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**BAKER AND SHAMIR MAKE PROGRESS
ON PEACE FRONT, BUT NOT ON LOANS**

By David Landau

JERUSALEM, Sept. 17 (JTA) -- Israel and the United States appeared to make some progress toward a Middle East peace conference this week but remained at loggerheads on the issue of U.S. guarantees for \$10 billion in loans Israel is seeking for immigrant absorption.

That was the situation after more than five hours of talks here Monday and Tuesday between Prime Minister Yitzhak Shamir and U.S. Secretary of State James Baker.

Both men described the talks as "good and friendly."

Shamir told reporters after their final 90-minute session Tuesday morning that "some progress" had been made on issues pertaining to the Middle East peace conference the United States and Soviet Union would like to convene next month.

Yet a shadow clouds the entire enterprise. Persistent procedural differences over the conference combined with the Bush administration's determination to delay action on Israel's loan request until January has reignited a long-simmering revolt on the far-right wing of Shamir's coalition government, which opposes peace negotiations with the Arab states and especially the Palestinians.

There was mounting speculation this week that threats by the right-wing parties to defect could provide the pressure -- or pretext -- for Shamir's government to resign and call for early elections. That would put the entire peace process on hold for an indefinite period.

Nevertheless, Israeli officials who briefed the local news media on the Shamir-Baker talks maintained that the conference issues are all but wrapped up to Israel's satisfaction.

'Minor Matters' Still Unresolved

Foreign Minister David Levy, consistently upbeat in his public pronouncements, said most of the major issues were satisfactorily formulated in the draft of a U.S. letter of assurances to Israel.

What remained to be resolved were "minor matters" that Israel wants included, Levy said.

Shamir and Baker said there would be further talks soon, but they announced no date.

Baker left Israel at noon Tuesday for Egypt and was scheduled to visit Jordan and Syria on what is his seventh diplomatic swing through the region since the end of the Persian Gulf War.

His final meeting with Shamir was attended by Levy, Defense Minister Moshe Arens and a retinue of aides on both sides.

While it was in progress, U.S. officials held parallel talks with a local Palestinian delegation, headed by Faisal Husseini, at Husseini's East Jerusalem home.

It was a follow-up to the meeting Baker had with the same group Monday evening, directly after his three-hour session with Shamir and other senior Israeli ministers.

The East Jerusalem talks also focused on an evolving U.S. letter of assurances to the Palestinians. The reported language of the letters to Israel and the Palestinians has led some observers

to suggest that Baker may have made contradictory promises to both sides.

According to unofficial reports, the letter to Israel explicitly excludes the Palestine Liberation Organization from the peace process.

It upholds Israel's right not to negotiate with any party it rejects. It also stipulates that the conference plenary will not reconvene after its ceremonial opening without the explicit consent of all parties.

That condition has been demanded by Israel, which insists the conference serve only as a ceremonial curtain-raiser for separate, direct bilateral talks between Israel and the Arab states and the Palestinians.

The letter of assurance was also said to reiterate a pledge originally made by President Gerald Ford that the United States would take into account Israel's security needs in the Golan Heights.

No details were released of the draft given to the Palestinians. Reports here said the Palestinians were inclined to forego their demand that East Jerusalem Arabs must be represented at the peace talks, a condition unacceptable to Israel.

But the proposed American letter would contain explicit language to the effect that Washington regards East Jerusalem as occupied territory and considers the principle of withdrawal, as stated in U.N. Security Council Resolution 242, to apply on all fronts.

USSR Expected To Resume Ties

After Tuesday's meeting, Husseini flew immediately to London, where, he said, he would communicate the letter's contents to "Palestinian decision-makers," meaning apparently the PLO.

Attention is expected to shift to the Palestine National Council, the PLO's so-called parliament-in-exile, which is scheduled to meet early next week.

The proposed U.S. letter of assurances may be introduced for approval. If that occurs, the "heat" will be on Israel to reach agreement with Baker on its U.S. letter of assurance.

