

SAUDI AMBASSADOR MEETS**WITH AMERICAN JEWS****By Larry Yudelson**

NEW YORK, Nov. 18 (JTA) -- Prince Bandar Ibn Sultan, the Saudi Arabian ambassador to Washington, met Monday with over 60 Jewish organizational leaders in two meetings called at his request.

The meetings, the first high-profile, publicized discussions between the Saudis and Jewish leaders, were termed a "breakthrough" by one participant.

The ambassador was in New York primarily for the meetings with the board of the American Jewish Congress and the Conference of Presidents of Major American Jewish Organizations.

"For the first time, the barrier was removed and we engaged in dialogue," said Presidents Conference Chairman Shoshana Cardin following the closed meetings.

Prince Bandar told the Jewish leaders that his government has accepted Security Council Resolution 242, and that Saudi Arabia consequently no longer questions Israel's right to exist.

"It's an integral part of the region," Cardin quoted the Saudi as saying.

Cardin praised the prince for his "helpful role" as Saudi representative at the Madrid peace conference, particularly in bringing the Egyptians around for the direct talks with Israel.

The prince emphasized the importance of "confidence measures" and "quids pro quo" on all sides, said Robert Lifton, president of the American Jewish Congress and a participant at the meetings.

'A Man Of Good Will'

The meetings followed four years of private talks between the ambassador and American Jewish Congress officials, said Henry Siegman, the organization's executive director.

Siegman described the ambassador as "a man of good will, who is able to empathize with Israeli leaders, the problems they face in making compromises."

"That kind of openness and sensitivity is rare in the Arab leaders Jews have met with," said Siegman.

Bandar was quoted as urging the Jewish leaders not to let go of the peace process.

"There has to be confidence building," he was quoted as saying.

As to the specifics of such moves, he reaffirmed his government's support for Egyptian President Hosni Mubarak's proposal that Israel freeze settlement-building in exchange for the lifting of the Arab boycott.

The ambassador predicted that a freeze would mean the end of the intifada, said Siegman.

"He said Israel didn't have to renounce existing settlements, or even the right to build settlements in the future. That would be worked out in the negotiations," said Siegman.

But, according to another participant, the prince did not call for American Jewish pressure on Israel. Public criticism of Israel, the prince was quoted as saying, would result in public posturing and would be counterproductive.

The ambassador made it clear that he did

not "free-lance," and that his views represented those of his government. For their part, the Jewish leaders stressed that the meeting could not be a substitute for direct Saudi-Israeli dialogue.

The prince was reported optimistic about the possibility that Syria would remain in the process, both in the bilateral, face-to-face negotiations with Israel and even in joining the multilateral talks on regional issues.

He repeated earlier Saudi denials of a new request to purchase F-15 fighter jets from the United States.

SHAMIR WANTS WORD OF MISSING ISRAELIS BEFORE RELEASING ANY ARAB PRISONERS**By Tom Tugend**

LOS ANGELES, Nov. 18 (JTA) -- Prime Minister Yitzhak Shamir said here Monday that Israel will release no additional Arab prisoners until it has more definite word about Israeli service personnel long missing in Lebanon.

The Israeli leader, on the first leg of a 10-day visit to the United States, used the occasion of a news conference to congratulate the families of two of the longest-held hostages, Terry Waite and Thomas Sutherland, just freed in Lebanon.

Sutherland, 60, of Fort Collins, Colo., and Waite, 52, who is British, were both captives of the Islamic Holy War. Waite was seized in February 1987 and Sutherland in June 1985.

"I am very glad for the release of the hostages and we share the happiness of their families. We welcome after so many years their release," Shamir said.

Reports from unnamed diplomats Monday said that Israel would follow the latest hostage releases with more prisoner releases of its own.

So far, Israel has freed 66 Palestinians and Lebanese and returned the bodies of nine. In exchange, Israel has received information on three of its own soldiers captured in Lebanon.

It is awaiting word about four others, only one of whom, air force navigator Ron Arad, may still be alive.

But Shamir made clear that until definite information is received, Israel will release no more prisoners.

