

**SHAMIR REJECTS U.S.-EGYPTIAN CALL
FOR TALKS WITH PALESTINIANS IN CAIRO**
By David Landau

JERUSALEM, Oct. 15 (JTA) -- Prime Minister Yitzhak Shamir has rebuffed the American and Egyptian call for Israeli-Palestinian talks in Cairo to discuss Israel's plan for Palestinian elections in the West Bank and Gaza Strip.

Shamir told Ma'ariv, in an interview published Sunday, that the talks should be held in Israel, not in Egypt, as the Egyptians and now the Americans have proposed.

Moreover, he insisted that the talks deal only with the technical procedures of elections.

Israel would send "officials proficient in matters of election technicalities," not statesmen or politicians, Shamir told the newspaper.

"It is only a pre-planning stage and there is no need to give it the importance of a major international event," the prime minister was quoted as saying.

Apparently U.S. Secretary of State Baker has different views.

The five-point plan he conveyed to Israel and Egypt on Oct. 8 suggested consultations between those countries and the United States over the composition of the Palestinian delegation that would participate in talks with Israel.

That would be followed by Israeli-Palestinian talks in Cairo, which Egypt offered to host.

Shamir evidently sought the interview with Ma'ariv to brush aside the idea of an Israeli-Palestinian dialogue in Cairo.

It is the nub of the differences between Likud and its Labor coalition partners, who accept the Egyptian invitation. Likud is also now at odds with the American and Egyptian governments.

PLO Expected To Reject U.S. Plan

The Baker plan was an attempt to salvage Shamir's own elections idea after the Israeli Cabinet, split along party lines, rejected a 10-point framework for dialogue offered by President Hosni Mubarak of Egypt.

But Likud was unwilling to bear the onus of obstructionism and Shamir reportedly cabled Washington after the Oct. 6 vote to say he did not want the peace initiative to die.

Baker obliged. He speedily proposed that the foreign ministers of Israel and Egypt, Moshe Arens and Esmat Abdel Meguid, meet with him in Washington within two weeks to confer on the plan.

The State Department made clear later, however, that unless Israel and Egypt agreed to the American proposals, there would be no Washington talks.

Shamir has advocated a deliberate, cautious weighing of options.

Likud sources indicated Sunday that Shamir would be greatly relieved of pressure if the Palestine Liberation Organization's executive council, now meeting in Tunis, rejects the American efforts to launch a dialogue, as it is expected to do.

The American efforts were flatly rejected by the unified command of the Palestinian uprising in its Leaflet No. 47, released Sunday. The leaflet said the intifada "rejects America's suspect role,

primarily James Baker's five points."

According to the Palestinian activists, the Americans are trying to avoid an international peace conference, which the PLO insists is the only way to achieve peace.

The leaflet called for a general strike in the territories on Oct. 21 and 29 "to reject all conspiracies and assert adherence to the Palestinian peace program."

Another strike was called for Dec. 9 to mark the end of the second year of the intifada.

Parties Courting Religious Bloc

While Palestinian rejectionism may get Likud off the hook with the Americans, Likud is not counting on salvaging its severely buffeted partnership with Labor.

Both parties, in fact, are looking ahead, either to new elections or to the establishment by either one of them of a narrowly based coalition.

In order to form such a government, Likud or Labor would have to rely heavily on support from the four Orthodox parties, representing a bloc of 18 Knesset seats among them.

Key Likud people have been meeting with leaders of the religious bloc to forestall Labor's advances. But Labor has also been holding discreet talks with the Orthodox.

At the same time, there are signs of cooperation between the two major parties. Foreign Minister Arens of Likud initiated a meeting over the weekend with Defense Minister Yitzhak Rabin, Labor's No. 2 man, to brief him on Israel's continuing exchanges with the United States.

Rabin complained last week that he and Vice Premier Shimon Peres, the Labor Party leader, were not being kept up to date on the latest developments.

Some observers believe Arens would like to revive the cooperation that existed between Rabin and Shamir when the Palestinian election plan was hammered out earlier this year. Shamir unveiled the plan on a visit to Washington in April and Rabin was widely credited with being a co-author.

