

**BAKER SAYS U.S. NEEDS TIME TO ASSESS
LOAN REQUEST'S IMPACT ON PEACE PROCESS**
By David Friedman and Howard Rosenberg

WASHINGTON, Sept. 4 (JTA) -- Secretary of State James Baker asked Congress on Wednesday to give the Bush administration time to study Israel's request for U.S. guarantees covering \$10 billion in loans the Jewish state is seeking for immigrant resettlement.

The United States wants "a little bit of time to review this request, in order "to assess its impact on the peace process," Baker said during an afternoon news conference.

"We hope and expect and believe that the Congress will give us the time we need to study and further explore this request, and deal with it in the manner that it deserves," he said.

The secretary made the statement a day after Israeli Prime Minister Yitzhak Shamir reportedly turned down a personal plea from Baker to delay making the request for the guarantees until later this fall.

Instead, Israeli Ambassador Zalman Shoval, who returned from Jerusalem on Wednesday, is expected to request the guarantees formally at a meeting with Baker on Friday.

Israel and its supporters want Congress to act now on the requested loan guarantees, so that they can be included in the U.S. foreign aid bill for the 1992 fiscal year, which begins Oct. 1.

They point out that, at the administration's request, Israel had already deferred asking for the guarantees earlier this year and that it was agreed Jerusalem could do so in September.

Growing Concern About 'Linkage'

But Baker's remarks Wednesday seemed to confirm the growing apprehension in Jerusalem and among American Jews that the United States will seek to hold up the guarantees until it gets some concessions from Israel on political or economic issues.

The secretary maintained at the news conference that he was not "drawing any linkage" between the guarantees and the Middle East peace process, which, he said, is a "very sensitive" matter that must be dealt with "in a way that does not undercut" the opportunity for progress.

But then he added, "I am not suggesting that there's not some relationship. There will be an impact."

In Jerusalem, officials said earlier this week that there were signals from Washington that a "favorable diplomatic atmosphere" on the peace process would facilitate congressional approval of the loan guarantees.

Some Israeli officials interpreted this as a new threat by the administration to link approval of the guarantees to a freeze on the building of Jewish settlements in the administered territories.

Others suggested Washington wants greater Israeli flexibility on the Middle East peace conference the administration, along with the Soviet Union, still hopes to convene in October.

The Palestinians still have not submitted a list of their representatives, apparently because of Israel's objection to having any Palestinian residents of East Jerusalem in the delegation.

Baker is expected to discuss these issues

when he goes to Israel later this month, after a visit to Moscow, which still maintains it will co-sponsor the conference despite the turmoil there.

Baker denied reports he would hold up approval of the loan guarantee request until the regional peace conference is held. He said that if the United States took that position, Israel "might say, 'Well, you can't give us any assurance that one ever will take place.'"

"I'd be a lot more specific and discreet than that," the secretary told reporters.

A Separate, Humanitarian Issue

The administration has also told Israeli officials that it would like Israel to move more quickly on economic reform, particularly privatization of state-owned industries.

There have been rumors that the Office of Management and Budget might set this as a condition for approval of the loan guarantees. The OMB will set the one-time cost to the United States of granting the guarantee, which has been estimated at from \$50 million to \$1.9 billion.

There has been some indication that Israel might give back to the United States a portion of the loan to cover all or some of this amount.

Malcolm Hoenlein, executive director of the Conference of Presidents of Major American Jewish Organizations, said Wednesday that there have been rumors about linkage since the loan guarantees were first mentioned.

"We don't dismiss anything right now," he said. The conference, he said, is stressing that granting the guarantees is a humanitarian issue that "should be dealt with separately from anything else."

That point was made in a joint statement issued by Shoshana Cardin, chairman of the Conference of Presidents, and Arden Shenker, chairman of the National Jewish Community Relations Advisory Council, the two groups that have been mobilizing American Jewish support for the loan guarantees over the summer.

They pointed out that Israel is not asking for U.S. funds, but guarantees to the private commercial banks from which Israel will borrow money over a five-year period, which will be repaid eventually.

