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**ISRAEL TAKES A LOOK AT HOW IT WILL  
'GET BY' WITHOUT U.S. LOAN GUARANTEES**

By David Landau

JERUSALEM, March 19 (JTA) -- While Finance Minister Yitzhak Moda'i told a group of builders this week that Israel would "get by" without U.S. guarantees for the loans it needs to house new immigrants, the head of the country's central bank hinted strongly that painful belt-tightening lies ahead.

Moda'i, addressing the Building Contractors Association on Thursday, said Israel's economic troubles could be solved by economic growth and other measures, which he did not spell out.

Economists expect no unpopular fiscal measures before the Knesset elections June 23. But many believe such steps are inevitable given the costs of immigrant absorption, especially now that the U.S. loan guarantees appear doomed.

Jacob Frenkel, governor of the Bank of Israel, urged the government Wednesday to reassess its budgetary priorities for the current fiscal year in light of its failure to obtain guarantees for the \$2 billion worth of loans it had planned on borrowing.

Israel can borrow that amount without U.S. underwriting, but not at the lower rate of interest it had counted on.

"We will have to ask ourselves whether we can afford today what we thought we could afford yesterday," Frenkel told reporters. But as a non-political official, he stopped short of urging a cutback in settlement-building in the West Bank and Gaza Strip.

A settlement freeze is Washington's condition for receiving the loan guarantees.

Frenkel also intimated that a reduction of the government's deficit would help Israel find the funds it needs in the world's money markets.

But he warned against using the country's foreign currency reserves for investment purposes.

Potential foreign lenders always examine the level of currency reserves before deciding whether to lend and on what terms, Frenkel said.

**NEWS ANALYSIS:****LIKUD AND LABOR BOTH BEDEVILED  
BY INTERNAL STRAINS IN THE RANKS**

By David Landau

JERUSALEM, March 19 (JTA) -- Israel's election campaign picked up tempo this week with internal strains threatening splits in both major parties.

Likud is in greater disarray at the moment because of a power struggle at the very top over the composition of its election slate for the June 23 ballot.

But the rival Labor Party faces a similar brawl when it selects its candidates in a primary vote later this month.

The internal political wrangles were overshadowed this week by the diplomatic wrangle with Washington over the U.S. loan guarantees and allegations that Israel illegally transferred U.S. weapons technology to third countries. Israel hotly denied the charge.

But whatever develops from those issues, observers here do not entirely exclude the possi-

bility of a complete rupture between Prime Minister Yitzhak Shamir and his disgruntled foreign minister, David Levy.

Levy accuses Shamir and his close ally, Defense Minister Moshe Arens, of acting in collusion with Housing Minister Ariel Sharon to steamroller their prearranged list of candidates through the Likud Central Committee elections March 1 and 2, at the expense of Levy and his allies.

The foreign minister says he will not accept what he calls "majoritization," a dictatorship of the majority to the exclusion of the minority.

**Some Urging Levy To Secede**

In negotiating sessions between lieutenants of the two sides, Levy's people demanded 30 percent of all party offices and appointments.

They hit on that figure because Levy won 31 percent of the Central Committee vote in a direct challenge to Shamir for party leadership last month.

While the prime minister prevailed with 46 percent, his rancor toward Levy hardly diminished.

One leading member of the Levy camp, Kiryat Shmona Mayor Prosper Azran, told reporters Tuesday he was quitting Likud and might join Rafael Eitan's far-right Tsomet party.

Other Levy supporters have been openly urging their leader to secede from Likud and form an electoral alliance with another party or with a disaffected politician, such as Finance Minister Yitzhak Moda'i, whose peace overtures toward Likud have been rejected.

The dispute is becoming a serious embarrassment to Likud as it gears up for the elections.

For one thing, Shamir is unable to make crucial appointments to the party's campaign headquarters staff, since they, too, are at issue between him and Levy's camps.

Levy's supporters warn, moreover, that their man attracts the support of middle-of-the-road voters drawn to his relative moderation on defense and foreign policy.

Without a contented Levy at the forefront of its campaign, they warn, the Likud may forfeit that critical bloc.

