

**ISRAEL MOVES A STEP CLOSER
TOWARD DIRECT TALKS WITH PLO**

By Gil Sedan

JERUSALEM, Aug. 15 (JTA) -- Israel has moved a step closer toward direct talks with the Palestine Liberation Organization by saying it will continue to negotiate with three members of the Palestinian delegation to the peace talks who have been appointed to the PLO committee monitoring the talks.

The three negotiators -- Faisal Husseini, Hanan Ashrawi and Saeb Erekat -- were among seven Palestinians who were named last week to the PLO steering committee for the peace talks.

Although most members of the Palestinian delegation to the talks have now become official PLO representatives, the Israeli government seemed unconcerned by the move.

At the weekly Cabinet session Sunday, most ministers argued that the new appointments will not cause a substantial change in the status quo.

They stressed that the PLO communicate on the appointments did not specifically state that the Palestinian delegates had joined official PLO organs and that the move was described merely as a step toward improving the handling of the peace negotiations.

Cabinet Secretary Elyakim Rubinstein made clear that there is no change in Israel's attitude toward the PLO and that the government is standing by its principle of negotiating only with representatives of the residents of the administered territories.

Prime Minister Yitzhak Rabin and Foreign Minister Shimon Peres also emphasized that Israel is adhering to its original conditions for participating in the peace process, one of which was no direct contacts with the PLO.

The two nonetheless failed to rule out the possibility of eventually negotiating directly with the PLO.

Cabinet Ministers Yair Tsaban and Yossi Sarid of the dovish Meretz bloc openly applauded the PLO communicate.

"The latest development in the PLO is desirable and positive," said Sarid. "PLO-Tunis cannot survive without PLO-territories and vice versa, and the tighter the connection between them, the better it will be for the peace negotiations."

Likud Politicians Furious

Israel's apparent indifference to the changes comes in sharp contrast to the last Israeli government's refusal to meet with Palestinian delegate Erekat in December 1991 after he declared that he was a member of the PLO.

Only after Erekat retracted his statement did the Israeli government, then headed by the more hard-line Likud party, accept him back at the negotiating table.

Likud politicians and other members of the current opposition are, meanwhile, furious over the latest developments.

They are insisting that no negotiations be held with Palestinians who are official members of the PLO and they are calling for a special Knesset debate on the subject during the legislature's summer recess.

The mass-circulation daily Yediot Achronot

wrote in its editorial Sunday that most of the Israeli public is now aware of the fact that there is no way out of direct talks with the PLO.

However, the paper added, the public would have preferred a government that uses its readiness to talk with the PLO "as a means of receiving valuable Palestinian concessions," and not a government that blinks its eyes saying nothing has changed "while everything has changed."

The Palestinian negotiators, meanwhile, are trying to return to business as usual.

Husseini went to Gaza on Sunday in an effort to smooth out differences with the official head of the delegation, Haidar Abdel-Shafi.

Abdel-Shafi emerged recently as a chief critic of the way the negotiations were being handled and had passed his criticisms on to the local Palestinian leadership as well as to PLO leader Yasir Arafat.

The Israelis and the Palestinians are now getting ready for the next round of bilateral negotiations at the end of this month in Washington. They are hopeful of finding a formula that will get the talks out of the present deadlock.

**PALESTINIAN DEPORTEES ACCEPT
ISRAELI PLAN FOR THEIR RETURN**
By Gil Sedan

JERUSALEM, Aug. 15 (JTA) -- Steady progress in the peace talks coupled with a sense that the world had forgotten their fate were among the reasons that the Palestinians deported to Lebanon cited for their acceptance of the latest Israeli plan for their return home.

Faced with illness and few other alternatives, the 395 remaining Palestinian deportees whom Israel expelled to Lebanon last Dec. 17 decided Sunday to accept the Israeli offer, in a move announced by officials with the International Red Cross.

Under the plan, 192 of the deportees will return next month to the administered territories, and the balance will be allowed back by the end of the year.

Most of the deportees, who have been living in a tent camp just beyond Israeli army lines in southern Lebanon, are members of the extremist Hamas movement, while others belong to the equally militant Islamic Jihad.

