

**LABOR ENCOUNTERS EARLY SNAGS
IN EFFORT TO BUILD A COALITION**
By David Landau and Gil Sedan

JERUSALEM, July 1 (JTA) -- While Yitzhak Rabin was not expected to be formally handed the task of assembling Israel's next government until Thursday, the Labor Party leader was already juggling conflicting demands from prospective coalition partners by midweek.

Both the left-wing Meretz bloc and the right-wing Tsomet party, which are being courted by Rabin, indicated Wednesday that they could not accept a draft of Labor's proposed policy guidelines for the new government, which was released Tuesday.

The policy guidelines outline a new government's basic program and formally commit it to pursue certain objectives. Parties being courted to join the government generally insist that the document include matters of particular importance to them.

At least publicly, Rabin has indicated he wants to form a broad-based governing coalition that would include left-wing, religious and even right-wing parties.

In an attempt to woo the right-wing parties, the premier-to-be reportedly insisted on modifications in the policy guidelines draft, which had been written by a team made up of Knesset members David Libai, Haim Ramon and Moshe Shahal.

For instance, a provision calling for a freeze on the construction of "political settlements" was dropped by Rabin and replaced with a call for reinforcing settlements along "confrontation lines."

While Rabin has made it clear that he opposes building settlements for ideological motives, but favors those started for security purposes, the change was intended to highlight the latter rather than the former.

Military Exemptions An Issue

But if the purpose of the substitution was to avoid antagonizing Tsomet, which favors settlement-building and opposes territorial compromise, the move did not succeed.

The party's new eight-member Knesset faction, led by former Israel Defense Force chief of staff Rafael Eitan, said the draft's pledge to continue strengthening front-line settlements did not go far enough.

Meretz, which favors a total freeze on settlements, was also miffed, charging that the amended document smacked of the Likud's long-standing policy stances.

The 12-seat party did not buy Labor's argument that a phrase in the draft pledging the government would do nothing to jeopardize the ongoing peace talks with the Palestinians amounted to a commitment not to build political settlements.

Thus Labor's initial effort to bridge the chasm on peace and security issues between its two disparate potential coalition partners seemed to flounder.

Meretz also voiced dissatisfaction over the draft's pledge to examine "in all its aspects" the issue of military service exemptions for yeshiva

students, insisting that the time frame of such an examination be rigorously limited.

Both Meretz and Tsomet want to do away with the exemptions, which allow students at ultra-Orthodox yeshivot to skip the three-year compulsory military service and the one-month-a-year reserve duty that Israeli men serve until age 55.

But Rabin is also courting the ultra-Orthodox haredi parties, which have declared that any change in the religious status quo would be viewed as "a matter of life and death."

Formal Talks Begin Friday

As a result, Shas and United Torah Judaism are unlikely to accept a provision in the draft guidelines suggesting that the government "study" the allocation of state funds to yeshivot and their students, to create "a universal egalitarian basis for yeshiva students and all other students in the country."

All specially allocated funds given to religious institutions under past coalition agreements will be annulled, the draft says.

While it appears that almost every one of Labor's potential coalition partners now has something to complain about, Labor leaders professed themselves unfazed by the snags that have emerged. They are still hoping to have a government in place by the time the new Knesset convenes on July 13.

Rabin was invited to meet with President Chaim Herzog on Thursday, when he was expected to be asked formally to begin the task of assembling a coalition.

Earlier in the week, the president carried out his statutory duty to consult with each of the parties elected to the Knesset about whom he should appoint to form the new government. Sixty-nine members of the new Knesset recommended Rabin.

Labor is expected to begin formal coalition negotiations with Meretz and Tsomet on Friday. And similar talks with Shas and United Torah Judaism are slated for Sunday.

In light of Labor's initial difficulties with Meretz, the National Religious Party stepped up its efforts Wednesday to create an "alternative bloc" that could provide Rabin with a solid majority while leaving Meretz out.

Leaders of NRP, Tsomet and United Torah Judaism met informally at the Tel Aviv home of United's leader, Avraham Shapiro, to discuss, as he put it, "where the shoe (that is, the Labor draft) hurts each one of us."

