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ISRAEL'S COALITION GOVERNMENT FALLS WITH HELP FROM TWO ORTHODOX PARTIES By David Landau

JERUSALEM, March 15 (JTA) -- The Knesset no-confidence vote that toppled Prime Minister Yitzhak Shamir's government Thursday could signal the end of the Likud bloc's 13-year political alliance with the Orthodox parties.

It was defections from the ultra-Orthodox Shas and Agudat Yisrael parties that deprived Likud of the votes needed to quash a no-confidence motion submitted by the Labor Party.

Agudat Yisrael sided with Labor to bring the government down, and all but one of the six Shas ministers stayed away from the vote, on the orders of the party's spiritual leader, Rabbi Ovadia Yosef.

The 60-55 vote came shortly before 9 p.m., at the end of a long day of parliamentary debate and behind-the-scenes negotiations. It marked the first time an Israeli government had fallen as a result of a Knesset no-confidence motion.

The political community immediately turned its attention to the prospects of forming a new government.

Under Israeli law, Shamir remains at the helm of a Likud-led caretaker government while President Chaim Herzog consults with each of the

parties to determine which has the best chance of assembling a governing coalition.

Once Herzog makes a decision, the lucky party will have three weeks to put together a government. If the president concludes that no party can muster a governing majority, he will

call new elections.

Rabbi Yosef's decision to order the Shas ministers not to take part in the no-confidence vote followed last-minute negotiations at his Jerusalem home involving Shamir and Labor leaders Shimon Peres and Yitzhak Rabir.

Shamir Balks At Shas Compromise

The conciliation effort apparently failed when Shamir refused to accept Yosef's attempted compromise proposal: that he restore Peres and the other Labor ministers to the Cabinet immediately and accept, within one week, the American proposal for Israeli-Palestinian peace talks.

Labor, in turn, would have to withdraw its no-confidence motion and support the principle that the Palestine Liberation Organization should not become involved in the peace process.

The key figure in persuading Shas to desert Likud was Interior Minister Arye Deri, who has never hidden his own personal preference for Labor.

At midday Thursday, Deri declared that Labor had accepted the Yosef compromise and that it was now up to Likud to do the same. Deri threatened publicly over the radio that he would "change the decision" of the Shas Council of Sages if Likud spurned the proposal.

But Shamir, under pressure from the hardline wing of Likud, could not give the required commitment that Israel would respond affirmatively to the U.S. plan.

Shas' minister of absorption, Rabbi Yitzhak Peretz, did attend the vote, and he supported the government, which earned him warm thanks from the Likud side. But his vote alone could in no way restore the damage done by the absence of his five party colleagues.

Earlier in the day, much of the attention was focused on another ultra-Orthodox party, the two-seat Degel HaTorah faction. But in the end, Degel sided with the government "regretfully," as party leader Avraham Ravitz put it when he announced his roll-call yote.

The more moderate-Orthodox National Religious Party also voted en bloc to preserve the government.

But two of its five members, Cabinet Minister Avner Shaki and Knesset member Yigal Bibi were pleased enough with the outcome to congratulate Peres after the government had fallen.

It would now appear that Labor's prospects of ruling with the help of the Orthodox parties are better than at any time since Menachem Begin swept Likud into power in 1977, after 29 years of Labor-led governments.

NEWS ANALYSIS:

BREAKUP OF ISRAELI GOVERNMENT POSES DILEMMA FOR AMERICAN JEWS By Charles Hoffman

JERUSALEM, March 15 (JTA) -- No matter what direction the political crisis in Israel now takes, some difficult times lie ahead for organized American Jewry.

Most American Jews, acting as individuals, would prefer to stay out of the political disputes between Labor and Likud over future relations with the Palestinians and the status of the administered territories.

But Jewish organizations, especially those that claim to speak for large segments of American Jewry, will find it increasingly difficult to sit quietly on the sidelines as the political cauldron boils over in Israel.

One set of problems could arise, for example, if Prime Minister Yitzhak Shamir succeeds in setting up a narrow coalition to replace the broad-based unity government that fell Thursday. This narrow grouping would be composed of the Likud, the religious parties and several far-right political bodies.

