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**U.S. MARSHALING DIPLOMATIC EFFORT
TO PERSUADE PLO TO CONDEMN ATTACK**
By Howard Rosenberg

WASHINGTON, June 12 (JTA) -- The United States has enlisted the help of France, Great Britain, Egypt and other countries in lobbying the Palestine Liberation Organization to take a clearer stand against the attack one of its constituent groups tried to stage last month on beaches near Tel Aviv.

The diplomatic effort was revealed Tuesday by Secretary of State James Baker during a hearing of the Senate Foreign Relations Committee.

His disclosure points to the great lengths taken by the United States to pressure the PLO into making statements that would allow the two parties to continue their dialogue.

"The PLO knows exactly what it has to do," a well-placed State Department official said Tuesday afternoon.

Britain, which has an anti-terrorism policy close to that of the United States, has asked the PLO to "take steps against any of their members who have been involved" in the raid, said an official of the British Embassy here.

The French Embassy's chief Middle East expert said his country has simply conveyed the "reality" of the U.S. position to the PLO.

In principle, France does not believe the PLO has to meet U.S. demands as a condition for continuing the dialogue, said Gerard Araud, first secretary at the embassy.

Araud said the French government has "no reason to doubt" Yasir Arafat's claim that he was not aware of the raid beforehand. On that basis, the PLO chief should not have to make concessions "for something you are not responsible for," he said.

No 'Artificial Deadlines'

Baker said the United States will make the decision without the pressure of "artificial deadlines." The reference appears to be aimed at Israel and its supporters, who have already called for the dialogue to be terminated.

The secretary of state said the decision would have "important implications" for the Arab-Israeli peace process, but that the United States would not allow its pursuit of peace to "undercut" the U.S. stand against terrorism.

Baker said the United States conveyed messages to Britain, France, Egypt, the Netherlands and Sweden, saying that "it would be very difficult for us to sustain this dialogue" if the PLO did not clearly condemn the May 30 raid as well as discipline Mohammed (Abul) Abbas, who heads the PLO faction that carried out the attack.

He said the U.S. ambassador to Tunisia, Robert Pelletreau, has met with the PLO a half-dozen times since the raid, and has urged it to "begin to take steps to discipline" Abbas.

The PLO issued a statement Monday declaring its opposition to "any military action that targets civilians," though it did not mention the May 30 attack specifically.

Baker said that statement "falls short of the mark."

An Egyptian Embassy official said the state-

ment came after Egyptian President Hosni Mubarak warned Arafat that without a "clear denunciation" of the raid, U.S.-PLO relations would "deteriorate."

The Egyptian official said that Monday's statement represents "some sort of progress," but that "if Arafat is keen on the dialogue, he must try to search for a way to fulfill United States demands. Otherwise the dialogue will be stopped."

"The Egyptians are continuing" to seek "a more forceful position out of the PLO on this," a State Department official confirmed Tuesday.

**ARABS PUSHING SPECIAL U.N. SESSION
TO CONSIDER SITUATION IN TERRITORIES**
By Allison Kaplan

UNITED NATIONS, June 12 (JTA) -- Arab representatives lobbied member nations here Monday and Tuesday in order to gather support for calling a special session of the General Assembly to address the situation in Israel's administered territories.

If such a session is convened, the Arabs are expected to introduce a resolution calling on the United Nations to dispatch troops to the territories to "protect" Palestinians from Israeli forces.

An Arab attempt to send a U.N. observer team to the West Bank and Gaza Strip was foiled two weeks ago when the United States vetoed a Security Council resolution calling for such action.

The measure would have sent a delegation of three Security Council members to the territories to assess the situation and report back to the council.

The strategy by which the General Assembly session would be called is known as "uniting for peace."

In order to convene the session, either nine members of the Security Council or a majority of all U.N. members would have to vote in favor.

The U.S. State Department is not commenting directly on whether it would support the convening of a special General Assembly session. "Such a proposal remains hypothetical," a department official said in Washington.

But the official pointed out that the United States believes the office of Secretary-General Javier Perez de Cuellar, not the Security Council or the General Assembly, is the proper conduit for dealing with the situation in the territories.

