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**ISRAEL TAKING CAUTIOUS APPROACH
TO RECOGNITION OF BALTIC STATES**

By David Landau

JERUSALEM, Aug. 27 (JTA) -- The swift breakup of the Soviet empire poses a dilemma for Israel, which must decide what type of relations to have with the constituent republics, which are announcing their secession from the Soviet Union one by one.

Opposition parties in the Knesset are pressuring the Likud government to extend immediate diplomatic recognition to the Baltic republics -- Lithuania, Latvia and Estonia -- which have proclaimed independence of Moscow.

But Prime Minister Yitzhak Shamir is exercising the same caution that characterized his mute response to the failed military coup in Moscow last week.

"As a small country, Israel should not rush to recognize," Shamir told reporters Tuesday before leaving on an official visit to Bulgaria.

"We will not be the first to take decisive steps, and we will act only according to the developments," he said.

His remarks indicated that while Israel eventually will recognize the Baltic republics, it will follow the lead of the United States, which has also been cautious in its approach.

That decision apparently emerged from high-level discussions earlier in the week involving Shamir and Foreign Minister David Levy. It stemmed from Israel's special position with respect to the Soviet Union.

Jerusalem is reluctant to take any step that might offend the central authorities in Moscow because of possible repercussions for Jewish emigration and for the Jews remaining behind.

At the same time, Israel does not want to be perceived to be lagging, if only because the Baltic republics, especially Lithuania, have sizeable Jewish populations.

Criticism From The Left

The 12 European Community member states and the Scandinavian countries have recognized them. But Shamir and Levy apparently decided it is prudent for Israel to march in lock step with the United States on this issue.

Israel adopted a similar approach earlier this summer when it came to lifting economic sanctions against South Africa.

The United States never recognized the Soviet annexation of the Baltic states in 1940, when the Hitler-Stalin pact was in force. And Washington has made their liberation a cause celebre of the Cold War during the past 40 years.

Ironically, President Bush's conservative administration has been hesitant now that their freedom is at hand.

Bush, at his vacation retreat in Kennebunkport, Maine, said Monday that the United States has "special responsibilities" not to make hasty decisions that could contribute to the instability of the Soviet Union.

Shamir's refusal to commit Israel to prompt recognition of the Baltic states has fueled criticism from the opposition in the Knesset, especially in light of the government's silence over the coup in Moscow last week.

It was "wrong for Israel to have been among the countries that kept silent for reasons of expediency when the issue was one of good against evil," Labor Party leader Shimon Peres declared. He said Israel should repair its reputation by immediate recognition of the Baltic states.

Yossi Sarid of the Citizens Rights Movement, just back from a trip to Moscow, also took issue with Shamir's go-slow policy. He said Israel could afford to recognize the newly independent Baltic states and take speedy steps to exchange diplomatic representatives with them.

Israel must not lag behind other countries in making such important diplomatic moves, he said.

**SHAMIR ON STATE VISIT TO BULGARIA,
HOPES TO ARRANGE IMMIGRANT FLIGHTS**

By Hugh Orgel

TEL AVIV, Aug. 27 (JTA) -- Prime Minister Yitzhak Shamir arrived Tuesday in the Bulgarian capital of Sofia, on the first official visit to that Eastern European country by an incumbent Israeli prime minister.

Although allied with Germany during World War II, Bulgaria was one of the few European states under Nazi domination that tried to protect its Jewish inhabitants, Shamir said on his arrival.

He said he brought with him some "interesting proposals" for cooperation between the two countries, and was accompanied by experts who could implement them.

Shamir arrived with a special asset: his wife, Shulamit, who was born and raised in Bulgaria, and was warmly received there on her two previous visits.

There is a Jewish community of a few thousand in Bulgaria today. But most Bulgarian Jews have moved to Israel over the years.

Shamir said he hoped to make arrangements for Soviet Jewish emigres to land in Sofia on their way to Israel. Presently, they change planes in Warsaw, Budapest or Bucharest, because there are no direct immigrant flights from Moscow to Tel Aviv.

Before returning to Israel on Friday, Shamir is expected to sign economic, trade and tourism agreements with the Bulgarian government. He will also meet with the heads of the local Jewish community.