The Israeli prime minister held his news conference before addressing the World Affairs Council. His remarks were seen by some as a preview of what he will tell President Bush when they meet at the White House on Friday.

Shamir argued that the bilateral peace talks between Israel and its Arab neighbors will drag out if the meetings are held outside the Middle East, as the Arabs so far have insisted.

"We cannot afford to keep large numbers (of Israeli negotiators) in a distant place for months," and so stretch out the pace of the negotiations, he said.

He said he would stress that point to Bush on Friday.

In his address to the council, Shamir urged the free world to press for democratization in Arab countries as one way to encourage the peace process.

Shamir drew resounding cheers from 1,800 people at a community rally organized by the Jewish Federation Council on Sunday evening.

The present time is "one of the greatest periods in 2,000 years of Jewish history," Shamir proclaimed to thunderous applause.

Shamir also put in a plug for American aliyah with a none-too-subtle warning that Jews may not always be safe in the Diaspora.

While Israel watches over every Jewish community and will rescue it if need be, Shamir said, he exhorted the crowd not to "wait until it is too late."

He also took a swipe at the Bush administration's delay in approving \$10 billion in loan guarantees to help Israel absorb immigrants.

"We shall not ask a single Jew in the Soviet Union, Ethiopia or elsewhere to wait 120 days or 90 days or 200 days until such technicalities can be arranged," he said.

Shamir was scheduled to meet privately Monday afternoon with former Secretary of State George Shultz and California Governor Pete Wilson.

Monday evening he will address a forum of Israeli and American industrialists participating in a half-day seminar on "Doing Business in Israel."

ISRAELIS, PALESTINIANS STUN PUNDITS WITH POLITICAL AND ECONOMIC ACCORDS By Gil Seda

JERUSALEM, Nov. 18 (JTA) -- Israelis and Palestinians have astounded political pundits by reaching agreement on significant political and economic measures to advance Palestinian autonomy without waiting for the start of formal bilateral talks.

Both sides, acting apparently from mutual self-interest, are trying to establish new patterns of cooperation independent of any ultimate political solution in the administered territories.

Equally significant is the fact that the first moves have been in the Gaza Strip, the most troublesome and impoverished of the administered territories, where the intifada began nearly four years ago.

Moreover, they encompass virtually every element of the Palestinian community, from mainstream Palestine Liberation Organization supporters to the violence-prone, rejectionist Islamic fundamentalist Hamas movement.

On the political scene, local leaders and the Israeli Defense Ministry agreed to establish a new municipal council in Gaza, to be headed by a local Palestinian attorney, Fayez Abu-Rahme.

An acknowledged supporter of the mainstream PLO headed by Yasir Arafat, he issued a statement Sunday hailing the new town council as "a breakthrough which would create a different climate."

In turn, he got the blessings of the Israelis for a successful administration, although there are obviously still hostile elements at large in the territory.

Gaza had been without a town council for years, precisely because of the pro-PLO sentiments of its leaders. The city was governed instead by Israel Defense Force officers assigned to the Civil Administration.

In another important concession, the Defense Ministry, seeking to help the territory's moribund economy, has given local Palestinian businessmen a green light to engage in joint economic ventures with Saudi Arabian entrepreneurs.

The Ministry approved the transfer of funds from the European Community and Saudi Arabia to projects run by the Gaza municipality.

Another possibility under consideration is the establishment of a new bank in Gaza with Saudi funds.

The new Saudi interest in economic ventures in the Gaza Strip coincided with a meetings on Monday between American Jewish leaders and the Saudi ambassador to the United States, Prince Bandar Ibn Sultan.

Another source of income will be Jordan, which has transferred hundreds of thousands of dollars to Gaza in the past year.

Defense Minister Moshe Arens told an audience at Tel Aviv University this week that there is now a good chance to reach an agreement with the Palestinians because they are no longer demanding an independent state as a precondition, but are willing to negotiate autonomy in stages.

The negotiations will be face-to-face talks between Israeli and joint Jordanian-Palestinian delegations. The two sides had a cordial introductory session in Madrid but since then have been unable to agree on the venue of their future meetings.

No dates have been set.

