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81st Year

TOP NEWS IN BRIEF

Albright opens conference

U.S. Secretary of State Madeleine Albright opened a conference as representatives of some 44 nations gathered in Washington for an international conference examining the fate of Holocaust-era assets. Her remarks were believed to be her most extensive public comments about her Jewish lineage following her discovery last year that her Czech grandparents and other relatives died in the Holocaust.

The State Department and the U.S. Holocaust Memorial Museum convened the four-day conference to focus on a range of assets not covered by last year's London conference on Nazi gold — namely, looted art works and unpaid life and property insurance claims.

Arafat speaks out on Jerusalem

Yasser Arafat referred to eastern Jerusalem as "occupied territory" that Israel has to return under the terms of past U.N. Security Council resolutions.

The Palestinian leader made the comment at the end of a donors conference in Washington that netted the Palestinian Authority pledges of more than \$3 billion in aid from 50 countries and international organizations.

The international community pledged about \$2.3 billion to the Palestinians in 1993, but many countries did not deliver on all of their pledges. [Page 4]

Flexibility sought on prisoners

Members of Israel's defense establishment believe the government should be more flexible regarding which Palestinian prisoners it frees, according to the Israeli daily Ha'aretz.

The officials reportedly support bending the criteria, which currently bar the release of any prisoner with "blood on his hands."

The proposal was made because of concerns that a prolonged dispute with the Palestinian Authority over prisoner releases could interfere with implementation of the Wye accord.

Jewish museum opens in Paris

A new Jewish museum that includes several works of Nazi-looted art opened in Paris.

The \$37 million museum is in a 17th-century villa where 13 Jewish families were living when they were deported in 1942.

CJF battling payroll firm it says swindled 'millions'

By Julia Goldman

NEW YORK (JTA) — The Council of Jewish Federations is waging a legal battle over millions of dollars it believes the company that was handling its payroll swindled from it over a period of nearly two years.

The now-bankrupt company, Payroll Express of Brookfield, Conn., apparently stole "up to several million dollars in payroll taxes earmarked for payment" to the Internal Revenue Service, according to a statement issued this week by CJF, the umbrella organization for some 200 local federations in North America.

CJF Executive Vice President Jay Yoskowitz said that, along with perhaps over a dozen other companies, CJF had been "victimized" by Payroll Express.

"They purposefully went out to steal money," he told JTA.

How much of that money CJF will be liable for, if any, remains unclear at this time.

CJF used Payroll Express beginning in 1991 to prepare the payroll for about 150 people from its own staff and those of four other Jewish agencies that had contracted with CJF for accounting and bookkeeping services: Business Network Israel, the Jewish Council for Public Affairs, the Jewish Education Service of North America and the National Foundation for Jewish Culture.

The executives of CJF and the other agencies involved declined to speculate on the actual total amount of stolen funds or CJF's ultimate liability.

CJF executives say they discovered the financial irregularities only in August after Payroll Express declared bankruptcy.

Last month, lawyers for CJF filed a claim, along with other organizations that may have fallen prey to the failed company's alleged scheme against Payroll Express in federal court in Connecticut.

A complete list of claimants is not yet available.

Yoskowitz said the FBI and the Justice Department were involved in a criminal case against the company.

The federal action could hold up the civil proceedings, explained Paul Berger, a tax lawyer in Washington who co-chairs an oversight committee appointed by CJF in the wake of the crisis.

The government will usually "suspend any activity on civil claims pending resolution of criminal investigations," Berger said. "Among other things, it is highly likely that the government will seek to get the assets of any individuals relating to the company into the bankrupt estate."

CJF's liability for unpaid taxes and penalties "depends on how far and deep this goes," Yoskowitz explained.

Assets remaining in the estate of Payroll Express might cover all or part of the government's tax claims. Alternatively, an arrangement could be worked out between CJF and the federal government.

"It's premature to talk about at the end of the day what's going to happen," said Yoskowitz. "Right now, the truth is, we're at the very preliminary stages in this."

According to its statement, CJF immediately severed ties in August with Payroll Express upon discovering evidence of the apparent theft and launched an internal investigation to determine the extent of its losses.

CJF then informed its own staff, federation leadership and the other involved Jewish organizations of the situation, assuring all employees that no personal tax liability would result for them.

Nevertheless, several staffers, fearing greater IRS scrutiny, have hired personal

MIDEAST FOCUS

Israel marks AIDS day

The number of Israeli women who have AIDS or are HIV-positive rose by 28 percent this year, according to Israel's Health Ministry. The prevalence of the disease among women was a focus of Israel's commemoration of International AIDS Day. According to the ministry, 43 percent of Israelis who are suffering from AIDS or are HIV-positive are women.