**BRAWL ERUPTS AT ABSORPTION CENTER
BETWEEN SOVIET AND ETHIOPIAN OLIM**

By David Landau

JERUSALEM, Aug. 27 (JTA) -- A fierce brawl between Ethiopian and Soviet immigrants broke out Monday night at a Jerusalem absorption center. Four Soviet olim were hospitalized with minor injuries.

Jewish Agency officials insisted racism played no part in the fracas. But Israeli authorities are questioning the wisdom of housing immigrants from widely disparate ethnic and social backgrounds under the same roof.

The incident, which left seething tensions in its wake, occurred at a former hotel ironically named the Diplomat. It has been serving as temporary quarters for about 200 recently arrived Soviet Jews and some 600 Ethiopians, part of the

14,000 brought to Israel in the Operation Solomon airlift of May 24-25.

Police who broke up the melee, which involved dozens of olim on both sides, said stones, iron bars and other improvised weapons, possibly even knives, were wielded by the combatants.

Israeli newspapers featured photographs Tuesday of bloodied olim in ambulances being taken to hospitals, where they were treated for flesh wounds.

Trouble seems to have been brewing for some time between the two groups at the absorption center. Soviet parents told reporters the confrontation was triggered by frequent fights between Soviet children and older Ethiopians.

Soviet Jews at the hotel complained that the Ethiopians were noisy and untidy, and that they had started the fights.

A young Ethiopian immigrant who said his name was Mengistu told Israel Radio on Tuesday that he had studied some Russian in Addis Ababa and understood the frequently insulting remarks by the Soviet olim about his people.

Resentment Of Unequal Benefits

According to some sources, the ill feelings stem from Soviet Jews' resentment of the extra benefits given the Ethiopian immigrants, who come from a primitive society and have trouble adjusting to Israel's Western lifestyle.

"They just refuse to accept that they are both members of the same people," said Meir Buzaglo, one of the homeless Israelis who also live at the absorption center.

Unlike the Ethiopians, who are sheltered at absorption centers and showered with clothing and other gifts while they try to learn the language and acclimatize themselves, the Soviets generally undergo "direct absorption."

Upon arrival, each family receives a stipend, from which it must pay rent and buy other necessities of life while learning Hebrew and searching for housing and jobs, both in short supply.

The Soviet olim at the Diplomat pay rent while the Ethiopians do not. Jewish Agency officials admitted Tuesday that it was a mistake to put the two groups together.

But Brachiyahu Mansouri, a senior immigration official, dismissed a suggestion that racism was responsible for the unrest. "It's negligible, doesn't exist," he told reporters.

Absorption Ministry officials said there is no intention of trying to force the two communities to live together in the long term. The arrangement at the Jerusalem hotel is temporary. But now even temporary arrangements will be carefully reviewed, ministry officials said.

STUDY SAYS ISRAEL MUST ADAPT ECONOMY TO PROVIDE JOBS FOR IMMIGRANT TALENT By Gil Sedan

JERUSALEM, Aug. 27 (JTA) -- The massive influx of immigrants from the Soviet Union confronts Israel with the biggest challenge in its history. But it is also, potentially, the greatest blessing since the wandering Israelites were showered with manna from heaven.

That is the conclusion of a 79-page report for Israeli policy-makers, just released by the Bank of Israel, the country's central bank.

It was prepared by Hebrew University Professor Gur Offer and two Bank of Israel researchers, Drs. Karnit Flug and Nitza Kassir.

If the political echelons take heed, they will

stop agonizing over how to absorb the thousands of newcomers into Israel's economy but get busy readjusting the economy to make the best use of the new talent.

Soviet aliyah is an economic blessing because of the high percentage of university graduates and trained professionals among the olim, the authors say. In terms of "human capital," Israel in a short time could become one of the richest countries in the world.

Today, nine of every 100 employed Israelis has a graduate degree, compared to 5 percent in the United States. When Soviet aliyah reaches 500,000, the number of people in the economy with advanced degrees will reach a record 11 percent, the authors say.

Those graduates will need to be employed, and currently Israel's job scene is less than satisfactory. The national unemployment rate reached 10 percent in the second quarter of this year, up 0.2 percent from the first quarter.

One way to absorb new immigrants is to throw them into whatever jobs are available, as quickly as possible. That means hundreds of doctors, engineers and college professors doing menial work.

