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**EIGHT ISRAELIS REPORTED DEAD  
IN AMBUSH ON TOUR BUS IN EGYPT**  
By David Landau and Gil Sedan

JERUSALEM, Feb. 4 (JTA) -- Eight Israelis were reported dead and at least 17 wounded Sunday afternoon, after masked assailants attacked an Israeli tour bus with machine guns and hand grenades near the Egyptian city of Ismailia, on the Suez Canal.

An Egyptian tour guide and a second Egyptian were also reported dead.

An unknown group calling itself the Organization on Behalf of the Oppressed in the Egyptian Prisons claimed responsibility for the attack, in calls to news agencies in Cairo.

Egyptian President Hosni Mubarak telephoned Prime Minister Yitzhak Shamir on Sunday evening to convey his condolences. Mubarak condemned the "crime against the peace efforts" and promised that Egypt would continue its efforts to achieve peace in the region.

The attack occurred at about 4:30 p.m., but first reports of it did not reach here until 9 p.m. local time. The Israeli ambassador to Egypt, Shimon Shamir, was unable at that hour to give definite casualty figures or to confirm the fatalities.

He said in a telephone interview with Israel Television that some of his consular officials were at the scene of the attack, about 30 miles east of the Egyptian capital, and others were at the Heliopolis Hospital in Cairo, where four of the wounded were undergoing surgery.

Five other people were reportedly being treated for light injuries. He said there were reports of fatalities, but he had no confirmation.

Officials in Cairo later confirmed that eight Israelis had died and 17 were wounded, though Radio Cairo was reporting 22 injured.

Egyptian Foreign Minister Esmat Abdel Meguid telephoned his Israeli counterpart, Moshe Arens, to say that Egypt would allow an Israel Defense Force plane to fly to Egypt immediately to bring home the wounded and the dead.

**Two Assailants In Car**

The attack was the most serious on Israeli visitors in Egypt since 1985, when a berserk Egyptian border policeman gunned down a group of tourists on the beach at the Sinai town of Ras Burka.

Israeli authorities first learned of Sunday's attack from a relative of one of the bus passengers.

Albert Levy, owner of the Ofakim travel agency, which organized the tour, said there were 31 passengers plus a guide on the bus. Twelve of them were from Mevasseret Zion, a village near Jerusalem.

Ambassador Shamir said that according to initial reports, the bus was overtaken by a passenger car, whose occupants opened fire with small arms.

An Egyptian Interior Ministry spokesman was quoted as saying there were two attackers, who showered the bus with bullets and hand grenades from a private car as it passed the bus.

According to Egyptian sources, the bus was Egyptian and carried no indication that its pas-

sengers were Israelis. Therefore, it appears the assailants were well informed about the intended route of the bus.

Speculation was rife here as to the identity of the perpetrators. Initially, it centered on so-called Nasserite radicals, disciples of the late President Gamal Abdel Nasser who refuse to accept Egypt's peace treaty with Israel.

Others blamed dissident factions of the Palestine Liberation Organization or the PLO itself.

Some analysts linked the attack to reports this weekend that U.S. Secretary of State James Baker is trying to set up a meeting with the Israeli and Egyptian foreign ministers in Geneva next Sunday to advance the Israeli peace initiative.

Levy said tour buses going to Egypt are not protected by armed guards, either Israeli or Egyptian, and there have never been any problems in the past.

Israelis account for about 10 percent of the Egyptian tourism market, and therefore Egyptian authorities have been known to take special precautions to prevent attacks.

Pundits here were already speculating over what effects the attack will have on the fragile state of Israeli domestic politics.

Prime Minister Yitzhak Shamir must fight off an attack on his peace policy by Likud hard-liners when the party's Central Committee convenes Wednesday. Shamir said Sunday night that he would now consider postponing the meeting.

**IDF KILLS 2 TERRORISTS IN LEBANON  
WHO PLANNED TO ATTACK A MOSHAV**  
By Hugh Orgel

TEL AVIV, Feb. 4 (JTA) -- Two heavily armed terrorists were killed in a clash with an Israel Defense Force patrol in the southern Lebanon security zone early Saturday morning.