**VISITING SENIOR EGYPTIAN OFFICIAL
URGES ISRAEL TO FREEZE SETTLEMENTS**
By Hugh Orgel

TEL AVIV, July 1 (JTA) -- A senior Egyptian Foreign Ministry official visiting here this week urged Israel to freeze the construction of Jewish settlements in the administered territories.

Ambassador Fawzi el-Ibrashi, who is an assistant to Egypt's foreign minister, said such a move would be seen as a confidence-building measure and would be reciprocated by the Arabs.

Ibrashi, who is the first senior Egyptian official to visit Israel since the Knesset elections

last week, stressed repeatedly that he was expressing his own personal views, and the claim seemed to enable him to speak freely.

Ibrashi spoke at a banquet organized here by Tel Aviv University and Temple University of Philadelphia, which have an exchange program.

The Egyptian minister maintained that an announcement by the next Israeli government to halt building settlements will have "very good repercussions in all the Arab countries."

The settlers who already live in the territories could remain there, "provided they be subject to Palestinian courts," Ibrashi added.

Israel should be the country to initiate the confidence-building measures because it is the occupying power, he said. But he cautioned Israelis not to expect progress in the multilateral talks on regional cooperation before there is "real, genuine progress" in the bilateral talks.

"Don't expect cooperation between states that are still in a state of war. The Arab states, apart from Egypt, are all, legally speaking, in a state of war," he noted.

"Unless you are talking about withdrawal from the occupied territories, you cannot expect cooperation," he said. "But if real progress is achieved in bilateral talks, it will definitely be reflected in the multilateral talks," he said.

U.S. Ambassador Optimistic

Ibrashi urged Israel not to waste time on procedural matters, as in the past. He reminded his audience, many of whom were jurists, that in courts "you can spend 10 years just discussing procedures."

"If you really want to end the case," he said, "address yourself to substantial questions. We hope the new government in Israel will really address itself to the substantial question," he said.

The speaker characterized Israeli-Egyptian ties as normal but not completely so "because everything depends on a comprehensive peace."

Earlier at the banquet, the U.S. ambassador to Israel, William Harrop, said he believed the peace process "is going to be reaching a state of substance as opposed to procedure."

He expected another session of talks by September and stressed that the U.S. commitment to them "is complete and will prevail."

President Bush is "in a difficult election campaign, but this is not in any way going to diminish the time that he spends on this process," the ambassador stated. He said Bush and Secretary of State James Baker would continue working on the peace process, "and the prospects are really very fine."

CLINTON ATTACKS BUSH ON ISRAEL AND OPPOSES A PALESTINIAN STATE By Tom Tugend

LOS ANGELES, July 1 (JTA) -- Arkansas Gov. Bill Clinton pledged this week that if elected president, he would oppose the creation of an independent Palestinian state and launch a joint high-technology development program with Israel.

The expected Democratic nominee also attacked President Bush's "relentless pressure on Israel," protesting that "this is no way to treat a steady friend and consistent ally.

"As president," he promised, "I will put an end to this."

The governor delivered his remarks Tuesday in a bicoastal talk to the newly formed Clinton

National Jewish Leadership Council. Clinton appeared in person at a meeting of the group in Washington, and his words were transmitted via satellite hookup to a similar gathering in Los Angeles.

Clinton appeared upbeat on a day that saw him leading independent candidate Ross Perot and President Bush in the polls for the first time.

In his talk, frequently punctuated by the applause of the partisan audience, Clinton stressed nine points of his Middle East platform:

- * Provide loan guarantees and other aid to Israel to assist in the ingathering and absorption of Jewish immigrants from the former Soviet Union. "The dream must not be deferred," he said.

- * Advance the peace process, but without Washington predetermining the outcome or imposing conditions.

- * Oppose creation of an independent Palestinian state.

- * Create a U.S.-Israel high-technology commission for the 21st century, to help apply "the genius of Israel's people."

- * Ensure that any peace settlement guarantees the security of Israel's boundaries.

- * No support for "dangerous, despotic regimes," such as Iraq and Syria.