"The U.S. government supports the dispatching of a special emissary of the U.N. secretary-general to check on the situation and report back to the secretary-general," the official said.

Israeli Ambassador Johanan Bein called the move for a General Assembly meeting "another exercise of the Arab group only intended to coerce Israel and to further inflame the inhabitants of the territories. It is completely counter-productive."

Asked about U.S. support for sending a representative from the secretary-general's office, Bein noted that "the government of Israel has accepted special emissaries of the secretary-general in the past."

He said, however, that each proposal for an emissary was weighed on its individual merits.

**NEWS ANALYSIS:
PEACE PROCESS TO PLAY SECOND FIDDLE
TO ABSORPTION IN NEW SHAMIR REGIME**
By David Landau

JERUSALEM, June 12 (JTA) -- Israel is not abandoning the peace process, but its new government will give higher priority to absorbing the tens of thousands of immigrants pouring into the country.

That was how Prime Minister Yitzhak Shamir put it when he introduced his new right-wing coalition government Monday to the Knesset, which gave it a 62-57 vote of approval.

Shamir's carefully crafted speech sought to allay Arab and Western concerns over Israel's future policies on those issues. But he also was careful to avoid offending the three far right-wing parties to whom he now owes allegiance.

Shamir's priorities could put Israel on a collision course with the United States and Western Europe.

A linkage has taken hold in international diplomacy between Middle East peace and the settlement of Israel's rapidly increasing immigrant population.

While the United States does not subscribe to the linkage theory, it has reiterated its strong opposition to the settlement of immigrants in the disputed areas which, the Bush administration has intimated, include East Jerusalem.

Israel relies on the United States to help finance its absorption of immigrants, but has refused to guarantee where they will not be settled. The policy is to neither encourage nor dissuade immigrants from settling in the territories.

Shamir told the Knesset on Monday that Israel wants "to work hand-in-hand with the United States to strengthen our alliance."

But the new government is ideologically opposed to constraints on settlement.

Sharon Could Provoke Conflict

The appointment of the outspoken Ariel Sharon as minister of construction and housing with special authority for the absorption of Soviet immigrants is considered a potential source of conflict. It has been widely interpreted abroad as a signal that the settlement drive will be accelerated and that greater numbers of immigrants will be housed in the territories.

Just hours after the new Cabinet was announced, Sharon angrily refused to give Israel Radio an explicit statement that new immigrants will not be settled in the West Bank.

"Why do you keep harping on this?" he demanded. "I don't believe Israel need give assurances. The United States and the Soviet Union know perfectly well where the olim are settling," Sharon said.

Reciting the now familiar refrain that "Israel is a democratic society and everyone can live where they wish," he then observed cryptically, "Now is the time for deeds, not declarations."

Shamir's speech also focused on immigration. "The phenomenon of tens of thousands of Jews returning to their land has caused our enemies to rise up," he said.

But he reiterated that there is "no policy of directing immigrants specifically to these areas," meaning the West Bank and Gaza Strip.

The prime minister made a point of referring to the 1978 Camp David accords as the basis of Israel's peace proposals.

He also referred to the peace proposals

advanced by his unity government in May 1989, omitting to say they were passionately opposed at the time by key members of Likud and by the right-wing factions that are now Likud's partners.

Peace Plan Has Been 'Castrated'

Shamir sought to reconcile those differences by claiming that his peace proposals had been "castrated and misrepresented" by focusing solely on the proposed Palestinian elections in the territories.

The elections were the showpiece of Shamir's plan that attracted the support of the United States. The plan's later stages -- a period of autonomy for the Palestinians and discussions with Israel over the final status of the territories -- would have flowed directly from the election of Palestinian negotiators.

Many of Shamir's critics contended at the time that the entire plan was a sham aimed at stalling the peace process. Labor Party leader Shimon Peres implied that Monday in his rebuttal to Shamir in the Knesset.

He said Shamir, in effect, has made peace talks with the Palestinians contingent on peace with all of the Arab states and vice versa, a "Catch-22" situation that effectively stamped the peace process dead.

