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ISRAELIS GROWING PESSIMISTIC ABOUT DEAL WITH U.S. ON LOANS

By David Landau

JERUSALEM, Feb. 11 (JTA) -- Serious doubt is being expressed for the first time in official circles here that Israel will get the \$10 billion in U.S.-guaranteed loans it first requested last September to help absorb thousands of immigrants.

Although the United States from the outset refused to underwrite the loans as long as Israel pursued an aggressive settlement-building program in the territories it captured in 1967, a compromise deal was expected eventually to materialize.

Some ministers indeed remain optimistic, at least in public, that an acceptable formula will emerge from the continuing talks between Israel's ambassador to Washington, Zalman Shoval, and U.S. Secretary of State James Baker.

But concern is growing in political circles here that the final U.S. answer will be No.

According to officials and observers alike, the gap between Prime Minister Yitzhak Shamir's Likud government and the Bush administration is too wide to be bridged.

In public, most government officials are still sending out optimistic signals. They hint that the Cabinet is ready to scale down settlement-building, though not freeze it, in return for the U.S. guarantees, which would enable Israel to borrow \$10 billion from banks on favorable terms.

Transportation Minister Moshe Katsav, recently back from talks in Washington and New York, told reporters after the weekly Cabinet meeting Sunday that the government might well cut back on building settlements in the West Bank and Gaza Strip, but "for economic reasons," not in response to external political pressures.

Katsav's remark seemed to be preparing the Israeli public, and Likud's constituency in particular, for an Israeli retreat, camouflaged as a pragmatic move not linked to outside pressure.

Dispute Over Number Of Units

But Health Minister Ehud Olmert cast doubt on the entire undertaking when he told visiting leaders of the American Jewish Committee here Monday that he was "not optimistic" Israel would get the guarantees.

Olmert, an ally of Shamir's, said the Likud government would never agree to U.S. terms.

The swing from optimism to pessimism seems to have begun after Shoval's meeting with Baker last Friday, the second session the two have had on the loan guarantees.

Optimistic assessments grew out of Israel's apparent realization that it would have to modify its settlement-building policy to get the loans. The settlements have been opposed by successive U.S. administrations as an obstacle to peace.

The deal said to have been offered by Baker would allow Israel to complete housing in the territories already begun, but would bar it from undertaking any new housing starts.

The problem is that Israel and the United States are at odds on the number of units already under construction. Shoval reportedly told Baker last Friday that the number is 13,000.

Baker considers that number to be exaggerated. U.S. intelligence information leaked to

the media this week indicates that fewer than 6,000 housing units are presently being built.

There is an even more significant gap between the two sides. Israel insists that it should not be penalized for completing housing units already under construction. The United States would deduct the costs of all further building from the amount of loan money it guarantees.

This linkage is intended to force Israel to choose between settlements and immigrant absorption in establishing national priorities, as Sen. Patrick Leahy (D-Vt.) himself pointed out Tuesday in an op-ed piece in *The New York Times*.

Could Soon Be 'Dead For 1992'

Leahy, who chairs the Senate Appropriations subcommittee on foreign operations, warned that if the United States and Israel cannot reach agreement on a deal within two or three weeks, "loan guarantees will be dead for 1992."

The loss of any U.S. assistance would be a severe blow to Shamir and his Likud bloc as they head into the June 23 elections.

Agreeing to the U.S. penalty, however, would confirm, in the eyes of hundreds of thousands of immigrants and other low-income Israelis, the Labor Party's argument that Likud indulges its ideological commitment to the settlements at the expense of the needy sections of the population.

Likud, warming up for a divisive election campaign, hopes a deal can be worked out which Likud campaign managers could present to the electorate as a success, if not a perfect success.

But if Sen. Leahy's vehemence on the subject is reflective of the American mood, and if the views of Likud hard-liners such as Ze'ev (Benny) Begin are typical of the mood in Israel, no compromise deal seems possible.

Leahy wrote in the *Times*: "Even as Israel is asking our help, it is expanding the construction of the settlements at an unprecedented speed; in so doing, it is ignoring the increasingly blunt criticism by the administration, which is determined to press the Middle East peace talks to a successful conclusion.

