

**NEWS AT A GLANCE**

■ A panel investigating the Jewish National Fund cleared the organization of malfeasance. But the probe revealed financial practices that showed that JNF misrepresented the amount it sends to Israel. [Page 1]

■ Dennis Ross, U.S. special Middle East coordinator, was called back to broker Israeli-Palestinian talks after the two sides said they had made a breakthrough regarding the Hebron redeployment. Ross had announced that he was leaving the region. [Page 3]

■ French President Jacques Chirac got into an altercation with Israeli security guards during a visit to Jerusalem's Old City. Israeli Prime Minister Benjamin Netanyahu apologized to the French leader, who said he considered the matter closed.

■ The remnants of more than 3,000 Jewish sacred books were buried in Jerusalem, one month after scores of Palestinians attacked Joseph's Tomb in Nablus, killing six Israeli soldiers and damaging an adjoining yeshiva. [Page 4]

■ British Airways denied that it discriminated against an Orthodox Jew who said he was booted out of an airline lounge for praying. [Page 4]

■ President Clinton called on Israelis to fulfill the legacy of slain Prime Minister Yitzhak Rabin. His remarks on Israel Television for the yearzeit of Rabin's death, came after Palestinian leader Yasser Arafat also remembered Clinton. [Page 3]

■ Jewish groups joined Rep. Carolyn Maloney (D-N.Y.) to call on government agencies to release classified U.S. records on Kurt Waldheim. President Clinton took the unusual step of signing a House resolution calling for the CIA and others to honor recent requests for the records.

■ Jewish leaders called on Switzerland to pay immediate restitution to Jews after the Swiss admitted that they had used the unclaimed assets of Holocaust victims to compensate Swiss citizens whose property was nationalized by Poland in 1949.

**Report clears JNF of fraud, but suggests donors were misled**

By Cynthia Mann

NEW YORK (JTA) — A fiscal firestorm has shaken the roots of the Jewish National Fund of America.

JNF has employed sloppy accounting procedures that have misrepresented how much of its money is sent to Israel, according to the results of an investigation.

A panel appointed by JNF to probe the organization's financial practices has found it innocent of allegations of fraud, malfeasance and misappropriation of funds.

But the panel found that the charity, which raised roughly \$30 million last year, engages in accounting "inefficiencies" that make it hard to determine exactly how the money is spent.

The findings have rocked the organization, long viewed as one of the jewels of Jewish philanthropy. It has shaken the confidence of some of its supporters and was expected to lead to at least one high-level resignation.

One of the most potentially damaging findings is that so little money gets to Israel when JNF's historic mission is popularly understood as planting trees and developing the land. While some promotional JNF material suggests that nearly 70 percent of its money goes to Israel, only 21 percent of the agency's total expenditures actually find their way to the Jewish state.

Nearly twice as much money stays in the United States for what JNF calls Zionist education and "Israel-based programs."

For their part, JNF officials have responded to the report with pledges to overhaul the organization's accounting and fiscal operation, to reduce administrative and fund-raising costs and to revise JNF's method of reporting allocations to Israel.

JNF Executive Vice President Samuel Cohen refused repeated requests for an interview about the investigation, which was initiated in the spring after donors raised questions about JNF spending.

But in a letter sent to the media, he and JNF President Milton Shapiro wrote that "the worst allegations of misconduct are simply untrue."

The stakes were high in the investigation, with reverberations extending far beyond the fate of one organization.

The JNF mission to make the deserts of Israel bloom is sacrosanct.

For decades, children have placed coins in JNF's signature blue boxes with visions of planted saplings destined to mature into sturdy trees.

The vision, inseparable from JNF itself, was always an emblem of the fledgling state defying nature by putting down roots in a region that was not a naturally hospitable one.

**'We should have known'**

JNF's universal appeal is reflected in its constituent organizations, which support and contribute to its work. Those groups include B'nai B'rith, Hadassah, Na'amat USA, Amit and Religious Zionists of America.

The probe has shaken the confidence of some supporters, who say they feel betrayed by JNF. "Trees are like motherhood," said one prominent organizational official who asked to remain anonymous. "We should have known" how JNF was really spending its money. "Every Jewish organization is tainted by an inference that this oldest and most revered of organizations should be even under question," said the official.

The investigation was conducted amid an atmosphere of drama, innuendo and bitterness, judging from an extensive series of correspondence obtained by the Jewish Telegraphic Agency and a reference in the committee's own findings.

