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**COALITION IN PERIL AS LABOR REJECTS
NEW LIKUD CONDITIONS ON PEACE TALKS**

By David Landau

JERUSALEM, March 6 (JTA) -- The Likud bloc's new conditions for entering a dialogue with the Palestinians have been angrily rejected by the Labor Party, which threatened Tuesday to bring down the government unless the matter is quickly resolved.

The 12-member Inner Cabinet was scheduled to meet Wednesday for what could turn out to be the final confrontation of the Likud-Labor unity coalition.

Labor Party ministers said after a meeting Tuesday afternoon that the government would fall unless the Inner Cabinet responds positively to the latest proposals of U.S. Secretary of State James Baker.

The United States is trying to arrange an Israeli-Palestinian dialogue in Cairo to devise plans for Palestinian elections in the West Bank and Gaza Strip.

But it has encountered resistance from Prime Minister Yitzhak Shamir and his Likud bloc over which Palestinians Israel will negotiate with.

Likud ministers, meeting late into the night Monday in the prime minister's office, resolved to accept the American compromise proposals "in principle," but only if the Labor Party agreed to certain conditions in advance of the Cairo dialogue.

They want Labor to pledge it will oppose the participation of East Jerusalem residents in the proposed elections.

Likud also wants Labor to agree that the Israeli delegation will walk out of the Cairo talks if the Palestine Liberation Organization "takes over or penetrates" them.

The Ultimate 'Chutzpah'

Vice Premier Shimon Peres, the Labor Party leader, called Likud's new conditions the ultimate "chutzpah."

In Washington, the State Department refused to comment on the exchange between the coalition partners. "We are waiting for an answer from the Israel government," department spokeswoman Margaret Tutwiler said Tuesday.

The goal of Wednesday's Inner Cabinet meeting will be to try to come up with that answer by resolving the conflicting Likud and Labor positions.

The Inner Cabinet consists of six Likud and six Labor ministers. A tie vote, indicating a deadlock along party lines, would constitute a rejection of Baker's proposals.

Neither Peres nor Defense Minister Yitzhak Rabin has said categorically that Labor would withdraw from the coalition in that event. But party insiders say the two men are now united in that resolve.

Peres has been ready for weeks to break with Likud and try to form an alternative government with the religious and leftist parties. Rabin has argued against haste, contending that the unity government is still the best bet for peace.

But the latest developments in Likud may have changed Rabin's mind. The party's new demands are being widely seen as an attempt to

shift the focus of the political crisis from the divisive issue of Baker's proposals to the issue of allowing East Jerusalem residents to participate in the proposed elections, which Likud is completely united against.

All Labor leaders favor letting East Jerusalem Palestinians vote, as long as the physical act of casting the ballot is done outside the Jerusalem city limits. Some Laborites, including Peres, favor allowing East Jerusalemites to stand for election.

U.S. Has Done 'All We Could Do'

But anything to do with Jerusalem's status as Israel's united, eternal capital carries tremendous emotional weight in Israel. It is not an issue on which the Labor Party wants to be perceived as being on the unpopular side, which is precisely where Likud would like to put it.

Therefore, when Labor's leadership bureau meets in Tel Aviv later this week, the general assumption is that it will recommend that the party's Central Committee be convened in the middle of next week to decide whether to break with Likud.

That meeting would likely coincide with two mass rallies planned by members of the Likud Central Committee. One is being organized by supporters of Shamir's peace diplomacy.

The other is by hard-liners who believe Ariel Sharon's warnings that any dialogue with the Palestinians, much less Palestinian elections, would result eventually in a Palestinian state.

In Washington, the State Department appears to be withholding judgment until there is a formal response from the Israeli government.

Tutwiler rejected a suggestion that Shamir no longer has enthusiasm for the peace plan he first proposed last spring. She said Israel faces "very difficult decisions," and "we recognize that, we understand that."

But she also repeated a statement made by Baker that the United States feels it has "done all we could do."

(JTA correspondent David Friedman in Washington contributed to this report.)

