

**TWO MINISTERS SAY THEY WILL QUIT,
PUTTING SHAMIR REGIME IN JEOPARDY**

By David Landau

JERUSALEM, Jan. 15 (JTA) -- Prime Minister Yitzhak Shamir is trying to keep the always shaky edifice of his narrowly based coalition government from crumbling. But by Wednesday evening, its fate seemed sealed.

Science and Energy Minister Yuval Ne'eman announced on television that his far-right Tehiya party has resolved to quit the government. He said he would submit his resignation to the Cabinet at its regular weekly meeting Sunday.

Rehavam Ze'evi, a minister without portfolio who heads the extremist Moledet faction, said earlier that he would ask his party Thursday to endorse his plan to quit the Cabinet this Sunday.

Shamir's hawkish coalition partners have been threatening to quit the government if Israel's peace talks with the Palestinians turn to substantive matters.

The issue came to a head over whether the Israeli negotiating team in Washington had discussed proposals for Palestinian autonomy.

The Washington Post reported Wednesday that the Palestinians had submitted a two-page autonomy proposal to the Israelis on Tuesday.

Shamir insists nothing substantive has been put on the table. He showed his colleagues a document submitted this week by Elyakim Rubinstein, who heads the Israeli delegation talking to the Palestinians. Shamir said its contents amount to nothing more than agenda proposals.

But the Likud leader apparently failed to convince the two hard-line ministers.

Shamir Might Submit Resignation

Tehiya and Moledet oppose the talks in principle and are convinced that autonomy in any form would lead to a Palestinian state.

The defections of both parties would leave Shamir's coalition with 59 Knesset mandates, less than a majority in the 120-member parliament.

Some politicians speculated that the prime minister would submit his resignation to President Chaim Herzog early next week, before his government can be unseated by a scheduled no-confidence vote introduced by the opposition.

Though Shamir would remain prime minister of a caretaker government, such a development could freeze the peace process for an indefinite period. In some political circles, it is believed that is exactly Shamir's intention.

The left-wing Citizens Rights Movement, Mapam party and Center-Shinui Movement have urged the opposition not to cooperate with Tehiya and Moledet to bring down the government, thereby enabling Shamir to "duck out of the peace talks."

Accordingly, they prevailed on the Labor Party to delay its no-confidence motion, scheduled for debate next Monday.

Political sources meanwhile saw little chance of an alternative government or transitional government under anyone but Shamir.

The remaining question is how soon elections can be held. They are required by law not later than November 1992. If the government falls now, elections most likely will be held in June.

**BAKER SEES MIDEAST NEGOTIATORS
BUT AGREES NOT TO INTERVENE NOW**

By David Friedman

WASHINGTON, Jan. 15 (JTA) -- Israeli negotiators are winding down the current round of bilateral talks here satisfied that the United States will not intervene in the negotiations.

Zalman Shoval, the Israeli ambassador to Washington, said Secretary of State James Baker gave this assurance to the Israeli delegation during a 30-minute meeting Wednesday.

Baker also met Wednesday with the joint Jordanian-Palestinian delegation and separately Tuesday night with the Lebanese and Syrian delegations.

Richard Boucher, the State Department deputy spokesman, said that while Baker did not make any U.S. proposals to move the talks along, he repeated the U.S. desire for the negotiations to move from procedure into substantive issues.

U.S. officials said the meetings were called merely to give the secretary an update on the talks, not to involve him personally in the negotiations. The Arab negotiators, particularly the Palestinians, have urged Baker to intervene to break the deadlock, something the Israelis adamantly oppose.

Shoval, who is also a member of the Israeli team negotiating with the Jordanian-Palestinian delegation, said Baker also agreed there should be no preconditions for the talks, including a freeze on the building of Israeli settlements in the West Bank and Gaza Strip.

Hanan Ashrawi, spokeswoman for the Palestinian delegation, threatened Tuesday night that the Palestinians would not talk about Palestinian self-rule unless Israel agreed to freeze the building of settlements in the disputed territories.

Israelis Delay Departure

Shoval said discussions on settlements is for the next phase of negotiations, which will take place three years after a self-rule arrangement for the Palestinians is in place.

