

U.S. Approves \$400 Million in Guarantees for Israeli Housing

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Body

After months of often bitter negotiations, the Bush Administration approved a \$400 million loan guarantee to Israel today to enable it to build housing for Soviet Jewish immigrants.

The State Department announced that Secretary of State James A. Baker 3d telephoned Foreign Minister David Levy of Israel to inform him of Washington's decision "to release the \$400 million in housing loan guarantees," now that Israel has given Washington assurances that the money will not be used to build housing units in the Israeli-occupied West Bank, Gaza Strip or neighborhoods of East Jerusalem.

For a year, the Bush Administration had held up approval of the guarantees, which will enable Israel to obtain commercial loans at lower rates, while the State Department negotiated with the Israelis the letter of assurances, which became a major source of tension between the two countries.

No American financial aid to Israel is supposed to be spent in the occupied territories, and each year the Israelis send the United States a pro forma letter stating that this was the case. But because such aid dollars are virtually impossible to trace, the Bush Administration insisted that it will no longer accept the pro-forma commitments and demanded a letter, signed by Foreign Minister Levy on Oct. 2, 1990, making more explicit promises. The Administration also sought various technical data to support those promises.

Last Questions Answered

Last Wednesday night, Israel's Ambassador to Washington, Zalman Shoval, handed the State Department answers to the last three questions it had about Israeli spending plans. These dealt with Israeli road-building in the occupied territories and settlement plans since Oct. 2.

On Thursday morning, Mr. Baker read in The Washington Post an article from Israel quoting two Israeli opposition lawmakers as saying that the Government of Prime Minister Yitzhak Shamir was secretly planning to build 12,000 new housing units in the West Bank and Gaza Strip to house Soviet immigrants. Mr. Baker instructed his aides to find out from the Ambassador whether or not this was official policy.

That afternoon, Ambassador Shoval gave an interview to Reuters in which he reportedly accused the United States of giving his country the "runaround" on its request for loan guarantees, complained that Israel had so far

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received no compensation for losses incurred as a result of the Persian Gulf war and demanded that its needs be met.

Mr. Baker and President Bush were described by aides as "livid" with the Israeli Ambassador's "demand" for more money and his claim that Israel had been getting a "runaround." The Secretary immediately summoned Mr. Shoval to the State Department and delivered a sharp rebuke. The next day, the White House issued a statement describing the Israeli Ambassador's remarks as "outrageous."

Jewish Leaders Complain

Some American Jewish spokesmen complained to the White House that while they could understand the Secretary privately having a talk with Mr. Shoval, the additional White House public rebuke was excessive.

Administration officials countered that the Israelis knew full well that Washington was prepared to release the \$400 million as soon as they provided the information they had promised, and therefore to claim they were getting a "runaround" was dishonest. The officials also claimed that the President and Secretary were upset by the fact that the Ambassador, as well as other Israeli officials, were complaining that the United States had done nothing for Israel since the gulf war began, when in fact the United States Army was in the process of destroying a major threat to Israel -- the army and Government of President Saddam Hussein.

On Sunday Mr. Shoval sought to end the matter, saying: "I did say some things which diplomats are not supposed to say and I am sorry for that."

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