Arrow delivered to military site

The first operational Arrow anti-missile missile was transferred from the assembly line to an Israeli military site.

The missile, which is part of a jointly funded U.S.-Israeli project, will be used primarily for testing purposes.

An entire missile battery, intended to provide Israel with a protective umbrella against incoming missiles, is expected to be fully operational within about six months.

Rabbi lashes out at Netanyahu

A fervently Orthodox rabbi in Israel said the Lubavitch movement would cut all ties with Israeli Prime Minister Benjamin Netanyahu.

Calling Netanyahu a "crook and a swindler," Rabbi Mordechai Ashkenazi told a group of followers that when the premier agreed last month to give an additional 13 percent of the West Bank to the Palestinians, he reneged on a promise he made during the 1996 election. Support from the fervently Orthodox community helped Netanyahu win that election.

Barak taps Carville

Israeli Labor Party leader Ehud Barak hired the engineer of President Clinton's 1992 victory to help him win the premiership in Israel's next elections. James Carville is due to travel to Israel in the coming weeks for preparatory talks for the elections, which are scheduled for the year 2000.



Daily News Bulletin

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accountants, according to sources within the organization.

Meanwhile, CJF has set up a committee of lay leaders, chaired by Berger and another noted tax lawyer, Daniel Shapiro of New York, to look into CJF's internal procedures to see if they contributed in any way to the debacle. An outside investigator has been engaged by CJF's New York law firm, Proskauer, Rose LLP, to examine the situation and make recommendations.

CJF's leaders put the blame for the alleged tax fraud on deceitful maneuvers by Payroll Express, which it says may have made partial tax payments in some quarters and no payments in others.

Under normal circumstances, the IRS would notify an employer of delinquent tax payments first by letter, then by telephone. CJF's director of accounting, Martin Wallack, said in a telephone interview that he received no such notification.

CJF's leaders anticipate that the independent investigator's report will vindicate the organization's internal procedures and its hiring of Payroll Express, which according to the CJF statement, had a stable financial rating and excellent references at the time it was engaged.

"At this point, there is no evidence of mismanagement by our institution," said CJF's president, Dr. Conrad Giles of Detroit.

"My sense is that this will not materially affect any of the ongoing discussions in the creation" of the merger with the United Jewish Appeal and the United Israel Appeal, Giles said, adding that UJA President Richard Wexler was invited to sit on the internal oversight committee.

CJF recently entered into a partnership with the UJA and UIA, but remains a separate legal entity with its own accounting department.

"It is obvious that while this is a contingent liability moving forward," Giles said, "this liability will not stop the momentum toward the creation of the new unit."

The heads of the other affected Jewish organizations said they are satisfied with CJF's handling of the situation so far.

"I think they've been very responsive," said Lawrence Rubin, executive vice chairman of JCPA, which has had CJF handle all its financial affairs since 1994.

"So much needs to be uncovered," said JESNA's executive vice president, Jonathan Woocher. In a case with "combined bankruptcy, fraud, taxing authorities, multiple agencies and insurance companies," he said, "there's a lot to sort through." □

Czech government commission to determine property restitution

By Richard Allen Greene

PRAGUE (JTA) — The Czech government has established a commission to handle the restitution of Jewish property confiscated by the Nazis.

The commission, which will be chaired by a deputy prime minister, will begin by itemizing assets claimed by Czech Jews. It will then arrange their restitution, or compensate survivors or their heirs for the property from a yet-to-be-created fund.

The commission intends to complete the bulk of its work by the end of February. The Federation of Czech Jewish Communities claims about 200 pieces of real estate, a considerably smaller number than it claimed four years ago.

Tomas Kraus, secretary of the federation, said his group had renounced claims to properties that are currently being used for the public good.

"We don't claim synagogues used by Christian churches or property such as land on which schools are built," Kraus said.

Of the 200 properties claimed by the Jewish community, 17 are owned by the government and 64 are owned by municipalities.

The rest belong to individuals.

A day before the commission was announced, the Czech National Gallery said its collection included dozens of artworks, including one believed to be a Rembrandt, that had been stolen from Jews during World War II.

Czech Jews welcomed the creation of the commission, for which they had been lobbying for several years. □

JEWISH WORLD

Bankers agree to speed probe

French banking leaders said they welcome a call by Prime Minister Lionel Jospin to speed an investigation into dormant accounts in French banks left over from the Holocaust era. Jospin made his call over the weekend at the annual dinner of CRIF, the umbrella group of secular French Jewish organizations.

Code of ethics sought

Jewish and Muslim leaders in the United States said they are developing a code of ethics to govern discussions over peace and terrorism between the two groups. An official with the Anti-Defamation League said he expected the code to be ratified within a few weeks.

