

## UPDATE 3-Obama criticises Israel over settlement-building

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Provided by: **Reuters News**

- \* Israel says construction in Gilo routine
- \* Palestinians condemn building plans
- \* U.S. says Israeli move makes peace efforts more difficult

(Adds comment by Israeli President Peres, paras 17-18)  
By Jeffrey Heller

JERUSALEM, Nov 18 (Reuters) - U.S. President Barack Obama warned Israel on Wednesday its approval of new construction in a Jewish settlement could prove "very dangerous" by fuelling Palestinian anger and harming prospects for peace.

Obama's criticism of a plan to build 900 new homes at Gilo near Jerusalem sent a strong signal of displeasure over Prime Minister Benjamin Netanyahu's pledge that the holy city would be excluded from any settlement limits sought by Washington.

But while Obama has been urging Israel to restrain settlement expansion, he has backed Netanyahu in rejecting Palestinian President Mahmoud Abbas's demand that settlement activity must stop before peace talks can resume.

In an interview in China, Obama was asked by Fox News about the planned construction in Gilo, a settlement of 40,000 Israelis built in a part of the West Bank that Israel captured in 1967 and annexed to Jerusalem.

"I think that additional settlement building does not contribute to Israel's security. I think it makes it harder for them to make peace with their neighbours," Fox quoted Obama as saying. "I think it embitters the Palestinians in a way that could end up being very dangerous."

Publication of an Israeli government planning commission's blueprint for Gilo on Tuesday also drew sharp rebukes from Europe and the United Nations, as well as from Palestinians who said it added to their despair over establishing a viable state.

Netanyahu has said he would limit new construction in West Bank settlements but that building in Israel's Jerusalem municipality would continue. This area includes East Jerusalem and adjoining areas of the West Bank which Israel annexed in a move which was not recognised internationally.

"Construction in Gilo has taken place regularly for dozens of years and there is nothing new about the current planning and construction," a Netanyahu aide said.

The Palestinians want a capital at Jerusalem for the state they hope to establish in the West Bank and Gaza Strip. They complain that Israeli settlement building around the city, such as at Gilo, between East Jerusalem and the West Bank city of Bethlehem, will cripple the viability of any state they set up.

An Israeli official said Netanyahu told cabinet members to adopt a less confrontational tone toward the United States after a deputy minister was quoted by an Israeli news Web site as accusing Washington of "behaving like a bull in a china shop".

"SETTLEMENTS OR PEACE"

Nabil Abu Rdaineh, an Abbas aide, said the Gilo building plan "destroys the last chances for the peace process".

He called Obama's comments encouraging. But, reflecting Abbas's dismay with Obama's handling of the settlement issue, Abu Rdainah added: "What is needed is more pressure on the Israeli government to stop settlement activity."

Palestinian peace negotiator Saeb Erekat told an Israeli radio station on Wednesday that Netanyahu "has the choice -- settlements or peace", and accused Israel of trying to decide the conflict by building rather than negotiating.

French Foreign Minister Bernard Kouchner, visiting Jerusalem, said France regretted Israel's decision.

"But for now we must relaunch human dialogue, face to face, looking each other in the eye. I believe that is absolutely necessary," Kouchner told reporters, referring to a revival of peace talks between Israel and the Palestinians.

Israeli President Shimon Peres, during a meeting with Kouchner, said Israel knew what the U.S. and French position was on Jerusalem but said that only negotiations could resolve differences.

"I know that the American position on Jerusalem is not new, and your position is not new but in spite of it we are negotiating and making progress, we should not give up," Peres told Kouchner.

Sweden, current president of the European Union, referred also to demolitions of Arab homes and evictions of Arabs around Jerusalem on Wednesday as "illegal under international law".

"The actions taken by the Israeli government ... run counter to the creation of an atmosphere conducive to achieving a viable and credible solution to the conflict," it added in a statement.

Israeli Housing Minister Ariel Attias told Army Radio it could be a year or more before new construction began at Gilo.

U.N. Secretary-General Ban Ki-moon deplored the Israeli plan for Gilo, spokesman Farhan Haq said. Ban "believes that such actions undermine efforts for peace and cast doubt on the viability of the two-state solution", he said.

Some 500,000 Jews live in the West Bank and East Jerusalem among 2.7 million Palestinians.

(Additional reporting by Sangwon Yoon in Jerusalem and Jeff Mason in Washington, Editing by Alastair Macdonald/David Stamp)

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