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84th Year

TOP NEWS IN BRIEF

Report: Iranian Jew released

Iran released one of the 10 Iranian Jews imprisoned for allegedly spying for Israel, according to Iran's state-controlled news agency.

However, U.S. Jewish activists closely monitoring the case have been unable to confirm whether Ramin Nematizadeh was in fact released.

Nematizadeh, 24, a shop clerk from the southern city of Shiraz, was sentenced to two years, the shortest term of the 10.

The other nine Iranian Jews were sentenced to between four and nine years.

Another three prisoners may soon be released on parole, according to activists.

Middle East post eliminated

U.S. Secretary of State Colin Powell eliminated the position of special Middle East coordinator from the State Department.

The position played a key role in peace negotiations under President Clinton but has been unfilled since Dennis Ross left in the waning days of the Clinton administration.

Since then, the Israeli-Palestinian relationship has been monitored by the department's Bureau for Near Eastern Affairs.

Jewish leaders to meet with Bush

Approximately a dozen Jewish leaders will meet with President Bush on Wednesday at the White House, sources told JTA. The meeting, organized in the last few days at the White House's request, is expected to focus on domestic issues.

Barak 'surprised' at Rich charge

Outgoing Israeli Prime Minister Ehud Barak is expressing surprise at allegations that he played a key role in President Clinton's decision to pardon fugitive financier Marc Rich in the waning days of Clinton's administration.

Reuters quoted a spokesman for Barak as saying that he is surprised "that people in Clinton's circle are rolling responsibility for the pardoning of Rich in Israel's direction."

Former Clinton aide James Carville, who worked for Barak in his 1999 campaign, said Clinton wanted to grant the pardon to reward Barak for his concessions toward Mideast peace.

BEHIND THE HEADLINES

Despite violence, national budget may prove to be Sharon's first test

By Avi Machlis

JERUSALEM (JTA) — With a violent conflict on his hands and an upsurge in Palestinian terror attacks in Israeli cities, the last thing Ariel Sharon needs when he takes over as prime minister is a budget crisis.

But one of the first challenges Sharon will confront as soon as he puts his government together will be to secure approval for the long-overdue 2001 budget by the end of March.

If he fails, Israel will be thrown into yet another election campaign, according to Israeli law.

In recent years, securing approval for the budget has proved to be one of the trickiest political balancing acts for Israeli leaders.

As the Knesset and government have grown more fragmented each year, more political parties line up outside the prime minister's door to present their wish lists.

In a normal year, their demands are incompatible with plans to restrain government spending, and the parties fight for concessions down to the last minute.

This year, the challenges are even greater.

First, there is the tight deadline, as the initial deadline — December 31 — already has been extended.

Second, a broad national unity government — and an unprecedented Cabinet that may include 30 ministers — may mean that more parties expect a bigger piece of the national pie.

On the other hand, they may have less leverage, since the government will not fall if small parties defect.

Yet the biggest problem is that, since the coalition of Ehud Barak, Israel's outgoing prime minister, started crumbling last year, Knesset members have exploited the political vacuum to push through legislation that would cost the state about \$750 million. The price tag for these bills is not included in proposals for the approximately \$60 billion budget for 2001.

According to Silvan Shalom, a Likud member who is expected to become finance minister, the new government will do everything possible to solve this problem and push the budget through by March 31.

If it becomes impossible, however, there are plans to introduce a bill extending the deadline another two or three months.

This contingency could solve the problem, at least temporarily.

Nevertheless, Finance Ministry officials are worried. In the absence of a budget for 2001, Israel operates on last year's plan.

Not only does this prevent the government from spending on new contracts that are important for economic growth, but it also locks the public sector into the tighter budget planned for last year.

Indeed, the looming budget debate catches Israel's economy at a particularly sensitive time.

The economy finally pulled itself out of a four-year slowdown last year, and gross domestic product grew by a robust 5.9 percent.

This year, the economy has been hit by several factors, and the Finance Ministry recently slashed its 2001 growth projections from between 4 percent and 5 percent to between 2 percent and 2.5 percent.

The six-month-old Palestinian uprising against Israel has practically wiped out

MIDEAST FOCUS

Report: Hostage talks broke down

German-brokered negotiations for the release of three Israeli soldiers kidnapped by Hezbollah last fall have broken down, according to the soldiers' families.

The families said Sunday the discussions fell apart after Israel refused to accept demands made by the Shi'ite group.

Palestinian killed in gunfight

Israeli troops killed a Palestinian gunman in a firefight overnight.

The death brought the number of Palestinians killed in the past few days to seven.

Meanwhile, Israel remained on a high security alert in the wake of Sunday's bomb attack that killed three and wounded 65.

Beaten Arab not involved in bomb

Israeli police have concluded that a Palestinian who was severely beaten by Israeli civilians following Sunday's bombing in Netanya did not participate in the terror attack. The man is a resident of the Nablus area who reportedly was in Israel illegally.

