

**ISRAEL RELEASES TWO HAMAS LEADERS,
BUT 650 PRISONERS REFUSE TO SIGN PLEDGE**
By Hugh Orgel

TEL AVIV, June 16 (JTA) -- Israel this week released two former leaders of the Islamic fundamentalist Hamas movement who apparently signed a document renouncing violence and "terror."

But another 650 Palestinians preferred to remain in jail rather than sign the document, and Israeli officials -- who had originally planned to release some 1,000 Palestinians this week -- obliged them by keeping them imprisoned.

Israel has claimed the right to have a signed document from each prisoner that it releases under the terms of the May 4 Cairo agreement for implementing Palestinian self-rule in the Gaza Strip and the Jericho district in the West Bank.

A total of about 170 Palestinians were freed from Israeli jails on Thursday. Among the group were 30 Muslim militants, including the two Hamas leaders, identified as Saiyed Abu Misameh and Imad al-Falouji. Each had headed Hamas at different points after the group's founder, Sheik Ahmed Yassin, was jailed by Israel in 1989.

Of those released, those who had been serving long prison terms were required to serve the balance of their terms in the Jericho autonomous district. The rest were allowed to return to their homes in other parts of the West Bank, despite the violent objections of settlers and their allies.

Earlier in the week, Jewish settlers living in areas near Jericho protested what they described as undue hardships placed on them as a result of their proximity to the autonomous district.

Claiming that the government had reneged on its promises to supply them with financial assistance after Jericho became autonomous, some 20 of the protesters chained themselves to a gate leading to the border with Jordan on Monday.

The demonstrators were from the Na'ama farming settlement, which is adjacent to the Jericho district and which the settlers say has suffered financially since Palestinian self-rule began last month.

Touring the Jordan Valley on Tuesday, Prime Minister Yitzhak Rabin visited the chained protesters. On Thursday, he promised to provide them with a \$5 million long-term, no-interest loan in an effort to ease their financial plight.

**ISRAELI FUND FOR 'DIASPORA EDUCATION'
SUPPORTS SELECTED ORTHODOX SCHOOLS**
By Cynthia Mann

JERUSALEM, June 16 (JTA) -- A \$7 million Israeli government budget item for Diaspora Jewish education made a big splash last spring when it was "discovered" through an advertisement placed in a daily newspaper here.

Foreign Ministry officials touted it as prime evidence of the new kind of Israel-Diaspora partnership Deputy Foreign Minister Yossi Beilin has been championing.

But the fund, administered by the Finance

Ministry, is in fact a long-standing example of a different sort of Israel-Diaspora partnership.

According to sources familiar with the fund, it helps Diaspora Jewish schools virtually hand-picked by a wealthy pro-Israel activist. The activist, they say, has leveraged his Washington influence to win the favor from Jerusalem's state budget.

For more than 15 years, the money has almost exclusively supported fervently Orthodox and non-Zionist schools with more than an estimated \$50 million.

The World Zionist Organization was part of the association that disbursed the government fund for the past 10 years. But it recently pulled out of the partnership, citing its dissatisfaction with how the allocations are made.

Similar discontent may soon spread to the Knesset Education Committee. Knesset Member Avraham Burg, who chairs the committee, said the fund is "corrupt" and serves special interests. At the conclusion of a recent interview with the Jewish Telegraphic Agency in his Knesset office he asked an aide to arrange a special Education Committee meeting to investigate the fund.

'Concerned About Jewish Continuity Overseas'

Back in April, Deputy Foreign Minister Beilin was quoted by The New York Jewish Week as calling the allocation "very meaningful."

"It proves that Israelis are concerned about Jewish continuity overseas and are willing to take steps to demonstrate that," he was quoted saying.

The Foreign Ministry subsequently was deluged with applications from communities all over the world, said Haim Divon, head of the ministry's World Jewry division.

But the Foreign Ministry was forced to retrench after a few inquiries at the Finance Ministry, where it was advised that the fund is about 15 years old. Divon said he was also "told by sources that the monies for this year were already exhausted," despite the fact that the April 30 application deadline had not yet arrived.

