

LIKUD AND LABOR AGREE ON TERMS FOR A NATIONAL UNITY GOVERNMENT

By Gil Sedan

JERUSALEM, Dec. 19 (JTA) -- The Labor Party and the Likud reached agreement Monday to form another unity coalition government, in which both parties will have equal representation.

The decision, coming seven weeks after indecisive Knesset elections produced a political stalemate, drew expressions of anger and disappointment from Labor's left wing and from Likud's die-hard right.

One key element of the agreement is that if either party decides to quit, the only alternative will be a new round of elections, not a narrow coalition with other parties.

Another provision gives each of the two partners veto power over admitting a third party to their government.

The agreement is subject to approval by each party's Central Committee. While it is expected to carry in both, political observers are not ruling out last-minute "surprises."

The ultra-Orthodox parties and most of those on the far right of the political spectrum are furious.

Politicians from the religious bloc realize that the elaborate promises made them by Likud negotiators in recent weeks have been largely nullified by the agreement with Labor. They accused Likud on Monday of "betrayal."

Labor and Likud have been dickering for more than a week over a broad coalition. Prime Minister Yitzhak Shamir was reported Sunday to be "fed up" and ready to go with the extremist parties.

Peres To Give Up Foreign Ministry

The breakthrough reportedly came when Likud acquiesced to a Labor demand that one of its people would chair the influential Knesset Finance Committee.

Shimon Peres, the Labor Party leader, already had agreed to relinquish the office of foreign minister, which he has held for the past two years. He will become finance minister in the new government.

Each party will have 10 ministers, with two in each bloc holding no portfolios. If the practice of the outgoing government is retained, Labor and Likud would each have five ministers in the Inner Cabinet, the government's top policy-making body.

No formal announcement was made of the senior Cabinet assignments. But it appears the new government will shape up as follows:

Prime minister, Yitzhak Shamir (Likud); vice premier and finance minister, Shimon Peres (Labor); defense minister, Yitzhak Rabin (Labor); foreign minister, Moshe Arens (Likud); housing minister, David Levy (Likud); economic coordination minister, Yitzhak Modai (Likud).

The justice and transportation portfolios are to go to either Ronni Milo or Dan Meridor, both of Likud.

When news of the agreement broke, the smaller parties that had been the object of intensive courtship by Likud reacted with fury and threatened to go into opposition.

"Not honoring the promises Likud made to

the religious parties is an act of treason. Likud will have to account for it," declared veteran Knesset member Menahem Porush of the ultra-Orthodox Agudat Yisrael party.

Threats From Religious Bloc

The National Religious Party said it would join opposition ranks unless it got control of the Education Ministry, promised it by Likud.

Shas, the ultra-Orthodox Sephardic party, made the same threat if it does not get the interior and housing portfolios.

The Labor-Likud agreement provides that promises made to the religious parties would be reviewed by the new government in the context of next year's national budget. Those promises included heavy subsidies for the ultra-Orthodox schools and other institutions.

The two major parties agreed that eight new settlements would be established in the administered territories during the first year of the new government. Additional settlements would be subject to review after a year.

Likud had promised the right-wing Tehiya party 10 new settlements a year for a total of 40 during the government's four-year tenure.

Nevertheless, Tehiya indicated Monday that it might join the broad coalition, despite the concession to Labor on settlements.

According to Knesset member Gula Cohen, Tehiya is needed in the government to minimize the influence of Labor "in view of the difficult international situation which Israel faces." This appeared to be a reference to the U.S. government's decision to begin talks with the Palestine Liberation Organization.

There were also expressions of disappointment on the left. Knesset member Haim Doron of the socialist party Mapam said the new government was being born "in sin."

Amnon Rubinstein of the Center-Shinui Movement charged that Peres was "folding the flag of peace" by entering a coalition with Likud.

U.S. WILL EXPECT PLO TO EXPEL MEMBERS WHO ENGAGE IN TERRORISM

By Howard Rosenberg

WASHINGTON, Dec. 19 (JTA) -- If future acts of terrorism are traceable to the Palestine Liberation Organization, the United States will expect those involved to be expelled from the PLO, the State Department's top specialist on the Middle East said Sunday.

