

ISRAEL MAY ACCEPT PARTICIPATION OF 'DIASPORA PALESTINIANS' IN TALKS

By David Landau

JERUSALEM, July 22 (JTA) -- In another sign of the Labor government's more flexible stance on the peace process, Israel now appears to be ready to accept the participation of "diaspora Palestinians" in all five working groups of the multilateral talks on regional issues.

A strong hint to this effect was made by Foreign Minister Shimon Peres in a television interview Wednesday night.

"We will not agree to the (Palestinian) 'right of return' becoming an agenda issue," Peres declared.

But he said the Palestinians' demand that representatives from outside the administered territories be allowed to participate in the negotiations is a problem that could be "overcome by technical means."

The previous Israeli government boycotted two of the five working groups -- on refugees and on economic planning -- because the United States and Russia invited diaspora Palestinians to take part in them.

Jerusalem explained at the time that the participation of representatives from outside the administered territories implied a certain recognition of the "right of return" and contravened the framework agreed upon at the opening peace conference in Madrid.

Washington argued at the time that the Madrid framework applied only to the bilateral talks and not to the multilaterals.

Peres said in the interview that there is "no need" to reopen the related issue of the participation of Jerusalem Palestinians in the talks, since the composition of the delegations had been agreed upon.

"There is no need to negotiate retroactively," the foreign minister said.

NEWS ANALYSIS:

WHIRLWIND OF DIPLOMACY HIGHLIGHTS DIVIDENDS OF ISRAELI POLICY CHANGES

By David Landau

JERUSALEM, July 22 (JTA) -- There were lots of sunny smiles and warm words of praise exchanged this week as Prime Minister Yitzhak Rabin welcomed U.S. Secretary of State James Baker to Israel and then flew to Cairo for a summit meeting with Egyptian President Hosni Mubarak.

Israeli diplomats could only wonder how long the outpouring of international good will toward the week-old government would last.

Indeed, points of dispute between Israel and its neighbors were raised amid this week's whirlwind of diplomatic activity.

Yet the week, which included the first Israeli-Egyptian summit in six years, highlighted the dramatic impact Israel's foreign policy reorientation is having on its relations with other countries.

Following the Labor Party's upset victory in last month's elections, even seasoned ambassadors of the Jewish state were taken aback by the cascade of relief and even rejoicing that poured

in from dozens of world capitals.

"The latent sympathy which has always been there is flooding to the surface," said one top Foreign Ministry official. "They think they've got the Israel they love to love again."

A more realistic view was expressed by Egyptian President Mubarak's close political aide, Osama el-Baz, who told officials accompanying the Israeli prime minister to Cairo on Tuesday that "we know it's going to be tough with Rabin."

"We shall still have disputes, over Jerusalem for example, or over the settlements," Baz said. "But at least there is someone we can talk to at last."

The Egyptian aide went on to attack Rabin's immediate predecessor, Yitzhak Shamir, with a vehemence that embarrassed the new prime minister's entourage.

Concern Over Talks With Syria

Mubarak's desire to highlight his own gratification at the change of government in Israel was clearly part of the reason for inviting Rabin to Cairo so soon, even before the Israeli premier has visited Washington.

For six years, Mubarak stolidly spurned Shamir's overtures for a summit meeting, arguing that such an event must produce "tangible progress," agreed upon in advance.

Mubarak is still holding in reserve a further dramatization of the improved relationship, a visit by him to Israel, pending further progress in the peace process.

He told a joint news conference after his talks with Rabin that he had accepted the Israeli premier's invitation and would come at a "convenient" but unspecified time.

Nonetheless, the atmospherics of the Cairo conclave this week left little doubt that Egypt is determined to seize upon the new thinking in Jerusalem to push the negotiations forward.

In particular, Mubarak is anxious to ensure that Rabin does not devote all of Israel's peace-making energies to the Palestinian autonomy talks while downgrading the negotiations with Syria.

In his view, as in the view of many regional players, if Syria is left out in the cold, it can and will exercise a spoiling influence on the Palestinians.

This same line of reasoning was advanced by Baker during his visit to Israel earlier this week, which was followed by stops in Jordan, Syria and Egypt.