**U.S. OFFICIALS FURTHER CLARIFY
STANCE ON JERUSALEM AND LOANS**
By Howard Rosenberg

WASHINGTON, March 6 (JTA) -- High-level officials of the Bush administration made clear Tuesday that the United States does not oppose the right of Jews, including Soviet immigrants, to live in parts of Jerusalem formerly held by Jordan.

They also indicated that the United States will not link U.S. aid for Soviet immigrants to a demand that Israel end settlement activity in the administered territories, though the Washington still wants assurances its money will not be used to build housing for Soviet Jews in areas beyond Israel's 1967 borders.

The policies were enunciated Tuesday by Vice President Dan Quayle, who spoke in New York to the Conference of Presidents of Major American Jewish Organizations, and by White House Chief of Staff John Sununu, who addressed the National Leadership Conference of the Simon Wiesenthal Center here.

Their remarks appeared to calm mounting concern in American Jewish circles over remarks President Bush made last weekend about the status of united Jerusalem.

Bush appeared to imply at a news conference Saturday in Palm Springs, Calif., that the United States opposes the settlement of Jews in East Jerusalem, an area Israel annexed in 1967.

"The policy of the United States says we do not believe there should be new settlements in the West Bank or East Jerusalem. And I will conduct that policy as if it's firm, which it is," Bush was quoted as saying.

Jerusalem A Separate Issue

The United States has consistently opposed the building of additional Jewish settlements in the West Bank and Gaza Strip. But the president's remarks were believed to be the first time the U.S. government has taken a stand on Jewish settlement of East Jerusalem, which Israel regards as an inseparable part of the capital.

The president's remarks triggered "extreme concern" among American Jewish leaders that there had been a "perception of change in U.S. policy," Seymour Reich, chairman of the Conference of Presidents, said Monday.

That concern was partially alleviated Monday afternoon, when Bush telephoned Reich and told him that the U.S. government is not opposed to Jews living in any part of Jerusalem, which the United States believes should remain undivided.

But a statement on the telephone call, issued Monday evening by the White House press secretary, contained language that some American Jewish leaders found ambiguous and possibly troubling.

For one, the statement expressed U.S. support for "Jews as well as others" to live in any part of Jerusalem, "in the context of a negotiated settlement."

That led some Jewish leaders to question how the United States feels about Jews living in all parts of Jerusalem in the absence of a peace settlement.

But after meeting with Quayle on Tuesday afternoon, Reich told reporters that "there is no problem with Soviet Jews and others residing in East Jerusalem."

"The vice president gave us a clear indication that East Jerusalem was not to be confused with the West Bank," he said. "The two issues are separate."

Settlement Ban Not Required

The White House statement also said Bush was prepared to support \$400 million in loan guarantees so that Israel could build housing for Soviet immigrants, "provided the United States and Israel can work out assurances that satisfy the United States on settlement activity."

Some Jewish leaders took that to mean that the Bush administration might not approve the loan guarantees unless Israel ceases all settlement activity in the West Bank and Gaza Strip.

That impression also was given last week by Secretary of State James Baker, during an appearance before the House Appropriations subcommittee on foreign operations.

He told the panel that the administration would be prepared to support the loan guarantees, "if the government of Israel could perhaps provide some assurances that it would not be engaging in any new or additional settlement activity."

But on Tuesday, Quayle told the Conference

of Presidents that while the administration is opposed to new settlements in the West Bank and Gaza Strip, a ban on such settlements is not a condition for receiving the loan guarantees.

"We do have a disagreement with Israel over settlements," the vice president told reporters after the meeting, but it is "an honest difference between friends."

Likewise, Sununu told the Wiesenthal Center group in Washington that there would be no linkage between housing loan guarantees and Israeli assurances against new settlement activity.

"The aid linkage is not a linkage," he told the group.

'Other Funds' For East Jerusalem

But he added that U.S. policy "continues to be opposed to new settlements and the expansion of settlements." President Bush "has made no bones about making that as a clear statement" to Israeli Prime Minister Yitzhak Shamir, he said.

