



# Daily News Bulletin

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81<sup>st</sup> Year

## TOP NEWS IN BRIEF

### Food stamp provision passes

The U.S. House of Representatives passed by 364-50 a bill that includes a provision to restore food stamp benefits to legal immigrants. The bill, already approved by the Senate, now goes to President Clinton, who has indicated he would sign it into law.

### Israel, Lebanon near deal

Israel and Lebanon are reportedly close to an agreement under which the remains of an Israeli navy commando would be returned in exchange for the release of Lebanese prisoners. The secretary-general of Hezbollah said in a Lebanese television interview that Israel would release several dozen Lebanese prisoners, as well as the bodies of Hezbollah fighters. In return, the Lebanese government would transfer the remains of Itamar Ily, a navy commando killed in a failed operation in Lebanon last September.

### Anti-Netanyahu posters appear

Posters appeared in Jerusalem depicting Israeli Prime Minister Benjamin Netanyahu in an Arab headdress and calling him "The Liar." The posters were reminiscent of a hate campaign conducted against Prime Minister Yitzhak Rabin prior to his assassination in 1995. [Page 3]

### Sources: Swiss banks made offer

The three major Swiss banks made a firm offer to Jewish negotiators to settle Holocaust-era claims, according to sources familiar with the talks. An agreement has not yet been reached on the offer, which is said to be for more than \$1 billion. The offer came just days before the New York State Banking Department decided to approve the merger of Union Bank of Switzerland and the Swiss Bank Corporation. The World Jewish Congress made no objection to the move, which some took as a sign that negotiations are making progress.

### Germany locates looted artworks

Germany acknowledged that 17 artworks in the country's museums were looted by the Nazis from Italy during World War II. In 1995, Italy published a catalog detailing 1,500 artworks plundered by the Nazis. An Italian official said meetings would likely be held with German officials and museum curators to discuss the return of the artworks.

## BEHIND THE HEADLINES

### Israeli stock market ignores current diplomatic stalemate

By Avi Machlis

JERUSALEM (JTA) — The Tel Aviv Stock Exchange doesn't seem to be paying much attention to the 15-month stalemate in Israeli-Palestinian peacemaking.

Despite the absence of a diplomatic breakthrough, the benchmark TA 100 index stood at 326.82 at the end of last week — almost double its level in July 1996, less than two months after Benjamin Netanyahu was elected prime minister.

"In 1994 and 1995 the peace process was in great shape, but the market was in the dumps," says Daniella Finn, head of the international department at Ilanot-Batucha Securities, a Tel Aviv brokerage firm.

"Looking at 1997 and 1998, it's pretty much a consensus that the peace process is at a standstill, but the market is going through the roof."

The stock exchange, says Finn, is moved by market fundamentals, such as interest rates and inflation, both of which are falling.

As in any market, this prompts investors to pump money into stocks, which offer more attractive yields than bonds and short-term savings accounts — which are based on interest rates.

The market's apparent indifference toward the ups and downs of the peace process reflects a wider truth: Israel's economy is driven primarily by economic factors. Only the tourism sector is directly affected by regional stability and politics.

And although economic officials say the peacemaking deadlock does affect the economy — which is experiencing a serious slowdown this year — they concede that its impact is difficult to measure.

Most experts agree that the peace process played an important role in Israel's economic boom of the early 1990s. When the Arab boycott weakened, immense Asian markets opened up to Israel — a move widely believed to be irreversible.

ECI Telecom, an Israeli manufacturer of telecommunications products, is among a large number of companies that have profited from this change. Some 17 percent of ECI's 1997 revenues of \$677.7 million came from sales in Asia. And last year — despite stalled diplomacy — ECI posted record results, with net profits climbing 30 percent to \$132.4 million.

"The atmosphere was somewhat less positive than a couple of years ago," says Michael Shalit, ECI's vice president for new business development, describing how the stalled peace process has affected business.

"But this has not affected the bottom line," he said.

In contrast, the bottom line in Israel's tourism industry has been hit hard.