"The committee has determined that there is no evidence of fraud, misconduct, malfeasance by JNF personnel, nor is there evidence of misappropriation of JNF funds," wrote the panel, which was chaired by Marianne Bretton-Granatoor, in-house counsel for Merrill Lynch.

However, the report continues, "a number of management, accounting and fund-raising inefficiencies" are "in large part, responsible for the atmosphere of suspicion which has provided a catalyst for many of the recent accusations leveled at JNF."

The investigation included an independent audit by the accounting

firm Deloitte & Touche, which was requested by the four-member panel appointed in April by JNF President Shapiro.

The probe was triggered in the spring after Stephen Breslauer and Ben Guefen, two activists from Houston, began raising questions about what they perceived as discrepancies in JNF's accounting. They did so after having been invited in mid-1995 to take the top lay positions in their regional organization.

In letters to JNF lay and professional leadership across the nation and in interviews, Breslauer repeatedly said that he had no interest in hurting JNF's enterprise. He said he only wanted clarification about JNF spending practices after being named the head of a foundation whose primary beneficiary was JNF.

His concern was also piqued after a disturbing personal discovery. After the Breslausers' son died, the couple designated in January 1995 a \$10,000 gift for a woodland in the JNF AIDS forest near Beersheba. When they went to Israel the next spring, they found that no trees had been planted for their son.

"The funds were absorbed totally in JNF operations and in purchasing a plaque," he wrote in a letter to Bretton-Granatoor in June. "Is it not a misrepresentation to describe that donations are made to reforest Israel (whether one tree or 1,000) when little if any of those funds is used for that purpose?"

Meanwhile, what Breslauer viewed as his inability to get thorough answers helped fuel a series of investigative pieces on JNF by free-lance journalist Yosef Abramowitz. The articles were recently published in a few Jewish newspapers. In his series, Abramowitz indicted JNF by suggesting that it could not account for millions of dollars in donations.

### **'Israel remains the top priority'**

The auditors, for their part, concluded that there were no missing millions. Some of the discrepancies they found, often reported only in the fine print of footnotes to their report, were due to inconsistent financial reporting practices, they said.

Nonetheless, some of those discrepancies resulted in clouding the true spending practices of the charity.

For instance, a letter dated Feb. 1, 1996, from Jack Grunspan, the JNF controller, stated that \$12.5 million of the \$18.6 million in JNF's total program money for fiscal year 1994 went to Keren Kayemeth LeIsrael, known as KKL, the sole agent for JNF's projects in Israel.

That is 46 percent of the \$26.9 million in total expenditures JNF reported on its 1994 tax forms.

Until the release of last week's report, JNF stood behind that figure as the portion of its budget going to Israel.

In contrast, the audit found that only 21 percent of that total, or \$5.5 million, is what JNF transferred in net funds to Israel in fiscal 1994.

The auditors also said JNF records indicated that in fiscal 1994, \$11.8 million was spent on "Israel-based programs," including the \$5.5 million going directly to KKL. But underplayed is the fact that the other \$6.3 million for so-called Israel programs is being spent on education in the United States.

JNF professionals failed to respond to detailed questions from JTA about why they included U.S.-based programs in the broad category of "Israel programming."

But Cohen, the agency's top executive, defended the spending in a terse faxed statement, saying, "Israel remains the top priority."

He said, "One of the most important ways we achieve our goals is through educational programs in the Diaspora." He pointed to a resolution passed at a

JNF/KKL world conference in 1994 in Jerusalem that affirmed that priority.

However, the organization, appearing to acknowledge a problem of misrepresentation, promised in a letter to JNF supporters to "revise" its method of reporting funds to Israel and funds expended in the United States "on behalf of" programs in Israel.

As for JNF's promotional material, one piece furnished to JTA states that "almost 70 percent of JNF's overall budget is invested directly in the land" in Israel. When questioned, JNF said that figure refers to the KKL's budget, not JNF's, and was erroneously labeled by the KKL, which produced the material.

Apart from the Israel-based programming, JNF spends an additional \$4.5 million in the United States for "Zionist education." The panel reported that Deloitte & Touche could not complete its audit of this category because it was too broad and not enough information was furnished by JNF.

The report also addressed claims that JNF money is being sent to South America in violation of U.S. law. Such claims were dismissed as baseless.

