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CLINTON BLASTS ADMINISTRATION AT AJCOMMITTEE ANNUAL MEETING By David Friedman

WASHINGTON, May 17 (JTA) -- Arkansas Gov. Bill Clinton, front-runner in the race for the Democratic presidential nomination, led the attack on the Bush administration for undermining U.S.-Israeli relations at the 86th annual meeting of the American Jewish Committee here.

Although most speakers found fault with the administration, he was the most vociferous. While agreeing with the others that the relationship remains solid despite current disagreements over loan guarantees and Jewish settlements in the administered territories, Clinton charged that "terrific damage has been done."

Only Edward Djerejian, assistant secretary of state for Near East and South Asian affairs, stood up for the administration, claiming that differences over settlements and loan guarantees are not "the litmus test of this relationship."

Clinton spoke by telephone from California to the 700 people attending the AJCommittee dinner Thursday night. He said he had applauded the administration for its actions in the Persian Gulf War and for bringing Israel and the Arabs to the negotiating table.

"But since that time virtually everything which has been done has been wrong," the presidential hopeful said. "Israel has been singled out for repeated attacks by this administration."

U.S. Must Act As 'Guarantor'

Clinton stressed that the peace process can still work, "but only if the United States is willing to let the parties make peace and then willing to stand by as guarantor, along with the United Nations, to any agreement which might come out."

The Democratic candidate also reaffirmed "my long-standing support for the loan guarantees as a basic human rights issue, something which should never have been injected into the peace process in the first place."

The administration has refused to approve guarantees for \$10 billion in loans for Israel to help absorb Jews from the former Soviet Union unless Israel agrees to freeze settlement-building in the territories.

Diereijan observed that over the years, the United States and Israel have had many differences, most of which have been settled quietly. He said occasional leaks on both sides are "irresponsible" but they do not affect the relation-

"This relationship is solid," he said at the AJCommittee meeting's concluding luncheon Friday.

He stressed that no one should lose sight of the most important development in the Middle East -- the bilateral talks between Israel and its Arab neighbors and the Palestinians, which have "become commonplace."

"We have achieved something that was unthinkable a year ago," he said.

Israel's ambassador to the United States, Zalman Shoval, also spoke at the concluding luncheon. He said Israel and the United States must not allow their disagreements to "interrupt or disturb a relationship between our two countries because in the final analysis neither of us has a substitute for the other."

According to Shoval, the primary motivation for the Arab states in their current talks with Israel was to redeem themselves with the United States. When the Arabs see discord between the United States and Israel they take it as a sign that they do not need to reach agreement with the Jewish state, Shoval said.

At the AJCommittee dinner Wednesday night, Secretary of Housing and Urban Development Jack Kemp repeated what he has told other Jewish audiences, that he believes a compromise will be reached on loan guarantees because it is a humanitarian issue.

But Kemp, who spoke chiefly on the problem of the cities in the wake of the Los Angeles riots, received his loudest applause for his opening quip.

"I cleared my speech with the State Department," he said. "I told them I was going to speak about housing issues. I didn't say where.'

EGYPT DEMANDS ISRAEL FREE ACCUSED SPY TO RECIPROCATE FOR RELEASE OF OVITZ By Gil Sedan

JERUSALEM, May 17 (JTA) -- Israel and Egypt plunged into another espionage scandal less than two weeks after four Israelis held as spies in Cairo were released.

The Egyptians are now demanding that Israel reciprocate by freeing a man alleged to have been spying on Israel for Egyptian intelligence for at least six years.

The Israelis insist he must stand trial.

The suspect, about 45, was not publicly identified. According to the Israeli authorities, he was detained by an army patrol last Sept. 8 trying to cross the Jordanian border into Israel near Eilat.

He was held under administrative detention for six months and formally charged two months ago, by which time the Egyptian authorities reportedly had been notified of his arrest. Representatives of the Egyptian consulate are said to have visited him several times in the Beersheba

But the case became public knowledge only last Thursday when the suspect was taken to the Beersheba District Court to have his detention extended. Journalists petitioned the court to release information about the case.