Veteran diplomats and observers say that in the short term, Arab extremists have played into Israel's hands and helped Shamir fend off a confrontation with the United States.

The thwarted terrorist attack on Israeli beaches May 30 by a rejectionist faction of the Palestine Liberation Organization made it politically difficult for Washington to maintain its dialogue with the mainstream factions of the PLO.

Similarly, Iraq's threats to use non-conventional weapons against Israel have lent credence to complaints by Israeli diplomats around the world that their country faces a relentless enemy out to destroy it.

But in the longer term, many analysts fear that hard-line pronouncements by members of Shamir's new government could "play into the hands of anti-Israel forces."

A more vigorous suppression of the Palestinian uprising in the territories, vowed by some members of the new government, could create severe "image" problems for Israel abroad.

Electoral Reform A Low Priority

President Chaim Herzog welcomed Shamir and his 18 new ministers at the presidential residence Tuesday. He posed with them for the official photograph that has become a tradition whenever a new government is installed.

Herzog urged the new regime not to miss the opportunities presented by the wave of immigration and also to turn its attention to the problems of the Arab minority in Israel.

The president also put in a strong plea for reform of Israel's electoral system. He noted the groundswell of public opinion in favor of electoral changes and expressed hope that the new Cabinet would act, lest the public lose the last vestige of respect for the democratic process.

But electoral reform is apparently not high on Shamir's agenda. In fact, he has warned against hasty action.

He told reporters at the presidential residence Tuesday that while his new government has a much narrower base than the one that preceded it, its ideological unity and common purpose would more than compensate for its slim majority.

NEWS ANALYSIS:

A MODERATE FORMER DEFENSE CHIEF NOW FACES CHALLENGES OF INTIFADA By Gil Sedan

JERUSALEM, June 12 (JTA) -- Moshe Arens began his first day in office as Israel's new defense minister by extending a gesture of good will toward the Palestinian population.

Security sources announced that a West Bank Arab college near Jerusalem, shut down since the intifada began more than two years ago, would be reopened.

Whether the gesture will set the tone for Arens' tenure as defense chief remains to be seen.

The Lithuanian-born, American-educated former aeronautical engineer is no novice to the defense establishment. He served as defense minister in the Likud government of Prime Minister Menachem Begin, replacing Ariel Sharon, who was ousted from the post in 1982 for allowing excesses in the Lebanon war.

At that time, Arens pursued a policy of moderation toward the Palestinians in the West Bank and Gaza Strip, based on his political credo that coexistence between Arabs and Jews in the territories is possible without territorial concessions by Israel.

Arens was later appointed minister in charge of Arab affairs, which gave him responsibility for Israel's 700,000 Arab citizens.

Again he was guided by his ideological mentor, Ze'ev Jabotinsky, who believed the Arab population should be treated as equals.

But Arens differentiated between "positive" Arabs, who cooperated with the Jewish political establishment, and "negative" ones, who opposed it. He also tended to favor other minorities, such as the Druze and Circassians, who serve in the Israel Defense Force.

Surprise Reaction From Palestinian

While Arens avoided friction with Israeli Arabs during his tenure, there was no love lost between them.

But the situation now is fraught with peril. The intifada is in its 30th month and shows no signs of abating. It could easily spill into Israel proper.

Unexpectedly, a prominent Palestinian activist has given a backhanded vote of confidence to the new Likud government.

Faisal Hussein of East Jerusalem, who advocates non-violent resistance to Israeli rule in the territories, said he preferred the new regime to the national unity partnership between Likud and Labor that it replaced.

"Finally the government will talk with one voice, and perhaps it will be able to make decisions," Hussein said Monday.

But he warned that if the Likud government "intends to wage war against us, we shall stand firm and return war."

Arens steps into the shoes of Laborite Yitzhak Rabin, the former defense minister whose tough but controlled security measures in the territories won the support of Prime Minister Yitzhak Shamir.

In Rabin's view, the Palestinian uprising could be contained, but not quelled, by military measures.