They were apparently planning to attack Moshav Zarit, a settlement just across the border in northern Israel.

The clash occurred near Rashaf village, in the western sector of the security zone, about six miles from the border.

Documents on the bodies identified the infiltrators as members of the Palestine Liberation Front, a pro-Syrian faction of the Palestine Liberation Organization opposed to Yasir Arafat.

They were armed with Kalachnikov assault rifles, rocket-propelled grenade launchers and a LAW anti-tank missile-launcher.

Both men carried combat packs. One wore a military-style uniform. The other was dressed in civilian clothes.

Residents of Moshav Zarit heard the gunfire but were not put on alert.

They said, however, that they were less concerned by the rising number of clashes with terrorists in the region than by the serious economic difficulties they and other border settlements were having.

Settlers complained they are unable to earn a living from their poultry farming and apple orchards because of low prices for their products and high interest rates on the bank loans they were forced to take.

# **POLAND AND ISRAEL TO FORMALIZE RELATIONS ALREADY SEEN AS WARM**

By Ruth E. Gruber

WARSAW, Feb. 4 (JTA) -- Poland and Israel are expected to establish full diplomatic relations by the end of this month, after years of preparation, according to Ami Mehl, second secretary of the Israeli interests office in Warsaw.

Though relations overall are good, there is already some friction between the two countries, because most of the thousands of Polish tourists going to Israel have stayed on there to work illegally, Mehl said.

Nevertheless, he added, "in less than a month, we will probably be a normal embassy. Now we function as an embassy except for the name."

He said Israeli Foreign Minister Moshe Arens would visit Poland to sign the agreement and that there would be "back and forth" visits by the fall.

Poland and all Soviet bloc states except Romania cut ties with Israel after the Six-Day war in 1967. But the democratic changes that have swept the Communist world in recent months have meant a new rapport with the Jewish state.

Hungary became the first Warsaw Pact country to restore full relations with Israel last September.

It appears Czechoslovakia will be the second. Arens is scheduled to visit Prague on Friday, when the resumption of formal relations is expected to be announced.

But Polish-Israeli relations are already described now as virtually total, except in name. And despite Poland's history of anti-Semitism, there is widespread pro-Israel sentiment throughout this country, according to both Polish and Israeli sources.

## **Israeli Flag Flies Over Mission**

Israel is "seen as a Western democratic state and a state in the front line in the struggle against Communism," said Kostek Gebert, a Jewish writer and journalist.

"Also, it is a strong religious, national state -- very much what Poles want Poland to be."

A Polish-Israel Friendship Society was founded last year by people connected with Solidarity. Despite the chronic lack of funds that organizations experience here, the society has been successful organizing lectures, discussions and meetings. It also maintains contacts with organizations in Israel.

Anyone walking down Krzywickiego Street in central Warsaw cannot help but notice the blue-and-white Israeli flag flying proudly over the doorway to No. 24 and the menorah-shaped plaque announcing that it is the Israeli interests office.

"The mission was established in 1986," said Mehl, whose parents were Polish Jews. His father was an Auschwitz survivor.

"At that time, it was part of the Dutch Embassy. Our status changed over one-and-a-half years ago. It became an independent section of interest."

All morning, people buzz at the gate of the Israeli office to be admitted to the consular section for visas. Last spring, direct flights were initiated between Warsaw and Tel Aviv, and this has triggered a lot of two-way traffic.

It has also caused some problems.

"In the last half of 1989, about 5,400 Poles got tourist visas to Israel," said Mehl.

"That's a lot. You can see that they have to come and wait in lines for visas. In the summer, it's like the U.S. Embassy, with big lines of people waiting.

## **Israelis Give Fewer Visas Now**

"It started out nicely, but has caused problems, because most of these Poles, over 90 percent, stayed in Israel to work illegally. We know it, because they don't leave Israel when their visa ends.

"This is a problem, especially in one sense: that they work without social security and medical insurance. If something happens to them, it costs a lot of money and is very unpleasant to both sides," he said.

"Not to mention the fact that as a sovereign state, we can't allow people to work illegally," Mehl added.

