

**BAKER SPEECH SENDS SHOCK WAVES
THROUGH ISRAELI POLITICAL CIRCLES**

By David Landau

JERUSALEM, May 23 (JTA) -- U.S. Secretary of State James Baker sent shock waves through Jerusalem with his plainly unexpected and blunt call to Israel on Monday to give up its "unrealistic vision" of a Greater Israel and cease settlement activity in the administered territories.

Although initial reaction by Prime Minister Yitzhak Shamir and Foreign Minister Moshe Arens was restrained, Baker's address to the American Israel Public Affairs Committee galvanized Knesset members. The speech variously drew support or derision for its carefully even-handed approach to the Israeli-Palestinian conflict.

In London, Shamir told reporters that Baker's remarks were "useless."

In particular, he told an Israel Radio interviewer, "I do not know how it is possible to speak at all of a 'Greater Israel.' Israel is a very small country. We all know that its territory is quite limited. It really is ironic to speak of a 'Greater Israel.'"

Shamir added that he does not "see any connection between settlements and the issue of the peace process."

As a habit, Shamir avoids using the phrase "Greater Israel," which is employed by those who favor including the West Bank and Gaza Strip within Israeli borders. But he has rejected the principle of trading land for peace, and he supports the Jewish settlement movement in the territories.

'We Realize Our Dreams'

In Brussels, Arens told Israel Radio that "everyone outside Israel has the right to comment on our dreams."

He added, however, that "they are our dreams. It is our country that is in question. We have proven that we realize our dreams."

Speaking before the powerful pro-Israel lobby in Washington, Baker called on both Israel and the Palestinians to seek peace by abandoning their unrealistic dreams.

He said Israel should "lay aside, once and for all, the unrealistic vision of a Greater Israel."

"Forswear annexation. Stop settlement activity. Allow schools to open," Baker implored the Israelis.

Baker's unvarnished espousal of "land for peace" -- the most unequivocal articulation to date of the Bush administration's thoughts on the Middle East conflict -- furnished new ammunition in the intensifying Israeli domestic debate.

In a relatively moderate official statement, the Likud said Tuesday that Baker was, in effect, proposing that Israel forgo its security and return to "shrunken" borders.

The Likud defended the settlements by saying that increasing the number of Jews living in the territories is an important factor in strengthening Israel and is in accord with the principles of the unity government.

In the Knesset, the 30 members of the "Eretz Yisrael Front" urged that the government reject Baker's remarks. It charged that Baker's speech should be seen as a direct result of Is-

rael's failure to quell the Palestinian uprising.

By contrast, Haim Ramon, the dovish chairman of the Labor Party Knesset faction, criticized Shamir for "misleading the Israeli public by pretending there is broad agreement with Washington."

A Showdown In The Likud

Yossi Sarid of the left-wing Citizens' Rights Movement called the remarks "desirable and right."

Beyond the predictable partisan debate, however, there is strife within Shamir's own Likud bloc.

Shamir's peace initiative is facing a bruising challenge from Likud Cabinet Ministers Ariel Sharon and Yitzhak Moda'i. They will doubtless cite Baker's remarks to show that the prime minister's stated attempt to win favor in Washington is failing.

Shamir has threatened to resign if the Likud fails to back his plan. The showdown will occur during the Likud's mammoth Central Committee meeting, tentatively scheduled for early June.

At his London news conference, Shamir maintained that the Bush administration was basically supportive of his initiative, despite differences of opinion over the settlements.

He said he was confident that those differences could be resolved "between friends."

(The Jewish Chronicle in London contributed to this report.)

**BAKER SPEECH SEEN AS BALANCED,
BUT THAT TROUBLES SOME LEADERS**
JTA Staff Report

WASHINGTON, May 23 (JTA) -- Secretary of State James Baker defended the speech he made Monday night before the American Israel Public Affairs Committee by telling reporters Tuesday it was "very balanced with respect to what we think is required of all the parties if we are going to move forward."