In such a scenario, the United States "will expect the PLO leadership to disassociate itself" from the terrorist act and to take disciplinary action, "including expelling those involved from the organization," said Richard Murphy, assistant secretary of state for Near Eastern and South Asian affairs. He spoke on ABC-TV's "This Week with David Brinkley" program.

President-elect George Bush reiterated that position on Monday, when he told a news conference that opening a dialogue with the PLO does not mean the United States is softening its opposition to terrorism.

"I don't care whether it comes from a faction of the left or from the center or right or wherever. I don't think that we should indicate

any willingness to be tolerant of terrorism from the PLO," Bush said.

But it appears that the United States will not hold the PLO accountable for continued violence in the Israeli-administered territories, as it will in other parts of the world.

Another top State Department policymaker drew a distinction Sunday between acts of terrorism and the year-old Palestinian uprising in the territories.

"The intifada when it emerged was not a byproduct of a PLO decision; it reflected a reaction to prolonged occupation. So the reaction of people to occupation is not going to cease immediately," Michael Armacost, undersecretary of state for political affairs, said on CBS-TV's "Face the Nation."

Also speaking on the CBS program was Israeli Foreign Minister Shimon Peres, who left the door open to talks with PLO members who are not "shooting or killing."

'Ready To Sit With Every Palestinian'

Peres said he is "ready to sit with every Palestinian, no matter what his biography was, if he is not shooting and killing, if he is ready to talk, if he represents his people, and if he seeks peace."

Asked about a possible next step for Israel to take, following the PLO's move to recognize Israel, Peres said the his country must first see that Arafat's renunciation of terrorism is sincere. "Let's wait a month, a couple of months, and see if this is really going to happen," Peres suggested.

A key obstacle to Israel believing Arafat is sincere may be whether it considers the PLO accountable for continued Palestinian violence in the West Bank and Gaza Strip.

Peres said he includes such violence as traceable to Arafat. "We see to include it, because for us, if a baby is being killed or wounded by a stone, what does it matter what is the name?"

He presented a challenge to the PLO on the West Bank. "If the Palestinians would stop violence right away, yesterday, the whole feeling, the whole emotions in Israel would be entirely different."

Peres said he believes the PLO has recently moderated its position. "Until now the PLO would never say the expression which is called 'peace' or the expression which is called 'Israel.' They wanted Israel without a peace or a peace without an Israel."

But, he added, "now the question is: Is that a change in the language or is that a change in the position?"

In contrast to Peres, Likud Knesset member Binyamin Netanyahu, appearing on the Brinkley show, seemed to reject any PLO moderation outright.

"The PLO uses declarations of peace as a tactic of war," he said. He noted that Winston Churchill, Great Britain's prime minister during World War II, "refused to have any dealings with Hitler" prior to or during the war.

He also argued that the opening of a U.S. dialogue with the PLO has "made peace much more difficult."

Finally, on NBC-TV's "Meet the Press," White House Chief of Staff Kenneth Duberstein, who is Jewish, said the administration considered domestic fallout from U.S. Jews when reaching its decision to begin talks with the PLO.

AUSTRIA WELCOMES ARAFAT AND SAYS IT WILL EXCHANGE ENVOYS WITH PLO By Reinhard Engel

VIENNA, Dec. 19 (JTA) -- Austria and the Palestine Liberation Organization will soon exchange ambassadors, according to an announcement made during PLO leader Yasir Arafat's one-day visit here Monday.

While Austria has not recognized the independent state of Palestine Arafat proclaimed last month at the Palestine National Council meeting in Algiers, the PLO representative in Vienna, Daoud Barakat, will be accredited as an ambassador before the year's end.

At the same time, the Austrian ambassador to Tunisia will receive accreditation from the PLO, which has its headquarters in the North African country.

Arafat, whose international stature seemed to soar after the United States last week reversed a 13-year-old ban on official dialogue with the PLO, arrived here from Cairo.