A narrow, right-leaning government led by Likud most likely would be based on a resounding rejection of U.S. Secretary of State Baker's proposal for preliminary talks in Cairo between Israel and a Palestinian delegation.

Support For Shamir Might Falter

Since the Bush administration already has demonstrated its impatience with Shamir's lack of enthusiasm for the Baker plan, one could expect even greater administration hostility toward a an Israeli government united by its opposition to the proposed Cairo talks.

In such a scenario, the fragile consensus that has held for the past year among organized American Jewry would quickly break down.

Since last spring, when Shamir presented his plan for elections in the administered territories, the bodies that claim to speak for organized American Jewry have given Shamir the benefit of the doubt.

The Conference of Presidents of Major

American Jewish Organizations, the National Jewish Community Relations Advisory Council and the American Israel Public Affairs Committee have all stressed that Shamir's plan represents a sincere effort to reach an accommodation with the Palestinians and should be given American sup-

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The establishment of a narrow government led by Shamir would probably pull the rug out from under this consensus.

It would be very difficult for organized American Jewry to continue to argue with a united voice that Shamir is sincere in his desire for a settlement with the Palestinians.

Moreover, if the leaders of organized American Jewry sided openly with Shamir, they would quickly find themselves in a messy confrontation with the Bush administration.

'Who Is A Jew' May Resurface

Some major American Jewish groups have been skeptical of Shamir's sincerity from the outset, but have suppressed open expression of their doubts in order to maintain a united front.

These groups -- the American Jewish Congress, the American Jewish Committee, and the Reform and Conservative movements -- might well be moved to make their reservations public if Shamir were to emerge at the head of a narrow coalition that would be blamed for stonewalling on the peace process.

Another possible scenario would be for Labor Party leader Shimon Peres to form a narrow coalition government based on Labor, the religious parties and several small left-wing parties.

Such a government, which would no doubt accept the Baker plan, would gain the immediate support of the Bush administration,

On the surface, then, it appears that a leftleaning narrow government would be easier for most American Jewish leaders to support. Doing so would enable them to avoid a confrontation with the administration.

It also would be consonant with their political leanings, if a recent survey conducted by sociologist Steven Cohen is accurate in its conclusion that most American Jewish leaders hold "dovish" views on the Arab-Israeli conflict.

Yet the price that Peres would have to pay the religious parties for their participation in his coalition might raise serious misgivings among many American Jews.

In addition to their usual demands for key Cabinet posts and for increased funding of Orthodox institutions, the religious parties are expected to raise the "Who Is a Jew" issue in one form or another.

Assurances From Likud And Labor

This issue, which inflamed Israel-Diaspora relations in late 1988, refers to the status of converts to Judaism who make aliyah to Israel.

The ultra-Orthodox parties have sought to change the Law of Return, so that only those immigrants converted by Orthodox rabbis would be recognized as Jews in Israel.

That is offensive to most American Jews, the vast majority of whom identify with one of the non-Orthodox movements.

American Jewish leaders would face a harsh dilemma: They would be asked to support a narrow coalition sincerely committed to the peace process, but which is prepared to make a major concession to the ultra-Orthodox on "Who Is a Jew."

Of course, demands from the religious parties on "Who is a Jew" would not be aimed only at Peres. Shamir also would find himself under intense pressure to yield to the religious parties on this issue, in order to muster a parliamentary majority for his narrow coalition.

If Shamir were to give in on "Who Is a Jew," this would create a worst-case scenario for American Jewry.

A Shamir-led narrow coalition, which would in any case be difficult to support on political grounds, would further alienate American Jews by caving in on "Who Is a Jew."

In New York, Malcolm Hoenlein, executive director of the Conference of Presidents, said Thursday that he had "received assurances" from leaders in both the Likud and Labor parties that "the 'Who Is a Jew' issue is not on the agenda." Rabbi Alexander Schindler, president of the

Reform movement's Union of American Hebrew Congregations, said that he, too, had received assurances earlier this year from Shamir and Peres that they would not "submit to demands by the Orthodox for a change in the Law of Re-"We will hold the leaders of both major parties to their word," he said.