He repeated Israel's position that no matter what happens to the land, Israel could never accept a prohibition on Jews living anywhere in the territories.

Despite their threat, the Palestinians met again with Israel late Wednesday. Israel postponed its scheduled departure Wednesday until noon Thursday for another meeting with the Jordanians and Palestinians.

Shoval indicated that the discussion would cover the venue of the next round of talks. The Arabs are insisting that the talks continue in Washington, but Israel wants the negotiations to take place in the countries involved or, if that is unacceptable, somewhere in the Middle East.

Yosef Ben-Aharon, head of the Israeli delegation for talks with the Syrians, said Baker supported Israel's idea of offering a list of possible sites.

But if there is no agreement on venue, Baker said "there will be no alternative but for the United States to step in and see if they can mediate and reach some sort of compromise proposal," Ben-Aharon reported.

This is what the United States did after the

Madrid peace conference, when it proposed the Washington site, much to Israel's dismay.

Shoval also said that if the Palestinians want to continue negotiations, they should end terrorism. He said that while the Palestinian negotiators may not be responsible for the latest violence in the West Bank, they should be able to control their people.

"The Palestinians will have to decide once and for all" whether "they come here as angels of peace or angels of death," he said.

Palestinian Autonomy Plan

Meanwhile, Shoval said that Palestinians have presented a written proposal for autonomy in the territories and that Israel has proposed agenda items for discussion of the issue.

According to The Washington Post, the two-page Palestinian proposal calls for the election of an interim Palestinian government in the West Bank and Gaza Strip until the territories' final status is determined.

The plan proposes an assembly of 180 representatives, to be elected in an internationally supervised referendum, and the withdrawal of Israeli military forces from the territories.

Meanwhile, the Palestinians have indicated they may not accept an invitation to attend the upcoming international conference on Middle East regional issues unless their delegation is considered separate from Jordan's.

Invitations to the conference, set to open Jan. 28 in Moscow, were issued to the various parties by the United States and Russia this week.

Boucher said Wednesday that the Palestinians were invited to the conference on the same basis as they were to the bilateral talks, which means as part of a joint delegation with Jordan.

In other developments, the Israeli negotiators reported constructive meetings Wednesday with Jordan and Lebanon.

But Ben-Aharon complained that the Syrians continue to insist that Israel agree to leave the Golan Heights before any discussions of peace.

LEVY DISCUSSES MOSCOW CONFERENCE WITH E.C. LEADER DURING LISBON TRIP

By Michel Di Paz

PARIS, Jan. 15 (JTA) -- Israel and the European Community apparently are in agreement on the parameters of the international conference on Middle East regional issues scheduled to open Jan. 28 in Moscow.

The understanding was reached during Israeli Foreign Minister David Levy's two-day visit to Lisbon this week.

He met with the Portuguese prime minister, Anibal Cavaco Silva, and with Foreign Minister Joao de Deus Pinheiro, who currently holds the rotating chairmanship of the E.C.'s Council of Ministers.

Pinheiro and the foreign ministers of Holland and Britain are expected to represent the 12-nation E.C. at the Moscow conference, which is the multilateral phase of the Middle East peace process that began in Madrid on Oct. 30.

Levy paid a brief private visit to Paris on Wednesday before returning to Israel.

According to his spokesman, he and Pinheiro agreed that the multilateral peace talks would include only the development of joint projects in the areas of water resources, health, the environment and refugee resettlement.

TENSION ESCALATES IN TERRITORIES FOLLOWING BUS AMBUSH IN WEST BANK

By Gil Sedan

JERUSALEM, Jan. 15 (JTA) -- Tension in the West Bank and Gaza Strip seethed Wednesday, as militant Jews attempted to erect settlements at the sites of recent terrorist attacks, while Israel Defense Force troops tried to prevent them.

It was the settlers' response to attacks by Arab gunmen that have left four Jews dead since the end of October, when the current round of Arab-Israeli peace talks opened.

The situation was further aggravated Wednesday by the mysterious shooting death of an Israeli Druse on a hunting trip in the West Bank.