He said that this situation is a problem with Poles in many countries all over the world.

As a result, he said, the Israelis have tightened up their visa policy for Poles.

"We give fewer visas now. People need to have enough money to stay in Israel. If we have any reason to suspect they are just going there to work, they don't get a visa. The decision is made in Israel.

"For us it's a problem" the Israeli official added. "There are a lot of Poles who go legally to Israel. We recognize the importance of Israel as a holy land.

"Poland is a very religious country, and many would like to come on pilgrimage. We want to allow them," he said, "but it's a problem."

In addition to Poles traveling to Israel, many Israelis come to Poland, the country which has become the symbol of Jewish martyrdom in the Holocaust.

Numerous Israeli youth groups are brought here on tours to visit cemeteries, ghettos and concentration camps, such as Auschwitz and Treblinka.

## **'A Lot Of Tragic History'**

"Unfortunately, there is a lot of tragic history in Poland. When they leave Poland, they are in a big state of shock. They don't understand how and why, but they understand that something happened here that should never happen again," Mehl said.

Jan Jagielski, vice president of Poland's Citizens Committee for the Protection of Jewish Cemeteries and Cultural Monuments, said he hopes that in the future, young people might be able to stay longer and help the committee in its efforts to clean up and restore Poland's Jewish cemeteries and other monuments.

Mehl said that Polish-Israeli relations are beginning to flourish in other areas, including trade. But Poland's disastrous economic situation makes things hard.

"Israel doesn't need Poland, Poland needs Israel," he said.

He said there are also "sporadic" cultural exchanges, including a major exhibition of contemporary Israeli sculpture and graphics, which opened in Warsaw on Feb. 1 and will also be shown in Krakow.

For Poland's few thousand remaining Jews, the rapprochement with Israel has been satisfying. About 20 Polish Jews have immigrated to Israel in the past six months. Even those staying say the possibility of having close ties with Israel is important.

## LIKUD TRYING TO HEAL INTERNAL RIFT AS CENTRAL COMMITTEE SESSION NEARS

By David Landau

JERUSALEM, Feb. 4 (JTA) -- Efforts to heal the rift in the Likud bloc continued over the weekend, against a fast-approaching deadline.

The rival camps, headed respectively by Prime Minister Yitzhak Shamir and Minister of Industry and Trade Ariel Sharon, are battling to control the agenda of the pivotal Central Committee meeting taking place Wednesday.

At stake is Shamir's peace initiative and his diplomatic efforts with the United States and Egypt to set up an Israeli-Palestinian dialogue.

If Sharon has his way, the agenda will be an item-by-item referendum on Shamir's policies. The hard-line minister hopes the party's rank and file will reject them, including Shamir's plan for Palestinian elections in the administered territories.

Shamir will deliver a major policy speech to the Central Committee. He insists that a debate and a vote to endorse his speech must be the only items on the agenda.

Shamir's closest ally in Likud, Foreign Minister Moshe Arens, said in an army radio interview Sunday that there could be "no compromise" on that.

But Arens indicated the prime minister's supporters were open to mediation efforts being pursued by Michael Kleiner, a Likud Knesset member.

They took comfort, meanwhile, from an opinion issued Sunday by Likud's official legal adviser, Isser Lubotsky, that the Central Committee itself should have the final say on the agenda it adopts.

### Sharon Expanding Committee

Shamir and Arens believe they could win a majority of the 3,000 or so votes.

But they may encounter resistance if the dissident camp succeeds in packing the Central Committee session with its supporters.

Sharon is issuing new membership cards by the scores in a manner that could lead to forgery and fraud, some of Shamir's followers charge.

The committee has been expanded. Likud's Liberal Party wing decided recently that it was time to join the Herut Central Committee to form a united Likud Central Committee.

The Liberal Party leader, Economics and Planning Minister Yitzhak Moda'i, is allied with Sharon against the prime minister's peace initiative.

So is Construction and Housing Minister David Levy, who is suggesting that the five senior Likud ministers form a "policy committee" to decide agenda issues.

Although Shamir and Arens would be outnumbered by their opponents, the foreign minister said Sunday that the idea "can be talked about" in principle.

