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**MORE WOUNDED IN EIGHTH DAY
OF VIOLENCE IN GAZA STRIP**

By David Landau

JERUSALEM, Dec. 16 (JTA) -- Three more Palestinians and an Israeli soldier were wounded in the Gaza Strip Wednesday as violent demonstrations continued for the eighth consecutive day. There was also new unrest in East Jerusalem and the West Bank.

The soldier was stabbed in his shoulder while on patrol in Rafah, a town at the southernmost end of the Gaza Strip that is bisected by the Israeli-Egyptian border. He fired on his assailants, wounding two of them. According to an Israel Radio report, the soldier sustained light to moderate injuries.

Another Palestinian was wounded by Israel Defense Force soldiers who opened fire at stone-throwers at the Nusseirat refugee camp near Rafah.

Demonstrations broke out again at the Shifa hospital in Gaza, where a Palestinian was killed Tuesday by IDF troops sent to quell a riot on the hospital grounds. Shifa hospital is the receiving center for Palestinians wounded in clashes with the IDF.

Gen. Yitzhak Mordechai, IDF commander for the southern region, told reporters at a news conference Wednesday that the army was in control of the situation in Gaza. He said his soldiers were under strict orders to fire their weapons only if their lives were in danger.

Disturbances continued at the Balata refugee camp, near Nablus in the West Bank, where three residents were killed by the IDF during a riot Monday. Military sources said the disturbances at Balata were influenced by events in the Gaza Strip.

Five Palestinian demonstrators were arrested in East Jerusalem Wednesday. Police used tear gas to disperse crowds of youths hurling stones at passing cars. Tires were burned on the main thoroughfares, but no injuries were reported.

Schools and shops remained closed in East Jerusalem. The strike by local merchants began Tuesday in protest against Ariel Sharon's move into an apartment in the Moslem Quarter of the Old City.

Sharon, who is minister of commerce and industry in the Israeli Cabinet, held a housewarming and Chanukah party at his new home Tuesday night, attended by Premier Yitzhak Shamir and other leading political figures. They were guarded by about 300 armed police. No incidents were reported.

**ARABS DRAFTING SECURITY COUNCIL
RESOLUTION ON UNREST IN TERRITORIES**

By Yitzhak Rabi

UNITED NATIONS, Dec. 16 (JTA) -- The Arab group at the United Nations is working on a draft resolution that would ask the Security Council to dispatch a fact-finding mission to the West Bank and Gaza Strip to investigate the clashes between the Israel Defense Force and the Palestinian population, the Jewish Telegraphic Agency learned Wednesday.

According to sources here, the Arabs also want the council to send U.N. observers to the territories and to condemn Israel for the events there.

The draft resolution is still in the working stages, the sources said, and might be altered if the Arabs feel it is so extreme as to invoke an automatic veto by the United States. The American position is not yet clear.

It is not known when a resolution will be presented for a vote. The Security Council is scheduled to hold its fourth meeting on the situation Wednesday night.

The 15-member body began its debate last Friday and continued it Monday night and Tuesday night. At both sessions, Arab speakers roundly condemned Israel and blamed its continued occupation of the West Bank and Gaza for the violence and loss of life.

**SECURITY MEASURES IN TERRITORIES
CREATING IMAGE PROBLEM FOR ISRAEL**

By Gil Sedan and David Landau

JERUSALEM, Dec. 16 (JTA) -- Israel faced challenges on the diplomatic, domestic and propaganda fronts this week as it tried to quell the worst outbreaks of violence in 20 years in the Gaza Strip and West Bank.

Friendly Western countries, including the United States, Britain and West Germany, have expressed concern and displeasure over the mounting toll of Palestinian dead and wounded in clashes with the Israel Defense Force. Similar feelings were conveyed by Mohammad Bassiouny, the ambassador of Egypt, the only Arab country at peace with Israel.

Meanwhile, unrest in East Jerusalem, linked to events in the territories, has spread to Israel's normally quiescent Arab population.

Peaceful demonstrations of solidarity with their peers in the West Bank and Gaza Strip were held in Nazareth, the largest Arab township in Israel, and in several Arab villages Wednesday. They were organized by the Democratic Front for Peace and Equality, a front of Israel's Communist Party.