For his part, Beilin had no comment about the fund for this story, his assistant said.

After weeks of persistent telephone calls and inquiries to Finance Ministry spokesman Eli Yosef, it became clear the ministry is reluctant to speak about the fund.

Nonetheless, an intriguing story can be told based on a lengthy investigative article in 1986 in the Davar newspaper by Yakir Tsur, a state comptroller's report in 1988, an up-to-date private written report by Tsur, other research and interviews with informed sources.

All of these sources but the comptroller's report link one man by name to the heart of the story: Zev Wolfson, a man Israeli officials believe is very powerful on Capitol Hill on their behalf.

In recent years, the Finance Ministry apparently has advertised the Fund to Aid Diaspora Jewry each year in a newspaper, as required by Israeli law.

The ad spells out eligibility requirements for recipients, which are supposed to be "schools abroad providing Hebrew education in communities

in which there is a danger of assimilation and where, without this support, (they) could not continue to function in the long run."

But sources say the fund has not been publicized abroad and that each year the money has been awarded to the same non-profit "amutah," or association.

For years this amutah was called the Association for Jewish Secondary Education in Boarding Schools in the Diaspora. The name was later changed to the Fund to Aid Diaspora Jewish Education.

But the man who allegedly controls the amutah has remained the same: Wolfson.

Wolfson is described by Israelis as a wealthy and politically influential American Holocaust survivor who is a Zionist and who also believes that Orthodox education is the only tool to fight assimilation in the Diaspora.

Despite repeated requests, Wolfson declined to comment on the fund for this article.

The association disburses millions of dollars of government money to about two dozen schools annually. Most are Orthodox and non-Zionist and most are in France and the former Soviet Union, but schools in North America also receive its money. It submits detailed reports every three or four months to the Finance Ministry, according to its chairman, Moshe Haskell.

According to an expenditure sheet obtained by JTA, in 1992, for example, the association gave \$435,000 to She'erit Israel Yeshiva in Brooklyn. The association also allocated \$780,000 to what was listed as the Queens Academy for Russian Immigrants in New York.

"We get money sporadically, periodically," said Rabbi Moshe Jacobs, executive director of She'erit Israel. "It goes into our bank account. I have no idea how it works, how it was set up."

Jacobs said his 4-year-old school has an enrollment of around 300 Russian immigrants, none with a Jewish background, many with parents on welfare.

"The only reason parents send their kids is because of our secular studies," he said.

The Queens school had no listing in the telephone book.

Allocations Anger WZO Official

This pattern of allocations angers David Harman, director-general of the Jewish Agency-World Zionist Organization Joint Authority for Jewish Zionist Education.

"The State of Israel is giving taxpayer money to an institution in Queens hellbent on providing an Orthodox education to Russian immigrants to the United States?" he asked.

"And this is at a time when the top priority of the Israeli government is the aliyah and absorption of Russians in Israel?"

For about a decade the WZO led the "Wolfson" association in partnership with officials from the Ministry of Education.

But last fall, WZO and Jewish Agency leaders met with Finance Minister Avraham Shohat and pulled out of the partnership at the insistence of Chairman Simcha Dinitz.

Dinitz has since taken a leave of absence from his post after being indicted on charges stemming from alleged misuse of Jewish Agency credit cards.

"The WZO decided to withdraw from this

amutah because it could not control the transfer of allocations and felt the allocations were not being made according to Zionist priorities," said Yehiel Leket, acting chairman of the WZO and Jewish Agency.

After the meeting with Shohat, a new association was set up without the official participation of the WZO. But it retained Haskell as chairman.

The fund is commonly referred to by insiders as the "Wolfson Fund," a fact acknowledged by Haskell. He insists, however, that the association is "officially" independent of Wolfson and when applications come in addressed to "The Wolfson Fund," they are returned.