Likud moderates shared that view. But hardliners, not moderates, are now ascendant in Likud, and Arens, paradoxically, is not likely to enjoy

the confidence reposed in Rabin.

For one thing, he will have to deal with the resurgent power of Sharon, who has made no secret that he coveted the defense portfolio. He has boasted frequently that if given free rein, he could end the intifada in a matter of days.

Arens' first test will come the next time the territories erupt in violence, as they did last month, after a lone Jewish gunman massacred seven Arab day laborers near Rishon le-Zion.

He will have to decide whether to let the IDF deal with the situation as it has in the past -- with restraint in such areas as the use of live ammunition -- or by introducing much harsher measures to please Sharon.

If Sharon decides to breath down Arens' neck, the new defense minister may have no choice but to demonstrate that he can be tough.

Sharon is minister of construction and housing with special authority for the absorption of Soviet Jewish immigrants. In that capacity, he can throw the territories into turmoil by settling Soviet Jews there.

Arens will likely learn in that case what Rabin found out: that the intifada will continue as long as there is no political solution.

ISRAEL'S NEW FINANCE MINISTER SEES ABSORPTION AS A NATIONAL EMERGENCY By Hugh Orgel

TEL AVIV, June 12 (JTA) -- Yitzhak Moda'i, the finance minister in the new Likud-led coalition government, believes the Israeli public can be counted on to rally in a national emergency.

According to Moda'i, the emergency facing Israel now is the mass absorption of immigrants, mainly from the Soviet Union.

While he says he has no plans for harsh economic measures to help cover the costs of integrating the newcomers, he expects Israelis and overseas Jews to contribute to it in the form of a voluntary loan.

The public will be asked to show its "gratitude for the miracle of mass immigration," Moda'i said.

Moda'i is no newcomer to the Treasury. He served as finance minister in the Labor-Likud unity government set up in 1984.

Working with then Prime Minister Shimon Peres, he reduced Israel's triple-digit inflation to an annual rate of 20 percent. He held office until 1988, when he was ousted in a personal dispute with Peres.

Israel's new finance minister holds a degree in chemical engineering from the Technion-Israel Institute of Technology in Haifa and a law degree from the Hebrew University. He was general manager of the Revlon company in Israel before entering politics.

Given his background as a businessman with conservative ideas, he is expected to propose economic measures that will put him in conflict with Histadrut, Israel's giant trade union federation, which is dominated by the Labor Party.

Moda'i is expected to seek lower taxes for industrialists, reduced government spending and the sale of government enterprises.

The most controversial measure at the moment is a 5 percent devaluation of the shekel sought by manufacturers and industrialists.

Reports that devaluation was imminent have been denied, convincing financial circles they are indeed true. But a decision reportedly has been postponed until after the Cabinet is sworn in.

COURT DECISION BARRING MENORAH IS APPLAUDED BY JEWISH GROUPS

By David Friedman

WASHINGTON, June 12 (JTA) -- A number of Jewish groups are applauding the Supreme Court's decision Monday to let stand an appellate court ruling barring the placement of a menorah in a public park in Burlington, Vt.

But the Chabad-Lubavitch movement is disappointed.

The high court refused to hear the city of Burlington's appeal of a lower court ruling that the city should not have allowed the Hasidic movement to place the 16-foot menorah in a public park.

"There is no religious need to place sacred symbols of any faith on public property. Hence, there is no religious need to be accommodated by the government," said Samuel Rabinove, legal director for the American Jewish Committee.

He said that "ample private places exist for the public display of creches and menorahs--churches, synagogues, religious schools, private homes, lawns and storefronts."

But Nathan Lewin, the Washington attorney who represents Chabad, said the Hasidic movement was stressing an important principle in placing menorahs on public land during Chanukah. This is to let Jewish residents know that "the city respects their faith no less than it does the majority faith."

"I'm disappointed the court did not take the case," the attorney said. But he stressed that the court's decision only affected the one case, in which a menorah was placed in a park adjacent to Burlington's City Hall, with a sign reading "Happy Chanukah."