Levy himself says the Shamir-Arens-Sharon alliance means a sharp lurch to the right for the party and a move away from the peace commitment, which he says he best personifies among Likud leaders.

**Labor Facing Similar Problems**

At first blush, it would appear that Labor would rejoice over Likud's public discomfiture. But in truth, Labor activists view it with concern, because Likud's troubles may well foreshadow a similar embarrassing crisis in their own ranks.

In the Labor scenario, Shimon Peres, who lost the party's leadership to his longtime rival Yitzhak Rabin, would play Levy's role.

Peres supporters have warned against an attempt by the Rabin camp to weight the party's election list in favor of its side to the relative exclusion of Peres loyalists, who account for 35 percent of Labor's strength.

It boded ill for peace and harmony in Labor

ranks when pro-Rabin activists in the Haifa area circulated a list of 15 names last weekend, which, they claimed, were Rabin's choices in the party primaries to be held March 30.

Peres was not among the 15, nor were any of his top supporters.

Rabin headquarters quickly dissociated itself from the list. The party chairman's aides insisted he is urging the 150,000 registered Laborites eligible to vote in the primaries to ensure top spots for Peres and for Yisrael Kessar, the Histadrut secretary-general, who received 20 percent of the vote in the Labor Party's leadership race last month.

But no other members of the Peres camp were mentioned, raising fear among Labor activists that the "majoritization" affliction that bedevils Likud is contagious.

#### RABIN SAYS ISRAEL SHOULD FOCUS ON CREATING JOBS, NOT SETTLEMENTS By David Friedman

WASHINGTON, March 19 (JTA) -- The leader of Israel's main opposition party this week spelled out for an American Jewish audience how the Labor Party differs from the ruling Likud bloc on the issue of settlements in the administered territories.

Rather than build new settlements in the West Bank, Israel should concentrate on providing jobs and housing for Soviet immigrants and young Israelis, Yitzhak Rabin said Tuesday.

Rabin, who will become prime minister if Labor wins the June 23 elections, spoke at the closing luncheon of the United Jewish Appeal's eighth national young leadership conference.

While never mentioning Israel's request for U.S. loan guarantees, Rabin said Israel's future depends not on building 10,000 more settlements, but on jobs, housing, and improved infrastructure and transportation. These are all items which Israel hoped to fund with \$10 billion in loan money guaranteed by the United States.

But on Monday, Israeli Defense Minister Moshe Arens, who holds the second spot on the Likud election list, told the same UJA gathering that Israel will never give up its right to settle Jews anywhere in the Land of Israel. Israel will not give up its right to safeguard its security in return for the loan guarantees, he said.

Rabin told the UJA leaders that he believes in "the right of the Jewish people (to live) all over Israel." But he said he would only support settlements that were established for security reasons, rather than political ones.

Reminding his listeners that he was commander in chief of the Israel Defense Force during the Six-Day War, Rabin vowed that "never again" would an Israeli military leader have to face such a narrow line.

For this reason, he opposes returning to the 1967 borders. But once adjustments are made for security reasons, with settlements along the periphery, Israel should not hold the rest of the West Bank with its large Arab population, he said.

"I want Israel to be a Jewish democratic state," Rabin said to applause from many of the 3,000 UJA delegates. But he said it cannot be a Jewish state if one-third of the population is Palestinian.

"They and not the ultra-Orthodox" would then hold the balance of power in forming Israeli governments, Rabin warned.

Rabin ruled out non-democratic alternatives.

He said Israel cannot set up an apartheid system just as it is being phased out in South Africa. Nor can Israel expel large numbers of Arabs as Jews are commemorating the 500th anniversary of the Jewish expulsion from Spain.

Rabin said the solution is to start the autonomy process as envisioned by the 1978 Camp David accords. He predicted the present talks between Israel and Palestinians will "lead nowhere."

#### TENSION PERVADES PURIM REVELRY AS ISRAEL COPES WITH STABBINGS By Hugh Orgel

TEL AVIV, March 19 (JTA) -- Israelis celebrated Purim in a nervous mood Thursday.