Haskell said Wolfson has sat in on portion of amutah meetings and "from time to time he talks to me. He can try to persuade me which (school) is more important, but there are many others who also try." Haskell also conceded that his fund's money goes mostly to Orthodox schools to which Wolfson also has contributed.

'Would Consider' Application From Reform

But he said it is not a matter of policy. It is that "the Orthodox are more devoted to education" and to "creating new schools." Also, he said, the Orthodox "applied, (while) the Reform and Conservative don't apply.

"If the Reform applied, we would consider" the application, he said.

Wolfson was never a member of the amutah, said one insider, but the fund is "a puppet" of his as a result of an apparent deal made with the Israeli government in return for "services rendered to the State of Israel," said this insider.

The "services" refer to monies supposedly allocated to Israel by the U.S. Congress through the efforts of key congressional members close to Wolfson.

Wolfson has a reputation here as being very powerful on Capitol Hill. But Washington insiders tell a different story.

"He's irrelevant to the foreign aid," said one Washington source familiar with the efforts to obtain Israel's annual \$3 billion aid package. "The thing he has been relevant on is raising money for his particular projects and causes."

One area where Wolfson's influence was reportedly felt was the American Schools and Hospitals Abroad Program of the Agency for International Development. Controlled by a congressional subcommittee, the program is funded largely from the properties of Americans living abroad, personal bequests and dissolved businesses.

According to the 1986 Davar article, of a \$25 million budget, Orthodox yeshivot and other Israeli institutions got approximately \$18 million.

Wolfson is probably most closely associated with Sen. Daniel Inouye (D-Hawaii).

In 1988, when Inouye was chairman of the Senate Allocations Committee, apparently at Wolfson's urging he included an \$8 million budget item for fervently Orthodox schools in France.

When this was discovered, Inouye was forced to confess having made a mistake. This episode is said by some to have derailed Inouye's efforts to be Senate majority leader and also exposed the funding by the American Schools and Hospitals Abroad Program, which then changed its policies.

(Contributing to this report was JTA staff writer Larry Yudelson in New York.)

PERES ASKS FOR CLOSER TIES WITH E.U. AS REWARD FOR COOPERATION WITH ARABS

By Joseph Kopel

LUXEMBOURG, June 16 (JTA) -- Meeting here this week with the European Union's Council of Foreign Ministers, Israeli Foreign Minister Shimon Peres called for closer ties between his country and the E.U. as a quid pro quo for Israel's cooperation in the Middle East peace process.

"We would like to receive things that were promised to us," Peres told reporters after meeting with the ministers here Monday. Referring to Israeli technological expertise, he added, "We have important human capital that we want to export."

During his discussions with the 12 European foreign ministers, Peres made a pitch for closer ties with the E.U., particularly in the area of research and development projects.

Peres reportedly stressed to the Council of Foreign Ministers that Israel had already done much of what the Europeans had requested for furthering the Middle East peace process.

It was therefore "unfair," he said, that the E.U. was not showing more willingness to meet Israel's concerns about its future relations with the European body.

Israel's current negotiations with the E.U. to update their 1975 trade and economic agreement are likely to be concluded by the end of the year.

The E.U.'s 12 member nations had previously decided to strengthen their relations with Israel after it signed the Palestinian self-rule accord last fall.

Israel is currently suffering a \$5 billion trade deficit with the E.U., which is its main trading partner.

In an effort to cut that deficit, Israel is hoping to gain greater access to European agricultural markets and to research and development programs. It is also hoping to stimulate European investment in Israeli companies.

Israeli diplomatic sources said that the E.U. had promised to have a more "balanced" attitude toward Israel following the signing of the self-rule accord.

Israeli Competition Feared

But some European countries are said to be reluctant to include Israel in joint research and development programs.

France and Britain in particular are said to fear Israeli competition in the high-tech arena.

Peres also used the meeting with the foreign ministers to criticize some European countries for dragging their feet in efforts to end the Arab economic boycott of Israel.