Tourism receipts account for about 3 percent of Israel's gross domestic product, the aggregate value of goods and services in an economy. Between 1993 and 1995, progress in the peace process fueled unprecedented growth, with the number of tourists up about 12 percent per year.

The number of incoming tourists per year dropped 4 percent in 1996 and 3 percent last year. Industry players say potential tourists were deterred by a wave of Palestinian suicide bombings in early 1996, regional terrorism — such as last year's massacre of 58 tourists in Egypt — and the stalemate in the peace process.

"Since 1996, the economy has lost about \$3 billion from [potential] income of incoming tourists," says Abraham Rosental, director general of the Israel Hotel Association. The "activity could also have been boosted by another \$10 billion, since every

## MIDEAST FOCUS

### Dig stirs controversy

The Palestinian Authority condemned the start of an Israeli archaeological dig at a site in predominantly Arab eastern Jerusalem where a fervently Orthodox group wants to build Jewish housing.

The Ateret Cohanim group funded the excavations, which are required under Israeli law before construction permits are granted in Jerusalem. Last month, Jerusalem Mayor Ehud Olmert ordered that temporary structures erected by the group at the site be torn down.

### Mordechai travels to Amman

Israeli Defense Minister Yitzhak Mordechai traveled to the Jordanian capital of Amman for talks with King Hussein about reviving the Middle East peace process. The two were also due to discuss bilateral relations.

### Teachers go on strike

Teachers across Israel went on a one-day strike. The walkout affected 1 million students from kindergarten to college. Teachers called the strike to protest changes in pension plans and planned staff cutbacks.

### Israeli Arabs launch boycott

Israeli Arabs decided to boycott products made in Jewish settlements in the West Bank and Gaza Strip. Ibrahim Hussein, chairman of the Follow-up Committee for Israeli-Arab Affairs, said the decision came in response to Israeli "obstinacy and unwillingness to proceed with the peace process."

### Aid leaves for Afghanistan

A plane carrying humanitarian aid for victims of the recent earthquake in Afghanistan left Israel. The plane was to deliver the shipment to the former Soviet republic of Tajikistan, where the shipment would be transferred to Afghanistan. The shipment included tents, blankets, food and medicine.



## Daily News Bulletin

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tourism dollar generates another two or three in infrastructure development." Indeed, the tourism boom of a few years ago attracted sizable investments from international hotel chains, who do not want to lose the amounts they invested before the current crisis began.

Rosental says they have not yet lost hope: "In tourism you always have to be optimistic since your investment is long term."

Indeed, international investment has not been limited to hotel chains. Since the Oslo peace process began in 1993, foreign investment in Israeli companies — primarily in banks and high-tech firms — has jumped dramatically.

According to the Bank of Israel, foreign investment — through the Tel Aviv Stock Exchange or in equities listed by Wall Street — climbed from \$900 million in 1994 to \$2.8 billion in 1996.

It jumped to \$3.7 billion in 1997, a figure Netanyahu often cites as proof that his political policies have no backlash effect on the economy.

But the sharp increase last year may be misleading, says Vered Dar, deputy director of the Finance Ministry's economic research department.

Some investment in 1997 came from investors who started looking at the economy in 1993 and 1994, Dar says, adding that it is difficult to estimate how much higher investment would climb if the peace process were thriving.

Nevertheless, Dar has asked many foreign investors if the state of the peace process has influenced their investments.

"They don't say it's irrelevant," she says, "but it is not a decisive factor in their decision to invest in Israel."

Her impressions are backed by Gideon Schur, director of the Bank of Israel's international affairs department.

"Foreign investors are interested in the economy for economic reasons," he says. "They see great potential in high-tech, the government's responsible economic policies, reduction of inflation and liberalization."

Both officials, however, stress that a sluggish peace process exacts an economic cost.

"It's a factor you cannot ignore," says Schur. "The atmosphere influences economic activity and willingness to invest. You cannot measure it, but it's there."

For example, he says, pessimism about the peace process puts a damper on investments by domestic companies.

