

**CHINA BECOMES LAST OF MAJOR POWERS  
TO ESTABLISH RELATIONS WITH ISRAEL****By Hugh Orgel**

TEL AVIV, Jan. 26 (JTA) -- China's establishment of full relations with Israel, the culmination of a diplomatic initiative begun more than four decades ago, represents an important achievement for the Jewish state at a strategic moment in its history, political observers say.

The two countries formally established relations at the ambassadorial level last Friday, when Israeli Foreign Minister David Levy and his Chinese counterpart, Qian Qichen, signed the required protocols at a ceremony in Beijing's elaborate Diaoyutai state guesthouse.

Levy was euphoric as he exchanged Hebrew toasts of L'chayim (To Life) with his host. He told reporters it was a "great honor" to be the first Israeli Cabinet minister ever to visit China officially and be welcomed by the Chinese leadership.

But the trip began on a much lower key, as the Israeli foreign minister was taken on private tours of the Great Wall, the Forbidden City and other attractions. His arrival was hardly mentioned in the Chinese press.

On Friday, the veil of semi-secrecy was lifted. Blue-and-white Israeli flags blossomed suddenly all over the Chinese capital as the Israeli minister dedicated the building that will serve as Israel's first embassy in the world's most populous nation.

China, the last of the five permanent members of the U.N. Security Council to establish diplomatic ties with Israel, has long had friendly relations with the Arab states.

Qian promised it would use its influence to narrow the gaps between Arabs and Israelis when it entered the Middle East peace process directly for the first time this week as a participant in the multinational conference on regional matters in Moscow.

**No Chinese Role In Bilateral Talks**

Speaking to Israeli journalists, Levy praised China's participation in the Moscow talks, but stressed there was no room for outside intervention in the bilateral talks between Israelis and Arabs, which recently recessed until next month.

Levy left Beijing on Sunday for Moscow, to head the Israeli delegation to the multilateral talks.

It was the establishment of diplomatic relations with Israel that provided China with its entry to the Moscow conference, since Israel refused to talk to powers from outside the region with which it had no formal ties.

China's move also was apparently calculated to influence American Jewish entrepreneurs and investors to help strengthen commerce between China and the United States.

But the diplomatic move also opens up long-range trade possibilities for Israel.

Israel's quest for normal relation with China began in 1950 when Israel officially recognized the newly declared People's Republic of China.

The political philosophy of the Jewish state, which had gained its own independence only two years earlier and was struggling for international

acceptance, was to grant recognition to every newly independent country.

But progress toward mutual recognition and an exchange of ambassadors with China ended in 1952 with China's entry into the Korean War.

Israel supported the U.S.-led U.N. "police action" aimed at driving the North Korean invaders out of South Korea. China backed the North.

The two countries were further distanced when China became a founding member of the Bandung Conference of Unaligned and Third World countries, led by the Egyptian president at the time, Gamal Abdel Nasser.

The first signs of thaw in Beijing's frozen attitude toward Israel came in 1980, when secret, unofficial trade contacts developed, mainly at the initiative of Israeli businessman and international entrepreneur Saul Eisenberg.

Through Eisenberg's varied contacts in the Far East and with the active support of the Israeli Defense Ministry, trade in military equipment began within a few years, though it was never officially acknowledged.

Levy indirectly confirmed the arms trade when he told Israeli reporters accompanying him on his trip that "there is an exaggeration in the defense cooperation between Israel and China."

Semi-diplomatic contacts in recent years remained unofficial but were not entirely concealed. An Israeli Academic and Scientific Liaison Office was established in Beijing and a Chinese Government Tourism Office opened in Tel Aviv.

**DEAL WITH U.S. ON LOAN GUARANTEES****IS POSSIBLE, ISRAELIS NOW BELIEVE****By Gil Sedan and Bram D. Eisenthal**

JERUSALEM, Jan. 26 (JTA) -- Israeli leaders are expressing confidence that a mutually acceptable formula can be worked out with the United States enabling Israel to receive billions of dollars in loan guarantees desperately needed for immigrant resettlement.

They now believe it will be possible to satisfy concerns voiced by the Bush administration and members of the U.S. Congress that the money will be used indirectly to bolster Israeli settlement-building in the administered territories.