Report: Syria rejects talks

Syrian President Bashar Assad rejected an offer from Israeli Prime Minister-elect Ariel Sharon to resume secret peace talks, according to a London-based Arabic newspaper.

Assad conveyed the message through European envoy Miguel Angel Moratinos, according to the Ashraq al-Awsat newspaper.

American may halt flights

American Airlines said it would halt TWA's flights between New York and Tel Aviv if it takes over the bankrupt airline because the route is not profitable.

However, Israeli travel agents and TWA workers in Israel disputed the unprofitability claim, saying they suspect political motives behind the move.



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Israel's tourism industry, which accounts for about 3 percent of the economy.

Tens of thousands of tourism jobs have been lost, and the Finance Ministry expects the unemployment rate to climb from 8.8 percent last year to as high as 9.5 percent this year.

The violence also dealt a big blow to the construction industry, since tens of thousands of Palestinian construction workers can't reach their jobs inside Israel. Israel's technology industry also is facing a difficult time because of problems on the Nasdaq stock exchange and weakness in the U.S. economy.

Vered Dar, deputy director of macroeconomics at the Finance Ministry, says the economy's current vulnerability makes it even more important that the government control spending.

"The security situation, Nasdaq, the U.S. economy and domestic political uncertainty have all ganged up on us in 2001," she said. "Let us at least make sure that macroeconomic policy, which is the one factor totally in our control, remains responsible."

So far, the economic problems have not destroyed the Israeli economy's standing in the international arena.

Foreign investment is expected to be weak this year because of the crisis, but Moody's, the international credit ratings agency, recently decided to keep Israel's credit rating at its current level.

The rating is important because credit ratings determine how much interest Israel will pay on money borrowed in international markets. A downgrade could cost Israel a bundle.

According to the agency, Israel's economic slowdown this year is probably a one-time event.

Moody's also said achievements in the Israeli economy in recent years have reduced the possibility that the crisis will harm the economy in the long term.

Nevertheless, the group pointed out that part of Israel's economic strength is predicated on the country's determination to implement tight fiscal and monetary policy, as well as the introduction of greater competition in several sectors.

Will Sharon continue these policies, which brought Israel strong growth and zero inflation in 2000?

"We will do everything to pull the government out of the economic slowdown and reduce unemployment," said the Likud's Shalom. "The solution is to invest in infrastructure, education and high-tech."

In public statements and private conversations, Sharon has expressed a commitment to pursue policies that would keep Israel's budget restrained and inflation down.

Past governments have been pressed by the business community to convince the central bank to lower interest rates. Yet firm policies — especially in the face of economic uncertainties — are considered important for Israel to maintain its economic credibility in the international arena in difficult times.

Analysts also hope that a national unity government will have more success in pushing through economic reforms, such as tax reforms, where narrower governments have failed.

Some point out that it was a national unity government in 1985 that managed to pull Israel out of rampant hyperinflation.

"The market wants a national unity government because of the economic reform potential," said Richard Gussow, Israel analyst at the Tel Aviv office of Lehman Brothers, the investment bank. "The odds are a lot greater under a unity government than either a Likud- or Labor-led government, and we saw that back in the 1980s when there was a much more difficult situation economically and only a unity government was able to pull us through it."

However, many economic analysts point out that although Sharon is a Likudnik, he is a socialist at heart when it comes to the economy, supporting state involvement in economic affairs and industry.

Sharon was also considered a big spender when he served in various ministerial posts.

"I don't think there is any reason to believe that a 72-year-old who has always been a big spender will suddenly turn off the taps," said one analyst from an international investment bank, speaking on condition of anonymity. "The budget is going to pass but he will have a bigger deficit than he is meant to have." □

JEWISH WORLD

Sharon's Cabinet shapes up: a few doves, a flock of hawks

By Naomi Segal

Court allows KKK to clean road

The U.S. Supreme Court ruled that the Ku Klux Klan may participate in a Missouri highway cleanup program.

As a result of the decision, the KKK will post a sign trumpeting its cleanup along a stretch of Interstate 55. The court unanimously rejected, without comment, appeals from the state of Missouri and the U.S. Justice Department that would have prevented the KKK from participating in the program.

O.U. won't fire staff in scandal

The Orthodox Union said it would not fire any staff members for failing to discipline a high-ranking professional accused of harassing and molesting scores of teen-agers in its youth group.

However, the O.U. said it will bar from its youth commission certain unnamed board members who failed to react to "red flags" about Rabbi Baruch Lanner. The decisions come months after Lanner and the executive vice president left the organization in the wake of the scandal.