At the same time, the National Committee of Arab Mayors, considered the most influential Arab organization in Israel, has urged the government to leave the territories to put an end to the bloodshed. The mayors are considering calling a general strike in sympathy with the West Bank and Gaza Arabs.

In addition, Israel is facing an image problem that may be as serious as the one during the Lebanon war in 1982. For more than a week now, television and front-page newspaper photographs all over the world have shown IDF troops in full battle gear roughing up Palestinian rioters.

U.S. Envoy Protests

The Reagan administration has already told Israel at the highest levels that it opposes many of its actions in the territories. United States Ambassador Thomas Pickering met with Premier Yitzhak Shamir to discuss the situation.

Shamir expressed Israel's regret for the loss of lives, but he blamed the Palestine Liberation

Organization and "Arab inciters" for aggravating the situation.

He stressed to the American envoy that the IDF and the police are exercising maximum restraint to avoid clashes with the local population and expressed confidence that the territories will soon be calm.

In Washington, visiting Defense Minister Yitzhak Rabin made similar statements Wednesday. He insisted that Israel would not bow to pressure from hostile elements. (See related story.)

Meanwhile, Ezer Weizman, acting foreign minister in the absence of Shimon Peres, who is touring Latin America, met with Shamir for two hours Wednesday to discuss the adverse image arising from the tough presentation of events in the world news media. So far, there is no word of any immediate initiative by Israel to balance those reports.

The strict orders given soldiers, to use their weapons only in life-threatening situations and to avoid provocation to the local population in the territories, reflect Jerusalem's sensitivity to the problem. The security forces reportedly deferred such tough measures as administrative arrests and the demolition of houses belonging to terrorists.

An idea raised Monday to close the territories to the news media was reportedly dropped. It was said to have come up at a meeting between Shamir and Gen. Dan Shomron, the IDF chief of staff. Weizman said on a radio interview Tuesday that he rejected it out of hand.

RABIN HAS 'CLEAR CONSCIENCE' ABOUT POLICY IN WEST BANK, GAZA

By David Friedman

WASHINGTON, Dec. 16 (JTA) -- Israeli Defense Minister Yitzhak Rabin declared Wednesday that while he regrets that Palestinians have been killed during more than a week of disruptions in the West Bank and the Gaza Strip, Israel will continue to put down forcefully any outbreak of "public violent disorder and terror" in the administered territories.

"We are sorry about the loss of life of anyone," Rabin said in a speech at the Brookings Institution. But he stressed that those who engage in the "use of public disorder, terror," must learn that "nothing can be gained" by it.

"The only way to solve the problem is through peace negotiations with Jordan, with Palestinians who are not declared members of the PLO," he stressed, referring to the Palestine Liberation Organization.

Rabin, who spoke at the Washington-based think tank at the end of his three-day visit here, dealt directly in his opening remarks with the situation in the West Bank and Gaza Strip, where nine Palestinians and one Israeli have been killed in the past week.

The defense minister was reportedly asked that Israel exercise restraint during a meeting with Michael Armacost, undersecretary of state for political affairs.

Pro-PLO Protesters

As Rabin spoke, about a dozen persons demonstrated outside the Brookings Institution against Israel's policies in the territories, chanting "long live the PLO, long live (Yasir) Arafat."

At one point, Rabin referred to them by noting that there is nothing wrong with peaceful demonstrators, such as the ones against him. But when demonstrations turn violent with Molotov

cocktails and bottles being thrown, fires set, roads blocked, then the Israeli police and army "will use what ever is needed to prevent it," he said.

Instead of participating in violent demonstrations, the Palestinians should tell their leaders "to solve the problem, seek a round of negotiations" with Israel, Rabin said.

He said the situation could be only be resolved when the Arabs renounce war and terror against Israel and decide to seek a solution through negotiations, as did Egyptian President Anwar Sadat.

Rabin suggested that the current outbreak of civil disorder was caused by the "frustration" of the Palestinians that the Arab-Israeli conflict had received such a low priority, first at the recent Arab League meeting and then at the summit meeting between President Reagan and Soviet leader Mikhail Gorbachev.

