

BRUSSELS, June 23 (JTA) -- Palestinian nationalist leader Faisal Husseini was busy here last week lobbying officials of the European Community on behalf of the Palestine Liberation Organization.

The E.C. froze all contacts with the PLO this year because its chairman, Yasir Arafat supported Saddam Hussein of Iraq in the Persian Gulf crisis. But according to Husseini, who lives in East Jerusalem and chairs the Arab Studies Center there, "The peace process cannot work without building relations with the PLO."

Husseini has been detained without trial several times by Israeli authorities, accused of being one of the organizers of the Palestinian uprising. He is a supporter of the PLO who is known to have differed with it at times. Before the intifada he campaigned for a non-violent resolution to the Arab-Israeli conflict.

But he stood up for the necessity of working with the PLO during his meetings with senior members of the Belgian Foreign Ministry and with Abel Matutes, the E.C. commissioner for Mediterranean affairs.

"The PLO, which is representative of all Palestinians, must be present" at peace negotiations, Husseini emphasized.

When asked if his diplomatic contacts had yielded any promises, he would only say that the talks here had been "important, frank and constructive."

Husseini came to Brussels to participate in a week dedicated to European-Palestinian friendship, organized by a Belgian group.

He commented on last week's victory of candidates of the Islamic fundamentalist group Hamas in elections to the Hebron Chamber of Commerce, telling the Belgian daily *Le Soir* that the extremists' success should serve as a warning that "people will distance themselves from the moderates as long as peace efforts appear futile because of Israeli intransigence."

Husseini also said the sincerity of President Bush's efforts for Middle East peace will soon be tested by whether or not he conditions Israel's new requests for economic assistance on its making "positive pledges toward the peace process."

Israel is expected to ask for \$10 billion in U.S. loan guarantees to absorb Soviet immigrants.

The E.C. Executive Commission has recently decided to allot \$12 million to improve social and economic conditions in the West Bank. In addition, the Palestinians will receive food aid in the amount of \$9.5 million.

About \$72 million in post-Gulf War economic aid has yet to be approved by the European Parliament, the E.C.'s legislative body.

Husseini discussed European economic assistance for the Palestinians with Matutes. The E.C. official, who is Spanish, promised to visit Husseini when he is in Israel on July 10.

In the *Le Soir* interview, Husseini admitted that after more than three years of struggle, the Palestinian uprising, known as the intifada, must be reassessed.

Referring to the growing internecine violence within the Arab community, Husseini said, "The Unified Command of the intifada wants to stop the killing of collaborators," but "the small youth groups are not easy to control."

ANTI-SEMITIC PAMYAT LAUNCHES NEWSPAPER

NEW YORK, June 23 (JTA) -- Pamyat, the ultra-nationalist anti-Semitic movement active in recent years in the Russian republic, publicly announced the official registration of its newspaper at a June 1 rally in Moscow, two Jewish groups here said.

The meeting, held at a club at Moscow's Steel and Alloys Institute, drew some 1,500 supporters and was Pamyat's largest to date, according to the World Jewish Congress.

The group's newspaper, also called Pamyat, has published two editions since January. The newspaper first appeared in 1989 as a four-page underground publication, according to sources here.

The paper has a circulation of 100,000, a refusenik in Moscow reported to the Bay Area Council for Soviet Jews, a member group of the Union of Councils for Soviet Jewry.

Pamyat's leader, Dmitry Vasiliev, said the paper is financed by a "very patriotic" agricultural cooperative which he heads.

Vasiliev, whom the Union of Councils described as a journalist and photographer and leader of an especially militant faction of Pamyat, described the crowd of 1,500 as just the "backbone" of the movement, the World Jewish Congress reported. "If necessary," said Vasiliev, "we could fill a stadium."

Vasiliev sidestepped reporters' questions about Pamyat's attitude toward Jews, the World Jewish Congress said. "We are launching a Russian newspaper today and I am more interested in the Russian question," he said.

GOOD VIBES, LITTLE SUBSTANCE AT POPE'S MEETING WITH JEWS

By Ruth E. Gruber

ROME, June 23 (JTA) -- A Polish Jewish leader thought the atmosphere was good but the substance meager at a meeting Pope John Paul II held with Polish Jews in Warsaw on June 9.

"The atmosphere was warm and the pope was visibly moved," Stanislaw Krajewski, co-chairman of the Polish Council of Christians and Jews, said in a statement from Warsaw.

Nevertheless, "I think the pope's visit did not stress sufficiently the need to oppose anti-Semitism, and more generally to oppose Catholic fundamentalism, and to accept pluralism and foster tolerance," he told the Jewish Telegraphic Agency.

He said he was disturbed by the pope's emphasis on the "pitfalls of Western liberalism, which has led to empty churches, proliferation of pornography and abortion.

"While he has every right to warn against moral problems," Krajewski said, "it seems that the result of his approach is that fundamentalists in the Polish Church have been strengthened, those who think the Polish Church should be an example for Europe.

"They would like to see a Catholic state, or at least the Catholic principles, as integral elements of the state structures.

"The pope supported triumphalism in the church, and this is a disappointing result of the visit from the Jewish perspective and, more generally, from the point of view of all who prefer to live in a religiously neutral democratic order," the Jewish leader said.