Richard Haass, senior director for Near East and South Asian affairs on the National Security Council, told the Wiesenthal Center leaders that the administration is prepared "to talk with the Israeli government about whether we can come up with a mutually acceptable approach to how we could make available these housing investment guarantees."

The administration's chief concern appears to be that the loans will not be used to build housing for Soviet Jews in the administered territories, including parts of Jerusalem beyond Israel's 1967 borders.

Reich said that is consistent with U.S. policy, which has always restricted U.S. foreign aid from being used in the territories, including parts of Jerusalem. He said Israel would "find other funds for settling Soviet Jews in East Jerusalem."

Reich added that "as far as American Jewish leaders are concerned, Jerusalem will never again be divided. It is the capital of the Jewish state and will remain so."

(JTA staff writer Elena Neuman in New York contributed to this report.)

HUSSEIN ASKS MITTERRAND TO HELP CURB SOVIET IMMIGRATION TO ISRAEL **By Edwin Eytan**

PARIS, March 6 (JTA) -- King Hussein of Jordan asked French President Francois Mitterrand here Tuesday to use his influence with Soviet President Mikhail Gorbachev to curb the departure of Jews from the Soviet Union.

Hussein says they should not be allowed to leave without assurances that they will not settle in the West Bank, Gaza Strip or East Jerusalem.

Jordanian sources said the king also asked Mitterrand to seek a European consensus on the issue, which he feels could jeopardize the entire Middle East peace process.

Hussein is scheduled to visit Washington and London for meetings with President Bush and Prime Minister Margaret Thatcher.

He said at a news conference here that the mass arrival of Soviet Jews in Israel and their settlement in the West Bank is changing the geographic and demographic map of the area and creating a situation "unacceptable" to the Arab world.

The Jordanian monarch said he would try to convene an Arab summit conference to adopt a joint stand on the issue.

SOVIET LEGAL REFORMS COULD CHANGE STATUS OF REFUGEES, SAYS THORNBURGH

By Howard Rosenberg

WASHINGTON, March 6 (JTA) -- Continuing improvements in the Soviet legal system could mean that fewer Soviet Jews will qualify to be admitted to the United States as refugees, Attorney General Dick Thornburgh said Tuesday.

"To the nature and the extent and the degree that (the Soviets) begin to build in their own rule of law -- and I am a consummate skeptic on that -- it makes it more difficult legally for us to admit more Jewish emigres," Thornburgh told the Jewish Telegraphic Agency.

He made the remark after speaking here to the Simon Wiesenthal Center's National Leadership Conference.

In order to qualify as refugees, Jews and other potential immigrants to the United States must demonstrate that they face a "well-founded fear of persecution" in their country of origin.

Thornburgh appeared to indicate that as the Soviet Union institutes legal protection for Jews and other minorities from discrimination and harassment, they will have less of a case to stand on when applying for U.S. refugee status.

This fiscal year, the United States is admitting 50,000 Soviets, mainly Jews, as refugees. But more than 100,000 Soviet Jews are estimated to be seeking entry to the United States as refugees.

All claim they suffer persecution for being Jewish.

U.S. Jewish groups have refrained from lobbying for an increase in the U.S. refugee ceiling for the Soviet Union, fearing that any additional numbers would come at the expense of other nationalities worldwide.

Pamyat Investigation Under Way

At the same time, American Jewish groups have expressed profound concern at the rising number of threats of anti-Semitic violence being reported from the Soviet Union. Groups such as the ultranationalist Pamyat have repeatedly threatened pogroms against the Jewish population.

Thornburgh pointed out that the Moscow prosecutor's office last month began a criminal investigation of Pamyat and other anti-Semitic groups.

Thornburgh, in his prepared remarks to the Wiesenthal Center gathering, attributed the growth in racism and bigotry to "old Europe's raucous ghettos."

He also spoke of growing prejudice in the United States. He urged the 75 members of the audience to contact the Justice Department's community relations service as a "low-key way to defuse some of these tensions."