The Madrid peace conference formula follows the same lines as the 1978 Camp David Accords. It calls for a five-year period of autonomy in the West Bank and Gaza Strip. In the third year, negotiations would begin over the final status of the territories.

Before the Persian Gulf War last winter, the Palestinians refused even to discuss autonomy, calling it a back-door attempt to impose Israeli law on them. Now they are apparently prepared to negotiate it as an interim stage.

ISRAELI MINISTER ATTACKS U.S. FOR CODDLING SYRIA'S ASSAD By Larry Yudelson

NEW YORK, Nov. 18 (JTA) -- An Israeli Cabinet minister has attacked the U.S. administration for treating Syrian President Hafez Assad with kid gloves, while responding with "knee-jerk" criticism to Israeli actions.

Health Minister Ehud Olmert, a Likud moderate, complained last week that Secretary of State James Baker and Syrian Foreign Minister Farouk al-Sharaa embraced "like long-lost brothers" during a Damascus stop in the pre-Madrid shuttle diplomacy.

"There was no mention of Syria's support for terrorism," Olmert, a Likud moderate considered close to Yitzhak Shamir, told the New York Jewish Community Relations Council during a recent U.S. visit.

Olmert complained that while "a Palestinian detained in the territories" elicits American condemnation, "with Assad, there's no questions, no remarks, no criticism -- a great friendship."

He further warned that the U.S. appears to have also embraced Syrian policy on the Golan Heights.

"Mr. Sharaa said in his speech in a Damascus press conference that U.N. Resolution 242 applies to the Golan Heights, which has to be fully recovered by Syria. What is the comment by the Secretary of State? That America supports the Syrian interpretation of 242?"

This, said Olmert, is just one indication that the American administration wants to see a total return to the pre-1967 borders.

This desire for total Israeli withdrawal, said Olmert, is what the often-acrimonious debate with the U.S. over settlements is really about.

ISRAEL NOT BUYING U.S. CLEARING OF SYRIA, OTHERS IN PAN AM DOWNING

By David Landau

JERUSALEM, Nov. 18 (JTA) -- Israel does not buy the Bush administration's sudden finding absolving Syria, Iran and Palestinian terrorist groups of responsibility for the destruction of Pan Am Flight 103 over Lockerbie, Scotland, in December 1988.

The blast killed 270 people.

The absolution of Syria came with the U.S. Justice Department's announcement Thursday that two Libyans linked to their country's intelligence service had been indicted by a U.S. grand jury for complicity in the outrage.

According to Ze'ev Schiff, respected military correspondent for the Israeli daily Ha'aretz, Israeli experts believe a major share of the responsibility lies with Ahmed Jabril's Popular Front for the Liberation of Palestine-General Command, which is sheltered by Syria and financed by Iran.

That belief conforms with the findings of several news investigations. The Israelis believe that Jabril's outfit, one of the radical groups that defected from the Palestine Liberation Organization, may have acted in concert with both Syria and Iran.

According to Schiff, Israel does not feel the facts made public in recent days by U.S. and British authorities rule out or contradict evidence of involvement by either Jabril or Syria.

Moreover, the Israelis are not entirely convinced of President Bush's resolve to keep Syria on the list of countries supporting terrorism, despite assurances from the White House.

A report Monday in the Israeli daily Ma'ariv stated that despite official statements to the contrary, Washington is in fact considering removing Syria from the list of countries that support terrorism.

The newspaper based its report on diplomatic traffic from the Israeli Embassy in Washington which suggested that the Bush administration may be using a carrot-and-stick approach to influence Syria's behavior in the peace process.

On The List Since 1979

According to the report, Syria refuses to attend further bilateral talks with Israel unless the United States stops treating it as a supporter of international terrorism.

Ma'ariv said an administration official trying to "allay Israeli concerns" offered assurances that Syria was not about to be removed from the list "yet."

But the U.S. official added that in his opinion, Damascus has complied with most of the conditions for removal.

Syria has been on the list of terrorist supporters since it was compiled in 1979. Countries on that list are ineligible for U.S. foreign aid or goods and technology that would improve their military capabilities.