Optimistic statements to this effect were voiced over the weekend by Prime Minister Yitzhak Shamir, Finance Minister Yitzhak Moda'i and other government officials after Israel's U.S. ambassador, Zalman Shoval, met Friday in Washington with Secretary of State James Baker.

It was a preliminary talk, and all acknowledge that arduous negotiations lie ahead.

For the moment, the government seems to be stressing the positive aspect: the Americans' genuine desire to assist Israel in a major humanitarian undertaking.

They are vague about the quid pro quo that inevitably will be asked of Israel and may conflict with the government's ideological commitment to settle as many Jews as possible in the West Bank and Gaza Strip.

"Between the two poles, there are many positions," Moda'i said optimistically after meeting Sunday with the new U.S. ambassador to Israel, William Harrop.

Harrop said he, too, thought there were

good prospects the loan guarantees would materialize.

And Justice Minister Dan Meridor was quoted Sunday as saying there is room for both the Israeli and American positions in the framework offered by Baker.

#### **Shamir Rejects Settlement Freeze**

Baker made clear to Shoval that if the United States is going to underwrite Israel's loans, the money cannot be spent, directly or indirectly, to further a policy that runs counter to American principles and interests, meaning Israel's intensified settlement drive.

Speaking to congressional leaders before meeting the Israeli envoy, Baker said the administration might consider asking Israel to freeze all "housing starts" in the territories.

This presumably would block the construction of new housing in the West Bank, but would not interfere with the construction of thousands of other units that has already begun.

Shamir made clear Sunday that he was not about to halt settlement activity entirely.

"I am not talking of any freeze of settlements," he told some 300 delegates to the fourth International Conference of the Jewish Media, which is meeting here under the auspices of the World Zionist Organization. "Forget about it."

But he went on to smooth the picture. "The United States (has shown) readiness to assist in the unprecedented task of absorption" he said.

He added that for Israel, settlements are "a matter of principle" in the development of "Eretz Yisrael."

A formula must be found to solve the problem between the two allies, and "further negotiations are required," Shamir said.

Baker did not present Shoval with any final position on what terms and conditions the Bush administration might demand in exchange for the loan guarantees.

#### **Election Pressure A Factor**

Shoval told reporters as he left the State Department that the meeting was "constructive" and that Baker assured him the administration was "fully committed to the principle of helping Israel in the vast humanitarian task of absorbing up to 1 million immigrants from the (former) Soviet Union and elsewhere."

U.S. officials would like to settle the dispute as quickly and amicably as possible. The Middle East peace talks, engineered almost entirely by the United States, are still fragile.

The multinational phase, dealing exclusively with Middle East regional issues but attended by many powers from outside the region, will open Tuesday in Moscow.

There have been three rounds of bilateral talks between Israelis and Arabs since the peace conference was launched in Madrid on Oct. 30. The fourth round is due to start next month.

The administration knows that if the terms imposed on the Israeli government for the loan guarantees are too harsh, it could walk out of the American-sponsored negotiations. If the terms are without bite, the Palestinians may well walk out.

The situation is complicated by this being an election year both in Israel and the United States. Shamir, whose government has lost its parliamentary majority, may face the voters before President Bush does.

That may account in part for his absolutism with respect to settlements. Shamir is under

intense pressure from his extreme nationalist settlers constituency.

The Council of Jewish Settlements in Judea, Samaria and Gaza urged the prime minister Sunday to stand by his pledge to maintain the momentum of settlement-building and accept no compromise.

#### **PALESTINIANS LEANING TOWARD BOYCOTT OF MOSCOW TALKS ON REGIONAL ISSUES** **By Gil Sedan and Hugh Orgel**

JERUSALEM, Jan. 26 (JTA) -- The Palestinians have still not decided whether they will attend this week's multilateral conference on Middle East regional issues in Moscow.

But, barring a last-minute change of heart, it appears they will boycott the gathering, which opens Tuesday in the Russian capital.

Syria and Lebanon are also staying home, though Jordan, Egypt, Saudi Arabia and several other Arab countries are attending.