**E.C. SUPPORTS PALESTINIAN ELECTIONS,
BUT FAVORS INTERNATIONAL CONFERENCE**
By Yossi Lempkowitz

BRUSSELS, Oct. 15 (JTA) -- The European Parliament has come out in support of Palestinian elections in the West Bank and Gaza Strip. But it still believes an international conference offers the ultimate solution to the Middle East conflict.

The Parliament, the European Community's legislative body, based in Strasbourg, France, endorsed both approaches in a resolution adopted at its monthly session last Thursday.

It was introduced by the Socialists and supported by the Social Democratic and Communist blocs.

It called on the Israelis and Palestinians to meet in Cairo to discuss elections in the territories.

At the same time, the E.C. foreign ministers were asked to take "appropriate initiatives" to organize an international conference for Middle East peace under United Nations auspices.

The Palestinian election plan was unveiled by Prime Minister Yitzhak Shamir last spring and en-

dorsed by the Israeli Cabinet on May 14. But the Israelis and Palestinians have been unable to agree on terms for the elections.

The fear in Western European circles is that time may be running out for the peace process.

The Parliament, meanwhile, expressed concern "about the aggravation of the repression by the Israeli army in the occupied territories since 1987," when the Palestinian uprising began.

It reiterated the basic European position that a Middle East settlement must respect the right to security for all states in the region and the right to self-determination for all concerned people "with all that this implies."

Israel was sharply criticized during the debate by Raymonde Dury, a Belgian deputy of the 181-member Socialist bloc, the largest single faction in the Parliament.

She denounced the "suicidal" Israeli attitude "which refuses until now to recognize the Palestinian existence."

Dury warned that "by refusing dialogue, Israel condemns any peace process." She maintained that "the PLO, for its part, has already made several gestures in favor of this dialogue."

BRITISH CONSUL GENERAL VIOLATES MILITARY ORDER BY ENTERING VILLAGE By Cathrine Gerson

JERUSALEM, Oct. 15 (JTA) -- The Israeli authorities apparently have backed away from taking reprisals against the British consul general in East Jerusalem, Ivan Callan, who entered a closed military zone in the West Bank last week without permission.

Foreign Ministry spokesman Yossi Amihud said Sunday that the ministry has made no decision yet.

Amihud was quoted Saturday by Israel Television as saying measures were being considered. On Sunday, however, he claimed he was misquoted.

"The Foreign Ministry will relate to the subject in all its possible aspects on receiving all the details," Amihud said.

Callan entered two West Bank towns near Jerusalem. One is Beit Sahur, where the 10,000 inhabitants, mainly Christian Arabs, have been on a tax strike for the past month.

The Israel Defense Force clamped a curfew on the town last week, permitting no one to enter or leave. Callan nevertheless went there on Wednesday.

A general strike was observed Saturday in the Gaza Strip to protest prison conditions. It was called by Hamas, the Islamic resistance movement whose spiritual leader, Sheikh Ahmed Yasin, is in prison.

After observing the strike, Gaza Strip laborers went to their jobs in Israel the next day, a military spokesman reported Sunday.

In other developments, a 10-year-old Arab boy was wounded in the chest Saturday by a plastic bullet during a clash with Israeli security forces in the Gaza Strip.

The youngster, Yusef Hassan Abureallah, was reported in moderate condition at a local hospital.

Meanwhile, Arab assassination squads continued to target fellow Arabs suspected of collaborating with the Israeli authorities.

The latest victim was a 24-year-old gardener from Rafah, in the Gaza Strip, who was shot in the head twice while pruning trees at a local school.

ISRAEL EAGERLY LAYING GROUNDWORK FOR PERES VISIT TO THE SOVIET UNION By David Landau

JERUSALEM, Oct. 15 (JTA) -- Vice Premier Shimon Peres is preparing to go to Moscow, probably next month, and Israelis are agog.

His associates are treating the upcoming trip, at the invitation of the Soviet Peace Committee, as a major milestone toward the normalization of relations between Israel and the Soviet Union.

Peres himself is practicing Russian phrases.

His political aide, Nimrod Novik, left Sunday for Moscow to prepare the groundwork for the visit. He is stopping off in Vienna to pick up his Soviet visa.