Originally, 415 activists were expelled for an indefinite period to the barren stretches north of the Israeli-controlled border security zone. Nineteen of them were later returned to Israel because they were ill or because Israeli authorities admitted they had been expelled in error. And one subsequently fled; his current whereabouts are unknown.

The expulsion took place following a wave of terrorist attacks in Israel at the end of last year. The Lebanese authorities did not let the deportees enter Lebanon proper, and they eventually settled at a camp at Marj a-Zuhur, just north of the security zone.

The deportees had been holding out for an "all or none" agreement, insisting that they would remain where they were if Israel did not allow all of them to return to their homes in the West Bank and Gaza Strip.

But under the latest agreement, 197 of the

deportees will be allowed to return in September, and the remaining 198 by the end of December.

Abdul Aziz al-Rantisi, leader of the 395 deportees, told reporters who had gathered at the their hillside camp that the men had unanimously approved the latest Israeli offer, noting that the decision had been forced on them by the continued illness of more than 100 of the men.

Some Will Go Back To Jail

Other reasons that Rantisi cited for their acceptance of the Israeli offer included a slackening of media attention to their plight, the failure of U.N. Security Council Resolution 799 to bring about their release and the continuation of the once-threatened peace talks, which the Muslim fundamentalists oppose.

The Israeli army has already begun preparations for dealing with the return of the deportees and intends to allow festive receptions for those deportees who will return home.

However, many will not. Those who were deported from prison will be returned to prison cells; others will be detained pending legal proceedings against them.

The opposition parties in Israel issued urgent calls Sunday asking Prime Minister Yitzhak Rabin not to allow the return of the deportees.

Likud leader Benjamin Netanyahu said that because of the large number of recent murderous attacks by the Hamas and Islamic Jihad factions, there is no rationale for their return.

The deportation of such a large number of Palestinians aroused a storm of protest throughout the world and had threatened to derail the peace talks earlier this year.

But within Israel, the expulsion succeeded in bringing praise to Rabin from opposition groups that had been complaining about his lack of vigor in dealing with the continuing violence in the administered territories.

(Contributing to this report was JTA correspondent Hugh Orgel in Tel Aviv.)

MOUNTING DISPLEASURE OF SHAS PARTY MAY LEAD IT TO BOLT LABOR COALITION By Gil Sedan

JERUSALEM, Aug. 15 (JTA) -- Concern over the stability of Israel's government is mounting amid increasing signs that the Shas party may bolt the Labor-led coalition over the handling of the case against Interior Minister Aryeh Deri.

Deri, who heads the fervently Orthodox party, has been accused by Attorney General Yosef Harish of committing acts of bribery, fraud and breach of the public trust.

But formal charges cannot be brought against him unless the Knesset waves his parliamentary immunity, a move it is unlikely to make before it returns from summer recess in October.

Harish and Justice Minister David Libai are urging Deri to step down from his Cabinet post in the meantime, but Prime Minister Yitzhak Rabin has indicated he will not force such a move until an indictment against Deri is presented in court.

The High Court of Justice is expected to rule next week on whether Deri should be required to step down. A ruling against Deri may prompt the six-member Shas Knesset faction to leave the government, as many within the party's leadership and constituency have demanded.

New indications that a serious crisis is looming over the coalition surfaced over the weekend as Shas party figures unleashed sharp

verbal attacks against Harish and Libai. Another indication of the seriousness of the crisis was seen in Deri's absence from the weekly Cabinet session Sunday.

His aides said Deri had extended a weekend leave. Deri spent the weekend at a religious seminar organized by his wife, Yaffa, at the Washington Heights College near Ashdod.

So far, the Shas party's spiritual mentor, Rabbi Ovadia Yosef, has stood as a buffer against the pressure on the party to leave the government, while encouraging Deri to remain in office.

Harish's Dismissal Urged

If Shas quits, the coalition would be left with a governing plurality of 56 Knesset members from the Labor Party and Meretz bloc. Unless it can persuade additional parties to join the government, it will be forced to rely on the tacit support of the five Knesset members belonging to the two left-wing Arab parties: Hadash and the Arab Democratic Party.