Meanwhile, the jury is out as to the long-term impact of the episode on the organization.

"I think the work JNF has done in Israel is remarkable and I hope it continues to merit the support" of the American Jewish community, said Jacob Stein, a former chairman of the Conference of Presidents of Major American Jewish Organizations, who served on the JNF-appointed panel.

Stein said he hoped that the organization tightens its accounting procedures.

"Where there is an ever-higher level of participation by donors," he said, "an organization has to be prepared to provide information."

For her part, Charlotte Jacobson, a past national president of JNF and current board member, said it was too soon to judge the impact of the findings. But she said there is "general appreciation" that JNF has pledged to implement the panel's recommendations and "satisfaction that no personal fraud was found."

Sources say one casualty will be Grunspan, the organization's longtime controller, who was expected to resign.

Breslauer, whose concerns sparked the whole investigation, said he had little confidence in the probe, in part because it did not go far enough. He specifically cited its failure to follow up on his request for a management audit. But even if he doubted the "missionaries," he said, he continued to have faith in JNF's mission. □

### **Israeli-backed mall opens in Hungary**

*By Agnes Bohm*

BUDAPEST (JTA) — Hungary's newest and largest shopping mall, funded by Israeli and Hungarian investors, was inaugurated last week in Budapest by the Hungarian prime minister.

Premier Gyula Horn said last week that foreign investment in Hungary is essential as the country moves away from communism and toward capitalism.

Israeli firms, including the Ofer Brothers and Control Centers, invested a total of \$63 million in the project. A delegation of 160 Israelis were present for the mall's opening.

"Hungary wants to offer a secure and stable economic environment for foreign investors," Horn said.

Israelis plan to invest in seven additional malls in Hungary. One of them is to be built in the eastern Hungarian town of Debrecen, where Israeli companies have been the target of anti-Semitic activity, an official said. □

**NEWS ANALYSIS****Israeli-Palestinian relations  
await results of Hebron talks***By Naomi Segal*

JERUSALEM (JTA) — For those reading the tea leaves, predicting the outcome of the Israeli-Palestinian negotiations on the Israeli redeployment in Hebron has become a hazardous affair.

In one camp are the optimists, who say an agreement will be reached within a matter of days.

To this the pessimists counter: We've heard that one several times before.

A resolution of the contentious issues surrounding Hebron has become a litmus test in Israeli-Palestinian relations and, for the moment, the essential stepping stone to advancing the peace process.

The optimists cite the abrupt reverse course charted by U.S. Middle East peace envoy Dennis Ross, who announced Monday night that he was returning to Washington, but then suddenly delayed his departure to continue mediating the talks.

Ross was headed for Ben-Gurion Airport when he was called and asked to stay on because of the progress in talks on civil issues involved in the Hebron redeployment.

Ross made the abrupt turnaround after speaking by telephone with Prime Minister Benjamin Netanyahu, according to some reports. Explaining his actions, Ross issued a statement Tuesday, saying that the two sides "were in the midst of the most promising discussions to date on the issue of civil affairs."

The pessimists, however, point to the separate talks on security matters in Hebron, focusing on how Palestinian negotiators walked out of the talks Monday night, charging that the attitude of the Israeli negotiators was akin to "occupiers toward the occupied."

Netanyahu appeared to belong to the cup-is-half-full camp. "The negotiations are very close to reaching a conclusion," he told reporters Tuesday, but then added, "though they are not completed just yet."

**'Saw some significant progress'**

Netanyahu, who held consultations with the Israeli negotiating team prior to its return to the talks Tuesday, said he would be willing to meet with Palestinian leader Yasser Arafat if it was deemed necessary. "A meeting with Arafat is possible, and desired, when we reach the final phase of the negotiations," he said.

Adding more ammunition to those in the optimists' camp was U.S. Ambassador Martin Indyk, who said he was more hopeful than before that the sides could make headway. "I think we saw some significant progress last night and early this morning," he told reporters Tuesday. "I am more hopeful today than yesterday that we will see an agreement signed."

But — in a remark quickly picked up by the pessimists — Indyk added that he could not say how long Ross could be expected to remain in the region.

The pessimists also cited comments Arafat made Tuesday to a group of visiting Israeli parliamentarians.

Arafat told them that he was not overly optimistic about the progress of the talks — then hastened to add that he was not "desperate, either," said Saleh Tareef, chairman of the Knesset Interior Committee, whose members met in Bethlehem with Arafat.