He met in the morning with Chancellor Franz Vranitzky and Foreign Minister Alois Mock, who holds the rank of vice chancellor.

Arafat was also received by President Kurt Waldheim at his villa in the afternoon, a call apparently initiated by Waldheim, as it was not on Arafat's itinerary.

The PLO chief said he was "gratified" by his talks with Vranitzky, leader of the ruling Socialist Party, and with Mock, who heads its coalition partner, the conservative People's Party.

Mock said afterward that the PLO changed radically when it dissociated itself from terrorism.

But the Austrian Jewish community disagrees. In a letter to Mock, the community leaders warned that the PLO is talking peace, but planning the destruction of Israel.

Israel Criticized

Mock, for his part, used the occasion of the visit to appeal to the Israeli government to react in a positive way to Arafat's statements last week in Geneva, where he addressed a special session of the U.N. General Assembly.

His remarks at a subsequent news conference there were construed by the United States as recognition of Israel's right to exist and renunciation of terrorism, key conditions for the initiation of an American dialogue with the PLO.

Mock charged Israel with violating the Fourth Geneva Convention of 1949 in its treatment of the Palestinians in the West Bank and Gaza Strip. The convention defines the behavior of an occupying power toward the civilian population of an occupied territory.

Vranitzky announced that Austria would increase its aid to the Palestinian population, but through United Nations channels, not the PLO. He mentioned specifically medical and agricultural assistance.

While the Austrian Foreign Ministry welcomed Arafat's proclamation of an independent Palestine, it refrained from recognizing it formally. Diplomatic practice requires that a state possess territory, which is the PLO does not.

Arafat is no stranger to Vienna. He was officially received here nine years ago by the then Chancellor Bruno Kreisky, leader of the Socialist Party and a Jew.

At that time, Austria was one of the few European countries that would extend an official invitation to Arafat.

ISRAEL STILL HAS TRUST IN U.S., DESPITE SWITCH ON PLO, SAYS PERES

By Hugh Orgel

TEL AVIV, Dec. 19 (JTA) -- Foreign Minister Shimon Peres has assured Secretary of State George Shultz that Israel continues to place its confidence and trust in the United States, despite deep disagreement over the U.S. move to begin talks with the Palestine Liberation Organization.

Peres, chairman of the Labor Party, made public his reply to a letter he received from Shultz on Sunday explaining the U.S. position on its talks with the PLO, which began Friday in Tunisia.

Shultz sent an identical letter to Prime Minister Yitzhak Shamir, the Likud leader.

"While I remain convinced that the American decision was -- at best -- premature, I was reassured by the content of your letter, as well as by some additional information provided by (U.S.) Ambassador (Thomas) Pickering," Peres wrote.

"Specifically, I took note of your challenges to the PLO to close the gap between the expressed commitment to abandon terrorism and the reality of its actions -- in Israel, in the territories and elsewhere; your continued adherence to the longstanding American policy of not supporting the establishment of an independent Palestinian state; and the clarification that opening a dialogue, in and of itself, does not constitute American recognition of the PLO as a negotiating partner," Peres wrote.

He added that the "lack of unanimity between us" on the "extent to which the PLO has already undergone a transformation" must not affect the "solid relationship between our two countries."

"Our complete trust in President Reagan and your own friendship served to reinforce the bond between our two countries. I am fully confident that this will be the case in future years as well," Peres concluded.

ARAFAT MAINTAINS 'SATANIC' PLAN, SHAMIR TELLS CHILDREN OF SURVIVORS

By Cathrine Gerson

JERUSALEM, Dec. 19 (JTA) -- Prime Minister Yitzhak Shamir, speaking at the opening of the First International Jerusalem Conference of Children of Holocaust Survivors, said Sunday that Palestine Liberation Organization chief Yasir Arafat has not altered "his satanic intent and plan."

Shamir told the gathering of some 300 participants that history is trying to repeat itself, with the PLO "attempting to lead the cultured nations of the world astray."

