

NEWS AT A GLANCE

■ **U.S. special envoy Dennis Ross is heading for Israel on Wednesday to meet with Israeli Prime Minister Benjamin Netanyahu and Palestinian Authority Chairman Yasser Arafat. "The United States is prepared to do everything it can to ensure that the peace process continues on a sound and durable basis," the White House said in a statement. [Page 1]**

■ **The balanced budget agreement between Congress and President Clinton would restore some welfare benefits to a limited group of legal immigrants. Under the agreement, refugees, including Jews from the former Soviet Union, could receive Medicaid and Supplemental Security Income for seven years instead of five. [Page 3]**

■ **A Palestinian legislative committee recommended that Palestinian Authority Chairman Yasser Arafat dismiss his Cabinet and place self-rule authority officials on trial for corruption. [Page 4]**

■ **An Israeli soldier shot and killed a Palestinian man near the West Bank settlement of Elon Moreh. The Palestinian had blocked an army patrol near the settlement and then stabbed the commander of a jeep. [Page 3]**

■ **The Bank of Canada confirmed that Swiss gold was laundered through the bank during World War II and that the Canadian government was aware of the transactions. The investigation stemmed from a recently released U.S. intelligence report. [Page 4]**

■ **Belgium established a commission to investigate the fate of assets held by Belgian Jews who died in the Holocaust. The commission hopes to file its first interim report by January. [Page 4]**

■ **The president of Azerbaijan told American Jewish leaders that he planned to open an embassy in Israel in the next few months and that he planned to travel to the Jewish state. Speaking to the Conference of Presidents of Major American Jewish Organizations, H.E. Heydar Aliyev, here on a state visit, asked U.S. Jews to lobby for U.S. aid to the former Soviet republic.**

NEWS ANALYSIS**Israel, Palestinians resume talks in advance of U.S. peace initiative**

By David Landau

JERUSALEM (JTA) — The United States is finally lumbering into action in a bid to restart the long-stalled Israeli-Palestinian negotiations — and not a moment too soon.

Signals of an imminent burst of activity began emanating from Washington late last week just as Prime Minister Benjamin Netanyahu confronted a potential crisis prompted by plans to build new Jewish housing in eastern Jerusalem.

Some observers see the Clinton Administration's apparent decision to invest — and risk — political prestige in a new bout of regional peace diplomacy as connected to the intensified danger of conflagration in the region posed by the dispute surrounding Ras al-Amud, the site of the proposed new Jewish neighborhood.

America's effort will include a visit by Special Middle East Envoy Dennis Ross, who was expected to leave for the region on Wednesday to meet with Netanyahu and Palestinian Authority leader Yasser Arafat.

"The United States is prepared to do everything it can to ensure that the peace process continues on a sound and durable basis," the White House said Tuesday in a statement.

Unlike his trips in recent months, Ross will come this time with a detailed American proposal designed to jump-start the stalled negotiations.

And he will want clear-cut answers from Israel and the Palestinian Authority in response to the initiative.

The American proposals are said to include:

- suspension of new construction by Israel in disputed areas. This includes both Har Homa, the suburb in southeastern Jerusalem where earth-moving work began in March, triggering the suspension of talks, and at Ras al-Amud, where the Miami-based philanthropist Dr. Irving Moskowitz has obtained permission from the Jerusalem Planning Commission to build residential homes on land he owns.

- closer security cooperation between the Jewish state and the Palestinian Authority, intended to head off terrorist actions and to ensure that the Palestinian security services are fully committed to the Oslo-based peace process.

In what observers see as a gesture by the two parties toward the evolving diplomatic initiative, Foreign Minister David Levy and Palestinian Planning Minister Nabil Sha'ath announced Monday that two joint committees would resume discussions on issues related to the 1995 Interim Agreement — establishing a safe passage route for Palestinians traveling between the West Bank and the Gaza Strip, and the opening of a Gaza seaport.

Differing interpretations

A committee dealing with the opening of a Palestinian airport in the Gaza Strip has already resumed negotiations in recent weeks.

Their meeting was a follow-up to Levy's discussions last week with Sha'ath and Palestinian Authority Chairman Yasser Arafat.