The alternative is to list the special vocational skills the new olim bring with them and tailor employment opportunities to fit those skills.

The authors of the report clearly favor the latter approach.

Impressive Backgrounds

The professional breakdown of new Soviet immigrants is impressive. Four out of 10 have university degrees in such fields as biology, engineering, architecture, medicine, pharmacy, veterinary medicine, law and teaching. Others are accountants, journalists, nurses and technicians.

If these immigrants find jobs that match their skills, they will be happier, adjust to Israel more quickly and likely remain here.

But if they do not find suitable jobs, they will become a source of deep frustration.

"The quality of employment offered the first wave of immigrants will affect the readiness of additional immigrants to come to Israel and the tendency to yeridah," or emigration from Israel, the authors of the study write.

To offer high-quality employment, the economy must literally be stood on its head, they say.

At present, 40 percent of working Israelis are employed in the service sector, a third work in academia and 23 percent do menial labor.

To achieve the goals necessary for successful aliyah, the public sector must shrink and high-tech industries will have to expand.

There are two obstacles. Some olim will have to change their vocations. There is not enough room in Israel for an influx of medical doctors, to mention one overcrowded profession.

But the most serious barrier is limited economic resources. Adjusting the economy to a highly educated aliyah will take enormous investments in industry.

According to the study, Israel will need a mind-boggling \$13 billion in investments. Where it will come from is a question the researchers do not attempt to answer.

Because of the Labor Day holiday in the United States, the JTA Daily News Bulletin will not be published on Monday, Sept. 2.

**HOSTAGE TALKS YIELD NO WORD YET
ABOUT FATE OF THE MISSING ISRAELIS**
By Gil Sedan

JERUSALEM, Aug. 27 (JTA) -- After weeks of negotiations and diplomatic missions aimed at bringing about a release of Western hostages from Lebanon, Israel is still waiting for new information about the fate of seven Israeli Defense Force servicemen long missing in Lebanon.

Until Israel receives such information, it will not consider freeing any Lebanese or Palestinian prisoners in exchange for Western hostages, Prime Minister Yitzhak Shamir reiterated Tuesday.

Shamir, who spoke to reporters at Ben-Gurion Airport before leaving on a visit to Bulgaria, did not seem to share the guarded optimism expressed this week by U.N. Secretary-General Javier Perez de Cuellar, who has been trying for the past month to broker a hostage exchange.

In Geneva, Perez de Cuellar said Monday that while he could not predict how soon any detainees would be released, "things are moving and moving at a good pace."

"We are pleased to note the secretary-general's optimistic mood, and I hope he has good news. But we have not heard it yet," Shamir replied Tuesday.

He added that Israel is in "close contact" with the United Nations on this matter and that Jerusalem would know more in a few days.

Perez de Cuellar's personal representative in the hostage situation, Giandomenico Picco, just spent a week in Israel conferring with local officials and has reported to the secretary-general in Geneva. Neither would discuss what transpired.

In Lebanon, Minister of State Nabih Berri was quoted as saying that the Shi'ite Amal militia, which he heads, is holding the remains of two of the Israeli servicemen.

'Iranians Know The Israeli Position'

But Israel must free 28 women prisoners before the International Red Cross would be allowed to inspect the corpses, Berri said. It was unclear which women he was referring to.

Sources here assumed he meant women held prisoner by the Israeli-allied South Lebanon Army, including one who tried to assassinate SLA Commander Gen. Antoine Lahad several years ago.

They are believed to be held in El-Khiyam prison in the southern Lebanon security zone.

Danny Naveh, media adviser to Defense Minister Moshe Arens, said Tuesday that without a precise check of the two bodies, Berri's statement is just another in a long series of uncorroborated statements made in Lebanon recently.

He said Berri has claimed in the past that Amal had the bodies of Israeli servicemen, obtained from Al Fatah, the main faction of the Palestine Liberation Organization.

Berri has been told repeatedly that proper identification of the bodies is a precondition to any negotiations, Naveh said.

Meanwhile, Iran's U.N. ambassador, Kamal Kharrazi, said Monday that the missing Israeli soldiers are prisoners of war whose fate is not linked to the Western hostages and is not a factor in negotiations for their release.

Kharrazi, who made his remarks to the Beirut daily A-Safir, met with Perez de Cuellar in Geneva on Tuesday.