The meeting got off to a rocky start when three right-wing members of the committee — Ze'ev Boim of Likud, Avraham Stern of the National Religious Party and Binyamin Alon of Moledet — refused to shake Arafat's hand and were asked to leave. Tareef, Labor Party Knesset member, said he did not understand why the three had

agreed to come to the meeting in the first place if they had intended to act in that manner.

Critics of the Hebron talks were meanwhile wondering why the Palestinians were coming to the negotiating table if they were not planning to negotiate in good faith.

Israeli officials said they hoped an agreement could be reached by the end of this week. But they expressed concern that the Palestinians would try to stretch out the talks until after the U.S. presidential elections, when they could hope for less ambiguous American support. For the past week, Israeli officials, with their repeated comments of an imminent breakthrough in the talks, have placed themselves squarely among the optimists. In stark contrast stand the Palestinians, who have repeatedly been outright pessimistic in their assessments of the negotiations.

Despite these outward differences, which are perhaps mere shadow shows aimed at scoring international support for their positions — the two sides agreed Tuesday to continue their discussions in and around Jerusalem, rather than go to Eilat as originally planned, in order to remain closer to the chief policy-makers.

In at least one sign of progress, copies of a draft agreement on civil issues were presented to Netanyahu and Arafat. The draft contains more than 20 clauses, which address, among other things, building rights in the Arab and Jewish parts of the often volatile town.

Nonetheless, differences remained about security arrangements for the 450 Jewish residents of Hebron, which has a Palestinian population of 100,000.

Among the key sticking points: Israel's demand to be able to launch a "hot pursuit" of Palestinian terrorists who attempt to slip into the self-rule portions of Hebron.

The latest developments came after more than two weeks of negotiations to implement the redeployment in Hebron, initially scheduled to take place in March.

The redeployment is being widely seen as a test of Netanyahu's willingness to implement agreements reached with the Palestinians by the previous Labor government.

But as with any negotiations, the willingness of the other party to reach an agreement may also be questioned, particularly if the Palestinians feel that they will score more points in the international arena by delaying a handshake. □

*(JTA foreign editor Mitchell Danow contributed to this report.)*

**Clinton, Arafat remember Rabin***By Naomi Segal*

JERUSALEM (JTA) — President Clinton called on Israel to fulfill the legacy of slain Prime Minister Yitzhak Rabin.

In remarks broadcast on Israel Television for the *yahrzeit* of Rabin's death, Clinton said, "I ask all men and women of goodwill to join me in adding to the memory of this remarkable man by carrying on the struggle for security and peace."

Palestinian Authority leader Yasser Arafat also remembered his first partner in the peace process, Yitzhak Rabin.

Thursday marked the first *yahrzeit* of Rabin's death, who was assassinated Nov. 4, 1995, in Tel Aviv.

In an interview with Israel Radio, timed to coincide with the *yahrzeit* observances, Arafat said he deeply missed "my friend, Prime Minister Rabin." Arafat said the loss was felt universally in the region. "The Palestinian people miss him, the Israeli people have missed him, the whole area of the Middle East has missed" him, Arafat said.

Arafat added in Hebrew, "Shalom, chaver," which means "Goodbye, friend." □

**Police foul-up allows man who attacked Dayan to flee***By Naomi Segal*

JERUSALEM (JTA) — Labor Knesset member Yael Dayan suffered burns on her face and chest after a religious Jew threw a cup of tea at her during a tour of Hebron.

The assailant fled after he was brought to a nearby police station.

The incident occurred Tuesday when Dayan arrived at the Tomb of the Patriarchs with other members of the Knesset committee on the status of women.

"There was a group of people there, shouting the usual incitement," Dayan said. "One of them came up to me, and, addressing me by my name, asked if I would like a cup of tea. I smiled, and said, of course, and then he threw it on me."

The entire incident was filmed by television crews covering the visit.

The assailant apparently was able to get away during some confusion at the police station, according to the local police commander.

Jewish residents of Hebron said the individual was a resident of Jerusalem.

After the incident, right-wing demonstrators continued to crowd around the left-wing legislators.

"Now it was tea, but it could have been acid, or a bullet," Dayan said, before turning to the protesters.

"Shame on you, it's only one year since Rabin was killed," she said to the protesters.

