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TOP NEWS IN BRIEF

Har-Shefi convicted

A friend of Yitzhak Rabin's assassin was convicted of knowing his plans in advance but failing to warn police. The court ruled that there were inconsistencies in the testimony of Margalit Har-Shefi, 22, who had maintained she thought Yigal Amir was merely boasting of plans to assassinate Rabin.

Arafat invites Hamas

Palestinian Authority Chairman Yasser Arafat invited Hamas officials to discuss participation in his government on Tuesday. The meeting could represent an attempt to undercut a growing challenge to Arafat's authority. Meanwhile, Arafat is expected to reshuffle his Cabinet in order to avoid a no-confidence vote.

Talks with banks deadlocked

New York City Comptroller Alan Hevesi asked U.S. public finance officers to reconvene on July 1 to consider sanctions against Swiss banks. The move comes amid reports that negotiations involving the banks, Jewish officials and lawyers representing Holocaust survivors on a settlement to Holocaust-era claims have reached a deadlock. [Page 1]

Reform leaders pray at wall

A group of 170 visiting representatives of the North American Reform movement held a mixed prayer service at the Western Wall in Jerusalem. The group of men and women, under heavy police protection, were left undisturbed by fervently Orthodox Jews who call for the separation of sexes during prayers. During a meeting last Friday, Israeli Prime Minister Benjamin Netanyahu angered the Reform delegation by suggesting they carry out "quickie" conversions. Rabbi Eric Yoffie, president of the Union of American Hebrew Congregations, called Netanyahu's suggestion "outrageous."

Eizenstat visits Israel

U.S. Undersecretary of State for Economic Affairs Stuart Eizenstat is visiting Israel to continue negotiations over an Israeli proposal to reduce aid from the United States. The plan would result in a \$600 million cut over a 10- to 12-year period in the current \$3 billion annual U.S. aid package. Both sides hope to agree on the phaseout before Congress begins working on the foreign aid bill in July.

BEHIND THE HEADLINES

Swiss banks face boycott threat as settlement talks reach impasse

By Daniel Kurtzman

WASHINGTON (JTA) — Swiss banks are on the verge of facing a renewed boycott threat as U.S. public finance officers prepare to meet early next month.

New York City Comptroller Alan Hevesi has asked state and local finance officers to reconvene July 1 amid reports that talks between the banks and Jewish representatives on a settlement to Holocaust-era claims are near a breakdown.

In late March, the finance officers agreed to hold off on sanctions against Switzerland's three largest banks — Union Bank of Switzerland, Credit Suisse and Swiss Bank Corp. — for 90 days while negotiators tried to work out a settlement.

The prospects for reaching a settlement by June 30 — or at any point in the near future — now appear to be a long shot at best.

Jewish negotiators did not attend the latest round of U.S.-brokered talks in Washington after the banks failed to put forward an acceptable offer, according to sources familiar with the talks.

A widely reported offer by the banks to pay more than \$1 billion to Holocaust survivors turned out to include hundreds of millions of dollars in funds that survivors would receive regardless of whether a settlement was reached.

That money would come from an auditing process currently underway, led by former U.S. Federal Reserve Chairman Paul Volcker, to return all unclaimed Holocaust-era bank accounts held by Swiss banks.

The Volcker commission could produce unclaimed assets estimated to be currently worth more than \$700 million, one source said.

Beyond that amount, the banks only offered about \$500 million — a figure that one source described as "offensive at best."

If the impasse is not broken, the issue may ultimately be settled in court. Holocaust survivors still have three multibillion dollar class-action lawsuits pending in New York, where a federal judge has been awaiting the outcome of settlement talks before proceeding.

One source said preparations were already being made to go ahead with that litigation.

The lack of progress in the negotiations, which are being held under the aegis of the U.S. State Department, would appear to mark a serious setback to attempts by the World Jewish Congress and lawyers representing the class-action plaintiffs to reach a global settlement to all claims stemming from Switzerland's actions during World War II.

Jewish negotiators have been seeking to settle not only claims on dormant bank accounts, but also on gold and other assets looted by the Nazis from Jews and sold to Swiss banks, as well as compensation for Jewish slave labor.

The banks, however, have only agreed to negotiate bank-related matters, and the Swiss government has ruled out paying into any settlement.

The highly sensitive talks, which are being held under strict rules of confidentiality, have taken a number of twists and turns in recent weeks.

Sources said that after repeated promises to put forward a settlement package, the banks pledged to make a firm offer earlier this month, just days before the New York State Banking Department decided to approve a merger between Union Bank of Switzerland and Swiss Bank Corp. The U.S. Federal Reserve later gave final approval

MIDEAST FOCUS

Rabbi issues NRP directive

A former Ashkenazi chief rabbi in Israel reportedly told Israeli Prime Minister Benjamin Netanyahu that he would not change his directive calling on the National Religious Party to quit the government if Israel agreed to a further redeployment in the West Bank.