One bright note this week was the announcement Tuesday by the new Soviet foreign minister, Boris Pankin, that he will definitely visit the Middle East, including Israel, when the conference modalities are finally worked out.

His remarks appeared to confirm indications that Moscow is prepared to resume full diplomatic relations with Israel before the conference opens.

But on the darker side, it was plain from Shamir's and Baker's brief appearance before reporters and camera crews Tuesday morning that their governments had not resolved the highly emotional issue of the loan guarantees.

At a Sept. 12 White House news conference, Bush, pounding his fist on the lectern, angrily repeated his request that Congress delay action on the Israeli request for 120 days, until January. He vowed to veto any loan guarantees bill passed before then.

To accede to Israel's demand for swift action could jeopardize the delicate peace process, the president insisted.

His anger was obviously aimed at some 1,000 pro-Israel activists from all over the country who converged on Washington that day to lobby Con-

gress to act on Israel's request in defiance of the president's wishes.

On Sunday, Israeli Cabinet members reacted angrily to the president's stand. One of them, Rehavam Ze'evi of the extremist Moledet party, even called Bush a liar and an anti-Semite.

His statement was quickly repudiated by Defense Minister Arens and denounced in strong terms by Shoshana Cardin, chairman of the Conference of Presidents of Major American Jewish Organizations.

No Commitment On \$10 Billion

It is clear that the confrontation is one of the most serious ever between Israel and its most powerful ally. According to some observers, it stems in no small measure from the Bush administration's antipathy toward Shamir.

The Israelis now are painfully aware that the president will not budge from his position, and there is insufficient support in Congress to force his hand.

Jerusalem therefore will have to reconcile itself to a 120-day delay in action but may receive assurances that when the waiting period is up, the administration will back the loan guarantees. At present, it is not formally committed to do so.

Baker, who seemed to have distanced himself from the president's confrontational tactics, said here that he presented Israel with certain proposals for its consideration and heard certain proposals from the Israelis.

Subsequent leaks suggested that the U.S. proposals were essentially the six points set down by Bush last week in meetings with key congressional leaders.

They include administration promises to provide a legislative vehicle for the loan guarantees, to seek no further delay beyond January, to support Israel's immigrant absorption effort generally, to help reconcile the U.S. cost of the loans with federal budget reduction constraints and to offset any financial losses Israel might incur as a result of the 120-day delay.

But the proposal apparently includes no specific administration commitment to provide guarantees for \$10 billion in loans, which Israel would seek from commercial banks.

BEHIND THE HEADLINES:

**U.N. SESSION EXPECTED TO BRING
USUAL SPATE OF ANTI-ISRAEL MOVES**
By Jackie Rothenberg

UNITED NATIONS, Sept. 17 (JTA) -- As the new U.N. General Assembly session opened Tuesday, Israeli diplomats braced for the usual plethora of resolutions against the Jewish state.

Each year, more than 30 General Assembly resolutions are introduced pertaining to Israel, and most, if not all, are decided against the Jewish state.

There are no indications that this year will be any different.

"We don't see, as yet, any changes in the positions of the countries that are hostile by tradition to Israel," said Yoram Aridor, the Israeli ambassador to the United Nations.

If the past is any indication, many of the same resolutions will be recycled, and Israel will be condemned for -- among other things -- its peace treaty with Egypt in 1979, its destruction of an Iraqi nuclear reactor a decade ago and its efforts to rehabilitate Palestinian refugees.

A resolution has already been drafted for this session condemning Israel for its relations with South Africa. Israel was singled out for condemnation despite the fact that many countries have resumed relations with South Africa since it began to dismantle its apartheid structure.

While Israel does not fare well in the halls of the United Nations, there were some small victories in the General Assembly session that just came to a close.

For the first time, Israel's credentials for membership in the United Nations went unchallenged. The annual ritual calls for one of the Arab countries to contest Israel's member status, followed by a move by one of the Scandinavian countries to stymie the vote through a procedural maneuver.

Last year, the Arabs tried a different route: The resolution would have approved the credentials of the State of Israel as it existed before the 1967 war. However, there was little support for such a move, and the Soviets indicated that they were going to support Israel for the first time.