The settlers, who oppose the peace talks in principle, were most inflamed by the ambush Tuesday on a passenger bus in the West Bank. Two radical Arab groups opposed to the peace process have claimed credit for the attack.

Six Jewish settlers, two of them children, and one Arab were wounded when an Egged bus traveling from Jerusalem to the settlement of Shiloh came under fire near Ramallah.

The Jews were passengers on the bus while the Arab was driving a private car just behind it. All were hospitalized. Two of the victims were reported in serious condition.

The Popular Front for the Liberation of Palestine and the Islamic fundamentalist Hezbollah each claimed credit for the attack.

It was the second ambush in the West Bank since Oct. 29, the eve of the opening of the Madrid peace conference, when a bus carrying Jewish settlers to a Tel Aviv rally against the peace talks was riddled with bullets. The bus driver and a woman riding the bus were killed.

12-Year-Old Wounded Twice

By a bizarre twist of fate, 12-year-old Dov Wiener, who was wounded in the Oct. 29 incident, was hit again in his legs Tuesday evening on the bus he was taking for a final medical checkup.

Following the ambush, scores of settlers tried to establish five settlements in the West Bank and one in the Gaza Strip.

The would-be settlers were confronted by IDF troops at each location. Twenty were arrested at the Ginal junction, just outside the West Bank city of Jenin, when they refused to leave.

In Hebron, soldiers hauled off dozens of settlers who resisted the removal of freshly erected mobile homes, but none was arrested.

At a third site, outside Ramallah, a mobile home and trailer became mired in mud. The army arrested four settlers who refused to leave.

IDF troops surrounded a fourth encampment in the West Bank, waiting for orders from Defense Minister Moshe Arens to evacuate it.

Jewish militants are still occupying Palestinian land near the Gaza Strip settlement of Kfar Darom, where a Jew was fatally shot last month.

Meanwhile, the Druse community in northern Israel is up in arms over the murder of Mufied Cana'an, 45, from Yarka village in Galilee.

He was on a hunting trip with friends near Jenin when he went off on his own and was later found shot dead.

The Yarka village council announced it would hereafter not allow Arabs from the administered territories into its village.

Salah Tarif, head of the Council of Druse Mayors, said the ban would apply to all 17 Druse villages in Israel.

**U.S. NEGOTIATING DEAL WITH ISRAEL
ON CONDITIONS FOR LOAN GUARANTEES**

By Howard Rosenberg

WASHINGTON, Jan. 15 (JTA) -- The Bush administration has committed itself to working out a loan guarantee agreement with Israel within the next six weeks, according to a top Jewish organizational official.

Malcolm Hoenlein, executive director of the Conference of Presidents of Major American Jewish Organizations, said Secretary of State James Baker will be meeting soon with Israeli Ambassador Zalman Shoval to "arrive at an understanding" on Israel's request for U.S. guarantees covering \$10 billion in loans.

The loans, to be taken out in \$2 billion installments over five years, would be used to help resettle the hundreds of thousands of immigrants arriving from the republics that formerly constituted the Soviet Union.

A State Department source confirmed that Baker and Shoval will begin talking soon, but she did not provide a date.

Hoenlein said the time frame was outlined Tuesday by Brent Scowcroft, the White House national security adviser, during a meeting here with members of the Conference of Presidents.

Shoval has been meeting with various administration officials over the past few months to ascertain what conditions the United States would place on the guarantees. He discussed the matter last week with Richard Haass, Scowcroft's top Middle East aide.

Shoval, who also met Tuesday with the Conference of Presidents, is the sole Israeli authorized to negotiate with the administration on this issue, an Israeli diplomat here said. He said Shoval has not agreed to accede to any cuts in Israel's \$10 billion request.

In Tuesday's meeting, Scowcroft did not elaborate on what conditions the administration will seek.

But Hoenlein said Scowcroft raised two general areas of concern relating to Israeli settlements in the West Bank and the stagnant Israeli economy.

Mandated Settlement Freeze Possible

The administration is expected to try to use the loan guarantees to deter Israel's large housing expansion plans for the West Bank, which President Bush views as an obstacle to peace.