Avraham Shapira said he did not have the power to change the directive, which he said was based on Jewish religious law, for mere political expediency.

Pentagon plans missile sale

The Pentagon announced that it would sell a \$73 million Patriot missile system to Israel. The Jewish state used Patriot missiles to try to combat Iraqi Scud attacks during the 1991 Gulf War. Congress has 30 days to object to the sale.

Likud rejects early elections

Prime Minister Benjamin Netanyahu's Likud Party rejected calls for early elections prompted by disagreements over how to proceed in peacemaking with the Palestinians.

Meanwhile, Netanyahu and Ehud Barak, the opposition Labor Party leader, met last Friday amid speculation that they were discussing early elections, a national unity government and Labor support for government peace moves.

Lebanese leader to meet Albright

Lebanon's prime minister is expected to meet this week with U.S. Secretary of State Madeleine Albright in Washington to discuss an Israeli offer to withdraw from southern Lebanon.

Israel recently offered to withdraw from its security zone there in return for guarantees against cross-border attacks.

Both Lebanon and Syria, the main power broker in Lebanon, have rejected the offer and call on Israel to withdraw unconditionally.

to the deal. The WJC, given assurances that an offer would be forthcoming, did not object to the merger, which was taken as a sign that significant progress had been made toward a settlement.

But frustrated Jewish negotiators say the banks failed to make good on their promise.

"They snookered the bank regulators," one source said, adding that the Swiss banks "used the good offices of the State Department" to request that Jewish leaders drop objections to the merger.

"It was not Switzerland's finest hour," the source said.

When it came time for the negotiators to meet again at the State Department last week, the chairs on the Jewish side were empty.

The Swiss newspaper *Neue Zuercher Zeitung* characterized the move as a boycott, but a Jewish source told JTA: "We were frozen out," referring to what he called the Swiss banks' disingenuousness during the negotiations.

"On four other occasions we were supposed to meet to negotiate and on none of those occasions had the banks ever put forth a number," the source said. "Yes, they kept promising we'd get a number next time. Finally everybody got a little tired of next time and said we're not coming unless we heard a number in advance."

Two more negotiating sessions are scheduled before June 30, but it remains uncertain whether they will occur.

Jewish negotiators are waiting to see if the banks come through with a serious offer, sources said.

"It's in their ballpark," a source said. "They're going to have to decide what it is they want."

A spokesman for the banks said the talks "are ongoing," but declined to characterize them or comment further.

The World Jewish Congress, for its part, declined to comment on whether the talks were continuing. □

Arafat invites pope to visit, calls on Europe to press Israel

By Ruth E. Gruber

ROME (JTA) — Palestinian Authority Chairman Yasser Arafat has called on Europe to use economic pressure to force Israel to accelerate the peace process.

Arafat's call came during an awards ceremony Saturday in Florence, a day after he met with Pope John Paul II at the Vatican and invited the pontiff to visit Bethlehem next year.

The Palestinian leader received the Golden Pegasus peace prize, the same award that was granted posthumously to Israeli Prime Minister Yitzhak Rabin after his assassination.

Arafat used the opportunity to accuse Israel of blocking the peace process and to call on Europe to use the "economic card" to pressure the Jewish state to honor commitments it has made in prior negotiations.

During his 13-minute private audience with John Paul II, the sixth time the two men have met, Arafat told the pope about "the tragic situation of the Palestinian people," according to a Vatican statement.

The statement said the pope told Arafat that the Vatican would support the peace process, "which must continue with goodwill from all sides (and) with respect for the commitments already made and international law."

Arafat told reporters he had invited John Paul to Bethlehem, the birthplace of Jesus, for celebrations of the year 2000 and said the pope had given him a "positive reaction."

On June 11, Vatican envoy Cardinal Roger Etchegaray visited the Iraqi town of Ur, revered as the birthplace of Abraham. In a statement Friday, he reiterated the pope's desire to visit biblical sites across the Middle East.

While in Italy, Arafat also took part in a ceremony twinning Florence with the West Bank town of Nablus and discussed the stalled peace process with Italian political leaders in Rome. □



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JEWISH WORLD

Italian list of policyholders may include survivors' names

By Avi Machlis

JERUSALEM (JTA) — An Italian insurance firm has given Israeli museum officials a list of life insurance policies that may include unclaimed policies belonging to many Holocaust victims.

Assicurazioni Generali earlier this month gave officials from the Yad Vashem Holocaust Memorial a CD-ROM containing more than 300,000 names of Jews and non-Jews who bought life insurance policies from Generali in Eastern and Central Europe before the war. Yad Vashem praised the firm for its cooperation.