The Labor side of the coalition government, meanwhile, is deliberately keeping a low profile, to allow the media spotlight to focus exclusively on the embarrassing feuding in the rival party.

"Every party has its problems," Vice Premier Shimon Peres, the Labor Party leader, remarked after Sunday's Cabinet meeting.

But Labor leaders continued to stress privately that if the hard line wins in Likud, it would effectively mean the end of the peace process and therefore the end of the unity government.

## KOOR GETS RELIEF FROM CREDITORS, WHO WILL FORGIVE CHUNK OF DEBT

By Hugh Orgel and Gil Sedan

TEL AVIV, Feb. 4 (JTA) -- The financially stricken Koor Industries got some relief from local and foreign creditors, in a deal brokered Friday by Finance Minister Shimon Peres.

The creditors agreed to write off nearly \$257 million of Koor's billion dollar debt.

Peres is trying to avert total collapse of the conglomerate, which accounts for about a quarter of Israel's industrial output and employs about 20,000 persons.

The deal was hammered out at a meeting late last Thursday with Koor officials and representatives of its credit lenders. The meeting followed a week of apparently fruitless negotiations to restructure the debt.

Peres emerged at midnight to tell reporters, "I think we have an agreement." The foreign bankers left for home about an hour later.

Israeli banks will bear the brunt of the loss incurred by the loan write-offs. They will cancel \$180 million of the \$800 million they are owed. Overseas banks agreed to write off \$77 million of a \$205 million debt.

They will be reimbursed in the amount of \$87 million by the Israeli banks as soon as the agreement is signed. Another \$41 million in debt will be rescheduled for payment over the next five years.

The arrangement, however, did not stave off a crisis at one of Koor's subsidiaries, the veteran Shemen oil and soap factory in Haifa.

### 200 Workers Lose Jobs

Shemen, founded in 1919, closed down over the weekend, following a work dispute. The closing was yet another symptom of the grave malady afflicting the giant Koor conglomerate.

The management of the pioneering Shemen factory sent letters of dismissal to 200 workers and ordered the plant closed, following extreme sanctions taken by the workers last week.

In their actions, preventing products from leaving the plant, workers barred management from even entering the workplace and also jeopardized the work of the firm's computer.

Shemen and another factory, Etz Hazayit, in Petach Tikva, are Israel's two major oil and soap plants, and both are owned by Koor, which is in turn owned by the Histadrut, the Israeli trade union federation.

Thus, Histadrut once again found itself caught up in the dilemma caused by its dual responsibility, both as employer and as representative of the work force.

Representative of the complicated matter was the positioning of the Haifa workers' council, which is for all intents and purposes a branch of the Histadrut, in support of the workers against the employers.

Background for the Shemen workers' dispute lies in the fact that Shemen and Etz Hazayit agreed in the past to follow a manufacturing and sales policy that would avoid duplication. But Shemen workers felt that all profitable operations were transferred from their plant to Etz Hazayit.

Fearing their plant would eventually be closed down, the workers demanded their plant operate independently of Etz Hazayit and initiated sanctions against their own management to try to effect that end. In the process, they created a self-fulfilling prophecy.

**PROSPECT OF REFORM IN SOUTH AFRICA  
GIVING HOPE TO ITS JEWISH COMMUNITY**  
By Allison Kaplan

NEW YORK, Feb. 4 (JTA) -- New hope for political reform in South Africa is giving the Jews in that country a more upbeat vision of their future, according to B'nai B'rith International President Seymour Reich, who returned from a visit there last week.

Reich, who is also chairman of the Conference of Presidents of Major American Jewish Organizations, met with a number of South African officials during his visit, including President F.W. de Klerk, who announced a series of sweeping reforms in a landmark address Friday.

In that address, de Klerk said that black nationalist leader Nelson Mandela would soon be released from prison and that 36 banned opposition groups, including Mandela's African National Congress, could now operate legally.

During his visits to the Jewish communities of Pretoria, Cape Town and Johannesburg, Reich said he did not sense the atmosphere of "foreboding" he felt on previous trips.