Meanwhile, the U.S. Justice Department remains uncertain how the indicted Libyans would be brought to justice.

The two, Abdel Basset Ali-al-Megrahi and Lamen Khalifa Fhimah, were allegedly linked to the piece of an automatic timer and clothing in the suitcase bomb placed aboard Flight 103 at Frankfurt in December 1988.

The New York-bound jumbo jet blew up shortly after leaving London, killing all 259 people aboard and 11 on the ground.

EGYPTIAN ENVOY SAYS U.N. RESOLUTION ON ZIONISM IS NOT A MATTER FOR U.N.

By Larry Yudelson

UNITED NATIONS, Nov. 18 (JTA) -- Egypt's U.N. Ambassador, Dr. Nabil Elaraby, defended his country's opposition to repealing U.N. General Assembly resolution 3379 equating Zionism with racism, saying that issues at the heart of the Arab-Israeli conflict should be kept off the U.N. agenda as long as the peace process launched in Madrid is proceeding.

This consideration also mandates the freezing of anti-Israel measures, such as the traditional challenge to Israel's credentials at the world body, Elaraby told the Jewish Telegraphic Agency in a recent interview.

But a resolution calling for a nuclear-free zone in the Middle East remains appropriate for the agenda, said the ambassador.

That resolution, drafted by Egypt with Israeli input, is expected to be approved by consensus in the General Assembly.

Egypt also backed a more pointed resolution sponsored by the other Arab countries on "Israel's nuclear arsenal."

The nuclear issues are not "under the direct consideration of the peace talks," the ambassador said. "This is a factual, necessary element for the future of the area, that all countries, on the same footing, should declare that they are not producing nuclear weapons."

What should be left to the peace talks, said the ambassador, are "all matters which one would say are the elements of the peace settlement," as delineated by Security Council resolutions 242 and 338. This includes the disputed territories occupied by Israel.

'What Does Zionism Mean?'

The Egyptian asserted that resolution 3379 is really about the occupied territories, and is not the categorical denunciation of Jewish nationalism as understood by the Israelis and most observers.

"What does Zionism mean? Does Zionism mean the occupied territories? We recognized Israel as a free state in the 1967 borders, and have no problems with that," he said.

"But as long as someone in the Soviet Union can come to the occupied territories, and a Palestinian sitting outside for 20 years cannot," then Zionism is wrong, he said.

Repealing the resolution "would create a lot of bad blood unless an accord takes place." After waiting 16 years, Israel can wait a little longer, he said.

Egypt is believed to be the leading obstacle to the repeal. And as the only Arab country that has recognized Israel, Egypt is positioned to take the leadership on the issue -- in either direction.

While Jewish organizations say that a simple head count of U.N. member states would probably yield a majority favoring the resolution's repeal, an Egyptian resolution to keep a U.S. initiative from a vote could win wide support, particularly from countries who would rather not go on record siding against either the U.S. or Arab wishes.

Egypt is said to be under pressure to comply with the Arab consensus, because one of two leading candidates to succeed Secretary-General Javier Perez de Cuellar at the end of the year, Boutros Ghali, is Egyptian. With that high-profile position at stake, the Egyptians are said to be more eager than ever not to alienate the more radical Arab delegations.

**PERES TRYING TO KEEP TOGETHER
A RAPIDLY FRAYING LABOR PARTY**
By David Landau

JERUSALEM, Nov. 18 (JTA) -- Shimon Peres is trying hard to keep the Labor Party glued together on the eve of a national convention that may see it fragmented by defections along ideological lines.

The 2,000-plus delegates will convene Tuesday in Jerusalem for a ceremonial evening of ritual and rhetoric.

They shift Wednesday to Tel Aviv, where the balance of the week will be devoted to lobbying, debating and voting on the party's platform, its future leadership and other basic issues.

It is there that the clash between hawks and doves may decide the party's future -- or if it has one.

But Labor Party Chairman Peres professes to be unfazed. According to him, the words "hawk" and "dove" signify nothing more than "nuances" of opinion concerning hypothetical scenarios.

For example, Peres observed that the practical negotiations over the final status of the West Bank and Gaza Strip will not even begin for several years.