Secrecy was maintained, according to the authorities, for fear that publicity would have jeopardized the release of David Ovitz, an Israeli furniture dealer detained in Cairo along with an Israeli Arab, Fares Mussarti, his son Majid and daughter Faya.

They were arrested early in February on suspicion of spying, though it was never made clear for whom. They were freed and returned to Israel on May 6.

The Israelis said their suspect, a resident of Sinai, had been infiltrating Israel regularly since the mid-1980s on behalf of Egyptian intelligence. They said he passed on classified information and photographs of military installations in southern Israel.

According to the official account, the suspert told his captors he was going from Jordan to Egypt and crossed into Israel by mistake. But Jordan has no common border with Egypt.

The suspect later confessed, Israeli sources said. But Egypt is demanding his release as a gesture of good will for the release of the four Israelis jailed in Egypt.

Israeli sources say, for the record, that his release cannot be considered for the time being and the judicial process must run its course. A trial is scheduled for next month.

Israel claims that whereas the Egyptians knew all along that the Israelis they arrested were innocent of espionage, a strong case exists against the Egyptian national in Israel's hands.

But the suspect's Israeli lawyer, Haim Kasis, said his client's confession was obtained under physical duress and that the man accused of collecting classified documents is in fact illiterate.

SENIOR POLICE OFFICERS DISCIPLINED AFTER FUGITIVE TERRORIST IS NABBED By Hugh Orgel

TEL AVIV, May 17 (JTA) -- Escaped Palestinian terrorist Jamil Ismail Baz was recaptured without resistance Friday, but his four days at large have tarnished the reputation of Israel's national police and left a trail of ruined careers.

Police Inspector-General Ya'acov Terner announced that he was dismissing the two police officers assigned to guard the convict when he escaped from a prison van May 11.

Terner said he would also relieve several senior police officers of their posts for failing to enforce strict observance of standing orders regarding prisoner security inside detention facilities and in transit.

The major shakeup conforms to the recommendations of a police commission of inquiry set up to investigate how a maximum-security prisoner, shackled with leg irons, managed to free himself and escape from a prison van transporting him back to Lachish Prison from a court hearing last Monday.

Baz, 34, a resident of the Gaza Strip, is serving a life sentence plus 16 years for fatally stabbing Israel Defense Force soldier Nadav Deri and wounding three other soldiers at a bus stop outside Tel Aviv in July.

Terner said he would demote Chief Inspector Morris Cohen, the commanding officer of Lachish Prison, where Baz is incarcerated. Terner described Cohen as an inexperienced junior officer elevated two months ago to a position of responsibility that was apparently beyond his ability. He will not be allowed to command a detention facility in the future.

Terner seemed to lay equal blame on senior police officers in Cohen's district for apparently letting him muddle through unaided. They will be disciplined by Terner and removed from their posts.

Most of the officers involved have engaged legal counsel and may charge unfair treatment by the police high command.

The apprehension of Baz the morning of May 15 was a distinct anticlimax to the massive manhunt that employed hundreds of police, border police, troops, and the IDF anti-terrorist squad, backed up by helicopters and civilian volunteers, which began as soon as his escape was reported.

He was discovered starving and dejected, sitting on a culvert on the Ashkelon-Gaza highway. He offered no resistance when approached by police Sgt. Hammed Hajarart of Bir El Maksur, who is assigned to the Gaza precinct, and Eliezer Lugassi, a civil guard volunteer from Dugit.

They had been driving north in Lugassi's car when they spotted Baz, who may very well have been hoping to be captured.

He told questioners that his escape from the prison van was not premeditated. One of the two guards assigned to watch him was driving the van. The other, whom regulations required to be with the prisoner at all times, joined his companion to rich in the comfort of the cab, leaving the chained prisoner on his own.

Baz said he picked the lock of his leg irons with a piece of wire he found and picked the lock of the rear door of the van, from which he made his escape.

He was not discovered missing until the van stopped for water and the two guards found the door open and their prisoner gone. They could not even say when or where on the road the escape occurred.