BUSH STATEMENT ON JERUSALEM

GATHERING OPPOSITION ON HILL By Howard Rosenberg

WASHINGTON, March 15 (JTA) -- Nine members of Congress asked President Bush in a letter Wednesday to issue a clarification that U.S. policy on East Jerusalem has not changed.

In an apparent swipe at Bush's March 3 statement equating Jewish settlement in East Jerusalem and the West Bank, they wrote, "In our view, the status of Jerusalem need not be settled early in the current peace process.'

The letter, initiated by Sen. Rudy Boschwitz (R-Minn.) and signed by eight other lawmakers, stated that "Jerusalem should never again be divided."

And within East Jerusalem, it said, "people should be free to live wherever they wish without regard to their faith."

But they said recent statements by top U.S officials "could raise doubts about our long standing commitment to the right of Jews to live in East Jerusalem."

The letter, however, was relatively mile compared to statements made on the House floo Wednesday during a one-hour "special order free-for-all devoted to East Jerusalem.

The session, spearheaded by Rep. Edward Feighan (D-Ohio), saw lawmakers contesting th U.S. positions that East Jerusalem is occupied territory and that its final status should b resolved in Arab-Israeli negotiations.

Some argued that Bush may have torpedoe current peace prospects with his March 3 com

Others called on Bush to recognize Jerusalen as Israel's capital and move its embassy then from Tel Aviv.

Rep. Dante Fascell (D-Fla.), chairman of th House Foreign Affairs Committee, inserted int the Congressional Record that "the United State should not presume to advise the Israelis who the capital of their country should be. Only th Israelis can make that determination."

Besides Fascell, 19 other lawmakers inserte written comments into the Congressional Record.

SOVIET DENOUNCES ISRAELI SETTLEMENT OF OLIM, BUT OPPOSES EMIGRATION CUT By Allison Kaplan

UNITED NATIONS, March 15 (1TA) -- The Soviet Union's U.N. ambassador Thursday delivered a stinging denunciation of the settlement of Soviet Jews in both the West Bank and East Jerusalem.

But he stated firmly that his country did not intend to cut off Soviet Jewish emigration.

Ambassador Alexander Belonogov opened a Security Council debate requested last month by his country on the issue of Israel's settlement of Soviet Jews in the administered territories.

Calling such settlement "extremely serious," he said that Israel was attempting to battle the intifada by deliberately settling Soviet Jews in the territories."

An issue singled out for special attention was that of East Jerusalem, whose status has recently become a point of conflict between Israel and the United States.

Belonogov said that recent statements by Israeli leaders encouraging large-scale settlement in East Jerusalem had not gone unnoticed by the Soviet government.

Last week, both Prime Minister Yitzhak Shamir and Housing Minister David Levy called for stepped-up construction of homes in East Jerusalem for the Soviet Jewish immigrants.

Belonogov reminded the Security Council of the Soviet government's position that East Jerusalem is an essential part of the West Bank, which is under "Israeli occupation."

But after these harsh condemnations, the Soviet envoy dismissed the notion of cutting off the emigration of Soviet Jews, saying such action would contradict progress toward greater individual freedom of movement in the Soviet Union.

Asks U.S. To Take More Emigres

He did, however, ask the United States to "broaden" its immigration guidelines for Soviet Jews, saying that the United States, not Israel, is their preferred choice of destination.

Israel's U.N. ambassador, Johanan Bein, said in response that there are "no grounds" for charges that Israel is directing Soviet newcomers to the territories.

"Over 99 percent of the immigrants have settled in Israel's main urban centers," Bein said.

He added that "those advancing the allegation that a danger is being posed to the demographic composition of the territories know that there are no grounds to support it.

"Their only recourse, is, therefore, to cling to words attributed to Israel's prime minister, who supposedly stated that more territory is needed for immigrants."

The Israeli ambassador then reiterated Shamir's denial that he had been referring to the administered territories when he said that a "big Israel" was needed for the Soviet immigrants.