The festivities were marred by fear in the aftermath of Tuesday's fatal knife attack in Jaffa, the latest in a series of Arab assaults on Jews.

Tension peaked in Herzliya, north of Tel Aviv, where a young Israel Defense Force officer mistook Israeli revelers wearing Purim costumes of Arab garb for terrorists and shot them.

Parents all over Israel accompanied groups of youngsters who in past years had been free to wander the city streets in their Purim costumes unchaperoned.

The traditional Purim carnival and parade was held Thursday in Holon, a working-class town south of Tel Aviv, but only after the town council spent hours agonizing over whether to cancel it.

Two days earlier, a 19-year-old Israeli woman and an Arab garage owner who tried to help her were killed in neighboring Jaffa by a Palestinian from the Gaza Strip, who attacked with a sword and a knife.

The assailant went on to slash 20 other people before he was gunned down, most of them teen-age girls from Holon's Mitrani School who were about to go to a Purim party.

The city fathers finally decided to hold the festival.

Three of the wounded girls, swathed in bandages, watched the parade as guests of honor from the reviewing stand.

Floats included the usual biblical tableaux and floral displays. They also featured mock-ups of the Iraqi Scud missiles which struck the Tel Aviv area during the Persian Gulf War last year.

This generally low-key Purim demonstrated the inroads of American television culture. Eschers and Mordechais were outnumbered by Ninja Turtles and Simpsons, television cartoon characters imported from the United States.

There were fewer Arab costumes than in past years, possibly because Sephardic Chief Rabbi Mordechai Eliahu issued a halachic injunction against them on the eve of Purim.

He said it was forbidden to dress as an Arab "because of the security situation and the recent attacks by Arabs on Jews."

But 22-year-old Avshalom Seri learned the hard way that it is dangerous to ignore rabbinical authority.

He and his 15-year-old brother were on their way to a Purim party in Herzliya wearing Arab headaddresses and robes, plus gorilla masks.

An IDF second lieutenant passing by assumed the pair were terrorists and fired a warning shot into the air and four more shots, hitting Avshalom in the neck and legs.

The soldier realized his mistake when the stricken party-goer cried out in Hebrew.

# BRITAIN'S LABOR LEADER COURTS JEWISH VOTE FOR MAY ELECTIONS

By Bernard Josephs

London Jewish Chronicle

LONDON, March 19 (JTA) -- With general elections set for May 9, Labor Party leader Neil Kinnock is unabashedly courting the Jewish vote.

He promised this week that a Labor government would establish a policy of "friendship and support" of Israel, fight racism at home and abroad and support religious schools of all denominations in Britain on an equal basis.

But Kinnock pressed a wrong button when he said a Labor government would investigate the labeling of meat slaughtered by religious methods.

According to Isaac Rubin, chairman of the Shechitah Committee of the Board of Deputies of British Jews, the proposal "is a way of stopping shechitah (ritual slaughter) through the back door" and the board is "strongly opposed."

Kinnock said that "many people with an interest in animal welfare are troubled by the issue of religious slaughter of animals. I think it would be wrong to impose a party line on what would be a matter of conscience," he said.

But, he added, "as part of our overall program to provide consumers with full information about the food they buy, we will investigate means of ensuring that meat slaughtered by religious methods is properly labeled as such."

Kinnock did not say how Labor's Middle East policy differs from the Conservative government's.

Labor has a clear commitment to Israel's peace and security. But it supports a freeze on settlements in the administered territories, Kinnock explained. He said he is delighted Palestinian negotiators are participating in peace negotiations.

The Labor Party leader said there is a need to arrest the proliferation of arms in the Middle East. The Conservative government, he charged, is an "enthusiastic participant" in arms sales to the region.

## Alarmed By Rising Anti-Semitism

Kinnock said Labor is alarmed by growing racism and anti-Semitism in Europe, which "condemns individuals to live in fear."

He said the next Labor government would also examine, "as a matter of urgency," the definition of discrimination in the law "to ensure that discrimination on grounds of race and religion is effectively countered."