RABBINICAL COURT THREATENS PEPSI'S PREMIERE IN ISRAEL By Hugh Orgel

TEL AVIV, May 17 (JTA) -- Pepsi Cola's ad campaign hit the wrong spot with an ultra-Orthodox court, threatening the soft-drink company with loss of its kashrut certificate on the eve of its Israeli premiere.

The advertisement, headlined "10 million years of evolution led to this," featured a row of creatures, from an ape to a cave man to a modern athlete holding a can of the American soft drink, which had been licensed to the local Tempo beverage company.

The Eda Haredi rabbinical court, which had granted the kashrut certificate, denounced the ad and threatened to revoke the certificate and excommunicate the company. The Eda Haredi, which believes in the biblical version of creation, called the Darwinian ad an "abomination," "blasphemy" and "catastrophe."

Avraham Bornstein, owner of Tempo and himself Orthodox, quickly apologized and said he would withdraw the ads. But it was too late to pull them from the weekend papers, which had already been printed.

For the Gitan advertising agency, which created the ad, there was one piece of good news: Pepsi headquarters in the United States expressed interest in the Israeli-made ad, Israel radio reported.

ISRAELI SHOT DEAD IN GAZA By David Landau

JERUSALEM, May 17 (JTA) -- A 64-year-old Israell meat dealer was shot to death in the Gaza Strip on Sunday afternoon. The Israel Defense Force immediately launched a search for the killers

David Cohen of Moshav Ta'ashur in the Negev was waylaid as he drove away from a slaughterhouse near the Jabalya refugee camp. His assailants fired two bullets into his head at close range.

Cohen left a wife, 14 children and grandchildren. His family said they had not known he was driving alone to Jabalya. Military officers said he had no business going to an area that is unsafe for Israelis. -3-

LEVINGER TO RUN FOR KNESSET: NEW WOMEN'S PARTY FORMED By David Landau

JERUSALEM, May 17 (JTA) -- Rabbi Moshe Levinger, leader of the militant Gush Emunim settlers movement, announced Tuesday that he would run for Knesset in next month's elections, throwing the fragmented extreme right wing of the Israeli political spectrum into further disarray.

Levinger made his announcement exactly one week before the filing deadline for the June 23 elections.

He said he would prefer to run as an independent faction in a joint Tehiya-Moledet list.

But if the two far-right parties are unable to join forces -- as seems now to be the case-he would run alone, Levinger said.

His candidacy would be aimed primarily at members of the National Religious Party who are disaffected because its leadership has refused to renounce the Camp David accords or demand the immediate annexation of the West Bank in its election platform.

But Levinger's entry into the Knesset race also caused consternation in Tehiya and Moledet, which regard themselves as avowedly mixed lists of secular and religious Jews dedicated to a "Greater Israel."

As such, they planned to aim their campaign at disgruntled NRP voters and ideologically mo-tivated settlers in the administered territories. Levinger would be an important asset to such a strategy.

But Tehiya, headed by Professor Yuval Ne'eman, a Tel Aviv University physicist, and Moledet, led by retired Israel Defense Force General Rehavam Ze'evi, have been unable to agree on a common platform.

Talks Broke Down Over 'Transfer'

Merger talks broke down over Moledet's insistence on incorporating into the joint platform the principle of "transfer," meaning the involuntary removal of all Palestinians from Israelicontrolled territory.

Levinger's bombshell may prompt the parties to resume their talks.

Levinger, the founder of the Jewish township of Kiryat Arba, overlooking Hebron, served a brief jail sentence two years ago for the fatal shooting of an Arab merchant in Hebron.

The recently reformed election laws raised the threshold for a Knesset seat from 1 to 1.5 percent of the total vote, which is expected to be about 2.2 million this year.

That means a candidate must collect somewhat less than 40,000 votes to become a member of Parliament.

Among other new lists that have been announced shortly before the May 19 filing deadline is a Women's Party, headed by Ruth Reznick, a veteran advocate of women's rights who runs a shelter for battered women in Herzliya.

Reznick was a member of the Citizens Rights Movement but failed to get a safe seat on its list after the CRM merged with Mapam and the Shinui movement to form the new Meretz bloc.