Labor recently has been reaching out to the United Torah Judaism bloc, which has four Knesset members, but these talks have born no fruit so far because of the fervently Orthodox party's continued objection to the formation of any ties with the secularist Meretz bloc.

Shas officials have grown especially militant following an interview the attorney general gave Israel Television over the weekend in which he claimed that Deri had no "appropriate response to the charges against him."

Knesset member Shlomo Benizri of Shas demanded that the government fire Harish immediately because he "has sentenced Deri even before the charge sheet was presented to court."

Shas intended to go ahead with its plan to file a counter-petition to the High Court of Justice, demanding that the court intervene against the attorney general for his having reversed his original position in the affair.

Harish, prior to signing the coalition agreement about a year ago, endorsed Deri's pledge to suspend himself from office only after a charge sheet is presented in court.

The attorney general now claims there is no need to wait until the indictment is brought to court. He argues that his presentation of the charges to the Knesset, with the demand that it lift Deri's parliamentary immunity, was tantamount to "standing at the entrance hall" of the courts.

Harish also claims that at the time of the coalition agreement Deri was only suspected of having misused public funds for public purposes, whereas now he is suspected of corruption for personal gain.

INFLATION LOW AGAIN IN JULY

TEL AVIV, Aug. 15 (JTA) -- Israel's cost-of-living index rose by a low 0.1 percent during July, the Central Bureau of Statistics announced this week.

This marks the third month in a row that living costs rose by a small amount, and economists are thus predicting that the annual inflation rate for 1993 will be just 10 percent.

During the first six months of 1993, the index was up by just 5.8 percent.

In fact, a trend appears to have been set with the cost of living increases declining 0.1 percent every month since May. In that month, the cost of living rose by 0.3 percent, and in June, it was up only 0.2 percent.

U.S. MAY HAVE PRESSURED ISRAELIS NOT TO DETAIN DEMJANJUK FURTHER

By Deborah Kalb

WASHINGTON, Aug. 15 (JTA) -- In a move seen by some as exerting undue pressure on internal Israeli affairs, a U.S. Embassy official in Tel Aviv sent a letter to the Israeli government strongly urging it to free acquitted Nazi war criminal John Demjanjuk.

According to sources at the World Jewish Congress, the letter, sent last week to the Israeli State Attorney's Office, said the United States would require "an official and legal explanation" if Israel continued to detain Demjanjuk beyond Aug. 11.

The letter made it clear that any attempt to try Demjanjuk on new war crimes charges would violate the terms of his 1986 extradition from the United States.

Last month, the Israeli Supreme Court overturned Demjanjuk's conviction as the notorious Treblinka death camp guard known as "Ivan the Terrible," but said there was evidence he served as an SS guard at other concentration camps, including Sobibor.

Holocaust survivors and Jewish groups in Israel have filed eight separate court petitions urging that Demjanjuk be tried for crimes committed at those camps. But Israel's attorney general, Yosef Harish, announced last week that the government would not do so.

Israel's Supreme Court is expected to decide Wednesday whether to accept the government's decision or whether to agree with the survivors that Demjanjuk should not be allowed to leave Israel until further prosecutions can be explored.

Here in Washington, the State Department confirmed last Friday that a letter urging Demjanjuk's release was sent by Paul van Son, a first secretary at the American Embassy, to Ruth Rabin, an official in Israel's Justice Ministry who deals with foreign relations.

Although State Department officials maintain that the letter was sent without the knowledge or approval of Secretary of State Warren Christopher, observers believe it may have had a crucial impact on the Israeli attorney general's decision not to prosecute Demjanjuk on new charges.

Christopher Distances Himself

Sources at the World Jewish Congress -- who received a copy of the letter from an Israeli Foreign Ministry official -- said they felt it was a bald attempt to pressure Israel into releasing Demjanjuk.

Demjanjuk is now eligible to return to the United States, as a result of a ruling by the 6th U.S. Circuit Court of Appeals in Cincinnati that is now being appealed by the Justice Department.

The letter reportedly said that State Department attorneys had expressed "concern that the government of Israel may be in violation" of terms under which Demjanjuk had been extradited from the United States.

Secretary of State Christopher, appearing on a televised CNN interview last week, distanced himself from the letter.

"It was nothing that I was involved in," the secretary said.