He called the current political peace developments "a worldwide spectacle of deception, in which the entire civilized world . . . worships those bearing the banner of hatred for Israel."

The participants, arriving in Jerusalem from 10 different countries, included the Hungarian relatives of Hanna Senesh, who smuggled herself into Hungary during World War II. Senesh was caught by the Germans and was executed shortly before the end of the war.

Also speaking at the opening ceremony was Dov Shilansky, the new Knesset speaker, who spoke on the symbolic importance of the election of a Holocaust survivor as Knesset speaker.

He further denounced Arafat's new political

moves, describing them as trying to achieve by "means of political cunning what they did not succeed in bringing about with arms, blood, terrorism and violence."

Shamir repeated his pledge "not to speak with terrorists, whose one goal is to establish another Arab state, in addition to the 21 already existing, in place of the Jewish state."

He declared that "our hands are stretched out in peace to our neighbors, to whom we say: If you honestly and truly desire peace, prove it by your willingness to sit with us at the table of direct negotiations, and together we will solve our differences of opinion."

"But if your desire is to annihilate us, then the Jewish people in Israel will strike back sevenfold against those seeking to destroy it."

EUROPEANS TO TRY BRINGING ISRAEL AND PLO TOGETHER

By Yossi Lempkowitz

BRUSSELS, Dec. 19 (JTA) -- The European Community will undertake a major diplomatic initiative in the Middle East next month, sending a ministerial delegation first to Israel for talks with Israeli leaders and then to Tunis to meet with Palestine Liberation Organization chairman Yasir Arafat.

The purpose -- to advance the peace process by trying to bring Israelis and Palestinians together -- is being pursued in light of the American decision to hold a dialogue with the PLO.

The ministerial mission selected for the task has been dubbed a "troika" by diplomats here. It will consist of ministers of Greece, Spain and France, probably headed by the Spanish foreign minister, Francisco Fernandez Ordonez.

Greece will relinquish the rotating chairmanship of the E.C. Council of Ministers at the end of the year. Spain will hold it for the first six months of 1989 and France for the second six months.

"The fact that Israel will be the first party to be contacted by the troika means that the E.C. wants to stress that Israel may rely on European understanding and support," an E.C. diplomat told the Jewish Telegraphic Agency.

Gaining Israel's Confidence

All three countries have Socialist governments which have been more sympathetic to the Palestinian cause than the European Community's northern tier of states -- Britain, West Germany, the Netherlands and Denmark.

Therefore, they are expected to make a special effort to gain the confidence of Israel. The fact that Israel stands first on the list represents a "concession" by Greece, the most pro-Palestinian of all 12 E.C. countries.

The troika countries have emphasized that Israel must not be made to feel isolated by the European Community in the wake of the PLO's "peace offensive."

"We must avoid any initiative or gesture that may harden Israel's position," one British diplomat said.

"All this will of course be undertaken in close contact with the United States," an E.C. official explained.

The ultimate goal is direct negotiations between Israel and the PLO and other parties concerned, within the framework of an international peace conference under U.N. auspices, the official said.

LABOR ZIONISTS DECIDE NOT TO OUST ROSENSAFT FOR MEETING WITH ARAFAT

By Andrew Silow-Carroll

NEW YORK, Dec. 19 (JTA) -- Menachem Rosensaft, one the five American Jews who met two weeks ago with Palestine Liberation Organization chairman Yasir Arafat in Stockholm, will not be asked to resign as president of the Labor Zionist Alliance.

At a meeting held Saturday night in Baltimore, members of the LZA's National Executive Committee voted 12-5, with four abstentions, to reject a resolution calling for his resignation.

The committee resisted a call for Rosensaft's resignation from Yechiel Leket, chairman of the World Federation of Labor Zionists, of which the LZA is a member.

Instead, the committee accepted Rosensaft's apology for not having consulted with the leadership of LZA or the Labor Zionist leadership in Israel before taking part in the controversial meeting with Arafat.

The Dec. 6 meeting with the PLO chairman was planned in secret by officers of the American section of the International Center for Peace in the Middle East.

