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**ISRAEL AND U.S. ARE MOVING CLOSER
TOWARD DEAL ON LOAN GUARANTEES**

By David Friedman

WASHINGTON, Feb. 5 (JTA) -- Israel and the United States appear to be moving closer toward an agreement on U.S. loan guarantees that would enable both sides to show that they have not abandoned their respective positions on settlements in the West Bank and Gaza Strip.

This is the real job of the diplomats, said Jess Hordes, Washington representative of the Anti-Defamation League.

The Bush administration has to show that it is not acting contrary to its opposition to settlements in the territories, while the government of Prime Minister Yitzhak Shamir has to demonstrate that it has not abandoned its principle of supporting settlements, Hordes explained.

The U.S. guarantees are needed to help Israel borrow \$10 billion from private banks over the next five years, on favorable terms. The money would be used to help absorb immigrants from the former Soviet Union and Ethiopia.

Both Secretary of State James Baker and Shamir staked out their positions this week in appearances before legislative committees in their respective countries.

Baker referred only briefly to the loan guarantees when he testified Wednesday before the Senate Foreign Relations Committee, saying that the administration wants to help Israel absorb Soviet Jews in Israel.

But he stressed that the Bush administration does not want to do anything that "contradicts" U.S. policy that has been in effect since 1967.

Won't Accept U.S. 'Dictate'

Shamir told the Knesset Foreign Affairs and Defense Committee on Monday that Israel would not use any of the U.S. loan money in the West Bank or Gaza Strip.

But he also said Israel "will not accept any kind of dictate" from the United States "with respect to government policy."

How to finesse these contradictory positions will again be on the table when Israeli Ambassador Zalman Shoval and Baker meet Friday.

Shoval returned from Jerusalem on Tuesday with orders to work out a compromise with Baker that does not require a freeze.

The outline of a compromise has already been reported in the Israeli and U.S. press and confirmed by sources here.

Baker has offered to allow Israel to complete some 9,000 housing units already under construction in the territories.

But this would be coupled with a requirement that Israel not start any additional construction. If Israel did, the guarantees would be withdrawn. This could be done easily, since the guaranteed loans will be issued in \$2 billion annual installments over five years.

A third element to the proposal is that the United States would deduct from the total guaranteed the amount that Israel spends in the West Bank and Gaza Strip on housing and infrastructure to serve the settlements.

But what formula will be used to calculate that amount must still be worked out between the

two sides and is likely to involve complicated negotiations.

Although Shoval is Israel's only negotiator, Jacob Frenkel, governor of the Bank of Israel, the country's central bank, is coming to Washington to discuss the loan guarantees with members of the administration and Congress.

Jewish Groups Urge Speedy Action

American Jewish organizational leaders are urging the Bush administration and Congress to act expeditiously on the loan guarantees because of pressing needs in Israel.

The terms for the loan guarantees "should be worked out quickly between the governments of the United States and Israel," Shoshana Cardin, chairman of the Conference of Presidents of Major American Jewish Organizations, said in a statement Wednesday.

She also said that recent reports of "a weakening of U.S. Jewish support for the guarantees are misleading and misguided." The leadership of the American Jewish community "remains unanimous in supporting Israel's request," she said.

Republican Jewish leaders are also urging speedy approval of the loan guarantees.

Thirty-five members of the National Jewish Coalition pressed this point Tuesday in White House meetings with Brent Scowcroft, the national security adviser, and Samuel Skinner, President Bush's new chief of staff.

Bush did not return in time from campaign stops in Florida to meet them.

Max Fisher, the Republican group's honorary chairman, headed the delegation, which also met with Fred Malek, director of the Bush re-election campaign, and House Minority Whip Newt Gingrich (R-Ga.).

The Republican leaders argued for speedy approval of the guarantees, based on their sense that "the president's standing in the Jewish community was salvageable if he got out in front on this issue," said one of the 35.

(JTA correspondents David Landau in Jerusalem and Howard Rosenberg in Washington contributed to this report.)

**AJCOMMITTEE LEADERS PRESS KOHL
ON GERMAN LOAN MONEY FOR ISRAEL**

By David Kantor

BONN, Feb. 5 (JTA) -- Visiting American Jewish leaders got encouraging words but no commitment here this week from Chancellor Helmut Kohl on whether Germany would make loans available to Israel for immigrant absorption.