As No. 2 man in the coalition government, minister of finance and leader of the Labor Party, Peres would be the highest-ranking Israeli official to visit the Soviet Union since the Kremlin severed diplomatic relations with Israel at the time of the 1967 Six-Day War.

The Israeli news media assume that Peres is seeking a meeting with Soviet leader Mikhail Gorbachev. Some say he would not be going to Moscow if such a meeting were not arranged.

Though the invitation came from an ostensibly non-governmental body, references in the official Soviet news media indicate it was issued on the highest authority and is being warmly encouraged by the Kremlin.

TEL AVIV MARKET PLUNGES, TOO By Hugh Orgel

TEL AVIV, Oct. 15 (JTA) -- The Tel Aviv Stock Exchange plunged sharply Sunday, with the value of shares falling up to 10 percent.

But there was little panic.

Members said the downward swoop was an "expected development" and not a direct result of the sudden break on the New York Stock Exchange, which fell 190 points Friday, the second largest drop in points in its history.

Traders said the Tel Aviv market was more affected by rumors of an impending Cabinet crisis. Israeli investors worry that the Likud-Labor coalition government might break up because of sharp differences over the peace process.

SEPTEMBER INFLATION AT 1.6 PERCENT By Hugh Orgel

TEL AVIV, Oct. 15 (JTA) -- The consumer price index rose 1.6 percent in September, sustaining double-digit inflation at an annual rate of 15 percent for the first nine months of the year.

The figures, released by the Central Bureau of Statistics Sunday, showed that higher housing costs accounted for more than half the rise.

This led to concern that inflation will worsen, at least in the short term, if the expected large-scale immigration from the Soviet Union materializes, placing severe new burdens on the country's short supply of housing.

In any event, the Finance Ministry seems to have little chance of realizing its goal to bring inflation below 10 percent this year.

To achieve that would have required a monthly price increase of less than 1 percent.

But Finance Minister Shimon Peres looks at the brighter side. He pointed out that the cost-of-living rise this September was lower than the 1.7 percent in September 1988.

**BEHIND THE HEADLINES:
U.S. TRYING TO CONVINCE CONGRESS
SAUDI SALE DOESN'T THREATEN ISRAEL**
By David Friedman

WASHINGTON, Oct. 15 (JTA) -- The Bush administration is trying to convince Congress and the American public that its proposed \$3 billion sale to Saudi Arabia of 315 tanks and other military equipment poses no threat to Israel.

While the Abrams M1-A2 is the "world's best tank," its possession by the Saudis would not change the military balance in the Middle East in a way that "would negatively affect Israel," a State Department official said last week.

He reiterated the Bush administration's commitment to maintain Israel's qualitative edge over any possible combination of enemies.

The official was briefing reporters on the administration's informal notification to Congress on Oct. 11 that it plans to sell the Saudis the tanks and various other military vehicles. The tanks alone cost \$1.1 billion.

The notification triggered a 20-day period of consultations with Congress to be followed immediately by formal notification. Once that happens, Congress has 30 days to vote down an arms sale; otherwise it automatically goes through.

The Israeli government opposes arms sales to any Arab government, except Egypt, which has signed a peace treaty with the Jewish state.

But the State Department official indicated he does not expect Israel's opposition to be as vociferous as it was for such past deals as the 1981 sale of AWACS radar planes to Saudi Arabia.

The organized Jewish community has voiced opposition to the sale, but has not yet decided whether to engage in an all-out fight with the administration over it.

AIPAC Praises Consultations

"We support the consultations between Congress and the Executive Branch," Toby Dershowitz, spokeswoman for the American Israel Public Affairs Committee, said last week. She noted that in the past there had not been such extensive consultations as there have been over the current sale.

Dershowitz indicated that AIPAC would like to avoid an all-out fight. She said that if details can be worked out to the satisfaction of supporters of Israel, the arms sale is "likely to go through."

AIPAC came under criticism from some Jewish groups last year for fighting arms sales to Persian Gulf states that some felt would be no direct threat to Israel.

Congressional sources also indicated that they are waiting for more information on components of the tanks, where they will be based and other questions before they decide whether to allow the sale to go through without opposition.