In the Security Council debate Thursday, representatives from Cuba, Jordan, Malaysia, Senegal, the Arab League and the Palestine Liberation Organization joined with Belonogov in condemning the alleged Israeli transpressions.

Farouk Kaddoumi, a high PLO official, called on the United States and the Soviet Union to stop the immigration which he called a "travesty of justice." No resolution was introduced during the course of the debate, which was postponed indefinitely.

OPERATION EXODUS: A CAMPAIGN NOT FOR MILLIONAIRES ONLY By Howard Rosenberg

WASHINGTON, March 15 (JTA) -- The United Jewish Appeal's Operation Exodus campaign has gotten off to a running start among the ultra-wealthy. But its chairman, Marvin Lender, vowed Monday that the effort will not be for millionaires only.

In a speech to the group's seventh National Young Leadership Conference, Lender promised that the \$420 million effort to resettle Soviet Jews in Israel would be UJA's most "broad-based campaign ever.

"We cannot not allow every American Jew to participate in this event," he said. Lender predicted that 26 UJA contributors of

a million dollars or more will have given the campaign \$85 million to \$100 million by the end of the year.

The campaign was kicked off by a "million-

The campaign was kicked off by a "millionaires meeting" on Feb. 28, hosted by clothing retailer Leslie Wexner. The meeting, which raised \$58 million, took in contributions from 16 of the 26 million-dollar donors.

A successful campaign "will send the message to Soviet Jews, to the Soviet government and to our own group, that Jews stand up for Jews, that we rely on one another," Lender said.

The campaign is designed to raise the money in one year to be paid out over three years. But Lender said Monday that if the influx of Soviet Jews increases above initial expectations, the campaign could be extended to four years.

Lender expressed some concern about general awareness of the issue of Soviet emigration.

"There are more Jews in the United States that know nothing about what we are talking about than those who do," he said.

Congressional Freedom Seder Plannned

To help raise national awareness of Operation Exodus, the UJA and the National Conference on Soviet Jewry are planning a Congressional Freedom Seder on April 3.

Another speaker at the Young Leadership Conference, Arnon Mantver, who is director general of absorption at the Jewish Agency, agreed with Lender that U.S. Jews must "feel that they are involved" in the resettlement.

He said Jewish Agency officials are ironing out new programs for U.S. Jewish communities to "twin" with Israeli municipalities that are absorbing new Soviet emigres.

The twinned American community will be able to have "hands-on involvement and impact on what's happening," but it "will be a different type of a model" than Project Renewal, Mantver said.

Project Renewal matches American Jewish communities with Israeli development towns, which received varying amounts of support from their U.S. counterparts.

Lender said that Operation Exodus "should not be perceived as a campaign to just raise \$420 million"

Rather it is "part of an international campaign to raise \$600 million," a reference to a parallel \$180 million campaign waged by Keren Hayesod, UJA's affiliate outside the United States.

That \$600 million "is part of a resettlement program in Israel of \$3.6 billion," Lender added, which will "resettle, at a minimum, over 200,000

Jews over the next couple of years."

ISRAEL, U.S. DENY ROLE IN RABTA FIRE; UNKNOWN LIBYAN GROUP TAKES CREDIT By Hugh Orgel

TEL AVIV. March 15 (JTA) - Israel, the United States and West Germany denied their countries' responsibility for the fire that has reportedly totally destroyed the chemical plant at Rabta, Libva.

The three nations rejected charges made by Libya following Wednesday's fire at the plant, which allegedly was manufacturing chemical weapons.

However, an unknown group in Cairo, the Organization for the National Wing of the Libyan Army, claimed responsibility for the act. The group was identified as an underground Libyan organization opposed to strongman Moammar Gadhafi.

The fire, some 40 miles south of Tripoli, follows reports last week that Gadhafi had ordered the start-up of the plant, which he claimed made only pharmaceuticals.

In Israel, Defense Minister Yitzhak Rabin, who was awakened in the middle of the night to respond to an American newspaper on the charge, said it was the first he had heard of the fire.