Like Mubarak, the secretary of state wanted to hear from Rabin that there is flexibility in his position regarding the Golan Heights and that he is willing to proceed toward at least an interim agreement with the Syrians, parallel with the Palestinian negotiations.

According to Israeli sources, Rabin has in fact softened his pre-election position that the Palestinian talks are the top and virtually the sole priority for the new government.

In a possibly significant statement, a leading non-government observer, reserve Maj. Gen. Shlomo Gazit, this week broached the idea of Israeli-Syrian progress toward some form of interim agreement regarding southern Lebanon.

Gazit, a former commander of military intelligence who is still considered an important

figure in military and political circles, pointed out that the dangers of instability between Syria and Israel have focused almost exclusively on southern Lebanon ever since the Israeli-Syrian disengagement agreement was signed 18 years ago.

Rabin, for his part, raised the problem of southern Lebanon in his discussion with Mubarak on Tuesday, specifically in the context of his host's assurances that Syria sincerely desires to advance toward peace.

Rabin asserted that Syria could significantly reduce the level of violence in southern Lebanon if it wished. Its influence over the Hezbollah and other hostile groups is overwhelming, he noted.

'Satisfied' With Settlement Policy

With the bilateral negotiations scheduled to resume soon, probably in Rome if security and logistics problems there can be solved, it will soon become clear whether the change of government in Israel will indeed catalyze momentum not only on the Palestinian front, but between Israel and all its Arab partners in the peace process.

Meanwhile, though, Israel hopes to reap some sizable dividends from its new flexibility on settlements in the administered territories, which the Bush administration has viewed as an obstacle to peace.

High on the agenda of Baker's talks this week with Israel's political and economic leadership was the Jewish state's longstanding request for U.S. guarantees covering billions of dollars in loans, which would be used to create jobs and housing for new immigrants.

Baker indicated that if an agreement on settlements could be worked out, the loan guarantees would be forthcoming, possibly within a month or two.

Asked in Cairo how near he was to such an agreement with the Israelis, Baker told reporters Wednesday that some of the details "are still to be worked out."

But in a noticeable change in tone from the icy rhetoric used with the Shamir government, the American secretary said: "I am really very satisfied with the philosophy and the orientation of this new government of Israel toward the question of settlements. And I am satisfied that you are going to see a severe and substantial reduction in settlement activity."

IDF SOLDIER KILLED IN AMBUSH BURIED

By Hugh Orgel

TEL AVIV, July 22 (JTA) -- Sgt. Yitzhak Levy, 19, the Israel Defense Force soldier killed in an ambush attack while on routine patrol in the southern Lebanon security zone, was buried with full military honors in his home town of Ashkelon on Wednesday.

His funeral was delayed until the arrival of his sister, who had been on vacation in the United States.

Four of five other soldiers wounded in the ambush which killed Levy and in the explosion of a roadside bomb under another vehicle speeding to the aid of the stricken patrol, have been discharged from the hospital. The Iranian-backed Hezbollah group claimed credit for both attacks.

One more soldier remains in the hospital for treatment for chest and neck wounds.

IDF and South Lebanon Army forces in the Israeli-controlled security zone safely dismantled two more roadside bombs on Wednesday without casualties or damage.

G.E. PLEADS GUILTY, MAKES SETTLEMENT IN ISRAELI ARMS PROCUREMENT SCANDAL **By Mitchell Danow**

NEW YORK, July 22 (JTA) -- General Electric Co. has pleaded guilty to four criminal charges and agreed to pay fines totaling \$69 million in connection with a fraud and bribery scandal involving sales of military jet engines to Israel.

The electronics giant, which manufactures jet engines, pleaded guilty, in federal District Court in Cincinnati, to U.S. Justice Department criminal charges involving conspiracy, submitting false claims, failure to keep accurate records and money laundering.

The charges led to a fine of \$9.5 million.

G.E. also agreed to pay \$59.5 million to settle a civil case involving the diversion of \$40 million in U.S. military aid earmarked for Israel.

The charges arose in December 1990 after Chester Walsh, a whistle-blower at G.E. who had previously worked in Israel, claimed that a high-level G.E. executive had made \$11 million in bribery payments to secure Israeli contracts for jet engines.