Meanwhile, Efraim Gur, a Labor defector, was guaranteed a seat in the next Knesset by the Likud Central Committee despite strong opposition from some party activists.

Gur, who was elected to Parliament on the Labor ticket four years ago but switched to Likud in 1990, when the unity coalition broke down, was

given the 30th spot on the Likud slate, which is considered "safe" for the June 23 elections.

Gur, whom Prime Minister Yitzhak Shamir also rewarded with a sub-Cabinet job, protested last week that the safe seat had been promised him without the Central Committee's intervention.

But his fears of rejection were unfounded. Nearly 75 percent of Likud's governing body went along with Shamir, who credited Gur's defection with keeping the party in power. Some party factions, notably those loyal to

Foreign Minister David Levy, felt the safe spots should go to longtime Likud loyalists.

Levy supporters far down on the list were dropped another notch to make room for Gur. (JTA correspondent Gil Sedan in Jerusalem

contributed to this report.) ARAFAT SAYS HE IS WILLING TO MEET WITH SHAMIR, BUT NOT IN JERUSALEM

By Ruth E. Gruber ROME, May 17 (JTA) -- Palestine Liberation Organization chief Yasir Arafat told an Italian magazine he would be glad to meet with Israeli

Prime Minister Yitzhak Shamir, but not in Jerusalem. He also reiterated his gratitude for the

support Pope John Paul II has given his cause. "I cannot forget that despite the pressure to recognize Israel, the Holy Father continues to call

for the application of our rights. "He has prayed for my people many times," Arafat said in an interview published Friday in

the weekly Venerdi. "If you ask me if the pope is offering us help in this delicate phase of the peace process, I have to respond, of course, yes.

"He raises his voice against the confiscation of land in the holy places of Jerusalem," Arafat

The PLO leader chided the Israelis for not recognizing that "the course of history had changed."

Israel is perceived in a different way, he said. "The game has changed: our kids are the new David and they are Goliath.

"This is the stupidity of the current Israeli leadership; it does its best not to understand that there has been something called perestroika; that in South Africa the people voted against apartheid and that (African National Congress leader Nelson) Mandela, after 27 years in prison, could be the prime minister," Arafat said.

He added that "if Shamir is ready to meet, then so am I."

But he would not go to Jerusalem because "the Knesset has decreed my death. Better in Geneva, or Washington. But why not Rome?" he asked.

He denied that the PLO had secret contacts with the Israeli government. "We have, though, many links with unofficial personalities," he said.

He mentioned the Neturei Karta, a Jerusa-lem-based sect of rigidly Orthodox Jews who support the Palestinian cause because they consider the establishment of a Jewish state before the advent of the Messiah to be a blasphemy.

"They are serving as advisers in our delega-tion to the peace talks," Arafat said.

In the interview, Arafat also described his

brush with death last month in the Libyan desert. He told how after his plane crashed, killing three people on board, the survivors were threatened by vultures and hvenas.

AJCOMMITTEE CALLS ON POLITICIANS TO END BIGOTRY IN CAMPAIGNS By David Friedman

WASHINGTON, May 17 (JTA) -- Bigotry is used in election campaigns because it works, according to a new study by the American Jewish Committee.

But neither the Democratic nor Republican Party has done enough to eliminate its use, not just by extremists but by mainstream candidates as well, the study said.

Its findings are contained in a 31-page booklet titled "Bigotry and Politics," by Kenneth Stern, the AJCommittee's program specialist on anti-Semitism and extremism. The report was released by the AJCommittee at the start of its 86th annual meeting here last Wednesday.

"Everyone, including candidates, has a First Amendment right to express bigoted opinions," Stern pointed out. "But the First Amendment does not obligate our parties and leaders to do next to nothing about hate and hateful expressions," he said

Stern noted that party officials and the press ignore extremists when they run for office and do poorly.

But if they do well, the news media offer rationalizations such as "low voter turnout, rejection of party-endorsed candidates, economic frustration, place on ballot, stupidity, ignorance, non-ethnic sounding names."

