

AS BAKER ARRIVES IN ISRAEL, SETTLEMENT POLICY IS SCRAPPED

By David Landau

JERUSALEM, July 19 (JTA) -- Just hours before U.S. Secretary of State James Baker arrived here Sunday afternoon, Israel's new Cabinet, in its first weekly meeting, suspended all previous decisions approving settlement building.

It was a marked contrast to previous Baker visits, which were frequently accompanied by the inauguration of new Israeli settlements in the administered territories.

And unlike previous American diplomatic efforts, which substituted for face-to-face talks between Israelis and Arabs over how to proceed with the peace process, Prime Minister Yitzhak Rabin will head to Egypt on Tuesday to meet with President Hosni Mubarak. There is speculation that Baker will attend that meeting as well.

Not everyone is taking the new Israeli policies well. Security precautions for the Baker visit were especially tight, in light of intelligence reports reaching the police and the Shin Bet security service of a rightist extremist plot to attack Baker or American institutions here during his visit.

Meeting Baker at the airport was Foreign Minister Shimon Peres and top aides. Peres accompanied Baker to Jerusalem, where the secretary opened talks with Rabin.

On Monday, talks were scheduled with Faisal Husseini and other local Palestinian leaders. Also on the agenda were further meetings with Rabin, Peres and the Israeli economic leadership.

The economic team, headed by Finance Minister Avraham Shohat and the governor of the Bank of Israel, Jacob Frankel, will discuss Israel's longstanding request for U.S.-guaranteed loans and, possibly, Israeli plans for economic restructuring.

First Summit In Six Years

On Tuesday morning, Baker flies out for a round of visits to the Arab capitals. Rabin is scheduled to leave shortly after Baker for a one-day visit to Egypt.

This will be the first top-level Israeli-Egyptian summit for six years. Mubarak stolidly refused to meet with the former Israeli premier, Yitzhak Shamir, on the grounds that no substantive progress would come out of such a meeting.

The secretary's talks in Israel were expected to focus on the peace process -- Rabin prefers the term "peacemaking" -- and also on the loan guarantees.

Baker is expected to want to hear specific details on the new government's stance on Palestinian autonomy and also on the extent and nature of the settlement freeze that Rabin and his ministers are pledged to institute.

Sunday's Cabinet decision to overturn the settlement plans of previous governments follows an interim freeze on new building contracts announced by the Housing Ministry last week. The ministry is also investigating the legal ramifications of suspending existing construction contracts.

What is unclear, however, is the extent to which the Bush administration will be prepared to

go along with Rabin's distinction between "political" and "security" settlements.

The Arabs, led by the Palestinians, will be urging Baker to reject this classification and to demand that the freeze cover all territory captured in 1967, including East Jerusalem.

There is media speculation surrounding the possibility of a Rabin-Mubarak-Baker meeting Wednesday morning in Cairo. Observers say this could assist the U.S. administration and specifically the secretary, who is being urged to take a leave of absence from his post in order to help out the flagging Bush presidential campaign.

At the beginning of the Cabinet session, Rabin told his ministers they had a "great opportunity" to implement their electoral pledges. But he stressed it would require close teamwork and coordination.

He insisted that ministers not follow the pattern of instant leaks set by the previous governments, in which no sooner does something take place in the Cabinet room than it is leaked, often by ministers themselves, to reporters.

The Cabinet appointed an eight-member Inner Cabinet, headed by Rabin, and a ministerial committee on privatization, also to be chaired by the premier.

NEWS ANALYSIS:

BAKER WILL FIND PALESTINIANS MORE DEEPLY DIVIDED THAN EVER

By Gil Sedan

JERUSALEM, July 19 (JTA) -- Secretary of State James Baker arrived in Israel this week to find a Palestinian community more deeply divided than ever.

The more moderate segment of the community, which generally backs Yasir Arafat's Al Fatah wing of the Palestine Liberation Organization, is facing a stiff challenge from Hamas, the Islamic fundamentalist movement.

Longstanding differences have been exacerbated by sharp differences between the two groups on how to react to the Labor Party victory in last month's elections, the accelerated peace process being heralded by Baker and the probability that the United States will soon provide guarantees for billions of dollars worth of loans sought by Israel to aid immigrant absorption.