Kohl reiterated his country's special obligation toward Israel and the Jewish people during his hour-long meeting with members of the American Jewish Committee's Board of Governors, headed by the group's president, Alfred Moses.

But the chancellor steered clear of specifics with respect to Israel's request for 10 billion marks -- the equivalent of over \$6 billion -- in German loans and assistance for immigrant housing and other absorption costs.

Earlier in the day, the visitors heard from Dr. Dieter Kastrup, a ranking official at the Foreign Ministry, that Germany is encountering

enormous financial difficulties stemming from the 1990 reunification.

He made those comments in response to questions about possible financial assistance to Israel. Nevertheless, the Jewish leaders said later they were optimistic.

In their talks with Kohl and other government leaders, the American delegation also discussed anti-Semitism and the wave of neo-Nazi and extremist violence in Germany, directed so far mainly against foreigners seeking work or asylum in the country.

The AJCommittee group arrived in Germany on Sunday and was to fly to Israel on Thursday. German President Richard von Weizsacker held a reception in their honor Monday.

The visitors also met with Israel's ambassador to Bonn, Benjamin Navon, with Berlin Mayor Eberhard Diepgen and with the prime minister of the federal state of Brandenburg, Manfred Stolpe.

LIKUD GOVERNMENT COMES UNDER FIRE FOR NOT SEEKING HABASH EXTRADITION

By David Landau

JERUSALEM, Feb. 5 (JTA) -- The political turmoil stirred in France by the brief visit of arch-terrorist George Habash echoed Wednesday in the Knesset, where right-wing politicians blasted the Likud government for failing to have him extradited and the French for letting him go.

Habash arrived unannounced in Paris on Jan. 29 for unspecified medical treatment and returned Saturday to Tunis. Although the French police kept him under surveillance, he was not questioned about the numerous terrorist acts on French soil and against French citizens, several fatal, which have been attributed to his Popular Front for the Liberation of Palestine.

Foreign Minister David Levy, who said he would have liked to see Habash extradited, told the Knesset on Wednesday that Israel informed the French authorities last Friday that it was preparing to request his extradition to stand trial for crimes committed on Israeli soil.

Levy was especially indignant about French President Francois Mitterrand's television statement that no country had requested Habash's extradition, mentioning Israel specifically.

The least the French could have done was put Habash on trial themselves, Levy said.

But Israel's response to the affair was low-key from the outset.

Prime Minister Yitzhak Shamir was quoted as telling the French daily Le Figaro that he thought the whole episode was "a misunderstanding" and of little importance.

Informed sources here said that Shamir wanted to keep clear of the affair because the rumor was that Habash suffered a stroke and was close to death.

Shamir feared Israel's interference would inflame passions in the administered territories, setting the peace process.

But his spokesman, Ehud Gol, told reporters afterward that the prime minister would not necessarily have opposed Habash's extradition.

In the Knesset on Wednesday, Tzahi Hanegbi of Likud burned a photo of Habash.

Even the left wing was incensed. Yossi Sarid of the Citizens Rights Movement tongue-lashed Arab Knesset members for defending Habash's right to seek medical treatment in France.

The only treatment the murderous Habash deserves is judicial treatment, Sarid declared.

DEATH OF ARAB MAN HELD IN CUSTODY RAISES NEW DOUBTS ABOUT SHIN BET

By Gil Sedan and Hugh Orgel

JERUSALEM, Feb. 5 (JTA) -- Suspicions arose this week of a new scandal involving Israel's internal security agency, Shin Bet, when police, instead of military officers, were assigned to investigate the death of an East Jerusalem Arab whose family claims he was tortured while under interrogation by the agency.

By putting the police Criminal Investigation Division in charge, authorities apparently hope to avoid even the appearance of a coverup.

The autopsy was delayed at the family's request, pending arrival of a pathologist of their choice from abroad to witness the post-mortem.

Nevertheless, the allegations surrounding the death of Mustafa Yusuf Akawai, a suspected member of the Popular Front for the Liberation of Palestine, recalled the 1986 uproar over charges that Shin Bet agents were responsible for the deaths of two Arab bus hijackers handed over to them by the Israel Defense Force.