Levy briefed Jordanian leaders Tuesday in Amman on the latest moves to break the Israeli-Palestinian stalemate.

Israeli spokesmen hailed the resumption of committee discussions as a breakthrough, while Palestinian officials attempted to downplay it.

The truth is somewhere in the middle: These discussions are not at the core of the conflict and do not represent a resolution of the months-long crisis. But the decision by the two sides to relaunch these talks signifies their growing awareness that the Americans are planning to exert pressure on both of them to resume the "hard core" negotiations.

These negotiations would include, among other things, the further redeployment of Israeli troops from rural West Bank areas, on security and, as the Israeli prime minister has repeatedly suggested, on getting down to the difficult final-status talks, which will include determining the status of Jerusalem.

The Ras al-Amud project burst late last week over the Jerusalem

political establishment with the suddenness of a bomb. Unlike the Har Homa site, which is in a relatively uninhabited area, the latest project would be erected in a neighborhood with some 11,000 Palestinian residents.

On July 24, word spread that Jerusalem Mayor Ehud Olmert had endorsed the city planning commission's decision to give Moskowitz the go-ahead to build 70 housing units. Netanyahu, claiming that he had not known about the municipality's action, said that the Ras al-Amud project's timing was inappropriate.

The premier pledged Sunday to block the project, and quickly conveyed via an aide to Palestinian Authority Chairman Yasser Arafat that he did not intend to move ahead with construction. On Monday, an Interior Ministry committee suspended the permits granted to Moskowitz, and a Jerusalem district court is expected to rule on the legality of the permits in about two weeks.

But the question of what precisely Netanyahu knew and when he knew it has become a focus of debate.

Netanyahu's critics, on both sides of the political divide, see the Ras al-Amud episode as another example of the prime minister's duplicity, or of the chronic faults in his government's decision-making processes, which they say is almost as bad. As always, the premier finds himself under pressure from the hard-line right in his coalition to go ahead with the construction at Ras al-Amud.

Some of these Knesset members toured the site Monday and issued ringing declarations that Jews would be living there shortly. But the prime minister's two senior ministers, Levy and Defense Minister Yitzhak Mordechai, made it clear that they strongly oppose the project.

Both ministers have become increasingly restless over the deteriorating situation in the peace process and the growing sense permeating the country that war is no longer a remote and unlikely scenario.

Even if the premier decides to take the advice of the intelligence community, and of his two top ministers, to prevent construction, Netanyahu will have to contend with Olmert, who has placed himself firmly on the side of the hard-liners.

Olmert maneuvers for position

Political pundits detect strong political and personal emotions beneath the surface of this ostensibly ideological confrontation.

They say that Olmert, no less than other key figures in the Likud, has come to believe that Netanyahu is vulnerable and that he will not be the party's candidate for prime minister in the country's next elections, slated for the year 2000. The Jerusalem mayor, a longtime Knesset member and former minister, aspires to the position.

If he emerges relatively unscathed from his trial in connection with alleged improprieties relating to campaign finances in the 1988 elections, as is likely, Olmert may think the moment is ripe to declare his candidacy.

As is so often the case in Israeli decision-making, domestic political and personal considerations are being fused into policy issues, creating the potential for further drama and discord as the expected U.S. diplomatic initiative unfolds. □

Expiration of MEPFA would be symbolic, but aid would still flow

By Matthew Dorf

WASHINGTON (JTA) — The expiration of a U.S. law that allows aid to the Palestinians would deliver a symbolic diplomatic rebuke — but have no immediate impact on U.S. assistance.

The Middle East Peace Facilitation Act, commonly known as MEPFA, will expire Aug. 12 unless Congress

acts before its summer recess, which is scheduled to start this weekend.

A move by Congress to let MEPFA expire would be the latest signal of dismay over recent Palestinian actions and policies.

Members of Congress who oppose aid to the Palestinians have been turning up the pressure on Palestinian Authority Chairman Yasser Arafat to comply with his accords with Israel.

One measure, passed by the Senate last week, would cut off all direct assistance to the authority.

Regardless of these actions, the vast majority of the aid will continue — due to a restructuring of the way the United States delivers its pledge of \$100 million a year to the Palestinians.