"Israel wants guarantees," Leahy wrote, "without any conditions, to be used as it sees fit. But this won't happen."

No less decisive was Begin, who wrote on the same op-ed page: "We cannot and will not agree that America dictates basic Israeli government policy."

BEHIND THE HEADLINES: **DELEGATES TO DEBATE, BUT NOT VOTE, ON SETTLEMENTS AT NJCRAC PLENUM**

By Larry Yudelson

NEW YORK, Feb. 11 (JTA) -- Israeli settlement policy will be a topic of heated debate when delegates from local Jewish community relations councils and national Jewish agencies gather this weekend in Portland, Ore.

But in an apt reflection of American Jewry's qualms about interfering with Israeli policy, the delegates will be given a voice, not a vote, on the issue at the National Jewish Community Relations Advisory Council's annual plenum.

A transcript of the scheduled two-hour debate on settlements will be given to Israeli lead-

ers. But no resolutions or statements of policy will be acted on, unless two-thirds of the delegates agree to overturn a ruling by NJCRAC's leadership.

The plenum planning committee's decision to have a debate but take no action mirrors American Jewry's ambiguous situation as Washington and Jerusalem negotiate the terms under which Israel would receive U.S. guarantees for \$10 billion in loans.

Israel badly needs the money to help absorb hundreds of thousands of immigrants from the former Soviet Union and Ethiopia. But the United States is insisting that Israel put a freeze on the construction of housing in the administered territories.

While Israel's Likud government insists that its settlement policy is vital to its security, only a few Jewish organizations, such as the Zionist Organization of America, have formally endorsed that policy.

More prominent have been the positions taken by the Union of American Hebrew Congregations and the American Jewish Congress, which echo Labor Knesset member Yitzhak Rabin's declaration that Israel's recent large-scale settlement drive is "a tragic mistake."

Most Jewish organizations, however, have avoided taking any stance on the settlements. The Conference of Presidents of Major American Jewish Organizations, representing some 50 national Jewish organizations, has never debated the issue.

A Push Toward Dissent

The explicit purpose of the NJCRAC plenum, unlike other major gatherings of organized American Jewry, is to arrive at a national Jewish policy on various issues.

Advocates of an Israeli settlement freeze see NJCRAC as a particularly hospitable forum because 117 of its constituent agencies are local Jewish community relations councils, most of them far from the New York-Washington corridor of Jewish organizational life. (The other constituents are 13 national Jewish agencies.)

The policies published by NJCRAC in its annual Joint Program Plan are in large measure domestic, covering such issues as anti-Semitism, multiculturalism, health care and poverty, though the plan also contains sections on Israel and world Jewry.

In recent years, activists have pushed NJCRAC to dissent at points from Israeli policy, though the Israel-oriented planks remain far closer to the Likud government's positions than the domestic proposals are to the Bush administration's agenda.

This year, the AJCongress and the UAHC proposed amendments to NJCRAC's proposed "strategic goals," as well as a sense-of-the-plenum resolution advocating a "moratorium on settlement growth" in the administered territories. The Jewish community relations councils in Detroit and Milwaukee also proposed such measures.

But the plenum planning committee ruled last week that the proposals would not be voted on at the plenum, since they raised new issues not fully examined by NJCRAC's Israel Task Force, which meets several times throughout the year.

"Proponents of the resolution would argue that we have discussed settlements in the past," said Kenneth Bandler, director of public information for NJCRAC.

"But the committee pointed out we have

never discussed settlements in the context of the peace process or loan guarantees, which raise new issues," he said.

Under NJCRAC rules, the agenda of what is to become the Joint Program Plan is first discussed by the relevant task forces. Drafts of policy statements to be included in the plan are sent out in December, prompting proposed amendments, which are collated and voted on at the plenum.

An Effort To Undermine Israel

The plenum, however, is not the final word. The NJCRAC executive committee meets in June and approves the final wording of all policy statements to be included in the Program Plan, which is released in August.

Theodore Mann, who formerly chaired NJCRAC and is now the AJCongress delegate to the organization, disputes the idea that the settlements have not been discussed before. He pointed to positions going back as far as a 1978 call on then-Prime Minister Menachem Begin to freeze settlements during the Camp David peace talks.