Shin Bet, officially the General Security Services, is Israel's internal intelligence-gathering agency. Left-wing Knesset members are demanding a new investigation into its practices.

Akawai, 33, father of a year-old child, was detained Jan. 22 on suspicion of security offenses.

Although arrested in East Jerusalem, where Israeli law applies, he was transferred to a military detention center in the West Bank town of Hebron, where the law is administered by the IDF's Civil Affairs Division.

After being held for a week without charges, he was brought before a military court in Hebron this week to have his period in custody extended. According to his Israeli lawyer, Leah Tsemel, Akawai complained to the judge that he was "tortured" by his Shin Bet interrogators.

Displayed Blood And Bruises

He displayed blood and bruises on his body, which the judge inspected and ordered a medical examination. But he dismissed the lawyer's plea that the detainee be released for treatment and extended Akawai's detention for eight more days.

By Tuesday, he was reported dead. According to IDF sources, an army doctor gave the cause of death as a heart attack.

In the Knesset, Yossi Sarid and Haim Oron of the new left-of-center bloc demanded that Shin Bet present the "full facts" of Akawai's death to the Foreign Affairs and Defense Committee.

Another Knesset member, Amnon Rubinstein, suggested that Shin Bet was taking advantage of a judicial finding that "moderate physical pressure" is a legitimate means of interrogation.

Human rights groups and Palestinians allege that Israeli security agents routinely torture Arab detainees to obtain confessions. At least five Arabs have died in detention since 1989.

The IDF, meanwhile, confirmed reports that 10 soldiers and an officer are being investigated in connection with charges of brutality.

The investigations followed a recent report on brutality against Palestinian security prisoners in the territories. It was submitted to the IDF chief of staff, Lt. Gen. Ehud Barak, by reserve Maj. Gen. Rafael Vardi, who was appointed to probe rumors of maltreatment.

An IDF spokesman said eight of the investigations have been completed and turned over to military prosecutors.

SYRIA DECIDES 2 JEWISH BROTHERS WILL HAVE TO SERVE PRISON TERMS

By Gil Kezwer

TORONTO, Feb. 5 (JTA) -- Syrian officials recently ruled that two Jewish brothers jailed in Damascus will have to serve their full prison sentences of 6½ years, the National Task Force for Syrian Jewry of the Canadian Jewish Congress has learned.

The Syrian decision to keep Eli and Selim Swed imprisoned, made despite appeals from the Canadian and American governments, was confirmed this week by Canada's ambassador to Damascus, Martin Collacott, in a memo to Canada's External Affairs Department in Ottawa.

Judy Feld Carr, chairman of the CJC task force, said she received reliable information last week that in December, the brothers' sentence was "confirmed by the authorities, even though there was hope of suspension of it after eight months."

"The sentence appears to be etched in stone," another source said.

The news dashed Syrian Jewry activists' hopes that the Damascus brothers would be released in a general amnesty marking the recent re-election of Syrian President Hafez Assad to a fourth seven-year term.

At the time of the election, some 800 prisoners were set free, including four Jews released Nov. 28, who were being held for trying to flee the country. A week later, 2,062 more prisoners were released.

Carr said Syrian Jews are praying "that a miracle will happen to lift" the men "from this misery."

She expressed grave concern for the brothers' well-being. "Their condition is not very good," she said. "They were tortured at the beginning -- definitely." But the torture has ceased, she added.

Canadians Appealed For Clemency

Carr has devoted the last two decades to working on behalf of the 4,300 Jews confined to the ghettos of Damascus, Aleppo and Qamishli, the persecuted remnants of an ancient and once thriving community that numbered 40,000 in 1947.

Eli Swed, now 31, disappeared from his home in the Damascus Jewish ghetto in November 1987, she said. Selim, now 50, was arrested the following month. After repeated inquiries by Amnesty International's Canadian branch and the U.N. Committee on Disappearance, Syrian officials acknowledged the two were being held incommunicado.

On May 21, 1991, after being incarcerated for 3½ years without charge in a Mukhabarat (secret police) prison in the Syrian capital, the brothers were sentenced to 6½ years in Damascus' Adra prison, which is notorious for its torture cell.

The charges against them were never disclosed. Their lawyer was not permitted to be present in the courtroom during the brief closed trial, nor was he allowed to present a defense.