- * Enhanced logistical cooperation with Israel and assurances that Israel will retain its qualitative military edge.

- * Completion of the Arrow missile defense program, based on American-Israeli cooperation.

- * Ensure that Jerusalem remains Israel's undivided capital.

Non-Committal On Pollard

But during a question-and-answer period linking Washington and Los Angeles, Clinton hedged when asked if he would move the U.S. Embassy from Tel Aviv to Jerusalem.

"Not if it would affect the peace process," he answered. "Timing is crucial, and nothing should be done that might destabilize the process."

The Arkansas Democrat warmly praised Israel's commitment to democracy, as shown in the recent elections, and said he looked forward to working with Yitzhak Rabin as the likely prime minister.

He added that he would await Rabin's initiative on the peace process. The United States, he said, should act as a catalyst in the peace process and later as a guarantor of any settlement, through the United Nations.

In response to another question, Clinton said he would support any changes proposed by the new Israeli government to streamline the country's economy and make it more competitive.

Clinton responded cautiously when asked if he would "undo the injustice" to Jonathan Pollard, the former U.S. naval intelligence analyst serving a life prison sentence for passing classified information to Israel.

"In good conscience, I cannot commit myself, but I will review the case in good faith," he replied.

He also predicted that Bush would make some pro-Israel gestures in the near future and "try in four weeks to make you forget what he has done in the last four years."

On a lighter note, Clinton said that he was thinking of writing a book about his campaign against Perot and Bush, and would title it, "The Billionaire, the Millionaire and Me."

JORDANIAN OFFICIAL RULES OUT DISCUSSION OF A CONFEDERATION

By Agnes Bohm

BUDAPEST, July 1 (JTA) -- Jordan's foreign minister has reacted coolly to the idea of considering a Jordanian-Palestinian confederation as a possible solution to final status of the administered territories.

Kamal Abu Jaber, visiting Hungary on a three-day official visit, told the Jewish Telegraphic Agency in an interview that for the time being, Jordan does "not want to bring a new element" into the Middle East talks.

A confederation between Jordan and the Palestinians, something long favored by Israel's Labor Party, "won't serve the purpose of what the Jordanian kingdom wants to achieve during the peace talks," he said.

The foreign minister also told JTA that the Labor Party's victory in last week's Israeli elections seems to open up new possibilities in the peace process.

His remarks echoed those made by Palestinian negotiators who just spent 11 days in Jordan consulting on a common strategy for the peace talks.

Abu Jaber said that the difference between the nine months that Labor leader Yitzhak Rabin says is necessary to negotiate Palestinian autonomy and the six months the Palestinians are calling for "is not a big deal."

He said he hoped an "interim self-governing authority" could be realized in the near future.

"This is the last chance for peace, and it should be grasped," Abu Jaber said. Otherwise, "darkness and the Middle Ages will return."

He added that Jordan insists on a settlement that is "just, and permanent and durable." Any solution, he said, must be based on the idea of exchange of land for peace, the right of the Palestinians to self-determination and "the Israeli withdrawal from the occupied territories, including the city of Jerusalem."

ASHRAWI GAINS SUPPORT FOR PALESTINIANS AFTER MEETINGS WITH GERMAN OFFICIALS

By David Kantor

BONN, July 1 (JTA) -- Hanan Ashrawi, spokeswoman for the Palestinian delegation to the Middle East peace talks, received a pledge for Germany's full support for her cause after meetings here with top-level officials this week.

Germany's deputy foreign minister, Helmut Schaeffer, who was among those who met with Ashrawi, told her that Bonn shares the Palestinians' belief that last week's Israeli election victory by the Labor Party has increased chances for progress in the peace process.

At a news conference at the local office of the Palestine Liberation Organization, Ashrawi expressed satisfaction with Labor's electoral success and said it encourages the chances for peace.

But she warned that the Palestinians would not be satisfied with limited autonomy and are sticking to their goal of full independence.

Germany's economics minister, Jurgen Moller, told Ashrawi that he would discuss with his colleagues in the European Community a Palestinian request for increased financial assistance. The E.C. has already given considerable financial support to the Palestinians for various humanitarian projects in the Israeli-administered territories.