Massive Lobbying Effort Set

The two Jewish leaders said that because President Bush, Vice President Dan Quayle and members of Congress played "key roles" in pressing for the emigration of Jews from the Soviet Union, "we are confident that they -- like the American people -- will want to see the job through by supporting this legislation."

The Conference of Presidents and NJCRAC expect some 750 Jewish leaders from 40 states to converge on Washington on Sept. 12, for a National Leadership Action Day in which they will lobby their senators and representatives to support the guarantees.

Even before the massive lobbying effort, Orthodox, Conservative, Reform and Reconstructionist rabbis will deliver sermons on Rosh Hashanah to urge their congregants to lobby their representatives before Yom Kippur.

The Religious Action Center of Reform Judaism in Washington set up a special Western

Union telephone number, 1-800-92-ALIYA, through which people can send prepared messages to their senators and representatives.

(JTA correspondent David Landau in Jerusalem contributed to this report.)

LUTHERANS DRAW FIRE FOR URGING LINKAGE ON U.S. LOAN GUARANTEES

By Debra Nussbaum Cohen

NEW YORK, Sept. 4 (JTA) -- Jewish groups are condemning a resolution adopted by the nation's largest Lutheran denomination that opposes further U.S. loan guarantees for Israel unless it stops expanding settlements in the administered territories.

The resolution was adopted Tuesday by delegates to the Evangelical Lutheran Church in America's biennial convention in Orlando, Fla. Representatives of the 5.2-million-member denomination met there Sunday through Wednesday.

Bishop Harold Jansen of Washington had warned convention delegates that the resolution would have "an enormous negative impact" on Jews and Christian-Jewish relations in this country. But his reasoning did not prevail.

The Conference of Presidents of Major American Jewish Organizations assailed the resolution as one-sided.

In a statement issued Wednesday, it pointed out that the resolution "did not ask the United States to 'pressure' the Arab states to end their state of war against Israel, to halt their economic boycott of Israel, to discontinue their support of Arab terrorism or to acknowledge the legitimacy of Israeli statehood.

"The convention's silence on these issues betrays a partisan approach to the Middle East problem that vitiates whatever influence the resolution might have exercised," the umbrella group said.

According to Rabbi A. James Rudin, national director of interreligious affairs for the American Jewish Committee, the Lutheran resolution is part of an "orchestrated, systematic campaign" by "anti-Israel forces within each of the Protestant denominations, forces which have enormous vested interests in the Arab cause."

'A Kind Of Economic Blackmail'

A similar resolution was passed by delegates to the Episcopal Church convention in July. While that resolution did not specifically address the issue of loan guarantees, it urged the United States to levy economic pressure on Israel to stop the building of settlements in the territories.

The Lutherans' statement "is a kind of economic blackmail being applied" in advance of the proposed Middle East peace conference, and it "should be a serious warning to American Jews that the loan guarantees are going to be a very tough issue" to pass through Congress and the Bush administration, Rudin said.

Resolutions like the one passed Tuesday are typically sponsored by anti-Israel church leaders, he said, who are not involved in the constructive interreligious dialogue that takes place between Lutherans and Jews on the local level in places such as Washington, where Bishop Hansen has been very active in the relationship.

Rudin pointed out that the Evangelical Lutheran Church in America is part of the Lutheran World Federation, which owns facilities in East Jerusalem, including the Augusta-Victoria Hospice on Mount Scopus.

NEW BUDGET SAYS YES TO DEFENSE, NO TO HOUSING DEMANDS BY SHARON
By Gil Sedan

JERUSALEM, Sept. 4 (JTA) -- After 17 hours of debate that stretched into the wee hours of Wednesday morning, Israel's Cabinet adopted a budget that essentially says "yes" to demands for increased defense spending and "no" to Ariel Sharon's request for more immigrant housing.

The \$33.9 billion budget for 1992 also leaves a deficit equivalent to 6.3 percent of Israel's gross national product.

While this is down from 6.9 percent of GNP in the 1991 budget, Treasury officials had warned that any deficit larger than 5.5 percent of GNP would cause a new spiral of unemployment and inflation, which is hovering around 21 percent.

Treasury officials also told the Cabinet that such a large deficit could make the United States uneasy about granting Israel guarantees for \$10 billion in commercial loans it is now seeking.