The bribes were made to Brig. Gen. Rami Dotan, the Israeli air force's chief procurement officer in the United States during the mid-1980s.

Dotan, tried in Israel, was reduced in rank to private and given a 13-year jail term.

Herbert Steindler, the G.E. executive who was named in the lawsuit as a participant in the alleged fraud, was fired by the company last year and is now thought to be living in Rome.

On June 1, the Pentagon's Defense Logistics Agency suspended the aircraft engines division of G.E. from competing for U.S. government contracts because of the allegations of fraud.

But, according to a spokesperson for the agency, that suspension was lifted four days later, after G.E. officials agreed in writing to provide compensation for any wrongdoing in the matter and to initiate safeguards against its recurrence.

E.C. BODY EXPRESSES CONCERN OVER MISSING LEBANESE JEWS

By Joseph Kopel

BRUSSELS, July 22 (JTA) -- The European Parliament, the European Community's legislative body, has adopted a resolution expressing concern over the fate of Lebanese Jews who were abducted several years ago and detained as hostages.

In a resolution introduced by the French Liberal deputy Jean-Thomas Nordmann, the European assembly said it noted with satisfaction the recent release of German hostages detained in Lebanon, the last Western hostages held there.

But it expressed its deep concern over the fate of seven Lebanese Jews who were "kidnapped without motive and detained as hostages."

The European Parliament called on Lebanon, Syria and Iran to make "the necessary interventions" to free these hostages.

Between 1984 and 1986, 11 Jews were kidnapped in Lebanon. Responsibility was claimed by a group calling itself the Organization of the Oppressed of the Earth. The group later claimed it had killed nine of the captives, but only four bodies were recovered.

The seven missing Jews never accounted for are Selim Mourad Jamous, Elie Hallac, Elie Srour, Isaac Sasson, Yehuda Beniste, Yussef Beniste and Henri Mann.

PROSECUTORS ASK U.S. APPEALS COURT TO LET DEMJANJUK EXTRADITION STAND

By Jamie Kahn

The American Israelite

CINCINNATI, July 22 (JTA) -- Justice Department lawyers have asked a federal appeals court here to let stand the extradition order of John Demjanjuk, arguing that an Israeli court was the proper venue for deciding whether he was in fact the sadistic Nazi death camp guard known as "Ivan the Terrible."

In a 61-page brief along with 700 pages of records filed last week in the U.S. Court of Appeals for the 6th Circuit in Cincinnati, the Justice Department lawyers argued that none of the survivors who identified the former Cleveland-area auto worker as "Ivan" has recanted his or her testimony.

The lawyers are planning to file a second brief by Aug. 1, arguing that the appeals court no longer has jurisdiction in the case.

Demjanjuk, now 72, was deported from the United States in 1986 after the 6th Circuit denied his appeal of the extradition order.

He was convicted in Israel in 1988 for torturing prisoners and operating gas chambers at the Treblinka death camp in Poland, where 900,000 Jews were murdered. He has maintained he is the victim of a case of mistaken identity.

Demjanjuk is currently appealing his 1988 death sentence to Israel's High Court of Justice.

In an unusual move, the Cincinnati court on its own had ordered the Justice Department last month to provide all its evidence showing that Demjanjuk is not the dreaded "Ivan."

The court said its action stemmed from recent news reports which called into question the validity of the extradition order and suggested that Justice Department lawyers had concealed evidence implicating another man as "Ivan."

Depositions of Treblinka guards, recently released by the former Soviet Union, point to a guard named Ivan Marchenko as the man Jewish prisoners had called "Ivan the Terrible."

But federal prosecutors state that the new evidence, now being considered by Israel's High Court, has no bearing on the extradition order.

In briefs provided to the court, the lawyers presented evidence showing that Demjanjuk had entered the United States unlawfully because he "concealed and misrepresented his SS service" when he applied for immigration in 1952.

"Even if this court may reconsider its decision, it should not do so. The extradition warrant was not improvidently issued," the prosecutors stated.

The appeals court set a hearing on Aug. 11 to determine whether Demjanjuk's extradition case should be reopened.