In recent years, scores of South African Jews, anticipating unending racial strife and instability in their country, have emigrated, settling in Israel, the United States or Australia.

Now, with the prospect of peaceful political reform and the possible end of sanctions that have led foreign firms to leave South Africa, Jews are beginning to believe that there may be a future for them in South Africa, Reich said.

Jewish parents are beginning to talk of keeping their children in the country instead of sending them abroad.

**Israel May End Arms Contracts**

Reich said he was encouraged after his meeting with de Klerk.

"President de Klerk assured me that the process of political evolution, while not subject to any timetable, is under way and irreversible," the B'nai B'rith leader said. "He is committed to negotiations leading to power-sharing."

But de Klerk warned Reich that "political change will not be meaningful without the foreign capital so necessary" for economic growth -- meaning that trade sanctions should be lifted.

Leaders of the Mass Democratic Movement, the political arm of the African National Congress, gave Reich the opposite message, telling him that economic sanctions imposed abroad have been effective in pressuring the white South African government to make political reforms.

Meanwhile, the Israeli government has said it will soon announce a timetable for terminating all military contracts with South Africa, the Washington Jewish Week reported.

Ron Brown, chairman of the Democratic National Committee, told the weekly newspaper that Prime Minister Yitzhak Shamir gave him that assurance during his recent visit to Israel.

The paper also reported that Vice Premier Shimon Peres told the DNC chairman that under the timetable, all military contracts would end within 24 months.

Israel has been under intense pressure from its congressional supporters to terminate its existing military contracts with South Africa.

That pressure reached its height last October, when NBC News aired reports that Israel and South Africa were cooperating in the development of nuclear weapons.

**ISRAEL CONFIRMS IT CONDUCTED  
'EXPLORATORY' TALKS WITH GDR**  
By Eli Kohen

COPENHAGEN, Feb. 4 (JTA) -- Israel has confirmed that it is holding "exploratory" talks with East Germany for the establishment of diplomatic relations.

That was the purpose of three days of talks between representatives of the two countries who met here for the first time last week under conditions of strict secrecy, a statement made by the Israeli delegation disclosed.

The talks, which began on Jan. 29, "are expected to continue at a later stage," the statement said.

It said "the aim of the talks was to clarify issues relative to the establishment of diplomatic relations between the two countries."

The Israeli statement hinted that diplomatic ties are contingent on the German Democratic Republic acknowledging its share of responsibility for Nazi crimes against Jews.

"Most important," it said, "was the question of the acceptance by the GDR of its share in the moral and historical responsibility for crimes perpetrated by Germans against Jews during the Nazi regime."

The statement said the "exploratory talks were concluded" and "the delegations will now report to their respective governments."

**WITH REUNIFICATION ANTICIPATED,  
GERMAN JEWS MAY RELOCATE OFFICES**  
By David Kantor

JERUSALEM Feb. 4 (JTA) -- The Jewish community, anticipating a reunified Germany, is expected to move its headquarters from Bonn to Berlin, possibly even before formal reunification is effected, according to community activists dealing with the matter.

An early move would ease the process of merging the Jewish communities of the two Germanys, they said.

Berlin was the largest center of Jewish life in Germany before World War II, and West Berlin today is home to about 6,000 Jews, the largest Jewish community in Germany.

In East Berlin, by contrast, only 203 people are registered as Jews.

Jewish institutional buildings confiscated by the Nazis before the war were not restored to East Berlin Jews, because they are far too big for the tiny community to use. The same applies to former Jewish communal property in other East German cities.

If and when the two Germanys are united, those properties may again be used.

Berlin is expected to be the capital of a single Germany. Its general population would increase, and so would the Jewish population, as Jewish employees of government offices, embassies and news organizations flock to the capital.

Under those circumstances, the main functioning synagogue on Reikestrasse in East Berlin, which is closed most of the time for lack of congregants, may enjoy a revival.

The Oranienburgerstrasse Synagogue, once the largest in Europe, is being converted to a museum and administrative center.

When the Jewish community moved its headquarters from Wuppertal to Bonn only two years ago, this university town was expected to remain West Germany's capital for many more years.