Stern argued that the parties must find a mechanism to identify extremists seeking to run on their ticket and help local officials devise strategies to counter their messages.

Community Groups Have To Work Together

He said community groups have to work together to discourage politicians from pandering to bigotry. Politicians should be encouraged to adopt messages promoting intergroup harmony, Stern added.

He recommended reconsideration of the federal election and tax laws which have hampered tax-exempt, non-profit organizations from countering bigotry in election campaigns.

The AJCommittee's New York chapter helped form the Committee on Decent Unbiased Campaign Tactics (CONDUCT) in 1981, an independent organization composed of respected public figures representing various religions, ethnic groups and races.

The group was designed to "shame those who employed racially divisive tactics into better behavior," Stern explained.

CONDUCT trained observers to recognize

CONDUCT trained observers to recognize manifestations of bias such as racist "code words."

AJCommittee chapters in St. Louis and Chicago have also helped establish CONDUCT committees.

Stern believes that while CONDUCT works best on the local level, broad-based groups can also be useful during presidential primaries and state elections because "it would create a political risk" for candidates to appeal to prejudice.

Stern also proposed a reevaluation of campaign advertising to see how to curtail the sophisticated use of bigotry and to bring persons hurt by prejudice to the public's attention so it can see the impact of hateful campaign rhetoric.

"It is time that we start recognizing the danger that the germ of bigotry holds for the health of the American body politic," he said.

RABIN SAYS SOME SETTLEMENTS NEEDED, BUT NOT AT EXPENSE OF JOBS OR ALIYAH By Michele Chabin

JERUSALEM, May 17 (JTA) -- Yitzhak Rabin, who hopes to lead the Labor Party to victory in the Knesset elections next month, laid down his position on the sensitive settlements issue to Jewish fund-raisers from New York who were visiting here.

Settlements are important to security in selected areas, but not at the expense of absorption, Rabin told 500 members of a "mega-mission" sponsored by the UJA-Federation of New York.

"Israel must shift its focus away from the settlements and toward the creation of jobs if aliyah is to continue," Rabin said in his address last Monday.

He avoided criticizing the rival Likud party directly, possibly because of Israel's campaign laws, which bar electioneering at non-political functions. But he made clear his rejection of its philosophy of unlimited settlements, to which it is allocating much of the nation's resources.

"We must rethink our national priorities," Rabin asserted. "Instead of spending between 2 billion and 4 billion shekels on political settlements, this taxpayer money should be directed toward the creation of jobs."

Noting that the country's overall unemployment rate has reached 12 percent, and that 30 to 40 percent of new immigrants are out of work, Rabin warned that "unemployment is the most dangerous social disease we have. It has created tensions within the delicate fabric of our society, and it is getting worse."

He laid down the election gauntlet when he said, "Ask the Israeli people which they prefer: to spend money on settlements or on reducing unemployment."

No Aliyah Without Jobs

The Labor Party leader charged that immigration figures will remain low until Israel solves its financial woes. "No one is going on aliyah knowing he won't have a job when he gets here," he said.

He said increased immigration is important from both ideological and demographic perspec-

"There is nothing more Zionistic than aliyah. Furthermore, I believe that when the Jewish population in Israel reaches 6 to 8 million people, most of our problems will be solved," Rabin said.

Though critical of the government's unequivocal stand on the issue of settlements, Rabin agreed that "settlements on the confrontation lines, such as the Jordan Valley and the Golan Heights, serve the security needs of Israel."

He also said he was "not arguing about Jerusalem. I was born here 70 years ago. I participated in the wars that decided the modern fate of Jerusalem. No one will teach me the meaning of Jerusalem."

With respect to the June 23 elections, Rabin said pointedly, "Nobody but Israelis can make up our minds. Israel is at a crossroads. We will decide which way to go, and we hope you will be with us, whichever way we choose."

After a week visiting absorption centers, youth villages, ulpan classes and museums, "our members know a lot more about Israel than they did before they came," said Alan Jaffe, the mission co-chairman. "The more they know, the more they want to helo," he said.