Likewise, a top American Jewish leader reassured delegates to AIPAC's 30th annual policy conference here Tuesday that Baker's remarks about Israel the night before did not signal "a new statement of policy by the United States."

Seymour Reich, chairman of the Conference of Presidents of Major American Jewish Organizations, warned some 1,200 delegates and 400 college students at the Sheraton Washington Hotel that taking Baker's statements out of context "creates tensions when tensions do not possibly exist."

He spoke to the group immediately prior to Israeli Defense Minister Yitzhak Rabin, who did not use the opportunity to comment specifically on Baker's address.

Nevertheless, many of the AIPAC delegates seemed concerned by the blunt tone of some of Baker's remarks, in which he called upon Israeli leaders to abandon "the unrealistic vision of a Greater Israel," to "forswear annexation" and to "stop settlement activity."

He balanced those remarks with a demand that the Palestinians bring a halt to violence and abandon their own unrealistic visions for the stage-by-stage destruction of Israel. And he called

on the Arab nations to end their economic boycott of the Jewish state and to renounce past statements equating Zionism with racism.

U.S. Always Opposed Annexation

Reich pointed out that "the government of the United States has said for years that it is against the annexation of the territories."

He added, however, that in its peace plan calling for the Palestinians to elect representatives to negotiate with Israel on self-rule, "the State of Israel has probably gone as far as it can go at the present time and needs the encouragement of its allies."

For the most part, American Jewish leaders interviewed in New York on Tuesday agreed with the secretary of state that his remarks were balanced, although some expressed reservations about the even-handedness of Baker's hard-hitting speech.

And in contrast to the AIPAC delegates and some media reports of the speech, which characterized it as a surprisingly bold challenge to Israelis, some observers focused instead on what they see as positive elements of the address.

These included Baker's restatement of the importance of the U.S.-Israel strategic relationship and his characterization of America's bipartisan support for Israel as "a great and enduring achievement."

"All those things were in the speech," said Dr. George Gruen, director of Israel and Middle East affairs at the American Jewish Committee.

"I can understand why some of the Israelis would be unhappy with some of the references. But to argue that there is not in this speech a reaffirmation of the traditional strategic and economic cooperation between the countries is not true," he said.

Ira Silverman, executive vice president of AJCommittee, called Baker's speech "both timely and correct."

Overall, the group "agrees with Secretary Baker that it is necessary for both sides, the Israelis, the Arab states and the Palestinians, to take concrete measures to build confidence and move the peace process forward," Silverman said in a statement.

'Surprise And Concern' Expressed

Phil Baum, associate executive director of the American Jewish Congress, called Baker's speech "a sobering but reassuring assessment that there has not been a departure from America's continuing policy toward Israel."

Baum said the speech indicated there are areas of disagreement between the countries, but he pointed out that it did contain Baker's qualified support for the Israeli government's recent peace initiative.

But the careful balance of Baker's speech troubled some observers, including Kenneth Jacobson, associate director of the international affairs division of the Anti-Defamation League of B'nai B'rith.

"I think Baker was a little more obligated to come forward with a much more pro-Israel tone," he said.

"To balance longtime Arab rejection of Israel together with someone's vision of a 'Greater Israel' is unproductive. It's unclear that any Israeli government has taken a position on that."

And Abraham Foxman, ADL's national director, said in a statement, "Unfortunately, the message that many may draw from Mr. Baker's

presentation is that those who come forward for peace and those who resist it are alike."

Similarly, the Zionist Organization of America expressed "surprise and concern" at Baker's remarks.

ZOA President Paul Flacks said in a statement that his organization was grateful that Baker called on the Palestine Liberation Organization to amend its charter, which calls for the destruction of Israel. Baker demanded that Palestinians "speak with one voice for peace."

But Flacks said that Baker "incorrectly suggests that the responsibility for finding the solution to the problem is an equal burden between Israelis and the Palestinians. The historical facts clearly indicate that the acts of war and terrorism have been directed against Israel by the Arabs and Palestinians."

Intended To Pressure Israel?