The Palestinians want to go to Moscow as a separate delegation from Jordan. In addition, they want to include in the delegation Palestinians from East Jerusalem and the "diaspora," that is, areas outside the territory controlled by Israel.

A final decision on whether the Palestinians will attend will be made by the Palestine Liberation Organization leadership in Tunis.

A PLO spokesman, Yasir Abed Rabbo, said Sunday that the Palestinians would not go to Moscow. But some observers said they would not be surprised if the delegation leaves for the Russian capital at the last moment.

Meanwhile, Israel is planning to present the conference with detailed proposals to curb the arms race in the Middle East, Foreign Minister David Levy, who is heading the delegation, told Israeli journalists in Beijing.

They include a plan, once proposed by the Soviet Union, to establish a joint command and communications center for the prevention of malfunctions in the military sphere.

According to Levy, the ideas presented by Israel have already been well received by the United States. Israel claims that an end to the arms race has no practical significance as long as it is not accompanied by precise and consistent control.

Levy emphasized that bringing peace to the region is hardly served by the arms merchants running amok in the region.

He called on the United States and Europe "to raise the curtain on part of the game and to reach a general end to arms supplies to the Middle East."

Levy said Israel had reservations about the American proposal to focus the multilateral conference on two main issues: arms control and "human resources."

He fears that "everyone will want to be a member of the exclusive arms race club" and that the "human resources" talks would be limited.

He was satisfied though that U.S. Secretary of State James Baker accepted, in principle, Israel's proposal to divide the conference into five or six topics.

In Moscow, a steering committee will be established at the senior official level to determine the preliminary committees. The topics that have already been agreed to are arms control, environment, water and the Gulf of Aqaba. Other topics, such as refugee rehabilitation, are expected to be added as the conference progresses.

**JEWISH SETTLERS WHO FIRED AT ARABS  
GET A WARNING FROM ISRAELI MILITARY**  
By Gil Sedan

JERUSALEM, Jan. 26 (JTA) -- Militant Jewish settlers who wounded four Arabs they accused of throwing rocks have been served notice that the full weight of the law will be brought to bear if they are found to have acted in an illegal manner.

The incident, which raised tensions to a boiling point in the Hebron area, occurred when a group of settlers said to support the late Rabbi Meir Kahane's extremist Kach movement appointed themselves a "committee for security on the roads" and went on "patrol."

In the A-Sheikh neighborhood of Hebron, the group was attacked by rocks, which slightly injured two Jewish children and a woman. In response, one of the settlers opened fire in the direction of the barrage.

Four Arab residents were subsequently admitted to Mokassed hospital in East Jerusalem, with light to moderate bullet wounds.

Deputy Defense Minister Ovadia Eli rushed to the scene to calm tempers and to warn the settlers against taking the law into their hands.

The Israel Defense Force issued a communique later saying the incident was under investigation by the Hebron police.

It was the latest in a series of clashes between Jews and Arabs in the West Bank town.

On Friday, about 200 residents of Kiryat Arba, a Jewish township adjacent to Hebron, blocked a square in the center of the Arab town.

The Jewish crowd was protesting what it called the "incompetence" of the IDF in dealing with stone-throwers.

Deputy Minister Eli warned the Kiryat Arba town council that the army was running out of patience with settler vigilantism.

When a Kach supporter shouted that the government should deport all Arabs, Eli said he was "disgusted" with "racist ideas."

"We act with the power of morality, not with the morals of power," he declared.

**ISRAELI SOLDIER KILLED IN CLASH  
WITH HEZBOLLAH IN SOUTH LEBANON**  
By Hugh Orgel

TEL AVIV, Jan. 26 (JTA) -- An Israel Defense force soldier was killed and another wounded early Sunday morning in a clash with Hezbollah guerrillas in southern Lebanon.

The dead soldier was identified as 1st Sgt. Eliahu Ofer, 20, of Beersheba.

Three guerrillas were killed in the skirmish, which began when an IDF patrol encountered the Hezbollah group in the western end of the Israeli-patrolled security zone and opened fire.

Intense activity by the IDF and its allied South Lebanon Army was reported north of the security zone late Saturday night. Reports from the area spoke of artillery fire and helicopter flights throughout the night.