Several members of Congress have proposed another possible condition on the guarantees that would require Israel to enact stringent economic reforms, including privatization of government-owned companies.

To discourage Israel from expanding Jewish settlement in the West Bank, Sen. Patrick Leahy (D-Vt.) has floated the idea of deducting from any new U.S. loan guarantees the amount that Israel spends annually on settlements.

An alternative idea of restricting Israel would be to mandate a freeze on new Israeli settlements or to somehow limit the rate of expansion.

Morris Amitay, a pro-Israel lobbyist here, expressed skepticism that Israeli Prime Minister Yitzhak Shamir would ever go along with a freeze, even if it means forgoing the U.S. guarantees.

But some U.S. Jewish leaders, such as Henry Siegman, executive director of the American Jewish Congress, are publicly urging Israel to

scale back new settlement plans, arguing that Israel cannot afford to do without the U.S. loan money.

The Conference of Presidents has not taken an official position on the Leahy plan or other U.S. restrictions. But Shoshana Cardin, the umbrella group's chairman, is expected to discuss the consequence of continued settlement-building with Shamir when she visits Israel next week.

Congress To Act In March

Kenneth Bialkin, a former chairman of the Conference of Presidents who is now president of the Jewish Community Relations Council of New York, said he would support any U.S. conditions that would encourage privatization and thereby make it more likely that Israel would be able to repay the loans.

But Bialkin said he would oppose any conditions related to settlements as "political" and unrelated to Israel's credit-worthiness.

On that point, Hoenlein said the Conference of Presidents prefers no linkages, but that economic ones are less objectionable.

The conference does not plan to mount a high-profile grassroots campaign like the one last fall that failed to get Congress to force the administration's hand on the issue.

Jewish organizational leaders recognize that Congress is hesitant to fight the administration on the issue, given the political risk of appearing to dole out foreign aid during a recession.

As a result, the Jewish leadership has decided to work quietly with the administration to achieve a deal.

Republican Jewish activists are also refraining from pressing the administration on the issue.

"Very few, if any, will point to the guarantees as a litmus test of support for the president," said one knowledgeable party activist.

But should the loan guarantee issue remain undecided through much of the spring, the Jewish vote could become an important consideration for Bush in California, New York and other large industrial states, the activist added.

Israel now has a three-month period to hammer out a deal with the administration before Congress revisits the 1991-92 foreign aid appropriations bill in March.

The bill was held up last fall in order to serve as the likely legislative vehicle for authorizing the guarantees. The bill also would provide Israel, by April 1, with the second \$1.5 billion installment of its \$3 billion annual foreign aid package.

1991 INFLATION RATE WAS 18 PERCENT

By Hugh Orgel

TEL AVIV, Jan. 15 (JTA) -- Israel's consumer price index rose a modest 0.3 percent in December, settling the inflation rate for 1991 at 18 percent, the Central Bureau of Statistics announced Wednesday.

Economists, who were forecasting a 20 percent annual inflation rate only a few months ago, expressed satisfaction.

Housing and health costs, though up for the year, declined last month. They were offset by seasonal rises in the price of fruits and vegetables, up 4.7 percent, and clothing prices, up 3.2 percent.

Housing costs rose in 1991 by 28 percent, and the cost of health care was up 19.5 percent for the year.

**BEHIND THE HEADLINES:
WITH ELECTIONS ONLY MONTHS AWAY,
PARTIES COURTING IMMIGRANT VOTE**
By Gil Sedan

JERUSALEM, Jan. 15 (JTA) -- Renewed speculation over early elections in Israel has focused the eyes of politicians and the public on the 200,000 new immigrants from the former Soviet Union.

Will they vote in large numbers and if so, how?

Will the immigrant vote change the course of Israeli politics? Will the existing parties benefit, or will a new immigrant party emerge?

Will the parties of the right win the votes cast by immigrants who fled the oppression of a Communist regime? Or will immigrants dissatisfied with the way they have been treated by the incumbent Likud regime cast ballots for the left-wing opposition?

Those are some of the questions being aired at the start of this election year.