According to diplomatic sources, Greek Minister for Foreign Affairs Theodoros Pangalos, who currently chairs the Council of Ministers, asked Peres to freeze Israeli settlement activity in parts of the territories not covered by the self-rule accord and to grant Palestinians renewed access to their institutions in eastern Jerusalem.

These measures, Pangalos was quoted as saying, are necessary to consolidate the peace process and to improve commitment by Palestinians to the peace process.

But Peres later told journalists that "Jerusalem was not included in the autonomy accords

and that it was not foreseen to discuss this issue in the next two years."

During his Luxembourg visit, Peres also met with the president of the E.U.'s Executive Commission, Jacques Delors, and discussed Delors' initiative to set up an assistance plan to supply water and energy to the Middle East.

During the meeting, Delors, a leading French Socialist, expressed his unequivocal support for granting Israel full status in the E.U.'s research and development program.

Peres received a similar assurance during a meeting with Luxembourg's prime minister, Jacques Santer. It was also announced that Luxembourg will invest approximately \$3 million in joint scientific and research projects with Israel.

On Tuesday, at Italy's invitation, Peres met with Italian Foreign Minister Antonio Martino to discuss recent Israeli concerns about the inclusion of neo-fascists in the newly formed Italian government.

Peres later told reporters that the conversation had been "very good, friendly and open."

"There are some problems concerning some members of the Italian government, but we shall not jump to conclusions," he said. "We shall follow their actions, decisions and declarations, and our judgement will be based on what they will do or say."

(Contributing to this report was JTA correspondent Dvora Getzler in Jerusalem.)

CANADIAN INVESTORS GROUP PLANS ELECTRICITY PRODUCTION FOR GAZA

By Hugh Orgel

TEL AVIV, June 16 (JTA) -- A group of Canadian investors plans to produce electricity for the Gaza Strip within three to six months, the Israel Electric Corp. has announced.

The new plans call for a ship to be anchored off the coast of Gaza. Gas turbines aboard the ship will produce 120 megawatts of electricity.

Current electricity usage in Gaza, at peak periods, is close to 70 megawatts.

Before finalizing their plans, the Canadian investors met with the general manager of the Israel Electric Corp., Moshe Katz, and with the director of the electric authority in the Energy Ministry, Shlomo Brovender.

Katz and Brovender called upon the Canadians to provide collateral to secure investments already made by the Israel Electric Corp. in Gaza that have an estimated value of over \$5 million.

Palestinian representatives have asked the Israel Electric Corp. to continue supplying Gaza with electricity until the Canadian operation is in place. Israel Electric will continue to provide power to Jewish settlements in Gaza.

Power supplies to the autonomous Jericho district in the West Bank will be provided by the East Jerusalem Electric Corp.

In a related development, Bezek, the Israeli government's telecommunications corporation, has announced that it has signed an agreement with International Technologies that grants the U.S.-based firm an exclusive franchise for providing telecommunications services to Gaza and Jericho.

As part of the agreement, Bezek will work jointly with International Technologies to insure the continuity of telecommunications services between the Palestinian autonomous areas and Israel.

OWENS CRITICIZES BLACK LEADERS FOR NOT DENOUNCING FARRAKHAN

By Michael Shapiro

WASHINGTON, June 16 (JTA) -- Nation of Islam leader Louis Farrakhan is using anti-Semitism and scapegoating tactics to gain the support of segments of the black community who feel under siege, according to Rep. Major Owens (D-N.Y.), an outspoken member of the Congressional Black Caucus.

And although he was speaking at a forum Wednesday that addressed the status of black-Jewish relations, he said that such meetings are "absurd" and "ridiculous" because the recent crises between the communities has been created by "the systematic effort of the Nation of Islam to focus on Jews and target them and make them scapegoats."

Owens' remarks came one day after a black leadership summit convened by the National Association for the Advancement of Colored People, which generated controversy because of Farrakhan's presence there. Owens did not attend the summit.

The forum Owens addressed was sponsored by the Institute for Public Affairs, the public policy and advocacy wing of the Orthodox Union.