Rosensaft is a member of the organization's board and said he attended the meetings in that capacity only. He is also founding chairman of the International Network of Children of Jewish Holocaust Survivors.

The officers of the network issued a statement last week saying Rosensaft went to Stockholm as an individual and not as their representative.

The Stockholm meeting began a week of diplomatic activity that resulted in the PLO eventually seeming to meet the U.S. government's terms for a face-to-face meeting.

Deplored By LZA Officers

A number of American Jewish organizations condemned the five Americans for their participation. Morris Abram, chairman of the Conference of Presidents of Major American Jewish Organizations, called them "willing dupes."

According to a spokesperson for the conference, Rosensaft's participation was discussed at a meeting last week, but there was no call for his ouster.

Rosensaft's participation also was condemned by two Holocaust survivors associations, the American Gathering/Federation of Jewish Holocaust Survivors, and the American Congress of Jews from Poland and Survivors of Concentration Camps.

There was support for the Stockholm meeting from some within Labor circles, including seven Knesset members from the Labor Party who signed a petition.

TERRITORIES RETURN TO QUIET AFTER WEEKEND'S BLOODY FIGHTING

By Gil Sedan

JERUSALEM, Dec. 19 (JTA) -- The West Bank was quiet Monday after one of the most violent weekends in recent months saw eight Palestinians shot to death, scores wounded and a number of Jewish settlers severely injured by rocks.

Curfews were in force in Nablus and Kalkilya, in refugee camps in the Nablus area and in

much of the Gaza Strip.

Nablus residents went on a three-day general strike to protest the killing of five Palestinian youths there by Israeli security forces last Friday.

Monday was the final day of the strike. But tension continued to run high after the death Monday of 13-year-old Bader Said Karadde.

The boy sustained serious head injuries Dec. 10 when he fell or was pushed from a moving military vehicle. His parents said he was pushed. The Israel Defense Force is investigating the circumstances.

The United States meanwhile criticized both Israel and the Palestinians for the ongoing violence.

In Washington, State Department spokeswoman Phyllis Oakley said on Monday that the United States was "deeply concerned over the upsurge in violent confrontations between Palestinians and Israelis, which resulted in increased injuries and deaths" over the weekend.

"We especially regret the loss of life," Oakley said, adding that "both sides bear responsibility to avoid violent incidents."

Arab sources said five people were wounded in disturbances in Gaza Monday, but the IDF had no information about casualties there.

IDF soldiers dispersed angry Jewish settlers who congregated Monday outside the local military government building in the West Bank Arab town of Kalkilya.

They were demanding a meeting with Chief of Staff Gen. Dan Shomron over the growing number of stone-throwing attacks on Israeli vehicles in the territory.

Several Israeli vehicles were stoned in East Jerusalem Monday. A passenger on an Egged bus was slightly injured.

(JTA Washington correspondent Howard Rosenberg contributed to this report.)

EGYPTIANS DETAIN ISRAELI FISHERMEN

By Hugh Orgel

TEL AVIV, Dec. 19 (JTA) -- Israel is trying to obtain the release of four fishermen from Eilat detained by Egypt since Friday for violating its territorial waters on the Red Sea.

Israeli military sources said that according to their investigation, the Egyptian authorities in Nueiba were justified in seizing the men and their boat.

Apparently they were sailing within 50 yards of the Egyptian shore, in violation of an Israeli-Egyptian agreement forbidding vessels from coming within 300 yards of shore.

The fishermen were fined \$300, but are unable to pay.

EL AL RANKED 11TH IN WORLD

By Hugh Orgel

TEL AVIV, Dec. 19 (JTA) -- An American travel publication has rated El Al 11th among the world's 20 best international airlines.

According to a survey published in Condé Nast Traveler, Israel's national air carrier was rated above Air France and British Airways for food, service and general efficiency.

The survey was conducted among business travelers and first class passengers.

They ranked Singapore Airlines No. 1 and Japan Airlines No. 20. The Dutch airline KLM, West Germany's Lufthansa and Swissair were rated higher than El Al.