Before the year ends, a new Knesset will be elected. Whether that happens in November, when the present Knesset's term expires, or months sooner also could affect the number of emigres voting and how they cast their votes.

The two major political camps each claim that the former Soviet Jews prefer their political message.

Conventional wisdom has it that the immigrants' traumatic experience with communism will send them veering toward the right.

But conservative observers, such as former prisoner of conscience Yuli Edelstein, believe that the immigrants will not think in terms of right or left before casting their votes, but rather of their personal well-being.

Others say that no partisan loyalties will have been formed in time for the next elections. The immigrants will constitute the largest-ever floating vote.

Parties Pushing Their Messages

Political parties on both right and left are wasting no time to gather in the floaters. Each is pushing its own message.

Activists of Mapam, the United Workers Party, tell the olim that the only cure for rising unemployment is a change of government.

Supporters of Tehiya, which favors annexing the West Bank, organize bus trips across the "Green Line" to convince the olim that giving up any territory could jeopardize their security.

Peace Now has organized similar trips to send the message that only territorial concessions can bring peace to the region.

Dr. Aharon Fein, director of the Jerusalem Polls Institute, conducted a survey which showed that 36 percent of immigrants from the former USSR have still not decided how they will vote.

About 25 percent said they would vote for the left, and slightly more than a third expressed loyalty to the right. Only 1 percent of the olim would vote for the religious parties.

But the religious parties are investing heavily in what they call "spiritual absorption of immigrants." Unofficially, though, the religious parties say they do not pin much hope on the immigrant voters.

All other parties, except for the Communists and the Arab parties, expect to gain from the new wave of aliyah.

The Fein poll confirms Edelstein's gut feel-

ing that immigrant voting patterns will not be determined by the Israeli-Palestinian conflict but by more personal issues.

If the olim have found jobs and housing, they will vote for the establishment. If not, they will vote for the alternative.

An Election Campaign In Russian

Activists of the Labor Party, the left-wing Citizen Rights Movement and Mapam say that because the majority of voters from the former Soviet Union are educated and intelligent, they are well aware of the difference between the Israeli left and Soviet communism.

But activists from the right-wing Tehiya, Tsomet and Moledet parties say their very education and intelligence will persuade them that a country with narrow borders cannot survive.

Most parties have staffed their olim outreach headquarters with earlier immigrants from what was the Soviet Union, like Ya'acov Feitelson, a former mayor of the West Bank town of Ariel, who came to Israel in the early 1970s. He wants to represent Russian immigrants in the next Knesset as a Tehiya politician.

Alex Glasman, who arrived in 1973, heads the Likud immigrant office. Shai Gruenspan, who came here in 1974, does the same job for Mapam.

Labor has chosen one of its big guns, Yossi Geinossar, a former head of the General Security Service, known popularly as the Shin Bet. Geinossar immigrated to Israel more than 30 years ago, at the age of 12, but he still speaks Russian fluently.

He believes that 70 percent of the new immigrants have not yet made up their political minds and can be persuaded in any direction.

Even Gil Samsonov, a Likud spokesman, shares Edelstein's view that the success of the absorption process will determine the immigrant vote.

Successful absorption means support for the present leadership. Unemployment and housing problems will turn the immigrants away in search of other leaders.

So far, most of the wooing has been in the Russian-language dailies and weeklies, since most immigrants cannot yet cope with the Hebrew media.

If the election date is advanced, the struggle to reach Russian-speaking voters will intensify. It will be the first time in Israel's short history that much of an election campaign is conducted in a foreign language.

Immigrant Party Could Be Successful

In theory, Israeli Arab voters translate into 12 to 14 Knesset seats, which would make them a major factor.

But the Arabs have never managed to concentrate their potential political power. They have fragmented their votes among the Communist and the Zionist parties.

"It may well be that if one of the immigrants establishes a no-nonsense immigrant political movement, he could gain a number of Knesset seats," Edelstein said.

"An immigrant party which would say, 'They don't give us, so let's take what we deserve ourselves,' is likely to be quite successful," he said.

If all immigrants from the former Soviet Union vote for one party -- an immigrant party, for example -- they could become a major political force, with seven or eight Knesset seats.