At a news conference Monday, Finance Minister Yitzhak Moda'i said Israel had "already received queries from the Americans regarding our ability to repay the loans."

In an apparent move to assuage such concerns, members of the Cabinet committee on economic affairs convened Wednesday to begin discussions on how to gradually reduce the budget deficit. Moda'i proposed it be eliminated by 1995.

The Cabinet's 11-6 vote to approve the budget took place around 1:30 a.m. Wednesday, after hours of grueling debate over conflicting demands from the various ministries.

In the end, the governing body decided on a 3 percent across-the-board cut for all ministries except Defense, which will receive an increase of some \$158.6 million.

The Treasury had demanded substantial cuts in both the defense and housing budgets, in order to curb inflation. But the Defense Ministry had asked for an additional \$440 million every year over the next five years.

Funds For Only 15,000 Housing Units

In the end, Defense Minister Moshe Arens prevailed, thanks to the backing of Prime Minister Yitzhak Shamir.

In order to free up some \$220 million for the defense budget, the Cabinet cut into the allotment for immigrant absorption.

It did so not by cutting the amount needed to absorb each immigrant but rather by lowering the estimate of how many immigrants will arrive during the next year from 250,000 to 200,000. This freed up some \$175 million previously earmarked for immigrant housing.

Housing Minister Sharon was predictably furious over the decision to reduce his budget to provide for only 15,000 new housing units to be built by the government next year. He charged it was an "anti-Zionist" decision, returning the country to "distant, dark days."

Defense officials greeted the Cabinet decision with a sigh of relief. They had argued all along that the requested increases were the minimum requirement to meet Israel's future security needs, in the face of a proliferation of missiles in the Middle East and a general expansion of Arab military strength.

But the budget battle is not yet over. The Cabinet's approval is only the starting point in a lengthy process of deliberations culminating in a vote by the full Knesset.

ISRAEL RECOGNIZES INDEPENDENCE OF ESTONIA, LATVIA AND LITHUANIA

By David Landau

JERUSALEM, Sept. 4 (JTA) -- Taking its cue once again from Washington, Israel announced Wednesday that it was extending diplomatic recognition to the three Baltic republics of Estonia, Latvia and Lithuania.

The statement proffering recognition was made by Foreign Minister David Levy, who spoke to reporters after meeting with visiting Italian Foreign Minister Gianni De Michelis.

Levy said Israel's decision followed specific requests from the Baltic states. He said Israel would consider establishing diplomatic relations with the three republics at an appropriate time in the future.

The Israeli foreign minister praised the three republics for their long and determined fight for democracy and freedom from the Soviet Union, whose rule they had never accepted since they were annexed in 1940.

He also said pointedly that Israel is sure that "the memory of the Holocaust will never be forgotten from their hearts."

His comment was a response to calls from groups of Israeli immigrants from the Baltics to withhold recognition of their independence until they publicly asked the Jewish people's forgiveness for their behavior during the Holocaust.

There were many instances of collaboration with the Nazis and even independent persecution of Jews in those lands during World War II.

Both Vilna and Riga had brutal Jewish ghettos, from which the Jews were transported to their deaths. Concentration camps in Estonia were also sites of mass killings.

In recent years, however, Baltic independence movements have made alliances with Jewish groups and supported calls by Soviet Jews for emigration and cultural and religious freedom.

Diplomatic sources said Israel had made it clear all along that it would follow Washington's lead on the timing of recognition. Jerusalem did the same in lifting economic sanctions against South Africa this summer.

President Bush announced Washington's recognition of the Baltics' independence Monday, in a news conference at his vacation home in Kennebunkport, Maine.

TOSHIBA DENIES BOYCOTT COMPLIANCE, SAYS IT'S ALL FOR SELLING TO ISRAEL

NEW YORK, Sept. 4 (JTA) -- Toshiba, the giant Japanese electronics firm, has denied charges it supports the Arab boycott of Israel and said it is committed to doing business there, the World Jewish Congress reported Wednesday.

The group released a copy of an Aug. 19 letter that a Toshiba executive sent to the Israeli Embassy in Tokyo, which says the firm is "committed to direct involvement in the promotion and sales of our products in Israel."