The State Department, in a statement released last week, maintained that the letter was "prepared and sent without the knowledge or approval of officials in Washington."

But, the statement continued, "the issues

raised in this letter have been the subject of informal discussions between our governments for some time."

The State Department statement said that "the letter was part of the embassy's dialogue with the State Attorney's Office and was designed to seek clarification of legal issues that both governments consider germane to the Demjanjuk proceedings."

The Israeli Embassy here had no comment on the controversy.

(Contributing to this report was JTA correspondents Cynthia Mann in Jerusalem.)

OSI OPENS DEPORTATION PROCEEDINGS AGAINST 2ND FLORIDA MAN THIS MONTH

WASHINGTON, Aug. 15 (JTA) -- In the second such proceeding this month, the Justice Department's Office of Special Investigations has initiated deportation proceedings against a Florida man for allegedly serving as an SS guard at a concentration camp during World War II.

OSI announced last Friday that it had opened proceedings against Mathias Denuel, a 73-year-old retired tailor from Naples, Fla. It alleges he served the Nazis as an armed SS guard at Gusen, a subcamp of the Mauthausen concentration camp in Austria.

Earlier this month, OSI announced it was initiating deportation proceedings against Alexander Schweidler of Inverness, Fla., another alleged Mauthausen SS guard.

Neither man is an American citizen.

In the newer case, Denuel, who is a citizen of Germany, was served with an order asking him to show why he should not be deported for assisting in persecuting civilians on the basis of race, religion, national origin or political opinion.

In a statement, OSI Director Neal Sher said Denuel had admitted his SS service at Gusen when questioned by an OSI attorney. During that interview, Denuel also admitted guarding a transport of prisoners from a concentration camp in southern Poland to Mauthausen.

Substantial evidence exists of atrocities committed against thousands of civilians at Gusen, which was the largest Mauthausen subcamp, during the period in which Denuel served there.

Denuel, who is an ethnic German native of Romania, was allegedly a member of the Waffen SS from about July 28, 1943 to at least May 8, 1945, under the direction of or in association with the Nazi government of Germany.

The federal complaint states that he served as a member of a Death's Head Battalion guarding prisoners at Gusen concentration camp from August 1943 to April 1945.

The Death's Head Battalions were organizations within the Waffen SS charged with guarding the concentration camps.

The complaint further states that among the prisoners incarcerated at Gusen during his service were "Gypsies, vagrants, homosexuals, Jews, members of religious societies, political opponents of the Nazis, Soviet prisoners of war, Polish forced laborers, Polish intelligentsia and Polish political leaders.

"During your service at Gusen, thousands of prisoners were subjected to confinement, forced labor, corporal punishment, inhumane conditions and torture," the complaint states.

OSI alleges that when Denuel applied for a U.S. visa on Nov. 6, 1955, he "willfully misrepresented" his place of residence from 1942 to 1947.

**CLINTON URGES POPE TO ESTABLISH
FULL VATICAN RELATIONS WITH ISRAEL**

By Chris Leppek

Intermountain Jewish News

DENVER, Aug. 15 (JTA) -- President Clinton urged Pope John Paul II to establish full diplomatic relations with Israel during the first-ever meeting between the two world leaders here last week.

Clinton raised the issue of Israeli-Vatican relations shortly after greeting the pontiff at Denver's Stapleton International Airport.

The pope arrived in Denver last Thursday afternoon to participate in International World Youth Day, a four-day gathering of young Catholics from around the globe that temporarily swelled Denver's population by an estimated 170,000.

The president's suggestion was made in the pope's presence during brief remarks to reporters at Denver's Regis University, where the two leaders helicoptered after airport-greeting ceremonies.

Describing various topics discussed during their private 50-minute meeting at the university, Clinton said he had urged "closer ties between the Vatican and Israel."

"That can only help us as we seek to pursue peace in the Middle East," the president said.

The pope, in his own brief remarks to reporters, made no corresponding reference to Israel or the Middle East.

The president's unexpected remark about Israel was seen by some commentators as mildly critical of Vatican policy. In its coverage, Denver's Rocky Mountain News referred to it as Clinton's "only statement that could be regarded as critical."