Dayan continued the tour with her colleagues, meeting with Palestinian officials and female activists in Hebron. She said the committee asked to meet with women from the Hebron Jewish community, who refused.

Noam Arnon, spokesman for the Jewish residents of Hebron, condemned the attack on Dayan.

It was also roundly condemned by Knesset members during a special discussion held later in the day. □

**Remnants of holy books buried in West Bank town***By Michele Chabin*

JERUSALEM (JTA) — The remnants of more than 3,000 Jewish sacred books were buried here this week, bringing down the curtain on the worst act of desecration to be committed during last month's outbreak of violence between Israelis and Palestinians.

Tuesday's burial came nearly a month after scores of Palestinians attacked Joseph's Tomb in the West Bank town of Nablus, killing six Israeli soldiers and damaging the adjoining Od Yosef Chai Yeshiva.

The attack on Joseph's Tomb took place during three days of violence in late September that claimed the lives of 15 Israelis and 61 Palestinians.

The Sept. 25-27 violence had been sparked by Israel's opening of a new entrance to a tunnel located near the Temple Mount in Jerusalem.

Prompted by charges from their leaders that Israel was undermining Islamic holy sites, Palestinian stone-throwers joined armed Palestinian police for violent confrontations with Israelis that nearly brought the peace process to a halt.

On Sept. 26, the most violent of the three days, the fighting reached Nablus.

Although Israeli soldiers managed to save the Od Yosef Chai Yeshiva's Torah scrolls, they were unable to salvage most of the books.

According to Jewish law, holy scriptures that have been damaged beyond repair must be buried.

Prior to the books' burial in a Jerusalem cemetery, about 1,000 people, nearly all of them Orthodox, attended a memorial service and political rally in the heart of the city. Some of the people carried banners that read "When One Burns Books, One Will, in the End, Burn People."

Many in the crowd said they found it ironic that Palestinians had desecrated Joseph's Tomb, one of Judaism's holiest sites, when they were so concerned by charges that Israel was desecrating Islamic sites on the Temple Mount.

Nadia Matar, co-chair of the group Women in Green, compared the desecration at Joseph's Tomb to Kristallnacht, the Nov. 9-10, 1938, "Night of Broken Glass," when marauding bands of Nazis destroyed Jewish property in Germany. "Just as Kristallnacht was a warning light for what was going to happen to Jews in Europe during the Second World War, the Palestinians' pogrom at Joseph's Tomb was a warning light about the Palestinians' real intentions," Matar said. □

**British Airways denies claim of bias against Jewish client***By Daniel Kurtzman*

WASHINGTON (JTA) — British Airways has denied that it discriminated against an Orthodox Jew who said he was booted out of an airline lounge for praying.

Aaron Tyk, an assistant attorney general for New York state, went to the lounge last week to quietly recite his morning prayers during a layover at London's Heathrow Airport.

When he concluded, a British Airways employee approached him and asked him to leave. "I was told that as a Jew I cannot be there, it was only for Muslims," said Tyk, adding, "I was made to feel like someone in Nazi Europe in the '30s."

The airline denied that its employee made any reference to Tyk's religion or that its lounge was just for Muslims. "Ethnicity and religious background has nothing to do with an entitlement to a particular lounge," said John Lampl, a British Airways spokesman in New York.

Lampl said Tyk was not authorized to be in the lounge because it is reserved for executive club members and for passengers traveling from North America, India and the Middle East.

Tyk was en route from Tel Aviv to New York.

Lampl said the airline considers Israel part of Europe for operational purposes because it is a "short-haul flight." Flights from Cairo and Persian Gulf states, however, are considered part of their long-haul operations, Lampl said.

Tyk was astounded by the explanation. "They've attempted to accomplish what the Arab states have not been able to accomplish, and that is to eradicate Israel from the Middle East," he said.

The airline said Tyk was asked to leave only after it was determined that he was not authorized to be there, but Tyk maintains that the employee, a senior customer service agent, never asked about his itinerary or wanted to see his ticket.

"I was evicted from the lounge only because I was Jewish," said Tyk, who sometimes defends state agencies against employees' discrimination claims.

In a letter to the chairman of British Airways, New York Attorney General Dennis Vacco wrote: "I am outraged that anyone should be denied access to places of public accommodation based on the fact that they appear to belong to a particular ethnic group."

Lampl said British Airways was in the process of sending an explanation and an apology to Tyk through Vacco. "We feel very bad about it," Lampl said. □