MEPFA was enacted after Israel and the Palestinians signed their historic accords in 1993. The legislation waives four U.S. laws that had barred U.S. contact with and support for the Palestine Liberation Organization.

If the law expires, these waivers would lapse and laws aimed at curbing PLO terrorism would take effect.

If this occurs, Palestinian officials could have trouble obtaining visas to visit the United States. Since the World Bank and the International Monetary Fund give money to the Palestinians, the United States would have to deduct from its contributions to these organizations.

But the ban on PLO offices in the United States would probably not be enforced. The law's requirement that the PLO close its Washington office was not enforced last year when the measure lapsed for a couple of weeks.

U.S. aid would not be affected

The most critical component from the Palestinian viewpoint — U.S. aid — would remain intact.

After Rep. Ben Gilman (R-N.Y.) used his power last year as chairman of the House International Relations Committee to stop \$10 million bound for the Palestinians, the State Department moved to restructure the aid package.

Instead of sending money to the Palestinians through international organizations — subject to MEPFA's restrictions — the vast majority of the aid, some \$75 million, is channeled through non-governmental organizations by the Agency for International Development.

Another \$25 million is available as grants to companies seeking to do business in the self-rule areas.

Administration officials have been sending conflicting signals to lawmakers over whether MEPFA should be renewed. Under the MEPFA law, the State Department must certify every six months that the Palestinians are in compliance with their agreements with Israel. In the past, the State Department has said Arafat's government is making a good-faith effort.

This time around, the Clinton administration has told key members of Congress that the State Department cannot certify that the Palestinians are in compliance.

Several congressional sources said administration officials told lawmakers that the arrest of four Palestinian Authority police officers suspected of involvement in a terrorist attack against Israelis amounted to "the straw that broke the camel's back" for Palestinian certification.

The arrest of the Palestinian officers, coupled with the breakdown in security cooperation, violence in Hebron and recent murders of Arabs selling land to Israelis, have combined to make certification "impossible," said one congressional aide. Reports Tuesday that a Palestinian panel had recommended that senior self-rule officials be tried for alleged corruption was likely to make certification even more difficult.

The compliance report is a week overdue, and key members of Congress said they would not extend MEPFA unless the State Department certifies compliance. □

Balanced budget deal restores some benefits to legal immigrants*By Matthew Dorf*

WASHINGTON (JTA) — The balanced budget agreement reached this week by Congress and President Clinton would restore some welfare benefits to a limited group of legal immigrants.

But far from being a promised fix of last year's welfare reform law, the agreement to balance the federal budget by 2002 only helps legal immigrants who were in the country before last August.

"This is a law that takes care of the here and now, but does not satisfy the needs of the future," said Diana Aviv, director of the Council of Jewish Federation's Washington Action Office.

Working on behalf of the organized Jewish community, Aviv's office had lobbied hard on several elements contained in the landmark agreement, the first compromise deal to balance the budget in decades.

The deal, which was expected to pass both houses of Congress this week, consists of two components: a tax-cut bill and a broad spending measure, which would scale down major social programs, including Medicare and Medicaid. While Jewish activists lost some points, they won some others, including the inclusion of a provision that would ensure Medicaid recipients access to religiously affiliated nursing homes.

Despite some concerns, other Jewish groups lauded the agreement as, in the words of the American Jewish Congress, "a fair and reasonable compromise between what had been widely conflicting priorities of a Democratic administration and a Republican Congress."

Jews on the political right also hailed the agreement.

"It is good for the American economy and good for the American people," said Matthew Brooks of the National Jewish Coalition, a Jewish Republican lobby.

Agudath Israel of America praised the agreement's \$500 per child tax credit.

"Helping families defray the costs of raising children is surely sound policy, one that pays high dividends in the future," said the group's Washington representative, Abba Cohen.

Two classes of legal immigrants created

The budget agreement, in effect, would create two classes of legal immigrants — those who were in the country when welfare reform legislation was enacted last year and those who were not.

Those who were in the country when the law passed can continue to receive Medicaid and Supplemental Security Income if they are currently disabled or become incapacitated at a later date. Elderly legal immigrants who are not disabled will be cut off from SSI and Medicaid as of Aug. 1, as required by last year's law.