Mordechai Gur, a Labor minister without portfolio in the outgoing government, said he did not know who was to blame, "but I'm glad it happened."

President Bush denied any American complicity in the fire, saying the U.S. had "absolutely" no role in any attempt to sabotage the plant.

White House spokesman Marlin Fitzwater echoed this at his daily press briefing Thursday, adding that the plant was assumed to not be functioning. ABC News reported that the plant was burned to the ground.

State Department spokeswoman Margaret Tutwiler said that despite the absence of American responsibility for the sabotage, the United States still wanted the plant dismantled. "We are still firm in our insistence that Libya halt operations at Rabta and dismantle the plant," she said.

The Bonn government likewise denied charges Gadhafi made Thursday, blaming West German intelligence. "Any allegation that somebody from West Germany would be involved in this is absolutely groundless," said Bernd von Muenchow, a spokesman at the West German Embassy in Washington.

According to West German security sources, Libya had manufactured about 50 metric tons of mustard gas at the plant since last year.

West German businesses, specifically Imhausen-Chimie, have been deemed responsible for selling Libya the materiel and know-how to start up the plant. The owner of the firm, Jurgen Imhausen, is in prison in West Germany and his properties have been confiscated.

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

EAST BERLIN READY TO CONFESS AND CONDEMN NAZISM ON ITS OWN By David Kantor

BONN, March 15 (JTA) -- The head of the East German delegation to talks with Israel said Wednesday that East Berlin is now ready to

condemn Nazism as a special form of fascism.

Reiner Neumann, who heads his country's

delegation to talks with Israeli diplomats in

Copenhagen, told the official East German news

agency ADN that the remark on Nazism was included in a letter he delivered last week from Prime Minister Hans Modrow to his Israeli counterpart, Yitzhak Shamir.

In the letter, Modrow said his country recognized its special responsibility toward Jewish victims of the Holocaust, and that it was ready to establish diplomatic relations with Israel.

The talks marked the first since the Holocaust that East Germany admitted being accountable for German atrocities perpetrated by the Nazis against the Jews.

Neumann said that the Israeli side to the talks insisted on the distinction and the condemnation. Until now, East Germany never referred to Nazis but used, instead, the term "fascism" to describe the Nazis.

The East Germans also customarily omitted specific reference to the persecution of Jews, stressing instead that Communists were among the first victims of the "fascists."

NEW BRAZIL PRESIDENT RECANTS VOWS MADE TO JEWS ON MIDEAST By Eliezer Strauch

BRASILIA, March 15 (JTA) - Brazil's new president, who was inaugurated on Thursday, seems to have retreated from assurances he made to Jewish leaders on his position toward the Middle East.

Fernando Collor de Mello hinted in his inaugural speech that his government would condition its policy on the Middle East on the country's economic ties with the Arab world.

Collor, 40, was sworn in as the first Brazilian president elected by direct vote in 29 years.

In the speech he delivered just after taking the oath of office, Collor said his government would not jeopardize the economic ties that have developed with countries in that area, nor the ties of friendship developed through the descendants of Middle East countries who have settled in Brazil.

Arab immigrants and their descendants in Brazil number about 3 million. The number of Jews living here is variously estimated at between 80,000 and 120,000.

Collor said his country's policy on peace in the Middle East would abide by the resolutions of the Security Council and propound a peaceful solution in the framework of the United Nations, through "recognition of the legitimate rights of all the peoples."

In January, Collor assured leaders of the World Jewish Congress in New York that he would reconsider his country's support for the 1975 U.N. resolution equating Zionism with racism.

He told WJC President Edgar Bronfman that he was considering an initiative to revoke the anti-Zionist vote.

Collor asked Bronfman, a business leader, to help encourage American investments in his country.

Reliable sources told the Jewish Telegraphic Agency here that Collor's foreign minister had told a Brasilia journalist that this matter had no priority at all in his agenda. The minister, Francisco Rezek, is a descendant of Lebanese immigrants.

During the campaign, Collor angered some of his Jewish voters by bowing to Arab pressure and withdrawing from a previous statement that he would not permit the opening of a PLO office in Brasilia.