Pollard's wife slams Jews on Rich

The wife of Jonathan Pollard criticized Israel and the American Jewish community for lobbying more "convincingly" to obtain a pardon for fugitive financier Marc Rich than for her husband, who is serving a life sentence for spying for Israel.

Esther Pollard made her comments at a dinner Sunday sponsored by the National Council of Young Israel.

Magnate blasts own columnist

A Canadian media magnate criticized a columnist at one of his magazines for an anti-Semitic column.

Conrad Black, who owns *The Spectator* in London, said Taki Theodoracopulos had issued a "blood libel on the Jewish people wherever they may be" that was "almost worthy of Goebbels."

Theodoracopulos wrote that "the way to Uncle Sam's heart runs through Tel Aviv and Israeli-occupied territory" and described Israelis as "those nice guys who attack rock-throwing youth with armour-piercing missiles." Black, who also owns the *Jerusalem Post* newspaper, also accused the British Foreign Ministry and major British media of endemic anti-Semitism.

Torah scroll makes it in Iowa

A Torah scroll was crowned by Chabad Lubavitch before several hundred people in a ceremony at the Iowa State Capitol Building, as the state declared Sunday Iowa Torah Scroll of Unity Day.

In recent years, a growing number of Chasidim have moved to Iowa because of a new kosher slaughterhouse in the town of Postville.

JERUSALEM (JTA) — Prime Minister-elect Ariel Sharon and his intended defense minister, Benjamin Ben-Eliezer, may have much in common even though they belong to different political parties.

As he prepares to enter his new post, the highest position he has held, the Iraqi-born Ben-Eliezer, 65, is considered to have a number of points in his favor.

In addition to amicable relations with the Likud's Sharon, Ben-Eliezer acquired a hands-on knowledge of the most prominent issue on the defense agenda — the situation in the West Bank and Gaza Strip — during his military career. A reserve brigadier general, Labor's Ben-Eliezer previously served as commander of Israeli forces in the West Bank and as the army's coordinator of activities in the territories.

In Labor, some consider Ben-Eliezer a hawk, others see him as a pragmatist: He supported the peace process, but was not among the party's great optimists regarding Palestinian intentions.

He also was among the earlier Labor advocates of a unity government when the Palestinian uprising broke out in late September.

Following Sunday's terrorist bombing in Netanya, Ben-Eliezer said he would work with Sharon on a plan to eliminate terrorism.

Ben-Eliezer opposes collective punishment for the Palestinian population, saying Israel should focus its efforts against the terrorists and those who control them.

Ben-Eliezer immigrated to Israel with his family in 1950, speaks English and Arabic in addition to Hebrew, and is commonly known by his Arabic name, Fuad.

A Knesset member since 1984, Ben-Eliezer has headed the ministries of Housing and Communications. He is married with five children.

Sharon may face more ideological conflict with his slated foreign minister, Shimon Peres, 77. One of the hurdles in coalition negotiations was determining who would set diplomatic policy.

The most prominent leader of the Israeli peace camp, Peres was the leading voice urging Labor's entry into a unity government with Sharon.

A Nobel Peace Prize laureate and architect of the Oslo accords, Peres brings with him a sterling international reputation that Sharon hopes may help foster ties abroad.

Israeli critics of Peres abound, however.

On the right, some fear that Peres — considered by some to be an inveterate schemer — may try to forge an independent foreign policy.

He did so as foreign minister in 1993, when he launched the Oslo peace process without the knowledge of Prime Minister Rabin. From the other side, Peres' left-wing critics worry that he will serve as a "fig leaf" for Sharon's alleged hard-line policies.

A newcomer to the Cabinet will be Avigdor Lieberman of the far-right immigrant party Israel, Our Home. Lieberman is slated to serve as national infrastructure minister under Sharon.

A controversial figure, Lieberman, 43, made his political career as a top aide to Benjamin Netanyahu, and served as director general of Netanyahu's office at the beginning of his term as prime minister. Lieberman immigrated from the former Soviet Union in 1978. He became involved in Likud politics as a student at the Hebrew University, where he also worked as a bouncer at a nightclub.

Lieberman entered the Knesset in 1999 after founding Israel, Our Home.

His faction later joined with the National Union. That faction's leader, Rehavam Ze'evi — who will become tourism minister — at one time advocated transferring the Arab population out of Israel. Lieberman has been the subject of more than one police investigation. He was investigated for insulting a public servant after calling the head of the police investigations unit an "anti-Semite."

The attorney general dropped the investigation after Lieberman apologized.

More recently, the attorney general asked a Knesset committee for permission to lift Lieberman's parliamentary immunity to bring charges against him for striking some teen-agers who allegedly beat up Lieberman's son.

In the election campaign, Lieberman said Israel should consider bombing Tehran or Egypt's Aswan Dam in response to violent provocations from the Muslim world. □

Paris Jews worry about image after some are accused in scandal

By Joshua Schuster

PARIS (JTA) — A major scandal has hit the heart of Paris' heavily Jewish clothing district.