In recent weeks, the rivalry has been particularly noticeable in the Gaza Strip, where followers of the two groups continued to clash even after a truce was agreed upon by the leadership.

But in the West Bank as well, there was rising tension between the "national" leadership of Faisal Husseini, the unofficial head of the Palestinian delegation to the peace talks, and the local leadership of the refugee camps, the city streets and the trade unions.

The rising tension was also reflected in last week's crisis at A-Najah University in Nablus. The army had besieged the university for four days, after learning that wanted armed Palestinians were on campus. The crisis was resolved Friday, as six of the Palestinians agreed to a three-year exile in Jordan.

The internal Palestinian differences are not

just their business. They raise questions that become more crucial now that the peace talks are speeding up: Can the Palestinian delegation deliver what it promises? Will the agreements it reaches be honored by the people?

With the euphoria that accompanied the peace conference in Madrid last October long evaporated, the delegates are each determined to prove that they represent their particular constituency the best. While Hussein heads the delegation, his leadership is not strong enough to enforce decisions.

U.S. Concern Over Deadlock

Things would be smoother if PLO headquarters in Tunis actually controlled the Palestinian negotiators, though the Israelis would be the last to admit this.

But paradoxically, the very fact that local Palestinians have been negotiating on behalf of the Palestinian people has strengthened their stand vis-a-vis the PLO.

Thus, the Palestinian delegation to the peace talks is caught in a strange situation. On the one hand, it is too weak to reach a consensus or to enforce its will on the people; on the other hand, the people in Tunis are no longer strong enough to make the decisions for them.

The result is a consensus only on the lowest common denominators, such as the demand for a complete halt to the further settlements in the territories.

But this may not be enough for Baker, who will be looking for both flexibility and constructive ideas, when he meets with the Palestinians. State Department officials have already expressed their concern over the internal Palestinian deadlock.

The ones who stand to gain from this relative impotence are the extremists, who oppose any accommodation with Israel. If the extremists win the power struggle, the intifada will flare up again at full scale, and the local Palestinian leadership will be in real trouble.

Prime Minister Yitzhak Rabin has said that despite Israel's quest for peace, he would fight the hard-core intifada. The more violent the intifada becomes, the more determined the Labor government will be to quell it.

SIEGE AT UNIVERSITY IN NABLUS ENDS WITH DEPORTATION OF SIX PALESTINIANS By Gil Sedan

JERUSALEM, July 19 (JTA) -- The first crisis of Yitzhak Rabin's new tenure as prime minister was resolved Friday in a compromise that seemed to satisfy most Israelis and Palestinians.

Six Palestinians agreed to a three-year voluntary exile in Jordan, enabling the Israel Defense Force to lift its three-day siege of A-Najah University in Nablus.

The siege began July 14, when IDF forces learned that between nine and 19 armed Palestinians, who were sought for violent activities, had infiltrated the campus, where student body elections were being held. The army demanded all students leaving the campus submit to searches. The students refused, and the siege ensued.

It was an embarrassment for Rabin, who publicly questioned why the army did not take action before the suspects had reached the campus.

On the Palestinian side, Faisal Hussein oversaw the negotiations, though he did not

directly conduct them. According to some reports, Hussein differed with Palestine Liberation Organization leader Yasir Arafat, who urged that students maintain a hard line and not capitulate. Arafat reportedly spoke to the students in a call that was broadcast through the school's public address system.

But American appeals for a peaceful resolution were heeded, in part because both sides feared the consequences if the army went in shooting, and in part because both Rabin and Hussein will be meeting this week with U.S. Secretary of State James Baker to discuss the peace process.

Under the terms agreed upon by the Palestinians and the Israelis, six of the wanted Palestinians agreed to leave the West Bank for Jordan for a three-year period. If they do not engage in terrorist activities, they will be allowed to return.

SLA SOLDIER AND PALESTINIAN KILLED DURING A CLASH IN SOUTHERN LEBANON By Hugh Orgel

TEL AVIV, July 19 (JTA) -- A South Lebanon Army soldier and a Palestinian gunman were killed in a clash in the central sector of the Israeli-controlled security zone in south Lebanon on Friday.