Kinnock promised that under a Labor government, the fight against racism would be a central feature of Britain's presidency of the European Community. Britain will take over the rotating chairmanship of the E.C. Council of Ministers on July 1 for a six-month stint.

A Labor administration would press for a Europe-wide race discrimination act, he said.

Finally, the Labor leader promised that his government would review the 1988 Education Act which prescribes, among other things, that religious education in schools should be "in the main Christian."

He said the review would be conducted in consultation with religious and communal organizations.

Furthermore, his party is committed to the system of religious schools which are partially aided by the government and for which parents then pay a reduced fee. Such schools should be open to all communities on an equal basis, Kinnock said.

# ANTI-SEMITIC LE PEN GRAFFITI SMEARED ON SYNAGOGUE WALLS

By Michel Di Paz

PARIS, March 19 (JTA) -- Anti-Semitic graffiti bearing the signature of Jean-Marie Le Pen's extreme right-wing National Front was smeared on the walls of the synagogue of Bayonne in southwestern France on Tuesday night.

The daubing consisted of slogans saying Jews should be gassed.

Le Pen's party is expected to receive 15 percent of the vote in the local and regional elections this Sunday, according to the latest available opinion polls.

The figure could be obsolete because French law forbids publication of political polls within a few days of an election. But a 15 percent share would be the best performance to date for the party, which campaigns on a blatantly xenophobic platform and would position it as a serious contender in the next parliamentary elections.

The ruling Socialist Party has become a scapegoat for voter dissatisfaction and is not expected to poll more than 18 percent Sunday, though it will continue to govern until the national elections.

The current campaign turned violent in Paris on Wednesday, when masked youths wearing helmets tried to disrupt a National Front meeting. They clashed briefly with police.

The police also skirmished with Skinhead gangs supportive of the extreme right.

But anti-Le Pen demonstrations in France seem to have lost momentum as the election nears. A rally by far left-wing parties drew a meager 2,000 on a march to Bastille Square on Wednesday.

## SHEIK MET WITH LUBRANI ABOUT MIA

PARIS, March 19 (JTA) -- Sheik Abbas Mussawi, the Hezbollah leader gunned down by Israeli attack helicopters in southern Lebanon on Feb. 16, met in Paris with Israel's chief hostage negotiator about a month before his death, a well-informed French publication has reported.

According to Le Nouvel Observateur, Mussawi came to Paris in January to meet with Lubrani, the chief Israeli negotiator for the release of hostages held by guerrilla groups in Lebanon.

It was not their first encounter, the left-wing weekly said. It said the Shi'ite leader brought with him photographs of Israeli air force navigator Ron Arad, whose Phantom jet was shot down near Saida, Lebanon, in October 1986.

Arad, believed prisoner of Hezbollah or another Islamic fundamentalist group, is the only one of seven Israel Defense Force personnel missing in Lebanon who is presumed to be alive.

## FEBRUARY PRICES ROSE 1 PERCENT

TEL AVIV, March 15 (JTA) -- Israel's cost-of-living index rose by 1 percent in February after remaining flat in January, according to figures released Sunday by the Central Bureau of Statistics.

The rise was led by higher prices for fruits and vegetables, which were driven up by the six weeks of storms that battered Israel this winter.

The cost of health services increased 5.2 percent. Officials blamed Kupat Holim, Histadrut's health care agency, for hiking premiums.

## METHOD OF PICKING ZIONIST DELEGATES UNSETTLED AFTER ELECTION BOARD RULING

By Larry Yudelson

NEW YORK, March 19 (JTA) -- The debate over how to choose American delegates for this summer's Zionist Congress has taken an unexpected twist following the World Zionist Organization's rejection of a plan backed by most Zionist groups here.

The ruling by the WZO's Central Election Board in Israel is being hailed as a victory by the Association of Reform Zionists of America.

ARZA had been a vocal opponent of the plan backed by other Zionist groups, which would have had an "electoral college" select delegates to the congress. Instead, it favored holding full-scale elections to select the delegates, in which each member of a Zionist organization would be entitled to vote.

Most other Zionist groups opposed holding full-scale elections because of the expense. Elections held to select American delegates to the last congress in 1987 cost more than \$1 million.