The letter was signed by Taizo Nishiburo, Toshiba's general manager of overseas operation promotion. It was written in response to a report released by the WJC in March about Japanese complicity with the Arab boycott.

The 22-page report had cited Israeli Foreign Ministry officials who charged that Toshiba was one of the major Japanese corporations that "refuse any business dealings with Israel."

The report said Toshiba had refused to sell

mail-sorting equipment to Israel's Ministry of Communications.

Rejecting the charge it boycotted Israel, Toshiba said in the letter that it views the Israeli market as "a sophisticated and increasingly important market for its products."

It said Toshiba "intends to build on this base and to further expand the marketing of its products in Israel."

The WJC welcomed "Toshiba's long-sought assurances," which "follow in the footsteps of the Japanese auto companies Toyota and Nissan, who announced this year that they would begin selling cars to the Jewish state for the first time."

The WJC said the policy change by leading Japanese firms leaves South Korea as the industrialized state most compliant with the Arab boycott.

VOLKSWAGEN SAYS IT WON'T PAY REPARATIONS TO SLAVE LABORERS

By David Kantor

BONN, Sept. 4 (JTA) -- The German automobile manufacturer Volkswagen announced Tuesday that it is refusing to pay reparations to former slave laborers who were exploited in its factories during the Nazi era.

A spokesman for Europe's biggest car manufacturer confirmed that after two years of negotiations with a group of trade union activists and church representatives, the two sides had failed to resolve the issue.

The group negotiating with Volkswagen had proposed creating a \$17 million foundation that would make compensation available to former slave laborers and finance educational programs dealing with the ideological heritage of Nazism.

Volkswagen responded that it has no legal commitment to pay reparations and is not in a position to review individual claims expected to be filed.

It also argued that after World War II, the company became, to a large extent, state-owned, and that the state had already done its share in paying reparations to victims of Nazi persecution.

Heinrich Buss, a spokesman for the group that led the negotiations with Volkswagen, said that the group will continue to put pressure on the firm "in order to force them to return to the negotiating table."

BERLIN WELCOMES ISRAEL PHILHARMONIC

By Hugh Orgel

TEL AVIV, Sept. 4 (JTA) -- The Israel Philharmonic Orchestra got a rousing reception Tuesday night from a crowd of more than 15,000 music lovers in Berlin.

Zubin Mehta, the IPO's conductor and music director, thanked the audience for its warm welcome, which included many in the audience holding lighted candles. He noted it was exactly 20 years ago that the orchestra had first played in West Berlin.

The orchestra was founded by Bronislaw Huberman, a native of Poland, in 1936. The orchestra was at the time composed almost entirely of musicians who had fled Nazi Germany and other European countries.

The IPO ended its current musical tour of Germany on Wednesday night with a performance in Leipzig, in what was formerly East Germany. The orchestra never played in that country.

BEHIND THE HEADLINES:

CROWN HEIGHTS A SOBERING REMINDER OF CHANGE IN BLACK-JEWISH RELATIONS
By Debra Nussbaum Cohen

NEW YORK, Sept. 4 (JTA) -- The black rage and violence against Jews that have swept the streets of Crown Heights in recent weeks have reawakened memories, for many of the Brooklyn neighborhood's Hasidic residents, of the European pogroms they fled 50 years ago.

Scenes of Jews barricading themselves in their homes, fearing the gangs of black teenagers who rampaged through the neighborhood shouting, "Hitler didn't finish the job," seem a long way from the days of the 1960s, when Jews marched arm in arm with blacks from Selma to Montgomery, light years from the time when blacks and Jews were allied in a common struggle against racism.

Does Crown Heights represent the new face of black-Jewish relations in America, or is it an isolated case of tensions exploding in the wake of unique circumstances?

Much has changed for Jews, blacks and the relationship between the two groups since the day when civil rights activists Michael Schwerner, Andrew Goodman and James Chaney were murdered as they battled segregation in Mississippi.

A generation or two ago, Jews and blacks shared elements of common experience that simply no longer exist. The social, economic and political disenfranchisement suffered by both provided a sense of kinship that allowed for an alliance, however imperfect, to be forged.