In June, at the behest of External Affairs Minister Barbara McDougall, Ambassador Collacott personally appealed for clemency to Syrian Foreign Minister Farouk a-Shara.

Member of Parliament Bill Attewell raised the issue in the House of Commons on May 31, blasting the Syrians' mistreatment of the Sweds as "bizarre and inhumane."

NAZI FILES SHOW AUTHORITIES KNEW MENGELE WAS HIDING IN ARGENTINA

By Tom Tugend

LOS ANGELES, Feb. 5 (JTA) -- German and Argentine authorities knew as early as 1956 that Dr. Josef Mengele, a top Nazi war criminal, was hiding in Argentina, according to newly opened files released in Buenos Aires.

At that time, Mengele, known as the "Angel of Death" at Auschwitz and for decades the target of Nazi-hunters, walked into the German Embassy in Buenos Aires under his own name and was also fitfully tracked by Argentine police.

The new information on Mengele and other war criminals was discovered Tuesday by Dr. Shimon Samuels of the Simon Wiesenthal Center, in his initial inspection of files released the day before by Argentine President Carlos Menem.

The long sought-after files are to be made public by the Argentine National Archives in a month's time, but Samuels, director of the Latin American and European offices of the Wiesenthal Center, was able to gain immediate access.

The files are contained in 40 cardboard folders.

"The lackadaisical way the German and Argentine authorities went after Mengele proves again how right the Israelis were to grab Adolf Eichmann in 1960," said Rabbi Abraham Cooper, associate dean of the Wiesenthal Center.

It was only after Eichmann's abduction that the Germans went seriously after other war criminals, said Cooper.

Surprisingly, Samuels was unable to find any files on Eichmann himself and he was informed that none existed. "It's not unusual that files are missing on the first sweep around, but Samuels will formally request the Eichmann files tomorrow," Cooper said.

Two Files On Bormann Case

Two files on Martin Bormann, Adolf Hitler's deputy, confirmed beliefs that Bormann never entered Argentina but stayed in Europe until his death. Apparently another person, falsely using Bormann's name, did come to Argentina.

Another file covered Walter Kutschmann, an SS officer responsible for the mass murder of Jews in Poland, and showed that he came to Argentina from Spain with documents identifying him as a Catholic priest.

Most Nazi war criminals reached Argentina and other Latin American countries via the so-called "Rat Line," which furnished the fugitives with Red Cross passports, issued on the recommendation of the Vatican, Samuels said.

Samuels also examined the files on two SS commanders in charge of ghettos in Poland and Lithuania, Josef Schwammberger, currently on trial in Stuttgart, Germany, and Eduard Roschmann, second chief of the Riga Ghetto, held responsible for the deaths of about 35,000 Jews. He is known to have died in Paraguay.

Samuels said that his initial findings represented merely the tip of the iceberg, and he contested a statement by the German ambassador in Buenos Aires that no war criminals are now living in Argentina.

Wiesenthal himself has named Rudolf Mildner, who was head of the Gestapo secret police in Katowice, Poland, during the war.

Another person who has been sought in Argentina is Abraham Kipp, a convicted Dutch Nazi.

AUSTRIA CONSIDERING LEGISLATION TO EASE PUNISHMENT OF NEO-NAZIS

By Marta Halpert

VIENNA, Feb. 5 (JTA) -- The Austrian Parliament is considering new legislation and amendments to existing laws that would reduce penalties for neo-Nazi activity, in the hopes of more successfully prosecuting offenders.

The proposed changes were to have been enacted last week. But the vote was postponed until Feb. 27 at the urging of the president of Parliament, Social Democrat Heinz Fischer, who wanted to avoid the appearance of "emergency" legislation.

Neo-Nazi activity has become more violent and more widespread in Austria, as in neighboring Germany. January in particular saw an unprecedented wave of assaults on asylum-seekers and other foreigners, anti-Jewish epithets, Holocaust denials and activities typical of neo-Nazis and their extreme right-wing cohorts.

According to Austria's Interior Ministry, the Austrian neo-Nazis have close connections with right-wing extremist organizations in Germany, the United States and Canada, and even small neo-Nazi groups emerging in Hungary.

Interior Minister Franz Loschnak detailed neo-Nazi incidents in a report to Parliament last week. He reported arrests, searches and seizures by the police in January that netted large quantities of weapons, neo-Nazi literature and paraphernalia.