Mann will appeal the planning committee's ruling and, if necessary, seek a two-thirds vote in the plenum to reinstate the proposed amendments and resolutions.

William Rapfogel of the Union of Orthodox Jewish Congregations of America, said it is a good thing that the resolutions were derailed. He is working with several other national and local agencies to make sure they remain off the floor.

The AJCongress and UAHC moves are "really an effort to undermine Israel," said Rapfogel, who is executive director of the Orthodox Union's Institute of Public Affairs. "It will be used as a device to further link the loan guarantees and which can be used to link other issues."

He said that dozens of other proposed amendments to the Joint Program Plan were similarly not included on the agenda for discussions, including some his group proposed on church-state relations, which "were not seen as part of the mainstream of consensus thought within NJCRAC."

A Partial Victory

Still, putting the settlements debate on the plenum schedule is being seen as a partial victory for those advocating a freeze.

"Many people who feel it was critical to address this issue are very pleased that almost two hours will be devoted exclusively to the settlements issue and that the question of a settlement moratorium will be part of that discussion," said Thomas Smerling.

Smerling is executive director of a group called Project Nishma, which was founded to help push a dovish line on Israel in American Jewish circles.

"If that's all there will be, then that's all there will be," agreed Mann of AJCongress, who also co-chairs the Nishma group.

He added wryly: "Last year we couldn't discuss certain issues because there was a war in process. This year we can't discuss certain issues because there's a peace in process."

The JTA Daily News Bulletin will not be published on Monday, Feb. 17, which is a federal holiday in the United States.

EGYPT MINISTER MEETS ISRAELI TO EASE TENSION OVER SPY AFFAIR

By Gil Sedan

JERUSALEM, Feb. 11 (JTA) -- Egypt's interior minister, Abdul Halim Mussa, met Tuesday in Cairo with the Israeli envoy to his country, seeking to defuse tension over three Israeli Arabs detained in Cairo on charges of spying for Israel.

In his talks with Ambassador Ephraim Dubek, Mussa flatly denied Egyptian media reports quoting him as saying the detainees had confessed to spying for the Mossad, Israel's foreign intelligence agency.

The meeting was the first high-level contact between Egyptian and Israeli officials on the case since the Egyptians arrested 41-year-old Farres Mussarti and his 17-year-old daughter Faya, residents of Ramla, last week in Cairo.

Farres Mussarti's 21-year-old son, Majed, was arrested Sunday, reportedly when entering Egypt from Libya, allegedly carrying a forged passport and military documents.

The Egyptian news media has been proclaiming with screaming headlines that Israeli spies were captured.

The Foreign Ministry in Jerusalem was furious after the Egyptian press quoted Mussa as saying officially that the suspects confessed.

Israel accused the Egyptians of deliberately feeding stories to their news media while keeping Israel in the dark about the case. Israel was also rankled by Egypt's refusal to allow an Israeli consular representative to interview the detainees.

The interior minister attributed the sensational stories in the press to a "misunderstanding" of his announcement that the Israelis were being held on suspicion. He said they could be interviewed as soon as the investigation is completed.

It was the first time since Israel and Egypt signed their 1919 peace treaty that Israeli citizens have been detained on suspicion of spying.

SHIN BET HEAD CLASHES WITH KNESSET OVER CRITICISM OVER ARAB WHO DIED

By Gil Sedan

JERUSALEM, Feb. 11 (JTA) -- The head of the General Security Services, Israel's internal security organization, clashed Tuesday with members of the Knesset Foreign Affairs and Defense Committee over their premature criticism of his agency in the death of a Palestinian security suspect while under detention.

The unidentified chief of the Shin Bet, as the agency is best known, made a rare appearance before the Knesset body to voice his displeasure over its criticism, which appears to have been refuted by a coroner's report saying that Mustafa Akawai had died of a heart attack, a result of arteriosclerosis.

Akawai died Feb. 4 at a Hebron military prison, after having previously shown signs of beatings on his body.

The Shin Bet head said all agency operatives have been instructed to cooperate with the investigation of the case, which has drawn expressions of concern from the U.S. State Department.