Owens cited examples of strong Jewish support for black mayoral candidates across the country and communications mogul Walter Annenberg's recent multimillion dollar donation to the United Negro College Fund, to illustrate that the split between blacks and Jews has been manufactured by Farrakhan.

Owens said that the use of hatred by demagogues such as Farrakhan and his former aide Khalid Abdul Muhammad "must be confronted aggressively."

Owens criticized black leaders for not denouncing Farrakhan forcefully enough.

"The level of denunciation, the level of criticism has been too low," he said.

"There is a need for an aggressive counter-attack, a countervailing force, to move against a force which is seeking to exploit the vulnerability of African-Americans."

Owens stressed that the danger of Farrakhan is not to the Jewish community, but to the black community, which will isolate itself if it does not denounce Farrakhan and others who spread hate.

"The danger to the black community is because we are moving into a situation where we are going to isolate ourselves from our long-term coalition partners," Owens said, referring to Jews.

"If blacks do not appreciate, if they turn their back on their coalition partners, who else will ever make a coalition with them?" Owens asked.

SENATE GROUP FORMED TO MONITOR PLO COMPLIANCE

By Michael Shapiro

WASHINGTON, June 16 (JTA) -- A bipartisan group of 16 Senators have formed the Peace Accord Monitoring Group in an effort to ensure that the Palestine Liberation Organization complies with the terms of its agreements with Israel.

"The Peace Accord Monitoring Group has been created to ensure that the PLO's words match their deeds," said Sen. Richard Shelby (D-

Ala.), in announcing the group's formation at a news conference Wednesday.

He will co-chair the group with Sen. Arlen Specter (R-Pa.).

The announcement came two weeks after a State Department report on PLO compliance drew the ire of many Jewish groups and members of Congress who felt the report was too lenient when discussing PLO violations of the peace agreement.

Sen. Connie Mack (R-Fla.) and Sen. Joseph Lieberman (D-Conn.), both members of the new group, said in a June 9 letter to Secretary of State Warren Christopher that the report tended "to excuse PLO lapses and avoided setting clear standards for full future compliance."

The Senate monitoring group will work with a similar House group, which was established last month by Rep. Eliot Engel (D-N.Y.) and Rep. Jim Saxton (R-N.J.).

Both groups hope to prevent any U.S. foreign aid from going to the PLO unless it complies with the declaration of principles and subsequent agreements signed with Israel.

"I am not satisfied with what the State Department has done on reporting the PLO," Specter said at Wednesday's news conference.

"I think there is much more than they have reported. Institutionally, the State Department needs congressional oversight," the senator said.

PROMINENT SOUTH AFRICAN JEWISH LAWYER APPOINTED HEAD OF CONSTITUTIONAL COURT

By Suzanne Belling

JOHANNESBURG, June 16 (JTA) -- Arthur Chaskalson, 62, a Jewish lawyer and a prominent expert on human rights, has been appointed the first president of South Africa's new Constitutional Court.

"The first stage of the transition to democracy has been achieved successfully," Chaskalson told a national executive meeting of the South African Jewish Board of Deputies on Sunday.

"The underlying theme of the (interim) constitution is reconciliation and reconstruction," said Chaskalson, who was actively involved in drafting that legal code.

The court's task is to adjudicate constitutional issues, including the Bill of Rights.

It also must approve South Africa's new constitution, which must be drafted within two years to conform to democratic principles and international norms.

South Africa's new democracy must promote confidence in its legal system, which for many years was used to reinforce apartheid and the "inequality of power and privilege," Chaskalson said.

Chaskalson has long been a high-profile human rights activist. He was an adviser on constitutional matters to the African National Congress, now the majority party in Parliament.

He served as a consultant on constitutional issues to the Namibian Constituent Assembly prior to the independence of that neighboring country and to the ANC from April 1990.

In that year, Chaskalson received the Human Rights Award from the Foundation for Freedom and Human Rights in Bern, Switzerland.

He has lectured on human rights in 13 countries.