Painful For Both Sides

He said the present situation is "painful" for both the Palestinians and the Israeli soldiers and police who have to enforce order in the territories.

But Rabin stressed he has a "clear conscience" about Israel's policy in the West Bank and Gaza Strip. He noted that Israel has a military government in the territories because it has not taken any unilateral decision, neither annexing the areas nor withdrawing, but is seeking a political solution.

In 1947, the solution for two British Mandates, India and Palestine, was partition on religious grounds, the defense minister observed. But, he added, that while in India, Moslems demanded a separate state -- now two countries, Pakistan and Bangladesh -- the Arabs rejected a Jewish state and went to war against it.

Rabin said that from the armistice of 1949 to the 1967 Six-Day War, Israel repeatedly asked the Arabs to negotiate a peace treaty based on the armistice lines, which would have given the Arabs not only the West Bank and the Gaza Strip, but also East Jerusalem.

He added that while the Arabs now insist that the solution to the Palestinian problem is a Palestinian state, they never suggested such a state during the 19 years they occupied the territories.

Rabin also pointed out that Israel only gained the territories because King Hussein of Jordan rejected pleas from Israel, and entered the 1967 war.

The main purpose of Rabin's visit to Washington was the signing Monday of a memorandum of understanding between the United States and Israel, which formally gives Israel status equivalent to that of a NATO ally of the United States.

This allows Israel to bid on U.S. Defense Department research and development projects, as well as on arms purchases.

Rabin said Wednesday he also wanted to meet with the new defense secretary, Frank Carlucci, and to see if he could negotiate a cheaper price for the F-16, the fighter jet Israel agreed to purchase when it abandoned development of the Lavi.

Rabin also denied that Israel is providing weapons to Iran, as reports in the press repeatedly claim. He stressed that both Iran and Iraq are "bitter enemies of Israel" and Israel would like to see the war between them end with a "no-win situation."

CHIRAC MEETS WITH PLO MEMBER, AS CABINET BACKS PEACE CONFERENCE

By Edwin Eytan

PARIS, Dec. 16 (JTA) -- Premier Jacques Chirac broke precedent Wednesday by formally receiving, for the first time, a representative of the Palestine Liberation Organization.

Ibrahim Suss, who heads the PLO office in Paris, was part of a delegation of Arab ambassadors who called on Chirac to protest Israel's "repressive" actions in the West Bank and Gaza Strip. They urged French diplomatic intervention "to stop the bloodshed."

Chirac, leader of the center-right government, has been actively wooing the Jewish vote for the past six years and until now has flatly refused to meet any PLO representatives. His diplomatic adviser, Francois Boujon de l'Estaing, refused to comment on the meeting with Suss.

But Arab sources said Chirac "could not do otherwise in the face of the increasing number of Palestinian victims."

The French government also made a significant switch in attitude toward the Middle East peace process when it called on Israel Tuesday "to start a dialogue and negotiations" with "all interested parties within the framework of an international peace conference."

Until now, France has carefully avoided taking sides on the issue of an international conference, which has sharply divided Israel's coalition government.

'Worry And Emotion'

But the statement read to the press after France's weekly Cabinet meeting Tuesday, presided over by President Francois Mitterrand, expressed the government's "worry and emotion" over the continued violence and loss of life in the Israel-administered territories.

The statement said convening an international peace conference "was now more urgent than ever before." Government spokesman Andre Rossinot stressed that this view was shared by both Mitterrand, a Socialist, and the conservative Chirac.

Sources here said Wednesday that the French ambassadors in Washington and London will urge the United States and Britain to support convening an international peace conference at the earliest moment, with the participation of the five permanent members of the United Nations Security Council and all "the concerned parties."

At the same time, the central body of French Jewish organizations, CRIF, which represents the country's 600,000 Jews, called on Israel to open "a real dialogue for peace." It deplored "the loss of life" in the recent violence in the territories.

Chirac's response to the Arab envoys who visited him was reported to the press by Boujon de l'Estaing. He said the premier told them that France is in contact with its European Economic Community partners for a possible joint statement on the situation in the territories.