A depressed atmosphere among domestic businesses also cools consumption, or individual spending, which is crucial for a growing economy.

Although these factors have contributed to Israel's current recession, the slowdown is mostly attributed to the government's economic policies, which are aimed at reducing a high budget deficit.

In the first quarter of 1998, the economy grew at an annual rate of just 1.2 percent, compared to an average of 6 percent a year between 1990 and 1995. Unemployment has increased from 6.7 percent in 1996 to more than 8 percent today.

"I don't think the current recession was caused by the peace process, but the cooling of the peace process certainly doesn't help growth," says Dan Propper, president of the Manufacturers Association, an organization representing Israeli industrialists. Just the same, Propper is concerned that if the peace process stops completely, Israel will not be able to control the economic backlash.

"There are already signs that this is happening," he says, pointing to the European Union's recent threat to deny preferential export status to goods made in Jewish settlements in areas still under dispute between Israel and its Arab neighbors.

Indeed, regional economic cooperation is already suffering from the slowdown in peacemaking. Although several joint projects with Jordan are proceeding as planned, the economic cooperation with Egypt and the Persian Gulf that Israel had hoped for has not materialized.

Instability has not yet frightened investors away, nor harmed the economy dramatically. But if the peace process collapses completely or violence breaks out, many businesspeople and analysts fear the situation could be very different.

If this happens, they say, it is unlikely that the stock exchange — or the rest of the economy — could calmly maintain its capacity to ignore politics. □

## JEWISH WORLD

### 'Extremists' target Netanyahu amid reports of imminent deal

By Naomi Segal

#### Rabbi: Change Auschwitz's status

Poland's chief rabbi called for the former Auschwitz-Birkenau death camp complex to be removed from Polish control.

"The Polish government should offer that piece of land to all nations so they could come in freedom and pray for their dead as they see fit," Rabbi Menachem Joskowitz was quoted as saying.

His comments came as an international group of experts gathered to discuss the status of the areas around the death camp sites.

#### Banks issue denials

One of the two German banks named in an \$18 million class-action lawsuit filed by Holocaust survivors said ongoing research shows there are no grounds for the lawsuit.

The comments by a spokesman for Dresdner Bank that the bank did not know the origin of gold it handled during the Nazi era follow similar statements made by Deutsche Bank, the other bank named in the lawsuit.

#### Frank proposed as martyr

The Vatican was asked to include Anne Frank as part of an ecumenical commemoration of "new martyrs" to be held in 2000, when the church marks the third millennium of its founding.

The Italian newspaper La Stampa reported that the request to include the Dutch teen-age diarist, whose life and death have become a symbol of the Holocaust, had come from the archdiocese of Naples and the news agency of the Conference of Italian Bishops.

Tullia Zevi, president of the Union of Italian Jewish Communities, said the report came as a "total surprise."

#### Lucent invests in Israeli firm

The American communications company Lucent invested \$6 million in WebAccess, an Israeli firm that specializes in wireless technology for Internet access.

As part of the deal, Lucent will acquire 20 percent of the company.

#### Alfred Kazin dead at 83

Alfred Kazin, one of a group of New York critics and thinkers who helped shape intellectual life in this century, has died at the age of 83.

Kazin wrote about American literature in several books, including "On Native Grounds." In "A Walker in the City," he wrote about his immigrant Jewish childhood in Brooklyn.

Kazin said his parents instilled in him "quaint old-fashioned socialism" and the "historic Jewish effort to realize the kingdom of God in this world."

JERUSALEM (JTA) — Posters plastered around Jerusalem depict Israeli Prime Minister Benjamin Netanyahu in an Arab headdress and call him "The Liar."

The posters, which appeared amid reports that the premier is on the verge of agreeing to transfer an additional 13 percent of West Bank lands to the Palestinians, are reminiscent of the hate campaign conducted against Prime Minister Yitzhak Rabin prior to his assassination in 1995.