At least one leader, however, questioned whether a tough approach by the administration is necessarily bad for Israel.

"The deeper question is, which is better for Israel?" said Albert Vorspan, senior vice president of the Reform movement's Union of American Hebrew Congregations.

"Is it better to hear reassuring words in a lot of emotionally laden cliches, or to hear the tough truth about what has to be done on both sides?"

In Los Angeles, meanwhile, the U.S. ambassador to the United Nations said Baker's words do not represent a new Washington viewpoint, but summarize previous themes of U.S. policy.

Thomas Pickering also denied that the Baker statement was intended to put pressure on Israel, an interpretation not fully accepted by Simcha Dinitz, chairman of the World Zionist Organization-Jewish Agency Executive, who participated with the U.N. envoy in a lecture at the Stephen Wise Temple.

Speaking at a news conference before the lecture, Dinitz said that if Baker's speech was meant to pressure Israel, "it would not be helpful at this stage of the game after the government's far-reaching and generous offer of elections in the territories."

He said the "thrust of U.S. policy should be to encourage" acceptance of the Israeli offer.

(Contributing to this report were JTA staff writer Andrew Silow Carroll in New York, correspondents David Friedman and Howard Rosenberg in Washington and correspondent Tom Tugend in Los Angeles.)

PLO CONDITIONALLY BACKS PEACE PLAN

By Hugh Orgel

TEL AVIV, May 23 (JTA) -- The leadership of the Palestine Liberation Organization is prepared to support the new Israeli peace initiative on certain conditions, according to "reliable intelligence sources" quoted by the daily newspaper Ha'aretz.

One condition is a prior commitment by the United States that the process will result in a permanent settlement, based on the "land for peace" formula and political rights for the Palestinians.

The PLO is also demanding international supervision of the Palestinian elections proposed by Israel for the West Bank and Gaza Strip and participation in them by the Arab residents of East Jerusalem.

**ARENS SAYS HE MADE HEADWAY
IN BID FOR EUROPEAN BACKING**
By Yossi Lempkowicz

BRUSSELS, May 23 (JTA) -- Israeli Foreign Minister Moshe Arens believes he made headway here Monday in his efforts to gain European support for Israel's new peace initiative.

He told Israeli reporters he had an "open and very good" discussion with the 12 European Community foreign ministers at an informal dinner at E.C. headquarters in Brussels.

He said he explained fully the Israeli plan for Palestinian elections in the West Bank and Gaza Strip, to be followed by negotiations for self-rule in the territories, adding that he "hoped his responses were satisfactory."

Although the European body did not comment officially on the talks, Israeli sources said later that the E.C. ministers were indeed satisfied with his presentation.

An Italian source said the European attitude toward the Israeli initiative is "cautiously positive."

The dinner was closed to the news media. According to Israeli officials who attended, Arens urged the Europeans to play a role in a phase of the plan that calls for rehabilitating the Palestinian refugee camps. He made a similar pitch to the U.S. government last week in Washington.

The Israeli foreign minister also contended that if the United States and Europe accept the Israeli peace initiative, "the Arabs would follow their path."

Nevertheless, he refused to discuss certain details that have been raised by European and American figures, such as voting rights for East Jerusalem Arabs, international supervision of the elections and Israel's concept of self-rule.

Europeans Still Favor PLO Role

Arens justified his reticence on such points, saying, "We must start something for the peace process and not think what we are going to do in three or 10 years."

He was adamant, however, on one point: that the Palestine Liberation Organization must be excluded from the entire process.

The PLO is leading a campaign of terror against Palestinians they think collaborate with Israel, Arens said. "How do you expect to associate the PLO in a peace initiative?"

He made that remark in response to a question from Francisco Fernandez Ordonez, the foreign minister of Spain who currently holds the rotating chairmanship of the E.C. Council of Ministers.

Earlier in the day, Ordonez stated at a joint news conference with Arens that the European Community "has not changed its Mideast position," which is that the PLO must be included in a comprehensive settlement.