Supporters of Israel have expressed concern that the tank sale could be followed by a sale of some 100 F-16 or F/A-18 jets to the Saudis.

The official conceded that the Saudis want to replace their outdated F-5s. But he said that the Saudis have only begun the process of considering what planes they want.

The United States plans additional arms sales to the Saudis and other Arab countries, the official said. But he said the arms package now on the table will be the last one in 1989 and that the administration has not yet started consideration of any sales for 1990.

The official stressed the economic importance of the sale both for the U.S. Army in particular and the U.S. economy in general.

He said the Army will get its first M1-A2 tanks in late 1992 and that the Saudis would get them a year later. Saudi Arabia would receive the tanks over a three-year period, and they would meet its needs for some 20 years.

If the tanks were not sold to Saudi Arabia, the cost of producing the tanks would be higher and General Dynamics Corp. could not maintain its two production lines, one in Ohio and another in Michigan, a Pentagon official said.

The State Department official said if Saudi Arabia could not obtain the U.S. tanks, it would most likely buy the British Challenger 2, which is looking for a start-up sale. The sale to the Saudis would increase the likelihood that other countries, including Britain, would buy the U.S. tank, the official said.

A background paper released by the State Department said that the production of the tanks would generate nearly \$2 billion in income to Americans and some 55,000 man-years of employment. Some 40 states would see economic benefits, particularly Michigan, Ohio, Connecticut, California and Indiana, the paper said.

**WEST GERMAN COURT WON'T FREE
MAN SAID TO HAVE AIDED LIBYA**
By David Kantor

BONN, Oct. 15 (JTA) -- A court in the southwestern German city of Karlsruhe has rejected an appeal to release Jurgen Hippenstiel-Imhausen, owner and former manager of a chemical plant in southern Germany accused of illegally assisting Libya to manufacture chemical weapons.

Meanwhile, the state prosecutor in Munich indirectly confirmed a British newspaper report last week that more than 100 West German technicians are at a resort in the Libyan desert working on a project to produce medium-range missiles which could reach Israel.

Proceedings have been opened against a Bavarian company alleged to have helped Libya build the missiles.

Imhausen was arrested May 10. He is suspected of having personally played a key role in building a poison-gas factory in Rabta, a Libyan town south of Tripoli.

The panel of judges in Karlsruhe noted that Imhausen faces a long prison term if convicted and that to release him from jail would run the risk of his escape.

He ordered shipments of highly sensitive technical and electronic equipment to the Rabta plant without applying for or possessing the requisite documents from the West German authorities, the judges said.

They noted that Imhausen made every effort to conceal his illegal activities, including use of a code name, "Pharma 150."

He is alleged to have destroyed incriminating documents before he was arrested.

The court's ruling officially confirmed for the first time many allegations in the American press last year that West German industrialists were helping the Libyans produce chemical arms.

The Bonn government vigorously denied the charges at the time, attributing them to an "anti-German campaign" in the American media.

Some German news organization, including the state-owned television station, claimed it was guided by influential Jews in the United States.

SYRIAN WHO FLEW JET INTO ISRAEL HAS NO INTENTION OF RETURNING

By Hugh Orgel

TEL AVIV, Oct. 15 (JTA) -- A Syrian air force pilot who defected to Israel with his Soviet-built MiG-23 said he would refuse to meet with representatives of the International Committee for the Red Cross if their purpose was to take him back to Syria.

Maj. Mohammed Bassem Adel, seeking political asylum in Israel, spoke at a heavily attended news conference at an Israel air force base Friday. He was referring to Syria's request to the ICRC in Geneva to secure his repatriation and the return of the MiG.

Adel streaked into Israel on Oct. 11, landing his supersonic jet at an air strip near Meggido used by crop-duster planes.

Damascus claimed at first that he was forced down by mechanical difficulties. By Friday however, the Syrians admitted their flier had defected, and they denounced him as an "abominable traitor and Israeli spy."

According to Damascus radio, Adel was subverted by Israeli intelligence. But he has denied any contact with the Israelis prior to his defection.

He would not answer questions of a political or security nature, but said he came to Israel because it is a democratic country where people can say what they want. He said he expected to be well treated.