POLICE RAID HOUSING OFFICE BASED ON COMPTROLLER'S REPORT

By Hugh Orgel

TEL AVIV, July 1 (JTA) -- Senior officers of the Israeli police fraud squad, armed with search warrants, carried out a noon raid on the offices of the government's Amidar housing construction and rental corporation on Tuesday.

They seized a large quantity of documents and questioned a number of officials, but did not detain anyone.

The police action followed the receipt by Attorney General Yosef Harish of files sent him by State Comptroller Miriam Ben-Porat, who has charged Amidar Chairman Uri Shani and other officers with financial irregularities.

Shani is an appointee of Housing Minister Ariel Sharon of Likud, who sought unsuccessfully to delay publication of the comptroller's highly critical report until after the national elections.

The irregularities cited by Ben-Porat included lavish weekends at Amidar expense for corporation officers and their wives, the misuse of company credit cards for personal purchases and improper registration of state funds.

Other investigations scheduled to be launched based on the comptroller's report include one against Limor Livnat, recently elected to the Knesset on the Likud list, for irregularities during her tenure as chair of the Housing Ministry's Building Center.

Amidar spokesmen said the police had been given all the documents they asked for, adding that they would find nothing new in them. "The documents were all those on which the State comptroller based her own report," Amidar said.

FRENCH JEWISH ACTIVISTS PROTEST AT LEBANESE EMBASSY OVER HOSTAGES

By Michel Di Paz

PARIS, July 1 (JTA) -- Seven Jewish activists chained themselves to the gates of the Lebanese Embassy here Wednesday, to publicize the fate of seven missing Lebanese Jews.

The blindfolded protesters each wore a sign with the name of a kidnap victim and the date of the crime.

Between 1984 and 1986, 11 Jews were kidnapped in Lebanon. Responsibility was claimed by a group calling itself the Organization of the Oppressed of the Earth. The group later claimed they had killed nine of the captives, but only four bodies have been recovered.

The seven militants remained chained for about one hour, while a delegation handed a petition to an embassy official. The delegation was led by Roger Pinto, chairman of CRIF's Committee for the Jewish Communities in Danger. CRIF is the central body of French Jewry.

"I was scandalized when people said that the liberation of the two German hostages had put an end to the chapter of the abductions in Lebanon," Pinto told the Jewish Telegraphic Agency. "No one seems to care about the seven Jews still missing.

"The U.N. secretary-general was indifferent to my requests, the International Red Cross didn't bother to answer my letters, the ambassador of Lebanon in Paris said he couldn't receive me because this problem was not of his competence. Finally, we gave the petition to an embassy officer who told me he was 'sorry but we are not responsible' " Pinto said.

ALIYAH ROSE SLIGHTLY IN JUNE, BUT 1992 FIGURES ARE STILL LOW

By Michele Chabian

JERUSALEM, July 1 (JTA) -- Immigration from the former Soviet Union rose slightly in June from the May figures, which constituted a three-year low.

But the total figures for the first half of 1992 showed a full two-thirds decline from 1991: 27,330 this year versus 86,667 the year before.

Reflecting this, the Board of Governors of the Jewish Agency on Wednesday approved a revised 1992 budget, which assumes the immigration of 60,000 Jews this year from Russia and the other republics of the former Soviet Union.

The original 1992 budget, drafted last fall, assumed an aliyah of 170,000 for this year.

June's aliyah statistics revealed 4,812 people had immigrated to Israel, among them 3,890 from the former Soviet republics. That reflected a 16 percent rise in Russian aliyah from July, when only 3,361 came from the various republics.

In New York, the Hebrew Immigrant Aid Society reported that 2,940 Jews from the former Soviet Union arrived in the United States in June under the government's refugee program, bringing the total for the 1992 fiscal year to 33,172.

In May, immigration to the United States exceeded aliyah from the republics for the first time in two years. But the trend reversed itself last month, when the U.S. immigration numbers dropped by 18.5 percent.