It was also one of very few aspects of the pope's American visit with a remotely Jewish dimension. During a Thursday night rally at Mile High Stadium, the pope acknowledged a small delegation of Catholic youths from Israel, in his only mention of the Jewish state.

Vatican-Israel Ties 'Moved Forward'

For the most part, the intensely Catholic character of the World Youth Day event generated no notable involvement of the Denver Jewish community, nor of any other local non-Catholic religious or ethnic groups.

But two national Jewish figures known for their work in Catholic-Jewish relations -- Rabbi A. James Rudin of the American Jewish Committee and Rabbi Jack Bemporad of Sacred Heart University -- were in Denver as invited observers.

Rudin, in comments to the Intermountain Jewish News before Clinton's arrival, said that relations between Israel and the Vatican "are moving, not as fast as we would like, but certainly it is being moved forward."

The rabbi also encouraged Denver Jews to be supportive of the pope and World Youth Day since many of its primary themes -- family values, individual responsibility and halting youth violence -- reflect American Jewish concerns.

"Yes, this is an internal Catholic event," Rudin said. "Yes, Catholic young people from all over the world are coming, and we don't expect Jews to participate in the masses or the religious side of it."

"But we want Jews to feel part of it," he said. "There are values being expressed here that many Jews can ascribe to."

**ED KOCH RETURNS TO ISRAEL
AND RECEIVES HERO'S WELCOME**

By Michele Chabin

TEL AVIV, Aug. 15 (JTA) -- Ed Koch may no longer be mayor of New York, but he nevertheless received a red-carpet welcome from the country's top officials last week.

Koch, here on a private five-day visit, spent one day in Jerusalem, where he met with President Ezer Weizman, Prime Minister Yitzhak Rabin, Foreign Minister Shimon Peres and Mayor Teddy Kollek, a personal friend of his from their years as contemporary leaders of two very Jewish cities.

Though he has been out of public office since 1989, Koch, an unabashedly pro-Israel Jew who served as New York's mayor for three terms, remains a popular figure among Israelis, who greeted him at every turn.

During his tour of the winding alleyways of the Old City, dozens of people, including many transplanted New Yorkers, recognized the charismatic former mayor and rushed to shake his hand.

In Tel Aviv, Koch and Tel Aviv Mayor Shlomo Lahat strolled, without bodyguards, down the city's boardwalk, where milling crowds took in balmy weather and a series of free concerts.

Climbing onto a concert stage, Lahat interrupted a noisy rock session to introduce his "good friend from New York, Ed Koch."

The teens cheered when Koch shouted, "Am Yisrael chai" -- the Jewish people lives.

For Koch, who had visited Israel five times previously, the trip's high point came last Thursday, when the Tel Aviv municipality unveiled a street sign bearing his name.

The street, in a working-class neighborhood of Jaffa, borders a green oasis called Davidoff Park. About 100 guests, including as U.S. Ambassador William Brown and Israeli Chief Ashkenazic Rabbi Yisrael Lau, attended the ceremony.

"All of us like you very, very much," said Lau. "Ed Koch is Am Yisrael. We are proud to have you as one of the magnificent sons of the Jewish people."

Lahat equally effusive. "Throughout your years in Congress and as the mayor of New York, you never hesitated to support Israel. When presidential candidates sought your support, you made it contingent on their loyalty to Israel. We can never entirely repay the debt we owe you."

Koch, who blinked away a tear or two, seemed a bit overwhelmed by the accolades.

"No one has ever said such nice things about me before," he said.

SHOPS IN ROME JEWISH AREA DEFAECED

ROME, Aug. 15 (JTA) -- Four shops in a Jewish neighborhood of Rome were defaced last week with anti-Semitic graffiti believed to have been scrawled by skinheads.

The incident apparently took place the night of Aug. 11. The following morning, big swastikas were found to have been spray-painted on the shutters of four clothing boutiques, at least two of which are owned by Jews. The word "Jew" was also written.

"I didn't receive any threats, I only found what was scrawled there," the proprietor of one of the shops, Jacqueline Frig, told reporters.

Police were investigating local skinheads as possible perpetrators. A hangout for racist, shaven-headed youth near the scene of the incident was shuttered by police a few months ago.