Last year, a group of Knesset members accused the company of concealing information on policyholders who died in the Holocaust. The lawmakers threatened to block Generali's acquisition of a controlling stake in Migdal, an Israeli insurance group, for more than \$300 million if Generali did not agree to compensate families.

While insisting it was not liable for the claims, the company agreed in response to establish a \$12 million compensation fund last June and pledged to open its archives to the public.

"Generali has cooperated with Yad Vashem and carried out its promise," said Amihud Ben-Porat, Generali's representative in Israel. "We have compiled more than 300,000 names in six months."

But after hearing that the CD-ROM contained that many names, one Israeli lawmaker accused the company of deceiving the Knesset.

"They concealed information," said Michael Kleiner, a Knesset member from the Geshet Party and chairman of the parliamentary subcommittee on insurance.

"We assumed there were hundreds of claimants at the time we agreed to the fund. We never dreamed there were more than 300,000 names," he said.

Kleiner believes some 80 percent of the names are Jewish Holocaust victims and estimates the dormant insurance policies could be worth billions of dollars.

But Ben-Porat rejected Kleiner's claim, saying the database contained names of every person who took out a policy in Eastern Europe between 1920 and 1945.

The company has "no idea" how many were Jews or Holocaust victims, he said.

Last year's dispute began after Knesset members learned that Generali's warehouse in Trieste, Italy, contained thousands of files of dormant insurance policies.

Generali has insisted that it is not liable because its prewar assets in Eastern Europe were nationalized by Communist governments after World War II. In addition to the fund, the company has set up an information center for queries regarding claims.

The current deadline for requests for compensation is July 7, but Generali says it plans to extend the deadline by three to six months. □

Israel square in Moscow opposed

MOSCOW (JTA) — A proposal to rename a Moscow street in honor of Israel is running into some snags.

During his visit to Israel in April, Mayor Yuri Luzhkov promised to name a square in central Moscow in honor of the Jewish state after attending a ceremony, broadcast in Russian television, in which a square in front of a Russian Orthodox Church in Jerusalem was renamed Moscow Square.

"There is nothing wrong in having an Israel square in Moscow if they have a Moscow square in the very center of their city," said Luzhkov spokesman Sergei Tsoi.

But it appears to be easier said than done. City lawmakers are saying that there is no suitable site in Moscow for the proposed Israel square, and Tsoi said the location should have some historical association with Israel or Judaism.

This could present difficulties since Moscow never had an official Jewish ghetto. In addition, renaming streets and squares in the center of Moscow is virtually impossible due to a special Moscow ordinance that requires a strict adherence to historical street names. Several members of the Moscow city legislature also said renaming a square to honor Israel could cause an anti-Semitic backlash. □

Wiesenthal criticizes report

Nazi-hunter Simon Wiesenthal criticized a report issued by the center bearing his name that charged Switzerland was "thoroughly saturated" with pro-fascist groups that influenced the country's wartime government to support the Nazis.

Wiesenthal said the report's author, Alan Schom, "did not work like a historian" and called on the center never to use him for research again. Meanwhile, Sigi Feigel, a Swiss Jewish leader, said he was exploring the possibility of launching a class-action suit against the Los Angeles-based Simon Wiesenthal Center for defaming Switzerland in the report. Feigel said he'd "had enough" of the criticisms of Switzerland's wartime past.

Ex-SS officer loses citizenship

The German state of Bavaria stripped an 86-year-old former SS officer of his German citizenship, opening the way for him to be deported to the Czech Republic. Czech officials sentenced Anton Malloth in absentia to death in 1948 for killing prisoners at the Theresienstadt Ghetto. The Czech Republic has not yet made a formal extradition request.

Panel backs immigrant checks

A subcommittee of the U.S. House of Representatives approved a bill that would require immigrants seeking U.S. citizenship to undergo more stringent checks for criminal behavior. The measure, sponsored by Rep. Lamar Smith (R-Texas), requires the Immigration and Naturalization Service to verify the good moral character of applicants. The Hebrew Immigrant Aid Society opposes the bill, saying it places unnecessary hardship on naturalization applicants and on the INS.

Lithuania promises Lileikis trial

Lithuania said the case of alleged Nazi war criminal Aleksandras Lileikis was likely to reach a Vilnius district court in late June or early July. A spokesman for the country's prosecutor general's office was responding to a letter by the Simon Wiesenthal Center, which urged speedy court action.

The trial of Lileikis, the 91-year-old head of Lithuania's security police during the war, has been postponed twice since he returned to Lithuania after losing his U.S. citizenship.

WJC head meets Belgian officials

The secretary-general of the World Jewish Congress met with Belgian officials to obtain their support for the restitution of Jewish property seized by the Nazis. Israel Singer said he was optimistic that Belgian Prime Minister Jean Luc Dehaene would move quickly to resolve the issue.