The scandal includes a pyramid scheme, \$80 million, 12 of the 124 accused fleeing to Israel, charges of anti-Semitism and one of France's most popular films.

The defendants, a majority of whom are Jews from Morocco and Tunisia who came to France in the 1960s, are store owners accused of having swindled French banks for loans to buy non-existent goods.

The affair blew open last month when a vast pyramid scheme, which some suggest has been going on for decades, came tumbling down after a series of bank loans were defaulted.

Several store owners who sell a variety of major fashion brands in small boutiques had sought loans to stabilize their faltering businesses, but were told they could secure the loans only if they proved business would pick up.

So the owners turned to friends and family who form a tight-knit community in Sentier, an area that covers approximately 10 square blocks in the center of Paris.

To obtain the bank loan, another store would sign a contract agreeing to buy a large amount of stock over a certain time.

But it turns out that the majority of stores who signed such contracts had no intention of purchasing the goods.

When it came time to settle the loan, the next store would search out a new loan from another bank and a new contract from another store. The banks are also accused of knowingly aiding the illegal process.

The scheme ended when police began searching for shop owners who had not paid their loans, prompting several of the accused to flee for other countries, including Switzerland and Israel.

But the case took on a different tone as the French government accused Israel of knowingly harboring fugitives, despite having signed an international extradition pact.

"By intentionally pursuing this policy, Israel removed itself from the family of nations," said French prosecutor Francois Franchy.

Israel responded that it had not received an official demand for extradition.

While the French government has sent documents requesting the capture of the accused, it failed to include proper evidence of their guilt according to international standards, Israeli officials said.

"They have no one to blame but themselves," said Irit Kahn, director of the international department at the Israeli Justice Ministry, noting that France has failed to resubmit their request after having been informed of the proper guidelines.

However, the French prosecutor has suggested during the trial that Israel has willingly harbored fugitives in the past, noting that Israel is on a blacklist of 15 countries that are not cooperating in the war against money laundering.

Some French media outlets have chosen to press this aspect of the trial, with one television channel broadcasting a program titled "Israel — A Criminal's Paradise."

This immediately raised outrage in the French Jewish community, which claimed that such programs perpetuated anti-Semitism.

"They are putting all Jews in the same sack," said one Sentier

store owner who spoke on condition that his name not be published.

However, others in the Jewish community said they feel that Israel should extend more cooperation in the case.

"In principle, I think that Israel has caused itself damage by harboring criminals on its soil," said William Goldnadel, a well-respected French-Jewish attorney who represents one of the suspects in the case. "They are not good citizens and do not contribute" to Israel's image.

The trial opened last week without the 12 who are alleged to have fled to Israel.

But the tribunal involved such a huge number of defendants, lawyers and their families that Paris could not find a courtroom big enough for all of them.

So the judge ordered a makeshift courtroom to be created in the giant hall of the Palace of Justice to hold everyone.

Business continues in the Sentier district, and most of those who own shops had a positive view of the trial.

"Personally, I am very happy," said a woman who had worked in Sentier for more than 30 years.

The woman declined to give her name, claiming that she had already seen the community treat others who were quoted in the media as betrayers and gossipers.

Nevertheless, she added, "The affair gives all of us a ridiculous and bad reputation. The trial is necessary, whether they are Jews or not."

The final ingredient in the scandal, a recently released film titled "Would I Lie To You 2?" has unwittingly added to the circus-like affair.

The comedy, which has achieved a huge success at the French box office, features four Paris-based Jews from North Africa who work in the Sentier district. The Jews are cheated by a large European corporation, but react with bravado and charm to exact a just revenge in the end.

Though completely unrelated to the real Sentier affair, the French public has continually used one to refer to the other. Said one store owner in the Sentier, "Don't pay attention to the media and the trial. Better just go see 'Would I Lie To You 2?'" □

London columnist dies at 47

LONDON (JTA) — John Diamond, a much-beloved writer for Britain's Jewish Chronicle, who had written about his throat cancer in the Times of London since he was diagnosed in April 1997, died last Friday.

He was 47.

Writer Salman Rushdie hailed him as "a loyal pal and one of the funniest men I knew."

Many people commented on the cruel irony of Diamond having lost his tongue to his illness. A radio broadcaster and well-known humorist, he was unable to speak. Married to the famous cook Nigella Lawson, he was unable to eat or taste.

But friend Victoria Coren wrote in the British newspaper The Observer, "Perhaps the greatest irony was that, although usually the only person in the room with a terminal illness, he always seemed the most alive."

Diamond was born in London's East End — the cultural equivalent of New York's Lower East Side.

His columns were seeped in Yiddishkeit.

A collection of Diamond's columns is available at the Jewish Chronicle Web site, www.thejc.com. □