Why should Laborites fight each other over such matters now, asked Peres, when the basic division in Israeli politics is between Likud, the advocate of "Greater Israel," and Labor, which preaches territorial compromise.

But Peres's suggestion Sunday that territorial compromise might be possible on the Golan Heights to achieve peace with Syria drew a furious reaction from the party's hawks.

They warned they would leave if the platform committee's recommendations on that subject are approved by the convention.

The draft platform favors territorial concessions on the Golan and calls for a halt to the building of new settlements there.

On the other side of the ideological divide, Labor dove Galia Golan, a Hebrew University Sovietologist, has informed Peres she is quitting Labor to join the Citizens Rights Movement because Labor stands "far, far from my views on key issues."

Another Labor dove, Knesset member Avrum Burg, has charged that party circles close to Histadrut boss Yisrael Kessar improperly pressured delegates and activists not to attend a rally organized by doves in Tel Aviv on Sunday night.

According to Burg, Histadrut officials made veiled threats of job losses. He spoke of "an atmosphere of terror" in the party.

Party Secretary Micha Harish pressed Burg for names and details. He promised to take disciplinary action against anyone making such threats or exerting such pressure.

**CLASH BETWEEN SHARON, TREASURY
COULD AGGRAVATE HOUSING CRISIS**
By Gil Sedan

JERUSALEM, Nov. 18 (JTA) -- An angry clash between the Finance Ministry and Housing Minister Ariel Sharon may further aggravate an immigrant-housing shortage that had seemed near solution.

Sharon's Housing Ministry has accused the Treasury of holding up new construction by refusing to lay out the huge amounts of cash necessary to finance Sharon's aggressive housing program.

Although the Treasury announced this week it would advance some \$200 million, the Housing Ministry warned that if the dispute between the two government departments is not resolved by the time Prime Minister Yitzhak Shamir returns from his U.S. visit next week, construction would be halted on 75,350 apartments.

In order to spur housing construction, the government promised private contractors that it would purchase new apartments. Now, the Housing Ministry is accusing the Treasury of refusing to provide it with the funds necessary to buy the privately built housing units.

Sharon's position, articulated Sunday, is that those apartments are being built pursuant to a government-approved plan and the funds for their purchase should be made available. But the Treasury says it has not received legal approval and would not lay out funds for housing projects without proper authorization.

Sharon accused the Treasury of interfering in every construction project and acting "according to the wishes of the American administration."

He did not elaborate on that remark but complained that "one cannot work anymore."

Meanwhile, even assuming that enough housing will be available for new immigrants, the absorption of those immigrants is being threatened by Israel's soaring unemployment.

Israel's unemployment rate rose by an average of 15 percent in October compared to previous months, according to figures released Thursday by the Labor Exchange. The increase was described as unprecedented for a single month.

The Labor Exchange reported 145,000 people sought jobs last month.

The country can hardly absorb new olim if no work is available for those already here.

Deputy Minister of Labor Menachem Porush warned at Sunday's Cabinet meeting that the number of jobless will reach 240,000 next year unless the government takes drastic measures to create employment.

**PALESTINIANS REBUFF
OFFER OF PROTECTION**
By Hugh Orgel

TEL AVIV, Nov. 18 (JTA) -- The Israel Defense Force has offered protection to the 14 members of the Palestinian delegation who attended the Madrid peace conference.

But the offers were turned down, despite threats against the Palestinians by Islamic extremists, Ha'aretz reported Monday.

"All we need is that Israeli defense personnel accompany us, or post guard over us," one of the Palestinian leaders was quoted as saying.

Extremist movements opposed to the peace process have been circulating leaflets in the West Bank and Gaza Strip urging attacks on the Palestinians who met with Israelis at Madrid.

In fact, death threats were made by leaflet even before the conference, directed at the most prominent Palestinians -- Faisal Husseini and Hanan Ashrawi -- who were not part of the official negotiating team.

Palestinian sources explained that the acceptance of Israeli protection would be interpreted by the Palestinian public as cooperation with the authorities.

The IDF proposed posting guards at the homes of the Palestinian delegates, all of whom live in the territories.