Netanyahu's Likud Party issued a statement that the posters were being distributed by "crazy extremists." The attack on the prime minister appears to be an attempt to forestall any action on the part of the Israeli government. There have been conflicting reports in recent days that efforts by the U.S. administration to revive the long-stalled Israeli-Palestinian negotiations may be close to fruition.

The United States has been pressing the Jewish state to accept a 13 percent pullback from the West Bank in exchange for a series of Palestinian steps to crack down on terrorism. The latest draft of the U.S. plan, which was published in Israeli newspapers last week, also makes clear that Israel will have to curtail settlement activity.

Netanyahu told reporters after Sunday's weekly Cabinet meeting that Israel "was working on an agreement" to break the stalemate in Israeli-Palestinian negotiations, but added, "We are not there yet."

At the Cabinet session, the Israeli premier once again refrained from holding a discussion with all his ministers about the ongoing negotiations regarding the pullbacks.

A Cabinet statement quoted him as saying that talks were at a "delicate stage," a situation that did not allow for the full Cabinet's deliberation. Some Cabinet members have recently criticized Netanyahu for refusing to discuss the negotiations with all of his ministers. Instead, the premier has reserved such consultations for the three members of his Inner Cabinet: Defense Minister Yitzhak Mordechai, Infrastructure Minister Ariel Sharon and Trade Minister Natan Sharansky.

While not getting into details during Sunday's Cabinet session, Netanyahu was quoted as saying that the discussions with the United States on the nature of the redeployments were in keeping with previous Cabinet decisions regarding national security. Netanyahu told the ministers that Israel had presented the United States with a list of concrete commitments Israel is seeking from the Palestinians, including convening the Palestine National Council to annul those clauses in its charter that call for the destruction of Israel.

Last week, Netanyahu said there had been "some progress" toward reaching an agreement, and that when it was achieved he would not hesitate to bring it to the government and the Knesset.

Meanwhile, Palestinian officials rejected a reported Israeli proposal for reducing a further redeployment later this year in exchange for increasing the amount of territory to be turned over in the redeployment now being negotiated. Dr. Ahmed Tibi, an adviser to the chairman of the Palestinian Authority, Yasser Arafat, was quoted as saying, "It is the idea of the Prime Minister's Office and it is ridiculous." □

### Israel drops Viagra ban

JERUSALEM (JTA) — Israel has dropped its ban on the sexual impotency pill Viagra.

Israel's Health Ministry said it was again permitting doctors to prescribe the drug after it received clarifications from its maker, Pfizer, and the U.S. Food and Drug Administration regarding the deaths of six Americans who were taking the drug. Pfizer said last week that it had decided not to make any changes in the drug's labeling, which warns patients who are taking certain heart medications against taking Viagra. The company also said patients taking nitrates in any form should not take the drug.

In Israel, prescriptions for Viagra must receive the approval of the ministry's district pharmacists. □

**BEHIND THE HEADLINES****Europe accuses Jewish state of thwarting Palestinian trade***By Douglas Davis*

LONDON (JTA) — A secret report by the policy-making arm of the European Union has accused Israel of violating its economic accord with the 15 E.U. member states.

The allegations, centering on accusations that Israel interferes in trade between Europe and the Palestinians, are bound to escalate the war of words between Israel and European Union and could deal a further blow to trade between Israel and Europe, the Jewish state's largest trading partner.

Last month, attention was focused on the European Commission's proposal to withdraw preferential trade status from Israeli goods produced in disputed areas, including the West Bank, Gaza Strip, eastern Jerusalem and the Golan Heights.

Israeli Prime Minister Benjamin Netanyahu lashed out at the European Union when the proposal was first announced, threatening to remove Europe entirely from any role in the Middle East peace process. Since then, the 15 E.U. foreign ministers have twice postponed planned discussions of the proposal, which is now slated to be debated at the end of this month.

The report of the European Commission, obtained by JTA, claims that Israel is engaging in deceitful practices to protect itself against competition from European and Palestinian manufacturers.