Adel may have been trying to get the Israeli air force off the hook when he insisted that he had been under radar surveillance from the moment he entered Israeli air space last Wednesday.

The fact that he was not intercepted raised questions about whether the Syrian may have breached Israeli air defenses without detection.

'I Didn't Endanger Israel'

The Israel Defense Force chief of staff, Gen. Dan Shomron, promptly named an ad-hoc commission to launch an immediate investigation of a possible security lapse.

The air force, which seemed to have been taken completely by surprise when it was informed by a civilian that a Syrian pilot had landed near Meggido, insists now that it was tracking him all the way.

Adel told the news conference his instruments showed he was being tracked by Israeli radar.

Asked why he thought he was not fired on or intercepted by the Israelis, the Syrian major said, "I believe that a country which is confident of itself cannot fear a single plane and will take time to evaluate the situation before it acts.

"I didn't endanger Israel, and by myself I couldn't cause damage," he said.

Adel said he had been on an unarmed training mission when he flew across the Israeli border, very low and at high speed to try to evade detection.

He could not give the standard signals of non-hostile intentions such as wagging wings or lowering his landing gear because of his low altitude, Adel said.

He said he thought of landing on a highway, but there was too much traffic.

Asked if he would agree to meet with ICRC representatives, Adel said, "If the Red Cross wants to meet me and take me back to Syria, I would refuse this."

AJCOMMITTEE OFFICIALS ON MISSION TO THREE EUROPEAN TROUBLE SPOTS

By Ruth E. Gruber

ROME, Oct. 15 (JTA) -- Two American Jewish Committee officials are bringing a message of conciliation to three areas in Europe where relations with the Jewish community have hit serious snags in recent years: Austria, Poland and the Vatican.

Rabbi A. James Rudin, AJCommittee's director of interreligious affairs, and Ambassador Harvey Feldman, the organization's recently installed international relations director, left last week to visit Rome and Vienna. On Tuesday, Rudin will continue on his own to Warsaw.

The trip's focus is a fact-finding visit to Austria, where Rudin and Feldman arrived Saturday. The two men had been invited by the Austrian government to meet with politicians, academics, labor leaders and Jewish officials there.

The invitation, Feldman said, stemmed from "the desire on the part of the Austrian government to improve relations with the international Jewish community, working through the American Jewish community."

Relations between the Austrian government and Jews worldwide have been strained since the election of President Kurt Waldheim, who served during World War II as an intelligence officer in a German army unit linked to wartime atrocities.

Still, Feldman said he views it as "a positive sign that the Austrians want to establish dialogue with the U.S. Jewish community."

Feldman said that the Austrian government "would not embarrass us" by asking Rudin and him to meet with Waldheim. "They are not going to put us in that position," he said. "Would we see him if asked? I think not."

Try Not To 'Sink Relations'

On their way to Vienna, Rudin and Feldman stopped in Rome, where they met last Friday with members of the Vatican Commission on Religious Relations With Judaism; Rome's Chief Rabbi Elio Toaff; and Tullia Zevi, president of the Italian Jewish community.

Both men stressed there that continuing the ongoing Jewish-Catholic dialogue is crucial, particularly when relations between the two faiths suffer a crisis such as that over the Carmelite convent at the site of the Auschwitz death camp.

"In a crisis, you don't sink relations, but you try to resolve them," said Rudin. "You don't run away from a situation when there's turbulence, you must put it in perspective."

"The convent situation is a crisis that is being resolved and will be resolved," Rudin said.

Rudin will get a first-hand look at the progress being made in Poland toward removal of the convent when he visits that country Tuesday.

In New York, Ira Silverman, AJCommittee's executive vice president, said Sunday that Rudin will be meeting in Warsaw with Polish government officials, Jewish leaders and representatives of the Catholic Church, including those directly involved in the negotiations surrounding the convent.

Rudin said he is making this trip strictly in his capacity as an AJCommittee representative, and not in his role as chairman of the group for interreligious consultations formed last month by AJCommittee, the American Jewish Congress and the Anti-Defamation League of B'nai B'rith.

(JTA staff writer Allison Kaplan in New York contributed to this report.)