Rather than lose on this question by a larger margin than usual, the Arabs dropped it altogether. As a result, there was no vote and all the member nations went through the entire session without approval of their credentials.

It is not clear yet whether last year's tactics will set a precedent for this year's session.

Move On Zionism Resolution Possible

There is some indication that this 46th session of the General Assembly may be the one in which Israel attempts a repeal of the 1975 resolution denigrating Zionism as a form of racism.

The United States has been working with Israel to garner support for repealing the resolution, and U.N. observers have expressed some guarded optimism toward that end, particularly because of changes in the political climate throughout the world.

Israel will not seek a repeal until it is certain it has the votes needed. And, according to Aridor, "we are not sure as yet if we have a comfortable majority.

"We have to be assured," the ambassador said. "We don't want to risk any failures."

Aridor said he is optimistic that the repeal effort will move forward, insofar as Israel is enjoying better relations with more member countries.

Dr. Harris Schoenberg, director of U.N. affairs for B'nai B'rith International, said he has met with at least 70 ambassadors since June 1990, and that "we seem to be getting close to our goal."

"They are favorably disposed to do something about the problem," he said. "Everyone I've spoken to has said we have the best chance going."

Malcolm Hoenlein, executive director of the Conference of Presidents of Major American Jewish Organizations, said it is still not clear whether the votes are there, but he agreed that "we are in a better position than ever."

Hoenlein said indications from many of the Eastern European countries are that they would be more willing to go along with the move.

And Schoenberg pointed out that the Arab hard-liners are "increasingly isolated on this issue."

BEHIND THE HEADLINES:**ECONOMISTS MAY FLINCH, BUT ISRAELIS TAKE LIVING COST RISE AS EXPECTED**

By Cathrine Gerson

TEL AVIV, Sept. 17 (JTA) -- Economists may have been taken aback when an unexpectedly sharp rise in the August consumer price index was announced Sunday. But not Israeli consumers.

They seem to be coping well despite the chorus of groans and complaints every time prices inch up.

That was evident Monday at the Arlosoroff Supersol in north-central Tel Aviv, a branch of a nationwide supermarket chain. A day after the Central Bureau of Statistics announced that inflation was up 2.5 percent in August, the highest rise for that month in five years, customers were pushing shopping carts piled high with food and other products.

And those customers are not in the high-income bracket, said the store's manager, who identified himself as Kobi. He professed not to understand "how a normal family manages" since, according to the government, a family now needs an income of over \$1,800 a month to survive.

The Bureau of Statistics defines an average family as two adults and two school-age children who live in an urban apartment and do not enjoy the tax breaks or cheap mortgages available in development areas.

But customer Dina Horowitz thinks its income projection is on the low side.

"That's a joke," she exclaimed. "I have two children, both my husband and I have good jobs and good salaries, and although we pay no mortgage and no rent and we earn more than \$2,600 monthly together, we don't live to excess."

Horowitz said her 10-year-old younger child wears many of her 12-year-old sister's hand-me-down clothes.

The family eats meat two or three times a week and has not been abroad in five years. "So how does the average family manage?" she asked, shaking her head.

'A Roof Over Our Heads'

The supermarket was especially crowded Monday with people shopping for Yom Kippur, which begins at sundown Tuesday.

But Yom Kippur is a fast day. "You would expect less food to be sold before a fast," said Kobi, pointing to the overflowing shopping carts.

"At least half of these people are going to fast for over 24 hours, so why do they buy so much food?" he asked.

At a minimarket in southern Tel Aviv, customers said they were buying less. "Not that I believe it's going to make life easier and the overdraft smaller, but at least I'm trying," Mazal Ouhana told the Jewish Telegraphic Agency.

Ouhana is buying one chicken for the holiday instead of two. She will use bouillon cubes to make the soup traditionally eaten after the fast.

Two of her four children are in the army. She has a part-time secretarial job. "Because my husband is self-employed, there are some things we can put on the company and that way save some money," she said.