The measure does not affect last year's ban on food stamps to all legal immigrants.

For refugees, including tens of thousands of Jews from the former Soviet Union, the agreement would have an immediate impact.

The measure would extend the amount of time that a refugee can access Medicaid and SSI from five to seven years.

After seven years, a refugee who does not become a citizen would lose access to the federal programs in the same way that all legal immigrants would.

Refugees are legal immigrants who are afforded special treatment for their first five years in the country because they are presumed to be fleeing well-founded fears of persecution.

The extension would allow many refugees the extra time necessary to become citizens, activists say.

Despite likely passage by Congress, debate over the plan's implementation is likely to continue for a long time.

One of the uncertain points is what will happen to public housing assistance for disabled immigrants.

Because the measure does not specify whether legal immigrants could receive housing assistance, they could ultimately lose that benefit. "This would be a catastrophe," said Aviv, who pledged to work with the administration in the future to secure the housing guarantees.

In the rush to secure a deal before Congress leaves for its summer recess this weekend, negotiators dropped many controversial changes to Medicare and Medicaid.

But in a move widely hailed by the organized Jewish community, the package includes a provision that would guarantee Medicaid recipients the choice of a religiously affiliated nursing home.

The growing shift to managed care, where patients must seek services from an approved list of providers, had threatened to cut off some Jewish applicants from Jewish nursing homes that weren't in their designated network of health care providers.

This week's agreement includes a provision that would allow a patient to choose a religiously affiliated home out of their network if none is available within it.

There are some 250 Jewish facilities around the country. □

Little ado about a swastika*By Matthew Dorf*

WASHINGTON (JTA) — Two Democratic senators who touted a West Virginia man at a news conference July 18 as a hero of the American working middle class did not know he had a swastika tattooed on his arm.

But it is the reporting of the incident — or lack of it — that has raised many eyebrows in the nation's capital, where issues often turn partisan.

In this case, some say the Democrats — Senate Minority Leader Tom Daschle (D-S.C.) and Sen. Jay Rockefeller (D-W.Va.) — got off easy.

Media critics and Republicans suggested that the coverage would have been severe if the news conference was called by House Speaker Newt Gingrich.

Only the Hill, a Capitol Hill weekly paper, and Associated Press Radio originally reported the dime-sized tattoo near the wrist of Rickey McCumbers.

Both senators said they were unaware of the tattoo when they hailed McCumbers as a prime example of how tax cuts would help working Americans. McCumbers later called his tattoo a teen-age mistake.

Washington Post media columnist Howard Kurtz wrote this week that "the journalists who sat on the story clearly gave the Democrats a pass."

They included, according to Kurtz, an NBC reporter and a CNN producer. □

Palestinian killed on West Bank

JERUSALEM (JTA) — An Israeli soldier shot and killed a Palestinian teen-ager who stabbed another soldier near a Jewish settlement in the West Bank.

The Palestinian, later identified as Muadi Alawnweh, 18, had blocked an Israeli jeep Tuesday near the settlement of Elon Moreh. The soldier who was stabbed was not seriously injured.

Palestinian officials later said that Israel initially sealed off the area, but later allowed the Nablus police chief to inspect the attack site. □

**Investigation: Canadian officials
knew about wartime laundering***By Bram Eisenthal*

MONTREAL (JTA) — A preliminary investigation has revealed that Canadian government officials were aware of wartime moves by the Bank of Canada that, in effect, laundered Nazi gold owned by the central bank of Portugal.

The investigation, launched earlier this month by the Bank of Canada, came in response to the release two weeks ago of a wartime U.S. intelligence document indicating that Portugal used the Swiss central bank to exchange 20 tons of Nazi gold for untainted gold held in the Bank of Canada and the Federal Reserve Bank of New York.

Switzerland has denied that it helped launder looted gold for Portugal during World War II.

Officials at the Federal Reserve Bank of New York refused earlier this month to comment on the intelligence document.

The document's release prompted the Canadian Jewish Congress to write a letter to the Bank of Canada demanding a probe.