The Zionist Congress, which convenes every four or five years, selects the leadership of the WZO and half that of the Jewish Agency for Israel.

Now that WZO officials have rejected the electoral college scheme, ARZA has apparently shown a new willingness to consider allocating delegates without elections, according to several people who attended a meeting of the American Zionist groups where the issue was discussed.

Appealing for unity, Jacques Torczyner of WZO's American Section argued that "the Zionist movement owes it to itself to unite and come with a strong delegation to the congress."

Since there is not enough time left to hold elections and since the proposed electoral scheme has been vetoed, the time has come for the Zionist groups to decide among themselves how to allocate their delegation, he said.

### Not Enough Time For Elections

To the relief and satisfaction of those at the meeting, Rabbi Eric Yoffie, executive director of ARZA, appeared open to discussion.

Under WZO procedures, elections need not be held if there is 100 percent agreement on how to allocate the delegates.

Yoffie indicated that his group would decide how to proceed at a board meeting Sunday.

"The one thing I can tell you is there won't be any retreat from the principle of democracy," he told the Jewish Telegraphic Agency.

But he added, "if there's not enough time for an election, it puts us all in an awkward position, because we have to come up with some way to distribute delegates."

"I don't know what we're going to do," he said.

Yoffie had strongly opposed the electoral college system disallowed by WZO's election board. Under that system, each Zionist organization would have been allotted representatives to an electoral college in proportion to the number of delegates it had in the last Zionist Congress.

ARZA objected publicly to continuing the old proportion of representation, and members of other Zionist groups voiced the same reservations privately.

Apparently, the Central Elections Board in Jerusalem agreed.

Judge Felix Landau ruled that "in the elec-

toral college scheme proposed, there is no direct link between the voters and the members of the electoral college."

"That's precisely what we've been saying all along," said Yoffie, who argued that the electoral college proposal was "nothing but a tool to perpetuate the status quo."

### Judge's Plan Rejected

Landau proposed that the elections be carried out through ads in American Jewish newspapers. Voters would send in a coupon indicating their adherence to the Jerusalem Platform of Zionist ideology, their choice of a Zionist movement and a social security number for verification purposes.

But this plan was quickly rejected at Monday's elections committee meeting in New York. Among the objections was that the plan would satisfy neither of two requirements in the WZO constitution: that the elections be held by secret ballot and that only members of Zionist organization be allowed to vote.

The American groups, other than ARZA, have appealed the ruling to the Zionist Supreme Court.

Yoffie expressed regret that the elections committee had not looked into other possible ways to hold elections that might not share the flaws of Landau's plan.

"If the issue was coming up with something simpler and cheaper, I think we could have done it. But there was little interest on the committee to do it.

"Our feeling is that by appealing to the Zionist Supreme Court, the time factor now will make it extremely difficult to hold an election," he said.

Whatever the final outcome, the debate over the elections has had an impact far beyond the process itself.

Rabbi Richard Hirsch, the American-born head of the international movement of Reform Judaism, is continuing his campaign for chairmanship of the WZO and the Jewish Agency, challenging current Chairman Simcha Dinitz of the Labor Party.

It is a campaign launched originally to protest the failure to call elections. But the campaign expanded into a platform to reform the often convoluted and politicized WZO and Jewish Agency system.

### 'Hadassah-Bashing' Alleged

Some argue moreover that ARZA is relying on "Hadassah-bashing" to advance the campaign.

Yoffie has charged that the women's Zionist group colluded with Labor to prevent full-fledged elections, so that they could preserve their representation at the congress, which was eroded in the last round of elections by ARZA and the Conservative Zionist movement, Mercaz.

"That's an outright lie," Hadassah's executive director, Beth Wohlgerlenter, said of Yoffie's claim, which he refuses to retract.

Deborah Kaplan, the group's national president, blasted Yoffie for "publicly disparaging Hadassah in his lame attempts to achieve political position and even more of the scarce resources of the WZO and Jewish Agency for his own parochial interests.

"We are certain that the overwhelming majority of the Reform movement and ARZA itself would not subscribe to his undignified tactics," she said.