Ouhana considers herself lucky. "As long as my family and friends are healthy and happy and there is no war, I'm happy. So what if I didn't buy myself anything new for the holidays. My kids have new clothes and we have food on the table and a roof over our heads."

HIGH HOLIDAYS IN CROATIA PERILOUS AS FIGHTING RAGES

By Ruth E. Gruber

ROME, Sept. 17 (JTA) -- For the approximately 2,000 Jews in the beleaguered Yugoslav republic of Croatia, the High Holidays this year arrived amid fear and peril.

In Zagreb, the separatist republic's capital and home to most Croatian Jews, Yom Kippur services were to be held at the Jewish Old Age Home.

There have been problems getting medications to the home because of the fighting. Trips must be made over long distances, via Sarajevo, to obtain the necessities.

Fighting in Croatia increased in intensity this week as European Community negotiators hammered out another cease-fire agreement.

"People are very upset and frightened. Last night there was an air raid alarm in Zagreb. Fighter jets flew over the city all night long," Srdjan Matic, executive secretary of the Croatian Jewish Community, said Monday in a telephoned update to the Jewish Telegraphic Agency.

"If there are no air raid alarms, I think people will come" to the holiday services, he said. "The problem with the Old Age Home is that it is some distance from the city center, and if there is the danger of air raid alarms, people may be afraid to come so far."

Matic said, "As far as we know, there have been no deaths, injuries or damage to Jewish property" since the civil war began.

However, that did not take into account the bombing last month of the Jewish Community Center in downtown Zagreb by unknown perpetrators, which severely damaged the building. There were no casualties in that attack.

Because of the intensive damage there, Matic spoke from provisional offices. The cost of repairs to the community building is estimated at about \$800,000.

No Strangers To Fighting

Since the bombing, the authorities have provided tight security around Jewish institutions.

Jews are no strangers to fighting in Yugoslavia. Throughout the latest episode in inter-ethnic violence, communities in Croatia where Jews live have been the scene of bloody battles.

For instance, scores of Jews live in Osijek, in eastern Croatia, where the fighting has been particularly heavy.

Matic observed that older members of the community who lived through World War II remember air raids and fighting well. He reported that Jewish leaders from Croatia and Serbia met with representatives of the American Jewish Joint Distribution Committee last week in Vienna.

The meeting was held outside the country because the war has cut roads and rail connections in Yugoslavia. "Vienna was the only place we could reach by car and the people from Belgrade could reach by plane," he said.

The goal of Yugoslav Jewish leaders is to preserve the unity of the Jewish community, but under the circumstances it will be hard, he said. "Everyone is sensitive to the fact that the unity of the community is in danger."

REMINDER: The JTA Daily News Bulletin will not be published on Thursday, Sept. 19.

**BEHIND THE HEADLINES:
THOUSANDS OF SOVIET JEWS PICKING
GERMANY OVER ISRAEL AS A REFUGE**
By Aliza Marcus

BERLIN (JTA) -- Almost 50 years ago, Zilja Feldmann and her parents fled the Ukraine to Siberia, desperate to escape the advancing German army and its fascist sympathizers.

Last year, the 62-year-old Feldmann fled again, but this time, with her children, to Germany, a country she now sees as her protector against anti-Semitism and economic ruin.

Sitting around a rickety table in one of the faceless East Berlin housing blocks that hundreds of Soviet Jews are calling home, the Feldmanns recently extolled the virtues of their new state.

"I understand Europe. It is a place for European people, and I feel myself normal in Europe," said Vera Feldmann, Zilja's 34-year-old daughter-in-law.

"In Israel, there are many problems, with apartments, jobs. Here, we have a lot of help," she said.

As hundreds of thousands of Soviet Jews seek refuge in Israel, a comparatively small but steady number are trying to immigrate to Germany, attracted by the country's wealth and standing in Europe.

Over the past year, about 5,000 Soviet Jews have settled here, most of whom arrived before unification last October, when the former East German regime was actively courting their presence.