He said that at the Justice Department, combatting bigotry is a "high priority."

Thornburgh said the administration strongly supports a bill adopted by the Senate last month that would require his department to compile statistics on domestic "hate crimes," including those committed by such anti-Semitic groups as the Skinheads and the White Aryan Resistance.

He said U.S. hate groups generally appear to be "home grown" and not connected to similar groups abroad.

Vice President Dan Quayle also spoke out against bigotry in an address Monday at the Wiesenthal Center gathering's opening reception.

"Those who forget history are doomed to repeat it," he told the group.

ISRAELI PAPERS BLAST NEW REGULATION RESTRICTING STORIES ON SOVIET ALIYAH

By Hugh Orgel

TEL AVIV, March 6 (JTA) -- Several of Israel's leading newspapers aimed their editorials at the government Tuesday, blasting its decision to order the censorship of news stories related to Soviet aliyah.

The government claimed the order was a protective measure, in view of the Arab campaign to curb immigration to Israel, in an effort to stop the settlement of Soviet Jews in the administered territories.

The editorials appeared after the Editors Committee met Monday to discuss the issue.

The independent daily Ha'aretz said that censorship was not an effective way to ward off attacks on Israel.

The Labor Party organ Davar said it would have been better to curb the irresponsible remarks of politicians.

The newspaper was referring to remarks by Prime Minister Yitzhak Shamir in January that the greater influx of Soviet Jews needed a greater Israel.

Although Shamir insisted he meant a stronger Israel, his words created a furor in the Arab world, which has accused Israel of planning to settle immigrants in the West Bank and Gaza Strip to displace the Palestinian population.

The government said the censorship applies only to disclosure of the numbers of olim and their travel routes to Israel.

Al Hamishmar, newspaper of Mapam, the United Workers Party, said the decision was reminiscent of totalitarian states.

Only the Orthodox daily Hatzofeh, organ of the National Religious Party, defended the censorship order, saying it was unavoidable in light of the security risks.

ACTIVIST ABIE NATHAN PLANNING NEW CONTACTS WITH PLO OFFICIALS

By Hugh Orgel

TEL AVIV, March 6 (JTA) -- Peace activist Abie Nathan, recently out of jail, says he will renew his contacts with the Palestine Liberation Organization.

Past meetings with PLO officials, a violation of an Israeli law forbidding contact with terrorist groups, got Nathan a six-month jail sentence in September. He was released Feb. 9 after receiving two months off for good behavior.

But now he plans to meet with PLO leaders in Egypt and North Yemen to further his peace efforts, regardless of the threat of further punishment, Nathan said Tuesday.

The peace activist declined to say when he intends to go abroad, "because of possible police intervention."

But police spokesman Ron Yishayahu said no action would be taken against Nathan for threatening to commit a crime unless he actually commits one.

The "important things in life, such as peace and freedom for people, are worth being locked up for," Nathan maintained.

He said he would go to Cairo first, to try to renew his old contacts with the PLO.

"This time I will try to persuade Arab leaders to sign a declaration that if the Palestinian problem is solved they will make peace with Israel," Nathan said.

WIESENTHAL DEAN REJECTS ASSURANCES GIVEN BY KOHL OVER UNIFIED GERMANY

By Elena Neuman

NEW YORK, March 6 (JTA) -- Despite words of assurance from West German Chancellor Helmut Kohl that were meant to alleviate Jewish fears concerning a unified Germany, the head of the Simon Wiesenthal Center, to whom the assurances were written, says that the chancellor fell far short of legitimate guarantees.

"The gist of the letter was 'trust me,' you can rely on us without any special demands to ensure that we do the right thing," said Rabbi Marvin Hier, dean of the Simon Wiesenthal Center for Holocaust Studies in Los Angeles.

"But that's not what the chancellor is saying to President Bush, Prime Minister Thatcher or President Mitterrand about their concerns. Why doesn't he tell them 'trust me' about the demilitarization of armed forces, monetary union and Germany's continued NATO membership?"