The secretary-general said afterward: "So far, I consider that we have been successful, but I have to be very careful in my statements."

Asked if the Iranians accept the Israeli position that no detainees will be released before tangible proof is provided about the fate of their missing soldiers, he replied, "The Iranians know the Israeli position, and there is no angry reaction on their part."

Perez de Cuellar was to meet Wednesday with the president of the International Red Cross, Cornelio Sommaruga. A Red Cross spokesman said there has been no breakthrough yet in Red Cross efforts to visit the hostages.

The Islamic Jihad, which holds at least two American hostages, freed British journalist John McCarthy on Aug. 8 with a letter to the U.N. secretary-general proposing further swaps of hostages for Arabs detained by Israel.

Lebanese groups close to the pro-Iranian Hezbollah, an organization of Shi'ite fundamentalists in southern Lebanon, are holding five Americans, two Britons and two Germans.

Israel holds close to 400 Lebanese and Palestinians in prison camps in Israel and the southern Lebanese security zone.

(JTA correspondent Tamar Levy in Geneva contributed to this report.)

**PRISONER SWAP BEING NEGOTIATED
IS LATEST OF ISRAELI EXCHANGES**
By Hugh Orgel

TEL AVIV, Aug. 27 (JTA) -- There is ample precedent for the international prisoner exchange now being quietly negotiated by the United Nations, Israel, Iran and Shi'ite terrorist groups.

Israel has participated in at least 10 major prisoner exchanges since 1956, trading thousands of Arab detainees for handfuls of Israeli prisoners of war.

The first important prisoner exchange was negotiated in 1956, after the Sinai campaign. Israel released 5,500 Egyptian soldiers for four Israeli POWs and the body of a fifth soldier killed in action.

In 1968, 15 terrorists were freed in exchange for passengers aboard a hijacked El Al plane.

In 1969, Israel released 71 Egyptian and Syrian soldiers and seven terrorists for two Israel Defense Force soldiers and the bodies of two others.

In 1971, a senior commander of Al Fatah was released in exchange for a kidnapped Israeli watchman, in a rare one-for-one swap.

Soon afterward, Israel released more PLO prisoners in exchange for an El Al jet, which had been hijacked to Algiers.

In 1979, an Israeli soldier captured by George Habash's Popular Front for the Liberation of Palestine was exchanged in Geneva for 76 security prisoners.

In 1983, Israel released 4,600 terrorists of the Palestine Liberation Organization in return for six IDF soldiers captured in the Lebanon war.

In 1984, six Israeli prisoners and the bodies of five others were swapped for 291 Syrian POWs and 20 Golan Heights residents arrested for resisting Israeli soldiers, plus the bodies of 72 Syrian soldiers.

In May 1985, three IDF soldiers were traded for 1,150 terrorists in a swap with Ahmed Jabril's Popular Front for the Liberation of Palestine-General Command.

In July 1985, a phased release of 735 Shi'ite detainees from Atlit prison camp began after 39 remaining passengers of a hijacked TWA jet were freed by its hijackers in Beirut.

**ARMED KACH ACTIVISTS ENTER JAIL,
TAUNT PALESTINIANS BEING QUESTIONED**
By David Landau

JERUSALEM, Aug. 27 (JTA) -- A pair of activists in the militant Kach movement, one armed with an Uzi submachine gun, managed to enter the Petach Tikva jail Monday and menace two Palestinian leaders undergoing interrogation.

Police Commissioner Ya'acov Terner ordered a high-level investigation into what police sources admit was a serious lapse of security.

But no arrests were made, although the intruders, Tiran Pollack and Baruch Merzel, have long police records and have served time in prison for lawless behavior.

Kach, a movement founded by the late Rabbi Meir Kahane, advocates the expulsion of all Arabs from Israel and the administered territories.

The police station in Petach Tikva serves as national headquarters of the Serious Crimes Division. It was under heavy guard Monday night when Palestinian nationalists Faisal Husseini and Professor Hanan Ashrawi were brought from Jerusalem for questioning.

Guards were posted in advance of their arrival, to keep separate demonstrators from the right-wing Moledet and Tehiya parties and the leftist Peace Now movement.