In an unrelated development, the Beirut-controlled Lebanese regular army continued to replace contingents of the United Nations peace-keeping force that has been deployed in southern Lebanon since 1978.

A company of 150 Ghanaian soldiers attached to the United Nations Interim Force in Lebanon pulled out of seven villages north of the security zone and east of Tyre.

**GERMAN PARLIAMENT FINALLY ENACTS LAW  
TIGHTENING CONTROL OVER ARMS EXPORTS**  
By David Kantor

BONN, Jan. 26 (JTA) -- Embarrassed by new disclosures that German companies illegally supplied Iraq with arms and technology for the manufacture of nuclear weapons, the German parliament finally declared all-out war on the illicit trade last week.

The Bundestag adopted a bill severely tightening export controls with a penalty of up to five years in prison for violators.

One of its measures empowers customs officials to open mail and tap telephones. Another established a new government office to improve the coordination and control of state efforts to prevent illegal arms shipments.

The legislation has taken long to materialize. It was first presented to parliament nearly a year ago, after disclosure that some German firms helped Iraq and Libya build plants to manufacture chemical weapons.

But the draft bill became bogged down by the government's reluctance to admit to German complicity in arming Iraq and by wrangling between government and opposition forces over who was to blame.

Supporters of the bill were strengthened when the Iraqi government admitted to U.N. inspectors last week that it had bought specialized nuclear equipment from German companies.

The equipment included fortified magnets and housings to build 10,000 centrifuges that would produce enough enriched uranium to manufacture four or five nuclear bombs a year.

The Bundestag's enactment of the law may have gotten further impetus from an incident last month, which the German authorities disclosed only last week.

**Backlash From German Firms**

A suspicious air cargo en route to Libya was halted on the verge of takeoff from Frankfurt airport on Dec. 10, after a foreign intelligence agency alerted the German authorities.

Government spokesman Dieter Vogel said the shipment was halted by a Cabinet directive, which was necessary because parliament was still sitting on a law restricting sensitive exports to Libya.

The mystery cargo, originating from the United States, had been purchased by a Dutch firm for shipment via Frankfurt to a Libyan agency known to be in the business of procuring materiel for Libya's missile program.

Vogel did not specify the nature of the cargo but said it could have been used for civilian purposes or to manufacture nuclear weapons.

The cargo was confiscated after the plane carrying it was halted on the runway.

The government, meanwhile, has gotten a backlash from several firms that accuse it of depriving them of lucrative income because of the boycott imposed on Iraq in August 1991.

Several are suing the government for loss of business due to the embargo. One company has asked a Bonn court to order the government to reimburse it in the amount of \$1.7 million for loss of an Iraqi order for heavy truck equipment.

The Wuppertal-based company said the boycott forced it to shut down an assembly line, causing permanent damage and loss of revenue.

The government argued that the embargo against Iraq was imposed by the United Nations and the European Community, not by Bonn.

**SENATE REJECTS PAROCHIAL AID PLAN  
AND VOLUNTARY SCHOOL PRAYER MEASURE**  
By Howard Rosenberg

WASHINGTON, Jan. 26 (JTA) -- Jewish groups for the most part were relieved at the Senate's rejection last week of President Bush's proposal to allow low-income families to use federal funds to send their children to parochial schools.

But Orthodox Jewish groups were dismayed over the Senate's 57-36 vote rejecting a \$30 million pilot project for six unnamed school districts. Sen. Orrin Hatch (R-Utah) introduced the proposal on Bush's behalf as an amendment to the Neighborhood Schools Improvement Act of 1992.

In addition, the Senate voted 55-38 to defeat a non-binding resolution sponsored by Sen. Jesse Helms (R-N.C.) that urged the U.S. Supreme Court to uphold the constitutionality of voluntary prayer at public school graduation ceremonies.

That is the issue in a case currently before the high court, *Lee vs. Weisman*, involving a Jewish student protesting a rabbinic invocation at a high school commencement ceremony in Rhode Island.

Secular Jewish groups strongly oppose voluntary school prayer as excessively entangling government in religion, in violation of the constitutional separation between church and state. These groups contend that if students want to pray, they can do so on their own.