He said the court's decision does not mean that a menorah cannot be placed on public property anywhere else, including Burlington.

Rabbi David Saperstein, Washington representative of the Reform movement's Union of American Hebrew Congregations, agreed that the decision was limited.

But he said it should be "a source of major relief" to everyone worried about the recent church-state decisions of the Supreme Court.

'Optimistic Sign' From The Court

"The Supreme Court decision not to hear a case to further overturn religious freedom is an optimistic sign that there may still be a majority on the court that is worried about the direction the case is taking," Saperstein said.

He urged Orthodox Jewish groups to "hear carefully the federal courts' concern about the constitutionality" of such displays.

Chabad had received a permit from the city of Burlington to display the menorah each year since 1986. But in 1988, the permit was challenged by three local residents: Rabbi James Glazier of Temple Sinai, a Reform synagogue in South Burlington; the Rev. Robert Senghas, a retired Unitarian minister; and Mark Kaplan, a local attorney who is on the board of the Vermont chapter of the American Civil Liberties Union.

U.S. District Court Judge Franklin Billings of Vermont ruled that the city could allow the menorah to be displayed in the public park. But his decision was overturned 2-1 by the U.S. Court of Appeals for the 2nd Circuit in New York, based on a Supreme Court ruling last July.

In that ruling, *Allegheny vs. ACLU*, the court said that a nativity scene inside a court-

house in Pittsburgh was unconstitutional. But it ruled a menorah in front of a nearby government building was allowed, because it was next to a Christmas tree, which made it part of a secular holiday display.

Rabbi Glazier said in a telephone interview Tuesday that last December, the city moved the menorah near what he called a tree "bedecked with lights," in an attempt to comply with the *Allegheny* decision.

But he said that he and the others who brought the suit had been assured by the city attorney that a permit will not be given for a menorah this year.

"I am very pleased" with the court's decision Monday, "because the wall of separation between church and state has been maintained, if not strengthened," Glazier said.

HOUSE ATTEMPT TO BLOCK ARMS SALE TO SAUDIS NOT EXPECTED TO GO FAR

By David Friedman

WASHINGTON, June 12 (JTA) -- A resolution introduced in the House of Representatives that disapproves of the Bush administration's proposed \$4 billion arms sale to Saudi Arabia is expected to be more of a symbolic protest than a means of killing the sale.

Although not pleased with the proposed sale, the largest to Saudi Arabia since the 1981 sale of AWACS electronic surveillance plans, the American Israel Public Affairs Committee is not expected to fight it.

"We know it is an uphill battle," said a spokesman for Rep. Lawrence Smith (D-Fla.), who introduced the bill Monday along with Reps. Tom Lantos (D-Calif.), Benjamin Gilman (R-N.Y.) and Eliot Engel (D-N.Y.).

But Smith's spokesman said it was important that the "magnitude of the sale" be understood and that it not "be rubber-stamped by Congress."

The administration advised Congress on June 6 that it plans to sell the Saudis 2,000 TOW 11-A anti-tank missiles, 1,117 light-armored vehicles and upgraded technology for the AWACS planes. The sale will go forward unless both houses of Congress adopt resolutions rejecting the sale within 30 days of notification.

"The fact is that the Saudis don't need this advanced technology, and it certainly does nothing to help U.S. interests in the region," Smith said.

He said the sale would only "add more fuel to the fire" of what already is an "increasingly precarious" balance of power in the Middle East.

Defense Secretary Dick Cheney defended the sale when he was asked about it after his address to AIPAC's 31st annual policy conference Monday.

Cheney said it was in the interest of the close U.S.-Israeli relationship that the United States maintain good relations with the more moderate Arab countries.

But on Sunday night, Thomas Dine, AIPAC's executive director, told some 1,500 people attending the policy conference that AIPAC was "distressed" about the proposed sale to the Saudis. Nevertheless, he confirmed that the lobby would not try to stop the sale.

Dine said the proposed sale does not contain equipment, such as advanced combat planes, that would be cause for serious concern. But "the sheer size of this package should raise eyebrows and encourage congressional vigilance over future sales," he said.