But various points must be clarified and discussed with Arens here and with Israeli Prime Minister Yitzhak Shamir, who will be in Madrid on Wednesday, Ordonez said.

Arens co-chaired the seventh meeting of the E.C.-Israel Cooperation Council here, the body that conducts an annual review of the 1975 trade pact linking Israel with the European Community.

A vexing issue at this meeting was Israel's huge trade deficit with Europe, estimated at \$3.5 billion. That is "greater than our trade deficit with the rest of the world," an Israeli official stressed.

**CRACKDOWN ON HAMAS MOVEMENT
SEEN AS SHIFT OF IDF STRATEGY**
By Gil Sedan and Hugh Orgel

JERUSALEM, May 23 (JTA) -- The Israel Defense Force's crackdown on the Hamas movement, marked by the arrest in recent days of 270 of its activists, represents a sharp change of policy toward the Moslem fundamentalist organization.

It also seems to reflect disillusionment with the idea that Islamic religious zealots, allowed to operate freely, would become a counterweight against the Palestine Liberation Organization, which Israel perceives as its mortal foe.

But now, some circles say, the Israeli authorities have come to recognize that the Islamic fundamentalists can be much less flexible and more dangerous than PLO supporters.

Hamas has made no bones about its desire to destroy Israel by holy war and take over the entire territory of what was formerly Palestine.

Some observers, in fact, speculate that the Israeli authorities struck at the fundamentalists to clear the arena for the PLO, which at least talks about a negotiated settlement.

Hamas was founded in the Gaza Strip a few months after the Palestinian uprising began in December 1987, by leading members of the radical Moslem Brotherhood.

They met at the Gaza home of Sheikh Ahmed Yassin, a 52-year-old quadriplegic confined to a wheelchair. Though without formal training as a cleric, he became head of Hamas and the uncontested leader of the Islamic movement in the territories.

Yassin, apparently considered too dangerous to remain at large, was arrested by the IDF at his home last Thursday, in advance of the mass round-up of Hamas activists that occurred Sunday and Monday.

Attempt To Reduce PLO Influence

But for the last year and a half, the official attitude toward Hamas and its leadership has been more or less tolerant.

Senior figures in the defense establishment have stated privately that two considerations supported the policy of encouraging Hamas' influence among the Palestinians.

One was the notion that granting a firm public standing to the Islamic elements, even religious and political extremists, would offset the influence of violent groups, such as the Islamic Jihad.

The other consideration was to strengthen the hand of PLO opponents within the Palestinian population.

But this policy began to change, according to unofficial sources, when it became clear that Hamas was adopting some of the worst methods of the Islamic Jihad.

In addition, the IDF believes Islamic elements in Israel proper were assisting Hamas in the West Bank and Gaza Strip, according to a senior security source quoted Tuesday by Ha'aretz.

According to the paper, the IDF believes its crackdown on Hamas will de-escalate the Palestinian uprising in the short term. Activists who were not arrested will need time to reorganize.

Defense sources said the neutralization of Hamas is also important because it is the only Palestinian organization whose leadership is located in the territories. The PLO is headquartered in far-off Tunis.

VATICAN OFFICIAL IS CONFIDENT CONVENT WILL MOVE FROM AUSCHWITZ

By Susan Birnbaum

NEW YORK, May 23 (JTA) -- The cardinal in charge of Vatican relations with world Jewry told Jewish leaders Tuesday that the Carmelite nuns occupying the controversial convent at Auschwitz will be relocated. But he could not say when such a move would take place.

Cardinal Johannes Willebrands, president of the Vatican Commission on Religious Relations With the Jews, said that the implementation of a February 1987 accord promising the convent's relocation by February 1989 was effectively in the hands of the local prelate, Cardinal Franciszek Macharski of Krakow, Poland.

He told representatives of the International Jewish Committee on Interfaith Consultations that eventually the matter would have to be resolved by authorities of the Polish Catholic Church.

Willebrands acknowledged the worldwide importance of the convent matter and his desire to see it favorably resolved.