SLA troops were on routine patrol when they came under fire.

A Kalashnikov rifle and a case of ammunition, a rocket-propelled grenade launcher and a case of grenades were discovered near the body of the gunman killed in the exchange.

In a statement issued in Beirut, Nayef Hawatmeh's Democratic Front for the Liberation of Palestine claimed responsibility for the incident which, it said, was in retaliation for the Israel Defense Force's siege of A-Najah University in Nablus.

The IDF had cordoned off the university last week in an effort to capture suspected Palestinian terrorists. The siege ended Friday with six Palestinians being expelled from Israel.

Also on Friday, a roadside bomb was detonated near an SLA patrol near Ishiyeh village in the eastern sector of the zone, but caused neither casualties nor damage.

And Sunday, several shells were fired from north of the zone at SLA positions inside it. SLA gunners replied to the fire.

IDF and SLA troops are said to have readied themselves for a possible escalation of terrorist activities against them before and during U.S. Secretary of State James Baker's visit to Israel, which began today, as part of an effort to disrupt the Middle East peace process.

ISRAEL INTRODUCES NEW DRONE

TEL AVIV, July 16 (JTA) -- Israel Aircraft Industries has delivered to the Israeli air force the first of its new series of unmanned pilotless aircraft, or drones.

The state-of-the-art drone, named "Searcher," is about 13 feet long and has a 23-foot wingspan. It is an updated version of a series of highly successful Israeli-designed pilotless aircraft in use with the Israeli air force and other nations' militaries.

The Searcher can stay aloft for far longer periods than its predecessors and fly greater distances. It can also carry a larger payload than other drones.

SEPHARDIC PARTY UNDER PRESSURE FROM RABBIS TO QUIT GOVERNMENT

By David Landau

JERUSALEM, July 19 (JTA) -- Tension is still running high within Israel's haredi, or ultra-Orthodox, community following the decision by the Sephardic haredi Shas party to join the Labor government.

Rabbi Eliezer Schach and other leading non-Hasidic Ashkenazic rabbis have declared that joining the government is prohibited.

These rabbis, who head the Degel HaTorah wing of the United Torah Judaism party, are threatening to "delegitimize" the Shas spiritual leader, former Sephardic Chief Rabbi Ovadia Yosef, unless he orders his party to quit the coalition or has Shulamit Aloni removed from her post as education minister.

Schach and other haredi rabbis declared that Aloni, who heads the left-wing Meretz bloc, will "lead the children of Israel into apostasy."

They insist that no haredim may serve in a government in which she is the minister of education.

By delegitimizing Yosef, they mean attacking his many halachic books and recommending they no longer be studied in their influential yeshivas.

Schach and his aides are also directing strong pressure at the other members of the Shas Council of Sages to abandon Yosef and quit the party.

Yosef so far has withstood the pressure. In a lengthy handwritten statement he published over the weekend, he explained his decision to join the government and not to leave it despite Aloni's appointment.

He did that, he said, in order to protect and enhance the many achievements that Shas had won in recent years in terms of haredi education. He noted specifically that the military service deferment system for yeshiva students would be endangered if the haredim turned their backs on the new government.

Pledges To Restore Haredi Education

As for Aloni, Yosef pointed out that haredi education is an autonomous department within her ministry, headed by a Shas deputy minister.

The former chief rabbi also noted that Prime Minister Yitzhak Rabin had assured him in writing that the curriculum of Jewish heritage taught in non-religious schools would not be reduced under Aloni.

Aloni herself, in a series of interviews, pledged to "restore to haredi education" that which her predecessor as education minister, Ze'evulun Hammer, "plundered from it over the years."

Hammer is a leader of the National Religious Party, which is Orthodox but not haredi and therefore in competition for funds with the department in question.

Aloni, who is widely regarded as a foe of the Orthodox religious establishment, said that Jewish heritage "does not belong exclusively to any one party" and stressed that she, as a person well schooled in Jewish sources, certainly does not want Israeli children to be ignorant of their heritage.