Orthodox Jewish groups, such as Agudath Israel of America, say that while they support voluntary school prayer that is non-coercive, they disliked the broad wording of Helms' resolution.

As written, the Helms amendment went beyond advocating voluntary school prayer by urging the court to strike down two landmark cases from the 1960s that found mandatory school prayer or Bible reading unconstitutional.

**Attempt To Overturn Two Rulings**

Orthodox and non-Orthodox Jewish groups alike are united in opposing mandatory school prayer, but the Orthodox consider the wall between church and state too high, especially on government aid to parochial schools.

They argue that instead of being neutral to religion, many Supreme Court rulings are hostile to religion and thereby inhibit its "free exercise," guaranteed by the First Amendment.

The Helms resolution urged the court to strike down the two 1960s Supreme Court rulings, "so that voluntary prayer, Bible reading or religious meetings will be permitted in public schools or public buildings to the extent that student participation in such activities is not required by school authorities."

The two rulings alluded to were for the 1962 case of *Engel vs. Vitale* and the 1963 case of *Abington vs. Schempp*. They outlawed state-sponsored prayer and Bible reading in public school classrooms.

The Rhode Island case is much different, in that it challenges the constitutionality of a prayer offered at a high school graduation ceremony rather than in a classroom setting. The court heard the case this fall and will likely issue a ruling this spring.

While no further congressional action on school prayer is expected any time soon, the issue of aid to parochial schools may arise again. The House Education Committee last year approved a

version of the education bill that would allow states to give federal aid to parochial schools if allowed by state law.

Supporters of the Hatch proposal argued that private schools usually offer stronger academic programs than public schools.

**A 'Nose-Under-The-Tent Amendment'?**

They also cited the high court's 1983 ruling in *Mueller vs. Allen* upholding a Minnesota law that conferred as much as \$700 in tax benefits to parents who sent their children to public or private schools, including religious ones.

Opponents of the Hatch proposal said they feared the demonstration projects in six school districts would amount to a more direct form of government aid to religious schools than would tax credits. They also argued that such aid would undermine the U.S. public school system, which the Jewish community has traditionally supported over the years.

Sen. Joseph Lieberman (D-Conn.), speaking in favor of the Hatch amendment, said, "As I look particularly at the religiously based school systems of our country, they are working most especially for poor and minority children."

Lieberman, who is believed to be the first Orthodox Jew ever to serve in the Senate, questioned, "Why should not low-income students, who are the only ones given a choice by this amendment, have the same right as wealthier students to choose the school they attend?"

But Sen. Howard Metzenbaum (D-Ohio), a Reform Jew, called it a "nose-under-the-tent amendment" that, if approved, would open the door to "funding private and parochial schools" and would undermine the public school system.

Religious schools that support the amendment "would eventually find that government funding inevitably leads to government regulation and government control," Metzenbaum argued.

In the school prayer debate, Helms said that the academic performance and morality of U.S. children has declined significantly since the 1962 ruling, as measured by high school Scholastic Aptitude Test scores and teen-age pregnancy rates.

He also cited a July 1988 poll by *The New York Times* that 71 percent of U.S. citizens support voluntary prayer in public schools.

**'Vestige Of Christianity' In Schools**

"Instead of engendering an official attitude of neutrality toward religion in the schools," Helms argued, "the school prayer decisions have in fact fueled government's intolerance of, and assaults on, any vestige of Christianity in the public schools."

Surprisingly, arch-conservative Sen. Strom Thurmond (R-S.C.) voted against the Helms amendment, arguing like many senators did that it would "improperly interfere with the independence of the judicial branch of government."

Sen. Paul Simon (D-Ill.) told Helms one of his favorite stories about how Rep. Dan Glickman (D-Okla.), as a Jewish fourth-grader in Wichita, Kan., excused himself during prayer time.

"When the prayer was over, he was brought back," Simon said. "Every morning he was told you are different from the other students."

Helms questioned whether the pupils told Glickman, "Son, you are different," to which Simon replied, "I do not know that anyone said it, but that was clearly the implication."

"He can deal with that implication," Helms replied.