But today, the sense of marginalization that once gave the two communities a common platform has almost disappeared for Jews in this country, while it continues to confront large segments of the African-American community.

Jews No Longer Seen As Victims

"Before, blacks perceived Jews to be the victims of mainstream, white, Protestant-American society," said Rabbi David Saperstein, director of the Reform movement's Religious Action Center.

"This generation has not grown up seeing visible anti-Semitism, and while Jews may still remember how close that feels, it's lost to blacks who haven't seen it," he said.

Jews and blacks at one time lived in closer proximity to one another than most do now, said Saperstein. That gave blacks an opportunity to see that some Jews living in urban areas were not much better off than they.

Practically the only Jewish communities that have stayed in minority urban areas are Hasidic ones, such as the Lubavitchers in Crown Heights and the Satmar in Brooklyn's Williamsburg section.

But the insular quality of the Hasidic lifestyle does not lend itself to extensive interaction with non-Jewish neighbors. And, at least in Crown Heights, poor blacks seem more likely to view the Hasidim as rivals than as neighbors.

"Blacks and Jews in Crown Heights live in the same neighborhood, but in different worlds," observed Lawrence Rubin, executive vice chairman of the National Jewish Community Relations Advisory Council.

While some experts on inter-ethnic relations maintain that the situation in Crown Heights is atypical of communities around the country, others say there is friction between blacks and Jews whenever they live close to each other.

Situations in which Jews are "living cheek-

by-jowl with blacks" have been "an extremely explosive mix" since the late 1960s, according to Murray Friedman, a former vice chairman of the U.S. Civil Rights Commission who is writing a book on black-Jewish relations.

"The closer blacks and Jews are, the more they learn to hate each other," said Friedman, who is the American Jewish Committee's regional director in Philadelphia.

Black Anti-Semitism On The Rise

According to Friedman, it is the Jews who are "more distant from the relationship, those outside of the urban centers" who are most interested in rekindling the black-Jewish alliance.

"They can afford to be very noble and virtuous," he asserted.

Friedman is not alone among Jewish community relations professionals who fear that troubling trends do not bode well for a strong or special black-Jewish relationship.

Black anti-Semitism is on the upswing, and it is of a different nature than the anti-Semitism that the Jewish defense organizations have become so adept at addressing.

"Black anti-Semitism is mostly political, part of the Third World orientation that sees Jews as the white front-line troops of capitalism and imperialism," said Saperstein. "We don't know how to deal with that anti-Semitism as well."

Little research on black anti-Semitism has been done in the last decade, according to Friedman, which is illustrative of the emotional investment of Jews in the black-Jewish relationship and a reluctance by Jews "to 'make things worse.'"

Today the anti-Semitic ideology espoused by Nation of Islam leader Louis Farrakhan, the conspiracy theories of black intellectuals such as City University of New York Professor Leonard Jeffries, and the tactics of confrontation and separatism advocated by black activists such as the Rev. Al Sharpton are gaining currency in the black community, especially among the young.

In these ideologies, Jews are seen as "the consummate whites," not just white but also as those with the most influence in a system that labors to keep blacks disenfranchised, and as a group with power disproportionate to its size.

'Not High On Either Side's Agenda'

Any vision of a revitalized black-Jewish alliance will fail "as long as the black community allows demagogues to plant the seeds of hatred," said Saperstein.

"There has to be a clear understanding from black leadership that anti-Semitism is unacceptable, as is any form of racism or bigotry," said Charney Bromberg, director of intergroup relations at the Anti-Defamation League.

It is pointless to attempt to resurrect the model of black-Jewish cooperation that flourished from the 1940s through the 1960s, according to Friedman. Rather, he believes the black-Jewish relationship must be "normalized" to fit the "traditional American pattern of rewarding your friends and denouncing your enemies."

Strengthening the black-Jewish alliance "is not high on either side's agenda," said Jonathan Kaufman, author of "Broken Alliance: The Turbulent Times Between Blacks and Jews in America."

"Jewish organizations are more concerned with Israel and Soviet Jewry," he said, and black Americans are not listening "to those who might have been able to bridge the gap. More radical and angry black leaders are coming to the fore."