Rabin spent two hours in private conversation with Yosef last week at his Jerusalem home. Political observers felt the premier wanted to bolster the Sephardic sage's determination to stick with his decision, despite the pressure.

GREEK COURT GIVES PALESTINIANS STIFF SENTENCES FOR 1991 BOMBING

By Jean Cohen

ATHENS, July 19 (JTA) -- Two Palestinians were sentenced to life imprisonment and four others jailed for up to nine and a half years for the 1991 bomb blast in Patras that killed seven people.

The convictions marked the first time the Greek authorities have been able to break a terrorist network of any kind.

An Athens court used the anti-terrorist law to sentence Ibrahim Bairat, 29, and Abu al-Nubani, 27, to life-plus-25-years for the terrorist explosion that occurred when a bomb intended for the British Consulate in Patras went off prematurely.

The blast wrecked the offices of a private mail company and killed four employees, two customers and the Palestinian carrying the bomb.

The court found the defendants guilty "because as leaders of the Islamic Holy War Movement group, they were responsible for the attack."

Four other Palestinians were sentenced for transporting arms and explosives, while two Palestinians and a Greek woman charged with lesser counts were acquitted.

The eight Palestinians, all students at Greek universities, said they would appeal their sentences.

Once the identity of the bomb carrier was established three days after the explosion, and his connection with Nubani was made by investigators, the Palestine Liberation Organization stepped into the picture to try quickly to defuse the situation.

PLO Officials Deny Any Link

PLO representatives in Athens denied that the Palestinians involved had anything to do with the organization. Nubani was in fact "captured" and delivered to the Greek authorities by the PLO after reportedly being told what to say, according to a source close to the investigation.

"It was a fair trial, conducted in a fair manner," said Abdullah, head of the PLO diplomatic mission in Athens, after the conclusion of the trial. Abdullah said the case showed that there was "no organized criminal conduct behind the tragic incident, but rather individual actions."

These Palestinians made a mistake "and they paid for it," said Abdullah. "We have complete confidence in the Greek judicial system. Responsibility lies solely with the individuals, rather than an organized group."

Asked whether the verdict might affect Greece's relations with the PLO, Abdullah said, "certainly not. It is evident from the trial that PLO had nothing to do with the tragic incident. On the contrary, from the outset, the PLO was cooperative and assisted the Greek government."

As to Nubani, he claimed throughout the case that he had nothing to do with the bombing and that the whole issue was a "frame-up of the Mossad," the Israeli intelligence agency.

In related developments, the former PLO representative in Athens, Mansour Gadour, was to be expelled from Greece, together with five other "diplomats" and twenty more Palestinians. But Gadour, who is married to the locally well-known Greek journalist Evi Demiri, was spared deportation after Greek prime minister Konstantin Mitsotakis personally intervened in his favor.

6 YEARS AFTER TERRORIST ATTACK, HERZOG PAYS A VISIT TO ISTANBUL

By Gil Sedan

ISTANBUL, Turkey (JTA) -- A historic cycle was closed here last week, as Israeli President Chaim Herzog visited the Neve Shalom synagogue in the heart of Istanbul.

Six years ago, on Sept. 6, 1986, Palestinian terrorists burst into the building, the most important Jewish institution in Istanbul, and killed 22 Sabbath worshippers.

Last week, the Jewish community of some 25,000 welcomed the most senior representative of the State of Israel to where the massacre had taken place.

The message sent to the terrorists was loud and clear: Not only have you achieved nothing in the terrorist attack, but the status of both Israel and the Jewish community in Turkey is now stronger than ever.

Israel and Turkey this year upgraded their ties to full diplomatic relations and signed a tourism agreement. Now Herzog was visiting the country, meeting with both President Turgut Ozal and Prime Minister Suleyman Demirel.

Although it was not an official state visit, Demirel later told Herzog that in his view, it was a state visit for all intents and purposes.

Herzog came to this Moslem state of 56 million to celebrate a Jewish event. He and his wife, Aura, were invited by a joint Jewish-Moslem committee marking the 500th anniversary of the absorption of both Jews and Moslems ousted from Spain in 1492.