2 NEW FACES ON LABOR LIST TO HEAD INFLUENTIAL KNESSET COMMITTEES

By Gil Sedan

JERUSALEM, July 22 (JTA) -- Two up-and-comers on Labor's list have been elected to head influential Knesset committees.

Ori Orr, a former general and new face in Israeli politics, was elected chairman of the Foreign Affairs and Defense Committee, while Avraham Burg, who came in third in Labor's primary elections, was named head of the Education Committee.

Orr, whose last army job was as head of the

northern command, was on Labor's list for the first time this year.

He reportedly would have preferred a senior position in the defense establishment, but with the appointment of former Israel Defense Force Chief of Staff Mordechai Gur as deputy defense minister, the space up at the top of the security hierarchy was becoming narrower and narrower.

In the past few years, Orr has served as director-general of the Jewish National Fund.

Orr replaced Likud Knesset member Eliahu Ben-Elissar, who is now housing minister. Opposite him at the committee's table will be former commanders of his, Rafael Eitan and Ariel Sharon.

Asked what his credo would be once he assumed his job at this influential committee, Orr recalled one of the toughest battles he had experienced. As a division commander during the Yom Kippur War, he had received news of growing losses in his division, while the Syrians were making serious advances on the battle front.

"I asked myself at the time, how did it happen to us, and I am telling myself today: it is the duty of the Knesset Foreign Affairs and Defense Committee to make sure that it will not happen again," Orr said.

Burg, son of longtime National Religious Party leader Yosef Burg, was also denied a post in one of the ministries. But at the Education Committee, he too promises changes: "On Sunday we shall begin writing the education book of the State of Israel -- a master plan for the relocation of education in the country," Burg said.

Burg, himself religious, won fame in the recent election campaign when he came out strongly for the separation of state and religion and for the drafting of yeshiva students.

DWARFS WITH LARON AILMENT CAN NOW BE CURED WITH DRUG

By Hugh Orgel

TEL AVIV, July 22 (JTA) -- Hundreds of dwarfs suffering from an ailment named after Tel Aviv University Professor Zvi Laron, can be cured now with a hormone produced in Japan and tested by Laron in Israel.

Laron, Marsh Professor of Endocrinology at Tel Aviv, reported his findings following two years of tests.

He said the drug, IGF-1, enabled children suffering from Laron type dwarfism, or LTD, to grow by 3 to 5 inches. All the children who received IGF-1 grew and Laron has concluded that the disease is finally curable.

Some 250 people are known to be suffering from Laron type dwarfism, 41 of whom are in Israel.

LTD was first diagnosed among Jews of Middle Eastern origin and later among Jews and non-Jews in other Middle Eastern and Mediterranean countries, as well as descendants of migrants from those countries.

The disease is characterized by dwarfism, obesity, small hands, feet and faces. The liver fails to produce the hormone causing growth, and people with LTD reach a height of 3 to 4 feet.

Laron said that his studies had led Fujisawa Co. of Osaka, Japan, to produce a biosynthetic hormone, IGF-1, which was first tested in Israel.

That hormone is administered daily before breakfast, in doses that depend on the child's weight. It makes the children taller, increases the size of their brains, and makes their bodies slimmer, he added.

REFORM CANDIDATE PRESSING AHEAD WITH HIS BID FOR WZO CHAIRMANSHIP

By Michele Chabla

JERUSALEM, July 22 (JTA) -- Rabbi Richard Hirsch's chances of being elected chairman of the World Zionist Organization are not much better than Ross Perot's.

But unlike the Texas billionaire, the executive director of the World Union for Progressive Judaism is not a quitter.

"I am continuing with my candidacy," Hirsch told a news briefing here Wednesday.

Hirsch is trying to wrest the chairmanship away from Simcha Dinitz of the Labor Party, who has held that position for the past four years.

While Hirsch concedes he has little chance of winning the election for chairman, which will take place during the World Zionist Congress on Monday, his bid is a continuing thorn in the side of WZO officials.

At the heart of the battle is the way delegates to this year's congress have been selected. The Israeli delegation, which comprises 38 percent of the congress, is divided in proportion to the returns in Israel's Knesset elections.

Diaspora representatives in the past have been elected by members of various Zionist organizations unless all sides reached a mutually acceptable agreement on how to divide a country's delegation.