ISRAEL, EEC SIGN TRADE PACT ON AGRICULTURAL EXPORTS

By Yossi Lempkowitz

BRUSSELS, Dec. 15 (JTA) -- Israel and the European Economic Community, after a long delay, signed a new trade protocol here Tuesday that will give Israeli agricultural exports certain tariff

advantages in the European market.

But Israel had to make important concessions to win the agreement, changing the way produce from the West Bank and Gaza Strip are marketed in Europe.

The protocol was signed by Avi Primor, Israel's ambassador to Belgium and the EEC, and by the permanent representatives of the 12 EEC member states. It must be ratified by the Parliament of Europe in Strasbourg, a formality not expected to take place before the end of the year.

The agreement affects mainly Israeli fruits, vegetables and fresh-cut flowers, which are popular on the continent during the winter season. It revises the original 1975 EEC-Israel trade accord in consideration of the entry of Spain and Portugal into the European Common Market in 1986. Spain, in particular, competes with Israel in agricultural exports, notably citrus fruits.

Although the protocol was initiated last year, final agreement was held up because Britain and Greece unofficially linked their approval to the separate issue of Palestinian agricultural exports to the EEC.

For a time, this threatened a breach between Israel and its European trading partners. Claude Cheysson, the EEC commissioner in charge of Mediterranean policy, in fact warned Israel several times that a crisis would occur if it refused to allow direct Palestinian exports to Europe.

Israel, which protested what it saw as an unfair linkage between the Palestinian issue and trade, insisted that all Palestinian exports from the territories it administers be channeled through the Israel state marketing companies, Agrexco and the Citrus Marketing Board.

In the end, however, Israel backed down. The new trade protocol provides that farmers in the West Bank and Gaza Strip would have the option to export their produce to European customers directly. Israel also agreed that those exports would be labeled according to the place of origin instead of under the Israeli "Carmel" brand name.

France, Holland and Britain have offered to help the Palestinians set up export agencies to take advantage of the new arrangement.

U.S. MOVES ANN POLLARD TO MAYO FOR TREATMENT OF STOMACH DISORDER

By Howard Rosenberg

WASHINGTON, Dec. 16 (JTA) -- Anne Henderson Pollard, the wife of convicted spy for Israel Jonathan Jay Pollard, has been transferred from prison to the Mayo Clinic in Rochester, Minn.

Kathryn Morse, spokesperson for the Federal Bureau of Prisons, said Anne Pollard was moved Dec. 11 from the Federal Correctional Institution in Lexington, Ky., for treatment at the clinic of stomach disorders.

She suffers from biliary dyskinesia, a rare and painful gastrointestinal disorder that is difficult to treat.

Morse refused to elaborate on Pollard's condition, but confirmed that Pollard had previously been transferred to Kentucky hospitals for a day at a time. There is no timetable for the stay at the Mayo Clinic, she said.

Anne Pollard is serving a five-year sentence for having served as an "an accessory after the fact to the possession of classified national defense documents." Her husband received a life

sentence in March for spying on behalf of Israel.

The transfer followed a Dec. 2 letter from three members of Congress to the director of the bureau of prisons, Michael Quinlan, requesting that the 27-year-old Anne Pollard receive specialized medical treatment.

Reps. Charles Schumer (D-N.Y.), William Hughes (D-N.J.) and Bruce Morrison (D-Conn.) noted that since being imprisoned last March, Anne Pollard lost has 60 pounds because at times she was unable to eat or properly digest food.

AID TO ISRAEL, FREE TRADE AREA WON'T SUFFER FROM BUDGET CRUNCH

By Susan Birnbaum

NEW YORK, Dec. 16 (JTA) -- U.S. aid to Israel, as well as the America-Israel Free Trade Area agreement, will not be affected in fiscal year 1988 by the budget package being prepared by Congress, according to Sen. Bob Packwood (R-Ore.).

Packwood appeared with Rep. Charles Schumer (D-N.Y.) Monday night at a general assembly convened by the Jewish Community Relations Council of New York and held at the headquarters of UJA-Federation of Jewish Philanthropies here.

The meeting was organized as a preliminary education seminar for members of the Jewish community concerned with financial difficulties posed by the stock market crash of October 1987 and the resulting pressure in Washington to reduce the federal budget deficit. The discussion was not limited to Jewish issues but covered the entire spectrum.