Throughout the 48-hour visit, security was tight. Armed police guarded the Herzogs wherever they went. A police patrol boat was placed right next to the luxurious Ciragan Palace Hotel on the waters of the Bosphorus.

And a helicopter kept guard from above while the president went on a one-hour cruise in the Savarona, a cruiser originally purchased for the founding father of modern Turkey, Kemal Ataturk.

There was obvious nervousness here among security officers, not only because of the attack at Neve Shalom, but also because of current terrorist activities by both leftist and Kurdish insurgents.

A Gala Palace Dinner

The magnificent Neve Shalom synagogue was packed with some 700 members of the Jewish community. Herzog was seated in front of an ugly scar in the wall, a reminder of the 1986 attack.

He was welcomed by Rabbi David Asseo, the chief rabbi of Turkey, who compared the president's visit to that of a Jewish king.

"My short visit to Turkey reflects a historic chapter in Jewish history," Herzog told the audience in English, praising the warm welcome that was granted by the Ottoman authorities for the Jewish exiles who came here after the 1492 expulsion.

He challenged the local Jewish community to be the spearhead of improving relations between the two countries.

The next night came the climax of the visit. Herzog was received at a gala dinner, attended by some 1,100 guests, at the garden of the majestic Dolmabahce Palace, one of the eight impressive palaces of the city.

It was a rare occasion. Not only was it attended by the creme de la creme of Turkish

society, but it was also honored by the presence of two political rivals, President Ozal and Prime Minister Demirel. The two have hardly spoken to each other in the past few weeks and the reception gave them an opportunity for at least a temporary reconciliation.

"It is so nice a feeling to remember with pride the tolerance and understanding of our forefathers," Ozal said in his address. "We have gained fellow citizens whose friendship, dexterity and solidarity have contributed greatly to our society."

Ozal quoted Beyazit II, the sultan at the time of the Spanish expulsion, who said: "To expel such a community from its native soil is a loss to the perpetrators of that deed, and a gain to those who provide them with shelter and relief."

He reassured Herzog that Turkey is eager to contribute to a lasting peace in the Middle East.

Demirel, in his address, expressed support for Israel's right to live in secure boundaries, but with the same breath expressed support for an independent Palestinian state.

Ozal and Demirel met separately with Herzog for political discussions. Demirel met with Herzog before his departure on Friday. He told him how he had met a day earlier with 17 Arab ambassadors and told them that it was time to wake up and adopt a more realistic policy toward Israel.

None of the Arab ambassadors voiced any protest at the warm reception Herzog had received in Turkey.

"As far as I am concerned," Herzog told the Jewish Telegraphic Agency, "the revelation of this visit was the tremendous admiration for Israel, the Turkish readiness to turn a new leaf in the history of the countries, and to ignore all our enemies."

ISRAEL CONCLUDES FREE-TRADE PACT WITH SIX EUROPEAN COUNTRIES IN EFTA

By Tamar Levy

GENEVA, July 19 (JTA) -- Israel has concluded a free-trade pact with the six nations of the European Free Trade Association.

Under the agreement, to be signed by ministers later this year, all duties and barriers to trade among the signatory countries will be abolished.

The pact, which must still be ratified by Israel and the EFTA countries, is expected to be implemented on Jan. 1, 1993, the same date that the 12-nation European Community is scheduled to complete its economic integration.

EFTA unites in one free-trade area the markets of its members, which are Austria, Finland, Iceland, Norway, Sweden and Switzerland.

It was particularly important for the EFTA countries that the agreement be rapidly implemented in order to avoid the negative effects on trade of a new program of tariffs that had been introduced by Israel in September 1991.

The initiative to start negotiations on a free-trade agreement with Israel was taken by EFTA ministers in March 1991. The goal was to provide EFTA countries with the same trading conditions with Israel as those enjoyed by the European Community and U.S. exporters.

Trade volume (imports plus exports) between EFTA countries and Israel totalled almost \$1.7 billion in 1991.

Israel's new foreign minister, Shimon Peres, will be in Geneva on Sept. 17 to sign the pact.