This year, however, the Association of Reform Zionists of America did not agree with the dozen other American Zionist groups on the U.S. delegations.

But despite the lack of consensus, elections were not held. In protest, Hirsch announced his candidacy.

The Reform movement took its case to the Zionist Supreme Court, which agreed that delegates should be elected democratically.

However, the court approved a compromise proposal set forth by the American Zionist Federation and deemed elections for this year's congress unnecessary.

Opposition Bloc Formed

During his campaign, Hirsch emphasized that voting at the Zionist Congress is conducted by secret ballot. Nonetheless, he is expected to get few, if any, votes from Labor or from Likud, which has agreed to support Dinitz in exchange for retaining control of the WZO's treasury post.

In addition, the right-wing Tsomet party has aligned itself with the National Religious Party and the international Orthodox Mizrahi movement, in what will be the third largest bloc in the congress. The Orthodox delegates are not likely to cast their ballots for a Reform rabbi.

The Reform movement has formed an alliance with Shinui and Ratz, two factions of the left-wing Meretz bloc, which is part of the Labor-led governing coalition.

Hirsch said his candidacy has been hurt by the lack of elections.

"With elections, the opposition has the opportunity to introduce itself and highlight the issues. Elections also allow the voters to make a change in leadership. As it stands now, the odds are greatly against us," he said.

Since the last congress, he noted, "many things have changed within the Zionist movement. Allegiances have shifted and different issues have come up. According to this year's formula of choosing delegates, we have an almost exact

replication of representatives as the last congress."

Hirsch said that "although the WZO prides itself on being the most democratic representative organization in the Jewish world, this year's congress will not reflect this.

"Of the 584 delegates who will vote on Monday, only nine were elected. And the 190 Israeli delegates were chosen according to the results of the general elections on June 23. I don't know of a single Israeli who went to the voting booth knowing he was also casting a vote for delegates of WZO," he said.

Dinitz Expresses Surprise

When asked by a reporter about his feelings toward Dinitz, Hirsch said, "He is a distinguished leader of our people with a long history of service. I hope he continues this service, but perhaps in another job."

Soon after the briefing, Dinitz released a statement saying he was "surprised at the things said in the press conference.

"About half of the delegates are new, and for the first time students will be among the representatives," he pointed out.

In response to Hirsch's charge that he had refused to meet with the ARZA-Shinui-Ratz bloc, Dinitz stated, "The Labor movement is prepared, as it has always been, to carry out negotiations with leaders of the Reform movement, Ratz and Shinui, so that they can participate in the wall-to-wall coalition that already exists."

The argument, he added, "was never about democracy but about the electoral process that should be employed when talking about voluntary organizations. The Reform movement appealed to the court, and we accept the court's decision."

YA'ACOV HAZAN DEAD AT AGE 93, LEADER OF SOCIALIST ZIONISTS

By Hugh Orgel

TEL AVIV, July 22 (JTA) -- Ya'acov Hazan, described as the last of the giants of the Socialist Zionist movement, died at his home in Kibbutz Mishmar Ha'emek on Wednesday at the age of 93.

Hazan founded Mapam, the left-wing Zionist political party, as well as the Shomer Hatzair and Kibbutz Artzi movements.

Hazan was eulogized briefly in the Knesset on Wednesday, with a special memorial session to be held next week, at the end of the shiva mourning period.

Hazan was born in Brisk Litovsk in Lithuania in 1899, studied Hebrew in Warsaw and received a degree in engineering at the Warsaw Polytechnic.

He helped found the Jewish Scout movement in Poland and was active in the Socialist Zionist movement from an early age, before emigrating to Palestine in the early 1920.

In Palestine, he worked as a laborer in orange groves and then in the draining of the Jezreel Valley swamps, before becoming a member of Mishmar Ha'emek, his home until his death.

Hazan was a member of the first Knesset in 1948 and served there until 1973. He worked closely with Meir Ya'ari in the establishment of the left-wing kibbutz movements and Mapam.

Hazan said in a recent interview that his only regret was that, at one moment in the 1950's, he had told the Knesset that he had two homelands -- "the Soviet Union and Israel."

He said he soon realized that Jews had only one homeland -- the State of Israel.