

## **LOAN PLAN FOR ISRAEL REJECTED**

St. Louis Post-Dispatch (Missouri)

March 18, 1992, WEDNESDAY, FIVE STAR Edition

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**Section:** NEWS; Pg. 1A

**Length:** 597 words

### **Body**

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WASHINGTON - President George Bush rejected on Tuesday a congressional compromise on loan guarantees to Israel, denying Israel the financial backing it needs to resettle Soviet immigrants, key legislators said. Bush told the legislators that he would veto their proposal if it reached his desk. He was reported to have offered an alternative linked to a halt in settlement construction in the West Bank and Gaza Strip, but Israel has said it will not suspend construction, even if it means looking elsewhere for financial backing. "I'm frankly very, very disappointed," Sen. Patrick J. Leahy, D-Vt., said after meeting with Bush to discuss the compromise. "This language is not acceptable to the president." Israel had requested \$10 billion in loan guarantees over five years to help resettle about 400,000 refugees from the former Soviet Union and Ethiopia. The guarantees would enable it to borrow the money from commercial banks at favorable rates. Bush met with legislators after saying that Israel's settlements in disputed territories violated U.S. "longstanding policy that feels that settlements are counterproductive to peace." "We have close, historic relations with Israel, and they will always be that way. But we have a difference now, it appears, in terms of these settlements," Bush said. "The door is open," he said, but "U.S. policy must be accommodated." The congressional proposal would give Israel about \$800 million in loan guarantees immediately without linking them to a settlement freeze. It would give Bush authority to provide the rest of the guarantees if Israel restricted its settlement activity in the West Bank and Gaza Strip.

Congress could override a cutoff or suspension by a two-thirds vote. Bush's counterproposal would provide \$300 million in the first phase. "After that, the president retains full discretion to issue or not to issue the guarantees," said Marlin Fitzwater, the White House spokesman. The White House said it was not slamming the door on a compromise. "We feel we do have a strong commitment and responsibility to the Russian immigrants and others who are moving into Israel," Fitzwater said. "We don't think the issue itself is dead. We'll continue to work with the Congress on the guarantee issue." But when asked whether any further hope of compromise existed, Leahy, chairman of the Senate Appropriations subcommittee responsible for foreign aid, said: "I don't know. Frankly I don't know." Two Killed A Palestinian killed two people and wounded 20 Tuesday in a knifing rampage in Jaffa, Israel, police said. Witnesses said a group of students had stood and watched as the attack began, apparently thinking the assailant was dressed up for the Jewish holiday of Purim, in which people wear costumes and play pranks. As the wounded attacker was taken away by police, a crowd gathered and began shouting "Kill him, kill him." The attacker, who wore a checkered Arab headdress and carried two long knives, was shot by a policeman and died minutes later at Ichilov Hospital, authorities said. Palestinians identified the assailant as Raed Rifi, 22, from Gaza. They said he was a member of Islamic Holy War and had been twice detained without trial. The fundamentalist group distributed leaflets accepting responsibility for Tuesday's stabbings. The dead were identified as a 19-year-old woman, Ilanit Ohana, who was at a nearby garage, and Abdel Ghani Karim, 41, the Arab Israeli owner of the garage, who witnesses said had rushed out swinging a crowbar to fight off the assailant.

### **Classification**

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**Language:** English

LOAN PLAN FOR ISRAEL REJECTED

**Subject:** LEGISLATIVE BODIES (62%); RESETTLEMENT & REPATRIATION (60%)

**Company:** WHITE HOUSE INC (55%); WHITE HOUSE INC (55%)

**Person:** GEORGE W BUSH (50%)

**Geographic:** UNITED STATES (90%); STATE OF PALESTINE (70%)

**Load-Date:** October 11, 1993

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