Most observers blame this year's dismal aliyah figures on Israel's economic difficulties, particularly the failure to create new jobs.

"Until potential olim see proof of concrete improvements in the job situation, most will stay where they are," said Debra Lipson, spokeswoman for the Soviet Jewry Zionist Forum.

"While some immigrants will still decide to come, especially from places like Moldova, where there is continuing unrest, many will wait back there and see," she said.

CJF Loan Program Working Well

Participants at the Board of Governors meetings were encouraged by Labor leader Yitzhak Rabin's promise to "shift the country's national priorities" toward growth and job creation.

The downward revision of anticipated aliyah is expected to cut roughly \$25 million from the Jewish Agency's deficit for this year, which was originally projected at \$80 million.

Additional reductions in the aliyah infrastructure of \$12 million and \$23 million in savings yet to be allocated are expected to bring the deficit to \$20 million and the budget to \$621 million.

Additional expenses for African immigrants will offset much of the savings resulting from the decreased flow of immigrants from Eastern Europe, according to Jewish Agency officials.

While complete responsibility for the Ethiopian immigrants who arrived with Operation Solomon was originally supposed to be transferred to the Israeli government at the end of May, the timetable has been extended through August.

This will add \$28 million to the Jewish Agency's expenses for the Ethiopian Jews, which are expected to total a quarter billion dollars.

That is on top of the roughly \$1.5 billion budgeted for the multi-year Operation Exodus campaign for Soviet Jews. Phase II of that campaign will be formally launched soon.

"We will switch into high gear, possibly with

the assistance of Mr. Rabin, who has offered to lead off the campaign on his first visit to the USA," Mendel Kaplan, chairman of the agency's Board of Governors told reporters Wednesday in a telephone conference call to the United States.

Kaplan also said that the program of loans to new immigrants guaranteed by the American Jewish community federations has taken effect and is working well.

Seventy percent of the new immigrants are taking out the loans, at average of \$1,000 apiece. Roughly \$1 billion has been made available for the loans under a program coordinated by the Council of Jewish Federations.

(Contributing to this report was JTA staff writer Larry Yudelson in New York.)

ISRAEL LETTING NON-JEWISH IRANIANS STAY UNTIL COUNTRY OF REFUGE FOUND

By Hugh Orgel

TEL AVIV, July 1 (JTA) -- Israel will allow 12 non-Jewish Iranian refugees who sought asylum here after the Persian Gulf War to remain until another country of refuge can be found.

The Iranians, who have been held in detention for illegal entry here, are to be released shortly and will be allowed to seek employment and live with Israelis of Iranian origin until another country grants them asylum.

The Interior Ministry had ordered their detention and deportation upon their arrival here. Their impending release follows a petition to the High Court of Justice on their behalf by the Association for Civil Rights in Israel.

The petition claimed the detainees were members of the Mujaheddin-Khalq organization, which agitates against the Islamic regime in Iran. They were all caught and tortured, and fled to Iraq only to find themselves caught up in the Gulf war.

They fled to Jordan and then made their way to Israel, slipping across the border into the Negev north of Eilat.

But before the scheduled High Court hearing, the state attorney and Interior Ministry agreed to free them, provided the expulsion orders against them remain in force and they agree to leave Israel as soon as another country agrees to grant them asylum.

Until their departure for new homes abroad, the refugees will be allowed to live on farms in the south and seek employment there.

SCHWAMMBERGER MAY FACE NEW CHARGES

BONN, July 1 (JTA) -- Josef Schwammberger, the former SS officer who was sentenced in May to life imprisonment for the killing of Jews during World War II, may face another trial.

It would involve Schwammberger's role as the commander of a camp for slave laborers in the occupied Polish town of Mielec.

The events related to the Mielec camp were not discussed in the Stuttgart proceedings that led to Schwammberger's conviction. They include charges that the former SS official killed dozens of people, most of them Jews.

Schwammberger, who turned 80 this year, used delaying tactics before and during his trial, and is likely to continue doing so.

Prosecutors say they would need some eight months to prepare the new charges against the Nazi criminal, who was extradited here from Argentina in 1990.