NEWS ANALYSIS**Move to change election law
blow to heads of Likud, Labor***By David Landau*

JERUSALEM (JTA) — Israeli Prime Minister Benjamin Netanyahu and opposition leader Ehud Barak, at odds about so much, now find themselves perched on the same shaky limb in the wake of a Knesset move to change the system of electing a prime minister.

Last month's vote to revoke the direct election law — in effect only since 1996 — was a preliminary move that requires further discussion and drafting before it becomes law.

But the 50-45 vote, which ensures further action on the bill, signified a stinging slap in the face for the heads of both the Likud and Labor parties.

Both Netanyahu and Barak flatly oppose the bill, which was submitted jointly by Yossi Beilin of Labor and Uzi Landau of Likud.

The vote comes at an especially interesting time.

Once again, as has often been the case during Netanyahu's two years in power, the political community is awash with rumors and speculation: Will there be a unity government, early elections or possible defections among coalition partners?

The immediate trigger for the speculation is the political tension and uncertainty over the still-stalled Israeli-Palestinian negotiations.

The U.S. administration, deferring and softening deadline after deadline, now says it expects Israel's final reply to its 13 percent pullback proposal before the end of the month.

The U.S. plan seeks a further Israeli withdrawal from the West Bank along with concrete Palestinian steps to crack down on terrorism.

As always, the crisis atmosphere enveloping the peace process breeds talk of political cataclysm at home.

But for the first time during Netanyahu's term, the idea of revoking the direct election law for prime minister and returning to the previous party-centered election system suddenly seems more than a pipe dream in the minds of a few disgruntled political has-beens.

The public movement to revoke the law has as its figureheads Shimon Peres and Yitzhak Shamir, the former Labor and Likud prime ministers, respectively, whose unseemly political horse-trading with smaller parties after close elections in 1988 and again after the fall of their unity government in 1990 led to the enactment of the direct election law.

But the two elder statesmen, joined by former defense minister — and former Netanyahu mentor — Moshe Arens, now have powerful support from active politicians in both of the main parties.

In addition, there are converts — politicians who previously enthusiastically supported the direct election bill but are now disenchanted and yearn to return to the former system, with all its blemishes.

Under the former system, each Israeli citizen voted just once, for the party of his or her choice. Each party put up a list of candidates.

The top name on each list was that party's candidate for prime

minister. But it was not always the largest party emerging from the election that formed the new government. That always depended on gathering a coalition of parties.

Under that system, the prime minister could be deposed with relative ease by a simple Knesset majority.

A new prime minister could be appointed in his place without triggering the dissolution of the Israeli Parliament and the holding of new elections, which is what the current system requires.

Political theorists who led the reform movement in the late 1980s argued that the system gave disproportionate power to the small parties, especially to the Orthodox and fervently Orthodox, who became the invariable power brokers.

Under the new system, which was implemented for the first time in 1996, Israelis vote twice: once for the party of his or her choice and once for prime minister.

The 1996 election saw a decline of both Likud and Labor in favor of smaller parties in the Knesset.

Political scientists say this process is likely to accelerate next time, as more and more people take advantage of the opportunity to split their vote between, say, the fervently Orthodox Shas Party for the Knesset and Netanyahu as premier, or Meretz for the Knesset and Barak for premier.

Those advocating a return to the old system — including many university scholars who were the early proponents of change — contend that the new system in fact has given even more power to the small parties.

They argue that while the new system ensures that the one who wins the most votes is the sole choice for prime minister, that individual is more beholden than ever to the small parties in order to establish and maintain a parliamentary coalition with a working majority.

Witness, they say, Netanyahu's dependence on his coalition partners.

Ironically, Netanyahu's controversial personality and patchy record as prime minister furnish the strongest arguments for both sides in this burgeoning debate.

The "change-back" camp says that the prime minister, elected under the new system, has become essentially like a president, effectively unremovable even by his own party and not accountable, in practice to the Knesset.

They say that under the old system, the Likud itself would have ditched Netanyahu in midterm in favor of a better leader — a scenario that is nearly impossible under the new system.

For its part, the "stay-put" camp argues that Netanyahu's performance, or individual personalities, should not be a factor in deciding a long-term constitutional question.

In fact, they accuse the other side of seeking to prevent another Netanyahu electoral triumph — and being prepared to abrogate a basically sound constitutional reform in order to achieve this.

In any case, says Knesset member Amnon Rubinstein of Meretz, an unrepentant advocate of direct election, a return to the old way would not guarantee that a Labor candidate would become the next prime minister. As long as all the Orthodox parties line up with Likud, he says, the likelihood is that Labor and its allies would have too few seats to form a government under the old system.

The Beilin-Landau bill would need a majority of at least 61 in the 120-seat Parliament. □