"Just as the Western allies don't accept 'trust me' as a means of settling external disputes, so the victims of Nazism don't take it as a solution to solving the great internal questions that have to be raised. Trust is simply not enough," Hier said.

Hier was referring to a Feb. 28 letter he received from Kohl, in which the chancellor said that while he understands the anxiety expressed by American Jewish survivors of the Nazi Holocaust, "it needs to be asked whether such anxiety is essentially justified, whether its roots lie not only in the past but also in the present."

"I cannot conceal my deep disappointment at how little many opponents of German unity take note of the fact that for decades now especially the young generation in the free part of Germany has been informed without any taboos of the causes and consequences of the National Socialist tyranny."

'Alarming Lack Of Information'

"It is high time for the positive things that have happened in Germany since 1945 to be discussed more intensively in the United States. I feel that an alarming lack of information exists in this respect," the chancellor said.

Kohl's letter was in response to a Feb. 9 letter that Hier had written, alerting the West German leader to American Jewish concerns regarding a reunited Germany and its Nazi past.

"Those who bear the scars of the last 'unified Germany' do not see their concerns being addressed in the current reunification discussions between world leaders," wrote Hier.

"Not a single word is said publicly about the great internal questions of how to educate millions of people who have been cut off from the real world for more than 40 years and how to prevent their ignorance of the past from negatively affecting the course of the future."

But in Washington on Wednesday, West Germany's ambassador to the United States, Juergen Ruhfus, said that he was optimistic that if the Germans were reunified, East Germany would "accept the full truth of the past."

Speaking to the National Leadership Conference of the Wiesenthal Center, Ruhfus said that the Holocaust is an "obligatory part of the curriculum" in his country, and that in the event of reunification, West Germany would "spread all of the information we have" to East Germany.

In his letter to Kohl, Hier suggested that

certain actions on the part of a united German government would soothe American Jewish concerns. His recommendations included the establishment of a national education task force and a federal agency to monitor hate groups.

Kohl's response showed noticeable irritation.

Citing West Germany's long-standing dedication to educating its young about their country's Nazi past, its penal code, which specifically combats "crimes of hatred" with fines and criminal sentences, and its various measures against "right-wing extremism," Kohl wrote that Hier's suggestions were unnecessary.

"Your anxiety," he wrote Hier, "appears to rest on the assumption that the people in the GDR have not been given any opportunity to learn from the past. That is not correct, but even if it were true, it would surely be an additional argument in favor of the Germans coming together at last in common freedom."

"To my mind there is no doubt that (West German) provisions will also apply in a united Germany. This does not require any special demand!"

Kohl argued in his letter that if anyone has established a long history of loyalty that warrants international trust, it's West Germany.

"Do you realize that the Federal Republic of Germany has for decades maintained particularly close and good relations with the state of Israel and has for years been the only one of the twelve members of the European Community to stand up actively and without restriction for Israel's interests?" he queried.

"He is right that West Germany has made a great effort," said Hier. "But the issue is that despite such attention in West Germany in recent years, statistical polls taken in West Germany, including the ones in the last six months, show that a large majority dislikes Jews and distrusts them."

"Our task is to make sure that the Deutsch memory should be as strong as the Deutsch mark," said Hier.

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

ISRAEL JOINS EFFORT TO AID EAST EUROPE

By Edwin Eytan

PARIS, March 6 (JTA) -- Israel will have input into the economic development of Eastern European countries.

Israel was admitted Tuesday as a founding member of the European Bank for Reconstruction and Development, a financial institution newly created by the European Community.

The bank's purpose is to assist the economic integration and democratization process of the Eastern European countries, which have shaken off more than 40 years of Communist rule and have embarked on major economic and political reforms.

As a member, Israel will be able to present projects to the bank's board for financial backing and guarantees.

The United States and Canada, and a half-dozen other major industrial powers outside the 12-member E.C., have also joined the project.

Professor Michael Bruno, governor of the Bank of Israel, Israel's central bank, will attend the first formal session of the new bank's board of directors in Paris next week. The board will appoint its officers and decide where it will be located.