He chastised the 19 Knesset members who joined a demand for an investigation into alleged torture. He said they refused to admit they had been mistaken after the pathologist's report showed that Akawai, 33, died of a heart attack.

The Shin Bet head reportedly said the at-

tacks on the agency had been unjustified and damaging to its officers.

But Yossi Sarid, of the Citizens Rights Movement, insisted no apologies were in order.

He said the demand for an inquiry had been justified because security prisoners have died in the past as a result of maltreatment by their inquisitors.

Sarid said "troubling questions" in the Akawai affair still need to be answered. He said he would demand an investigation at any future time that a prisoner dies under interrogation.

Dr. Michael Baden, an American forensic expert who witnessed the post-mortem at the request of Akawai's family, concurred in the verdict of death due to heart attack.

But he did not entirely absolve the Israeli authorities, noting that conditions in the prison could have contributed to his cardiac failure, and earlier hospitalization might have saved the prisoner's life.

In Washington, the State Department said Monday that it was "concerned about reports coming out of Israel on this situation. We've raised them with the Israeli authorities."

The prisoner displayed wounds and bruises in a military court the day before his death, which he claimed were inflicted by his questioners. The judge ordered a medical examination but refused a request by Akawai's lawyer to release him for treatment.

The Shin Bet chief said the prison medical examination had shown nothing.

He said Akawai, an alleged member of the Popular Front for the Liberation of Palestine, had a long record of arrests since 1983. He was last detained on Jan. 22. According to the Shin Bet, he underwent a routine medical examination, which detected no problems, nor had Akawai complained of any.

During his detention, he complained once of an earache. A week ago, he complained twice of not feeling well and lost consciousness. Efforts to revive him failed and he was pronounced dead, the Shin Bet head said.

ETHIOPIANS, ANGERED BY DELAYS, WALK OUT OF ABSORPTION CENTER

By Gil Sedan

JERUSALEM, Feb. 11 (JTA) -- Declaring they were fed up with delays in finding them permanent housing, some 250 Ethiopian immigrants on Monday walked out of an Eilat hotel serving as a temporary absorption center and went on their own to a prefabricated housing site in Hulda, in central Israel.

They traveled by bus in stormy weather to reach the site. The rebellion was clearly embarrassing to Jewish Agency officials, who were chastised by the olim. But the agency said it would assist the newcomers for humanitarian reasons and not require them to return to the hotel.

The immigrants complained that whenever they were told they were about to be moved to permanent housing, some Jewish Agency official delayed the move.

The agency said it had offered the immigrants permanent housing at a choice of sites in the south of the country this past week but that the immigrants insisted on going to Hulda.

They were quartered in the Eilat hotel to shelter them from the severe winter storms that have swept Israel for the past month, the Jewish Agency said.

WIESENTHAL CENTER ASKS VATICAN TO OPEN FILES ON AID GIVEN NAZIS

By Tom Tugend

LOS ANGELES, Feb. 11 (JTA) -- The Simon Wiesenthal Center has asked the Vatican to make public its files to determine whether Catholic Church officials aided Nazi war criminals to escape to South America.

In a letter to Cardinal Angelo Sodano, the Vatican's secretary of state, the center's dean, Rabbi Marvin Hier, asked that responsible researchers be given access to the documents, "particularly for the postwar period of 1945-50."

His request was triggered by the ceremonial opening on Feb. 3 of Argentina's police files on Nazi war criminals.

On Monday in Buenos Aires, Argentina made the files available to whoever wishes to seek them.

In Los Angeles, Hier held a news conference, at which he said the newly released files enable "a better understanding" of how such Nazi war criminals as Adolf Eichmann, Josef Mengele, Walter Rauff, Walter Kutschmann, Franz Stangl and Andrija Artukovic "made their way from Rome to freedom in South America."

He then called on the Vatican and Red Cross to make their files on Nazi war criminals available. He spoke of the aid they received from the so-called "rat line" of intertwined Vatican and Red Cross assistance.

The "rat line," or "monastery route," was detailed in a 1947 top secret report by Vincent La Vista, an international lawyer and, at the time, military attache to the American Embassy in Rome as well as an agent of the U.S. State Department.