Because aid to Israel has been specifically earmarked, and exists outside the general foreign aid allocation for other countries, U.S. funding for Israel remains intact, Packwood's communications director, Bob Witeck, told the Jewish Telegraphic Agency.

Witeck said that Israel will receive \$3 billion this fiscal year, which began Oct. 1. The breakdown of this funding is \$1.8 billion for military assistance and \$1.2 billion in economic aid.

Won't Affect Trade Pact

Packwood, a strong supporter of aid to Israel, who is ranking Republican on the Senate Finance Committee, also said the budget-cutting drive will have no impact on the Free Trade Area agreement (FTA) between the United States and Israel, which went into effect in the summer of 1985.

As a matter of fact, he said, the FTA has become a model. The recently concluded free-trade agreement between the United States and Canada would not have been possible without the U.S.-Israel precedent, he said.

However, he and Schumer cautioned that as Congress cuts the budget to reduce the deficit, people may very well question why poverty-stricken countries receive diminished U.S. assistance, while aid to Israel remains untouched.

Both Packwood and Schumer were circumspect about the future. Schumer said the budget is "based on predictions of growth. We're dealing with uncertainties."

Each of them addressed the issues of entitlements, that is, programs for which people are eligible by law, such as Medicare, whose allotments are growing out of control in the budget. They suggest tax increases to replenish needed funds that might well be cut.

David Pollack, JCRC assistant executive

director, told JTA that as the federal government cuts funding or adds revenue, many issues of Jewish interest will be impacted.

"As budgets get cut, these kinds of things get balanced against aid to the homeless, to citizens who need affordable housing, all those kind of things. The question," he said, is "are we going to have a compassionate society and will the federal government return to the role of provider of affordable housing in light of a declining budget?"

Pollack said that in New York, there are "Jewish members of the community who have moderate incomes and are not homeless, but nevertheless cannot afford condominiums. I think that we have a concern that there is housing for people who cannot afford anything."

SOVIET OFFICIAL BLASTS CANADIAN M.P.s FOR HUMAN RIGHTS HEARINGS

By Michael Solomon

OTTAWA, Dec. 16 (JTA) -- A ranking Soviet diplomat claimed before the Parliamentary Human Rights Committee here Tuesday that the figure of 400,000 Soviet Jews seeking exit visas was fictitious.

Alexei Makarov, minister counsellor at the Soviet Embassy, who appeared before the committee apparently of his own volition, chided the M.P.s for alleged anti-Soviet bias. The committee has been hearing testimony for more than six months on human rights in the Soviet-bloc countries.

It has heard mostly from Jewish and other religious groups, emigre organizations and Baltic nationalists. Makarov, who is second in command at the Soviet Embassy, called the hearings a daily parade of anti-Soviet bias from people who use "Cold War cave language" to smear the Soviet Union.

Saying he was "appalled at the biased approach," he disputed the claim by Jewish groups before the committee that Soviet Jews are not allowed to leave the country and are denied the right to practice their religion.

He held up a list which he claimed refuted the charge that some 400,000 Jews want to emigrate. He said the "so-called refuseniks" number "closer to 1,000" and "all of them could be accommodated comfortably in this hall," a reference to the committee room on Parliament Hill.

Makarov said that only 220 Soviet citizens have been refused exit visas on state security grounds. He added that the new era of glasnost (openness) provides an opportunity to improve East-West relations.

ISRAEL PRIZE TO TWO SCHOLARS

JERUSALEM, Dec. 16 (JTA) -- The 1987 Israel Prize for Jewish studies has been awarded to two Israeli scholars, Rabbi Adin Steinsaltz and Professor Moshe Goshen-Gottstein, Education Minister Yitzhak Navon announced Tuesday.

The presentations will be made here next April 22, Israeli Independence Day.

Steinsaltz, 50, was selected for his monumental work on the Babylonian Talmud. Nineteen volumes of his annotated text and commentaries have been published so far.

Goshen-Gottstein, 62, will receive the prize for his biblical scholarship, translations and commentaries and his study of the development of Hebrew and other Semitic languages.