Wallenberg probe to finish soon

Sweden said a commission looking into the fate of Raoul Wallenberg would complete its work in 1999. Russia and Sweden agreed in 1997 to look into what happened to Wallenberg, a Swedish diplomat who rescued Hungarian Jews from the Nazis by issuing them passports.

ADL group visits Riyadh

Saudi Crown Prince Abdullah said his country is "unalterably committed" to the Middle East peace process. He made his comments to a visiting Anti-Defamation League delegation in the Saudi capital of Riyadh. The group of 15 activists told the prince that the peace process is fragile but firm and urged the monarch to seek warmer relations with Israel.

Swedes request Shoah booklet

More than 750,000 Swedes have requested a Holocaust education booklet published by the Swedish government.

The booklet, "Tell Ye Your Children," is part of a history project that Swedish Prime Minister Goran Persson launched last year after a survey indicated that one-third of Swedish teen-agers were not sure if the Holocaust happened.

Show to air on 'Italian Schindler'

Italian state television plans to film a two-part miniseries based on the life of an Italian businessman who saved thousands of Jews in the Budapest ghetto during World War II.

The series will be based on "The Banality of Good," a book about Giorgio Perlasca, who is known as the "Italian Schindler." Perlasca, who died several years ago, was an ardent fascist until he found himself appalled at the way Jews were treated in wartime Budapest.

Masquerading as a Spanish diplomat, he saved Jews by issuing them false travel documents.

Quebec election results eases Jews' concerns over separatists

By Bram Eisenthal

MONTREAL (JTA) — The run-up to Quebec's provincial election had prompted concerns that it might be a prelude to another divisive referendum on whether Canada's largest province should seek independence.

But after the separatist Parti Quebecois won another four-to-five year mandate to govern as a result of Monday's vote, the doom and gloom that accompanied the party's previous victories did not surface.

Neither the general population, nor members of the Jewish community, are concerned that the election results will prompt a referendum anytime soon.

The separatists have lost two previous referendums on secession, one decisively in 1980, the other by a hair-thin margin in 1995.

The 1995 referendum campaign was often marked by thinly veiled anti-Semitic and anti-immigrant sentiment.

After Monday's vote, many of those opposed to the separatists were nonetheless optimistic despite the defeat of the Liberal Party led by federalist Jean Charest.

While the Parti Quebecois won the election, gaining 75 of the provincial assembly's 125 seats, the Liberals gained the upper hand in the popular vote, beating the separatist party by a margin of 43.7 percent to 42.7 percent.

The popular vote was considered an important gauge of what the future would hold, particularly since the separatist party's leader, Premier Lucien Bouchard, had stated he would wait for "winning conditions" to be present before calling another vote on sovereignty.

There was much concern that the Parti Quebecois would win the popular vote by a large percentage, thereby giving Bouchard the mandate to call a snap referendum on secession.

As it turned out, the results left Liberal supporters jubilant, despite their failed attempt to gain control of the assembly.

The Jewish community's political body, the Canadian Jewish Congress, announced its pleasure with the results of Monday's vote, saying they would not alter the excellent relationship between the community and the provincial government.

"We will continue to work closely with the provincial government and the official opposition to further the interests of the Jewish community, as well as those of all Quebec citizens," said CJC's Quebec regional chairman, Dorothy Zalcmann Howard.

CJC's regional vice chairman, Max Bernard, was also optimistic.

"The vote shows that the separatist option is unacceptable to all of Quebec's segments and linguistic groups," he said.

"The downside of this election is that, unfortunately, I think we're going to have a confrontational government the next four or five years," he added. "They will try to confront the rest of Canada as much as possible to prove Quebec's inability to work within the framework of confederation."

Bernard did see one bright side to the separatist party's re-election — the possibility that it would increase spending programs, something it failed to do in the previous term, when it put the focus on fiscal restraint.

"I think they will suddenly loosen their purse strings in order to give the illusion of good government," he said. □

Israel wants Holocaust archives

JERUSALEM (JTA) — Israel said it wants access to a dozen archives in Europe and Russia containing Holocaust-era records.

In a letter released in advance of this week's conference in Washington on Holocaust-era assets, Israel named the Vatican archives, the French National Archives and several other repositories, saying that opening them would help Jews and others "learn why civilized society failed in its basic commitment to ensure the safety, lives, liberty and property of our people." □

NEWS ANALYSIS**U.S. leads worldwide effort to boost Palestinian economy***By Matthew Dorf*

WASHINGTON (JTA) — Palestinian Authority Chairman Yasser Arafat left an international donors conference with a potentially powerful weapon against terrorists — more than \$3 billion.

Americans, Israelis and the Palestinian leadership expressed hope that the money will boost Arafat's standing against Hamas and Islamic Jihad by helping his government bring the benefits of peace to the average citizen.