When the antagonists began to jostle each other, the police rounded up several, including Pollack and Merzel. How the two slipped into the building is the subject of the investigation. They hurled threats and abuse at the two Palestinians until police intervened.

Various parties differed over how close the Kach pair got to the Palestinians. Police sources insisted the detainees were never in danger.

Pollack, who carried the Uzi, claimed he had no intention of doing physical harm.

Husseini and Ashrawi are among the small group of Palestinian activists and intellectuals who have met with U.S. Secretary of State James Baker on each of his several trips to Jerusalem between May and July.

They were brought in for questioning in connection with a meeting last week in London, where they allegedly had contact with officials of the Palestine Liberation Organization, in violation of Israeli law. The two were questioned separately and left under police escort after posting bail.

**PROTEST PERSUADES ISRAEL TO GRANT
EQUAL AID TO ARAB MUNICIPALITIES**
By Gil Sedan

JERUSALEM, Aug. 27 (JTA) -- Israeli Arab mayors claimed a "historic achievement" Monday, after the government agreed to grant Arab municipalities the same financial assistance that Jewish municipalities get.

The aid is to come within four years.

But extracting the concession took a week-long sit-in strike outside the Prime Minister's Office and a threat by the Committee of Arab Mayors to complain to the United Nations and to foreign governments.

The strike ended Monday when the government agreed that Arab municipalities will receive an additional \$218 million in grants over the next four years. A third will be raised from local taxes.

Israel's Arab townships have long complained they are being short-changed. Now, for the first time since the establishment of the state, the

government has taken a serious step toward complete equality between Arab and Jewish municipalities, said Rafik Haj Yihya, mayor of Taiba, an Arab town near Kfar Sava.

Tarek Abdul Hai, mayor of nearby Tira, said it is ironic that a Likud-led government has given the Arabs more than they ever got from Labor-led governments in the past, even though Israeli Arabs traditionally support Labor.

Another provision of the agreement equalizes development budgets in the Arab sector with those for Druse villages. The Druse have previously received preferential treatment for serving in the Israeli armed forces.

Most Arabs do not serve in the army. Arabs have the choice to volunteer, however.

**OSI SEEKING DEPORTATION OF OHIO MAN
WHO WAS ALLEGEDLY GUARD AT AUSCHWITZ**

NEW YORK, Aug. 27 (JTA) -- The Justice Department's Office of Special Investigations announced Tuesday that it has filed court papers seeking the deportation of an Ohio man alleged to have served as an SS guard at the Auschwitz concentration camp during World War II.

A show-cause order was filed in Cleveland against Johann Hahner, 70, a German citizen and resident alien who has lived in this country since 1958. The order requires the alleged war criminal to demonstrate why he should not be deported.

The Justice Department claims that Hahner, a resident of the Cleveland suburb of North Olmsted, misrepresented his wartime experiences when he applied to immigrate to the United States and when he entered the country.

Hahner, an ethnic German born in Popovac, Yugoslavia, and raised in that country, served in the SS Death's Head Battalion, according to OSI.

"Abundant evidence exists concerning the atrocities committed against thousands of civilians at Auschwitz during the period of Hahner's SS service there," OSI Director Neal Sher said in a statement.

The show-cause order states that Hahner first admitted his service at Auschwitz when he was questioned by an OSI attorney.

Since OSI was established in 1979, 35 Nazi persecutors have been stripped of U.S. citizenship, and 29 have been deported, extradited or have left the country voluntarily.

ISRAEL GOES BACK TO WINTER TIME
By Hugh Orgel

TEL AVIV, Aug. 27 (JTA) -- While most of the rest of the world will still be enjoying extra hours of daylight, Israel will revert to standard (winter) time on Saturday night, when clocks will be set back one hour for the convenience of observant Jews.

Rosh Hashanah comes early this year, beginning on the evening of Sept. 8. Religious Jews offer Slichot, prayers of repentance, in preparation for the solemn holiday.

They must be recited in early morning for a minimum of four days before Rosh Hashanah.

The Interior Ministry, which has jurisdiction over such matters, noted that Israelis have enjoyed 160 days of daylight-saving time since clocks were advanced an hour on March 23.

Starting Sunday, Israel's time will be two hours ahead of Greenwich Mean Time, the longitude of London, and six hours ahead of daylight-saving time in the eastern United States.