At the meeting, Gerhart Riegner, chairman of the World Jewish Congress Executive, urged fellow IJCIC members to speak for the tiny Jewish community left in Poland, which he said has no effective spokespersons to articulate its opposition to the convent.

Rabbi A. James Rudin, IJCIC chairman, said Willebrands assured the group he "remains confident and hopeful; he hoped it would be implemented."

Rudin told Willebrands, whom he and other members of IJCIC hold in high esteem, that the matter "should not be allowed to fester, because as it festers it grows more and more complicated."

JEWISH TERROR GROUP TAKES CREDIT FOR SETTING CIGARETTE FACTORY FIRE

By Hugh Orgel

TEL AVIV, May 23 (JTA) -- The Jewish terrorist underground group Sicari'i has claimed credit for setting fire Sunday to a storeroom at the Dubek cigarette factory in Bnei Brak, a heavily religious town north of Tel Aviv.

An anonymous telephone caller claiming to represent the group told the newspaper Yediot Achronot that the fire was set because "Dubek employs Arabs."

The blaze was quickly put out and did little damage.

The authorities originally thought the arson might have been the work of an anti-smoking activist, since Dubek holds the cigarette monopoly in Israel.

But after the telephone call, the incident joined a list of arson attacks that have been blamed on the mysterious terror group.

Sicari'i takes its name from a band of thugs in the Temple era who murdered Jews they thought were traitors or heathens.

The modern-day group, which police have been unable to trace, surfaced a few months ago, claiming credit for setting fire to the front doors of the homes of several left-wing Israeli personalities it regards as anti-Israel.

The most recent victim was Amos Schocken, publisher of the Ha'aretz and Adashot newspapers, whose front door was set on fire April 24 because his papers were considered too liberal by the extremists.

VOTERS COULD CAST THREE BALLOTS UNDER PROPOSED ELECTION REFORM

By David Landau

JERUSALEM, May 23 (JTA) -- Israel may become the only country where a voter could legally cast three ballots in a national election.

That scenario could occur if the interim recommendations of an interparty committee on electoral reform are adopted.

Its chairman, Communications Minister Gad Ya'acobi of Labor, is optimistic. He said last weekend that there is "a very good chance" that the next Knesset elections, nearly four years off, will be conducted under the new system proposed by his panel.

The committee, a joint undertaking of the Labor Party and Likud, was set up following the November Knesset elections to overhaul the electoral system.

Since the founding of the state 41 years ago, elections have been based on proportional representation, which has prevented any single party from gaining enough Knesset seats to govern without partners.

The committee has agreed on a hybrid system combining direct election of Knesset members with proportional representation.

It is asking for legislation that would divide the country into 20 constituencies, each of which would send three representatives to the Knesset. Two would be elected directly.

The others, making up half the 120-member Knesset, would be selected on the basis of their slot on party lists, which is how the present system works.

Each voter would vote three times -- once for a party list and twice for two local candidates, regardless of party.

The threshold for entry into the Knesset would be raised from 1 percent to 4 percent of the total vote cast, thereby eliminating the splinter parties which proliferate. There are 15 parties in the present Knesset.

The plan has won enthusiastic endorsement from Tel Aviv University Law School Professor Uriel Reichman, chairman of the public lobbying campaign for electoral reform.

His group would go a step further by instituting the direct election of the prime minister.

The committee's recommendations are coming up for debate in the Knesset's Legal Committee, where an electoral reform bill is to be drafted.

If the Labor-Likud alliance holds up, the bill could proceed quickly to the Knesset floor.

CZECHS NOW TRADING WITH ISRAEL

By Hugh Orgel

TEL AVIV, May 23 (JTA) -- Israel and Czechoslovakia have established direct trade connections.

They are doing business valued at about \$11 million annually through a trading company acquired for the purpose by the Czech government.

Until recently, trade between Israel and Czechoslovakia had been conducted through a third country. There are still no diplomatic relations, which the Czechs broke in 1967.

JTA will not publish a Daily News Bulletin on Monday, May 29, because of the Memorial Day postal holiday in the United States.