On Jan. 4, two brothers walking in a Vienna park were attacked by six neo-Nazis who shouted "foreigners out" and "Judensau" (Jewish pigs).

The brothers reported the assault to the police. The ensuing investigation resulted in the discovery of a neo-Nazi gang known as Wehr-sportsgruppe Trenck, a term from Nazi times that loosely means military sports group.

Their leaders were arrested after police found a weapons cache including 23 machine guns, some of World War II vintage. Considerable amounts of neo-Nazi literature were found, including leaflets calling for the "end of the Holocaust fairy tale."

'No Immediate Danger'

On Jan. 7, police in Vienna arrested neo-Nazi leader Gottfried Kussel, who made racist and anti-Semitic statements, including denial of the gas chambers, on two U.S. television broadcasts.

On Jan. 25, several other neo-Nazis activists were arrested.

Despite these incidents, Loschnak maintained that the situation is much better in Austria than in Germany, Switzerland, France or Belgium, where assaults are reported daily on foreigners, political refugees and immigrants.

"I adhere to the principle that we have to stop all this at the very root," the minister said. "But at the same time, we should neither overestimate their size nor their impact."

"The right-wing extremists are small in numbers in Austria, and therefore no immediate danger to the democratic state," he said.

But, on the other hand, "this does not mean that we do not have to fight them from the very beginning," Loschnak said.

Most Austrians are increasingly unsettled by the rise of neo-Nazi activity in Austria and want it stopped, according to an opinion poll published Monday in the popular weekly magazine Profil.

The survey showed that two-thirds of the

respondents believe neo-Nazis threaten the country's democracy, and 78 percent believe the rise of the right wing is a problem to "be fought by every possible means."

The neo-Nazi groups recruit their members from among disaffected, jobless youths who have no family attachments and hang out with trouble-makers and racist Skinhead street gangs.

Jail Terms Would Be Reduced

The courts have been accused of leniency toward those elements when they are caught. But legal authorities blame the Verbotsgesetz ("Forbidding Law"), the rigid legislation passed right after World War II, which mandates a life sentence for reactivating Nazi ideology.

In any relatively minor case, the jury shrinks from imposing a life term and the defendant goes free.

Under the proposed new law, anyone trying to establish, organize or support a Nazi organization would face 10 to 20 years in prison, with a life sentence still a possibility.

Lesser activity, now punishable by five- to 10-year sentences, would be reduced under the new law to one to 10 years.

The law would also make it a crime "to deny, grossly minimize, praise or justify through printed works, over the airwaves or any other medium, the National Socialist genocide or any other National Socialist crime."

The minimum sentence for denying that the Auschwitz gas chambers existed is now five years, which jurors consider too harsh.

The new law would more clearly define this offense and permit sentences as low as one year.

The various political parties expressed concern over the negative image abroad if Austria drastically reduces the penalties for neo-Nazi acts. But leaders of Jewish groups, human rights monitors and other officials welcome the new proposals, which are expected to put more neo-Nazis and right-wing extremists behind bars.

KAHANE VERDICT PROTESTERS ARRESTED DEMONSTRATING AT STATUE OF LIBERTY

By Larry Yudelson

NEW YORK, Feb. 5 (JTA) -- Three men protesting the sentence given the man acquitted of killing Rabbi Meir Kahane were arrested Sunday at the Statue of Liberty.

The men, members of the militant group Kahane Chai, were charged with illegally demonstrating on federal property, after blocking access to the monument with banners proclaiming "Justice for Kahane."

Spokesman Ben Lemkin explained that the site was chosen because it represents the idea of America as a haven for liberty and justice.

"We look at the whole Nosair fiasco as a symbol of how there will be no justice for Jews in America," said Lemkin.

El Sayyid Nosair was sentenced Jan. 29 to 7 1/3 to 22 years in prison for shooting two people and commandeering a taxi following Kahane's killing, but was acquitted of Kahane's murder.

"We were there to send a message to American Jews that we must make emergency aliyah," said Lemkin, a lawyer who plans to move to Israel in a number of months.

Meanwhile, another militant group, the Jewish Defense Organization, is continuing its picketing campaign against Nosair's attorney, William Kunstler.