According to the Bank of Canada's investigation, the results of which were issued Monday, Canadian government officials were aware that 12 tons of gold held by the Swiss central bank for Portugal had been transferred to Portugal's account in the Canadian central bank.

All of the gold involved in the transfers had likely been looted by the Nazis from the banks of European countries they overran.

The move, accomplished on the account books of the Canadian and Swiss central banks without any physical transfer of gold bullion, removed any evidence that the gold in Portugal's account had originally been looted by the Nazis.

The Bank of Canada has now requested that a history professor, Duncan McDowall, conduct a more thorough investigation of the wartime transfers by the country's central bank.

Jewish leaders applauded the quick action taken by the Bank of Canada, but noted that more investigative work remained.

"While the report sheds much needed light on important matters, it also poses a series of new important questions that must seriously be looked into," CJC president Goldie Hershon said in a letter to Canadian Finance Minister Paul Martin.

"We applaud the appointment of Professor McDowall, whose credentials are excellent.

"I think they recognized the fact that someone of an independent nature had to be appointed in order to make sure the findings are not regarded as tainted in any way," Hershon wrote. □

**Belgium sets up commission
in latest episode of gold scandal***By Joseph Kopel*

BRUSSELS (JTA) — Belgium has established a commission to determine the fate of assets confiscated from Belgian Jews who perished in the Holocaust.

The commission, which is headed by a former governor of the National Bank of Belgium, Jean Godeaux, will probe the whereabouts of bank accounts and other valuables that had once belonged to the country's Jewish population.

At stake are millions of dollars in assets that could eventually be restored to their rightful heirs.

A substantial portion of that sum could come from

the Antwerp diamond market alone, which the Nazis looted from Jewish owners when they overran Belgium.

Approximately 100,000 Jews lived in Belgium in 1940, 20,000 of whom were German refugees.

The decision by the Belgian government to examine its wartime archives comes amid similar moves by other European governments and private companies.

Many of these moves were made in the wake of mounting accusations that Switzerland had close financial links to the Nazis and had not returned the assets of Jewish-owned bank accounts from the war years — accusations that the Swiss have struggled to come to terms with in recent months.

The Belgian commission, which will include three members of the local Jewish community, was scheduled to start its work in September and issue an initial report in January. It expects to conclude its work in two years.

"Our work will succeed when all Belgian citizens, including the Belgian [Jewish] community, will be convinced that we have been seriously searching and that nothing has been hidden," said Godeaux.

"But more than the material challenge, there is a moral challenge, a work of memory to accomplish. It is important to recall the abominable plunderings and awful sufferings of the Jewish community," added Godeaux, who pledged that the commission would work "in complete clarity and transparency."

The commission, he said, would begin by examining claims already filed by families of Holocaust victims, but would also extend to searches of archives that are still "sleeping" somewhere in government ministries.

The commission, which will work in cooperation with the Belgian section of the World Jewish Restitution Organization, will have the power to examine the records of government and private financial institutions.

Decisions relating to the eventual restitution of assets, however, will not be up to the commission. This falls within the jurisdiction of Belgium's courts. □

**Palestinian panel urges Arafat
to dismiss his Cabinet ministers***By Naomi Segal*

JERUSALEM (JTA) — A panel of Palestinian legislators investigating corruption in the self-rule authority has recommended that Palestinian Authority leader Yasser Arafat dismiss his entire Cabinet and put on trial those suspected of financial wrongdoing.

The panel was formed recently after an internal Palestinian audit found that Palestinian officials had mismanaged some \$326 million in public funds.

The amount allegedly squandered by government officials represented nearly half of the Palestinian Authority's 1997 budget.

The allegations found in the audit had immediate repercussions in the international donor community, which has long demanded that the Palestinian Authority be accountable for the millions of dollars in aid it receives from abroad.

The legislative panel this week found incidents of financial wrongdoing in all 18 of the Palestinian Authority's ministries.

Their report specifically recommended that proceedings for alleged corruption be brought against Civil Affairs Minister Jamil Tarifi.

The report also said that particularly poor mismanagement occurred in the Planning Ministry, headed by Nabil Sha'ath, and in the office of Transportation Minister Ali Kawasmeh.

The panel recommended that both Sha'ath and Kawasmeh be investigated. □