In fact, the U.S. State Department has begun to identify needed health care, education and social services in an effort to provide alternatives to Hamas institutions. These moves come as the two militant Islamic groups have gained support during the past year in the West Bank and Gaza Strip at Arafat's expense.

"No peace stands a chance of lasting if it does not deliver real results to ordinary people," Clinton told delegates at the opening of Monday's conference. "For too long, too many young people have turned to terrorism and old hatreds partly because they had nothing better to do. We must give them a different future to believe in."

Officials hope the influx of cash will create hundreds of thousands of jobs and reverse declines in the Palestinian economy. All major economic indicators in Gaza and the West Bank have dropped since the first Israeli-Palestinian accord was signed in 1993.

The pledges, promised by 43 countries for delivery within five years, could rise to almost \$4 billion, U.S. officials said. The United States led the effort by nearly doubling its \$500 million pledge made in 1993 after Israel and the Palestinians signed their Declaration of Principles.

The European Union pledged about \$480 million, Japan \$200 million, Norway \$170 million, Saudi Arabia \$100 million, Kuwait \$80 million and Canada \$30 million.

The international community pledged about \$2.3 billion in 1993, but many countries did not deliver on all of their pledges.

Pending congressional approval, the United States would send \$400 million to the Palestinians over five years in addition to what has become a \$100 million annual contribution. While support from Congress is not certain, the Clinton administration has not encountered strong opposition from Capitol Hill in preliminary consultations.

U.S. law prohibits American aid being given directly to the Palestinian Authority. Such assistance is disbursed to specific projects under the supervision of the U.S. government.

The White House plans to present a joint request for the Palestinian and Israeli aid tied to the Wye agreement signed in October.

Israeli and American officials are negotiating a package to pay more than \$1 billion of the cost Israel said it will incur as a result of agreeing to the U.S. plan to turn over 13 percent more of the West Bank to Palestinian control. The money would be in addition to almost \$3 billion the United States gives to Israel annually.

By presenting the aid packages together, Clinton administration officials said they hope to form a large coalition of support

among Arab American and American Jewish groups.

"If they will be less dependent on work in Israel and have more jobs in the Palestinian territory, hopefully it will create a better atmosphere in the peace process," said Zalman Shoval, Israel's ambassador to the United States.

"Of course the money needs to go to the places it should go," Shoval said in an interview after the conference.

While Israel planned to deliver a generally positive message of support to the delegates, the Israeli representative changed his speech at the last minute to defend the Jewish state against Palestinian verbal attacks.

Arafat used his address to blame Israel for the troubles in the Palestinian economy by pursuing a policy of "continued siege and frequent closure." The comments led the director general of Israel's Foreign Ministry, Eitan Ben-Tsur, to defend the closures because of terrorist attacks. But some intractable opponents of aid to the Palestinians have already begun to lobby against the Palestinian portion of the package.

"No money should be forthcoming until Arafat stops his pro-terror activities," said Morton Klein, president of the Zionist Organization of America.

But the pro-Israel lobby sharply disagree.

"We believe Congress will continue to be supportive of aid as long as the Palestinians meet the commitments they made at Wye and current restrictions on use of the aid are maintained," said a spokesman for the American Israel Public Affairs Committee.

House Speaker-designee Rep. Bob Livingston (R-La.) met Tuesday separately with Arafat and Shoval to discuss the aid package.

Klein also cited the Palestinian Authority's history of corruption as documented by a Palestinian Legislative Council report earlier this year that found \$323 million, almost 40 percent of the authority's annual budget, had been stolen or misused.

This week's conference came as the Palestinians faced new reports of widespread corruption and misallocation of international financial support. According to reports in European newspapers, donations for a low income housing development in Gaza went instead to build luxury apartments for a general, a police chief and other Arafat "acolytes." As a result, the international aid will go directly to projects that Arafat will not be able to influence.

American money for at least three years has gone to fund specific projects, mainly water and sewage, under the supervision of the U.S. Agency for International Development.

While the donors conference was scheduled to deal only with financial aid, the broader peace process briefly took center stage.

At a news conference after the one-day meeting, Arafat claimed the eastern portion of Jerusalem as the capital of a Palestinian state, which he "hopes" to declare next year.

"The Jerusalem issue remains the No. 1 issue, particularly during the permanent-status negotiations. When I say Jerusalem, I say holy Jerusalem; that's the part I mean," Arafat said.

Arafat angrily answered a question posed by an Israeli right-wing activist, who claimed to have 18 pages of anti-Israel statements in the Palestinian media including references to Jews as the children of Satan.

"I challenge you if you can say that I said those words. I talk about the Jewish people as cousins. We are all the sons and daughters of Abraham," Arafat said, raising his voice and wagging his finger in the air. □