The Red Cross has so far refused to open its files on the "rat line," Hier said.

Paraguay Urged To Open Files

Evidence of the Red Cross's help is revealed in the file on Mengele, the sadistic Auschwitz doctor. The newly opened file describes, in exhaustive detail, how Mengele immigrated to Argentina as an "Italian" named Helmut Gregor on Passport No. 100,501, issued by the International Red Cross.

Hier said Argentina will soon be making available pertinent files of its Foreign Ministry and Central Bank.

He attached particular importance to the bank documents, as they could shed light on persistent but unconfirmed reports that Nazi Germany, in its final days, sent \$14 million in gold from Berlin to Buenos Aires.

The Argentine documents now available indicate that in the 1960s, police inspectors cited the names of seven suspected war criminals then living in the country. In the next few days, said Hier, he will forward the names of two ex-Nazis now living in Argentina to police authorities.

The Wiesenthal Center has also sent a letter to President Andres Rodriguez of Paraguay, the country to which Mengele fled in 1959 when tipped off that he was being sought in Argentina.

Hier is urging the Paraguayan leader to follow Argentina's example and open his country's files on suspected war criminals.

"In a world no longer divided along East-West ideology, where the Berlin Wall has come down, where communism has collapsed, it is simply not logical to keep secret and protect those whose inhumanity is beyond human comprehension," Hier wrote.

NUMBER OF ANTI-SEMITIC INCIDENTS HIT NEW HIGH LAST YEAR IN CANADA

By Gil Kezwer

TORONTO, Feb. 11 (JTA) -- The number of anti-Semitic incidents reported in Canada last year was the highest since B'nai Brith's League for Human Rights began tabulating such data in 1982, according to the league's annual audit of anti-Semitic incidents, released here Monday.

The report enumerated 251 incidents of harassment and vandalism, a 19 percent increase over 1990 and a 42 percent increase over 1989.

This parallels the trend in the United States, where a record number of anti-Semitic incidents was recorded last year by the Canadian league's U.S. counterpart, the Anti-Defamation League.

The ADL, in its annual report published last week, registered 1,879 acts of violence, threats or harassment against Jews in the United States for the year. That is an 11 percent increase over 1990 and a record high since ADL began its annual audit of anti-Semitic incidents 13 years ago.

While the overall number of incidents in Canada is far fewer than the U.S. number, the percentage increase from 1990 is larger.

In Canada, the most serious anti-Semitic attacks noted were the spray-painting of neo-Nazi graffiti on a synagogue in Brampton, a suburb of Toronto; the re-emergence of the Ku Klux Klan in Quebec's Eastern Townships; and a national speaking tour by Holocaust-denier David Irving.

Most of the incidents fell in the categories of verbal abuse and hate propaganda. Violent attacks against Jewish institutions and desecrations of synagogues and cemeteries declined, the report stated.

The Canadian league's national chairman, Professor Stephen Scheinberg, attributed the increase in total incidents to tensions preceding and stemming from the Persian Gulf War and the impact of the global economic recession.

"The Gulf War provided an emotional stimulus for anti-Semites to vent their hatred of Jews. The turmoil evident this year also created a conducive environment for hate groups to increase their racist activities," he wrote.

U.S., ISRAEL CONDEMN IRAN STAMP SHOWING BOY STONING A SYNAGOGUE

By Tamar Levy

GENEVA, Feb. 11 (JTA) -- The United States has joined Israel in condemning an Iranian postage stamp that depicts a young boy hurling a rock through a window with a Star of David.

It is Iran's contribution to the 1991 International Day of the Child.

The stamp is the most egregious example of state-sponsored religious intolerance, John Burgess, the U.S. delegate to the U.N. Human Rights Commission, said at its annual meeting here.

The stamp, which evokes memories of Kristallnacht in Nazi Germany 54 years ago, encourages intolerance and violence against members of the Jewish faith, the U.S. envoy told the commission Monday.

"It violates both the 1991 declaration and a 1984 resolution of the Universal Postal Union, which called for the avoidance of stamp designs that are offensive to people or countries," Burgess pointed out.

"Such activity should be deemed completely unacceptable, particularly for a member of the Human Rights Commission," he said.