The report charges that Israel's practices not only violate its trade accord with the European Union, but also prevent the application of an E.U.-Palestinian trade agreement that went into effect last July. A senior Israeli official in Brussels responded to questions about the report by conceding that there might be some technical problems where Palestinian trade is concerned.

The official added that Israel is perfectly willing to discuss a resolution, but that the Jewish state would have nothing to discuss if it believes the issue is being used by the Europeans to achieve political ends in the peace process.

A recent poll suggests that most Israelis are distrustful of E.U. motives. According to a survey by the Tami Steinmetz Center for Peace Research at Tel Aviv University, most of the respondents believed that Europeans are biased in favor of the Palestinians.

Asked their opinion of the Europeans as mediators in the peace process, 60 percent thought they were more supportive of the Palestinians, 4 percent thought they were more supportive of Israel, while 31 percent consider them to be neutral.

By contrast, 24 percent consider the United States to be more supportive of Israel, 20 percent believe the Americans are more supportive of the Palestinians, while 50 percent consider the United States to be neutral.

According to the European Commission report, "Palestinian products are subject to security checks three or four times on their route from the West Bank and Gaza Strip to Israeli outlets."

These security checks, the report charges, "often cause damage and delay Palestinian-traded products and make them costlier."

The report further charges that Israel has a general policy of giving priority to Israeli shipments at the port of Ashdod and at Ben-Gurion Airport, which creates particular problems for Palestinian perishables.

Israel, says the report, also hampers European imports to the

Palestinian areas: "Import licenses are often not granted, or are delayed, by the Israeli authorities. This happens, for example, in the case of imports to the West Bank and Gaza Strip for the purpose of making up finished products for domestic consumption or export. "In order to fulfil the terms of his deal, the Palestinian producer who has difficulties obtaining a license agrees to import the products without a license and to pay a 5 percent fine."

The reason given by the Israeli authorities for not granting a license, the report continues, is often that products fail to meet standards, "even though the same product is imported to Israel by an Israeli agent without problem. In other cases, the standards cited do not even exist in Israeli import regulations."

The report further alleges that Israeli officials have required all Palestinian importers to sign a pledge that European imports will be sold only in the West Bank and Gaza Strip.

These practices, according to the report, "reduce the potential for the development of direct trade relations between the European Union and the Palestinians." Palestinian producers, it adds, often have no choice but to agree to use Israeli agents for their exports.

As an example, the report says a major producer of cut flowers in the Gaza Strip exports his goods under Israeli certificates of origin through Agrexco, a firm that handles non-citrus Israeli agricultural exports.

The report charges that the Palestinian producer does so "in order to avoid the risk of damage and delay" to his products, adding that Agrexco goes as far as to require him to deposit a sum equal to the 14 percent duty, described as a Palestinian Authority tax, that would be charged by the E.U. officials if they were to discover the practice. The report also says there are "documented instances in which the Israeli exporting agent does nothing but stick a 'Made in Israel' label on Palestinian products."

The need for Palestinian importers to use Israeli agents also pushes up consumer prices and makes European goods less competitive in the Palestinian market, the report continues.

And, it says, the system deprives the Palestinian Authority of the taxes that would be collected if the goods were imported directly through a Palestinian agent. □

**Jewish boy in California arrested for cross burning***By Tom Tugend*

LOS ANGELES (JTA) — A 15-year-old Jewish boy has been arrested in connection with a cross burning on his parents' lawn, an incident police had labeled as a hate crime.

Because he is a juvenile, the boy has not been identified, but in an interview he told the Orange County Register that he participated in the burning because he was angry at his parents.

The incident took place in Huntington Beach, a seaside community south of Los Angeles. According to the newspaper report, the boy said he, two other juveniles and an 18-year-old man burned the cross last month because his parents wouldn't let him stay at a bonfire party two hours beyond his usual 10 p.m. curfew.

The three others involved were charged with terrorism and arson carried out as a hate crime. According to the Register, the boy also admitted to using chemicals to burn a swastika into his home's lawn because his mother wouldn't give him \$3 for a pack of cigarettes. □