Like the Feldmanns, these Jews came on tourist visas with the hope of being allowed to stay. After unification, the German government granted them residency but has since instituted a requirement that those wishing to settle here obtain immigrant visas.

While this new policy has had the effect of slowing down the rate of immigration, at least 11,000 visa applications have been filed in the past few months, a government spokesman said.

The German government is very sensitive to any suggestion that it might be placing a quota on Jewish arrivals. Officials said there were no plans to institute such a policy, despite the government's worries over the large wave of refugees flooding the country from Eastern Europe.

A Tricky Issue To Resolve

But this immigration has also become a sensitive issue for Israel, which does not want to see Soviet Jews settling in Germany.

"Everyone is free to immigrate where they want to, but we would rather see them in Israel, like any Jew," said Elan Ben-Dov, a spokesman for the Israeli Embassy in Bonn.

"The fact that they are leaving the Soviet Union and just going from one Diaspora to another is a mistake," he said.

German officials say they understand Israel's position. "But the Jewish people, like every foreigner, can come here to Germany if they make an application," explained Paul-Johannes Fietz, a spokesman for the Interior Ministry.

What to do with the 268 Soviet Jews who arrived here from Israel last January, fearing the Persian Gulf War, has been a trickier issue for the two countries to resolve.

Israel says the Soviet Jews, who all hold Israeli citizenship, should return to Israel. Although the German Interior Ministry has agreed,

Berlin city officials are refusing to deport the Jews and have extended their stay an additional six months, said Peter Mayer, one of the lawyers for the group.

"Nobody wants to see Jews sent out of Germany, so the issue is just hanging in the air," said an official of the Berlin Jewish community.

Soviet Jews say their interest in coming to Germany is simple: While they want to escape anti-Semitism, they also want to settle in a country where they can find work and apartments -- both of which are in short supply in Israel.

"Israel is a Jewish state, and that's very important, and I can't say anything against that," said Alexander Kogan, a doctor who left the Ukraine last year for Germany.

"But the most important thing is that Jews can leave the Soviet Union and feel that they are Jewish. Maybe later their children will find that Israel is their homeland," he said.

**POLISH LEADER SAYS SCHOOLBOOKS
WILL BE REVISED TO INCLUDE JEWS**
By Jeremy Jones

SYDNEY, Australia, Sept. 17 (JTA) -- Blaming anti-Semitism in Poland on the legacy of communism, a leader of the Polish Parliament promised here this week that he would see to it that Polish schoolbooks are revised to present an accurate picture of the contributions of Jews to Polish history.

Professor Andrzej Stelmachowski, speaker of the Senate in Warsaw, also pledged to a delegation of Australian Jews that his country would support moves to rescind "the Communist-inspired insult" that was the U.N. General Assembly's 1975 resolution branding Zionism as racism.

Stelmachowski, who is visiting Australia as a guest of the Australian Parliament, acknowledged there were "extremists" in Poland who resorted to anti-Semitism but said they had little national influence and played no "decisive" role in elections.

He blamed their presence on "45 years of deliberate historical isolation forced on Poland by the Communists," who repeatedly "provoked" anti-Semitism and had deliberately "written the Jews out of our history."

Stelmachowski's meeting with a six-member Jewish delegation was described as a frank discussion of the community's concerns. At one point the Jewish group disputed his contention that the improvement of Polish-Jewish relations would have made better progress except for the intervention of "Jewish extremists from the United States."

The professor was obviously alluding to Rabbi Avi Weiss, an activist from New York who demonstrated at the Carmelite convent at the former Auschwitz death camp in July 1989.

Weiss was accused by the Polish primate, Cardinal Jozef Glemp, of intending to harm the nuns, a charge Glemp later withdrew.

The Australian Jews pointed that out to their visitor.

The delegation, headed by Leslie Caplan, president of the Executive Council of Australian Jewry, maintained that the Polish government had a responsibility to combat racism and extremism with education, legislation and moral leadership.

The Jewish group appealed for proper labeling and accurate information at Holocaust memorials and concentration camp sites in Poland, where often the victims are not acknowledged as Jews.