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KIDNAPPERS WARN ISRAEL TO CEASE ARMY RAIDS IN SOUTHERN LEBANON By Hugh Orgel

TEL AVIV, April 22 (JTA) -- The Islamic fundamentalist group that released American hostage Robert Polhill on Sunday warned that Israeli attacks in southern Lebanon could prevent the release of additional American hostages.

The statement was issued in Beirut by the Islamic Jihad for the Liberation of Palestine two days after Israel Defense Force troops on Friday killed six Hezbollah gunmen in a pre-emptive foray into their stronghold, just north of the southern Lebanon security zone.

There were also unconfirmed reports Friday of an attack by Israeli helicopter gunships on Hezbollah positions in the Beka'a Valley.

Hezbollah, or the Party of God, is an Iranian-backed movement of Shi'ite fundamentalists that encompasses a number of radical factions, including the Islamic Jihad for the Liberation of Palestine.

An Israeli military spokesman said Friday's ground action was carried out by specially trained troops of the Givati Brigade on difficult terrain near the deserted village of Ein Atinch, near the town of Maidoun.

Two heavily armed Hezbollah men were killed in a clash at close range Friday morning, and the four others were killed in a separate encounter Friday afternoon, the IDF spokesman

There were no Israeli casualties.

The Hezbollah men wore uniforms with battle pouches and were armed with Kalachnikov assault rifles, ammunition and hand grenades. They carried communications equipment.

The spokesman said the operation was intended to keep hostile groups off balance, disrupt their training and preparation, and demonstrate they can be hit at any time in their own territory.

Rising Hezbollah Activity

Gen. Dan Shomron, the IDF chief of staff, said Sunday that the army took action because of concern over Hezbollah's increased activities in Lebanon.

But the statement issued Sunday by the kidnappers in Beirut warned that "the continuation of Israeli attacks will definitely lead to severe repercussions on this (hostage) issue and other issues.

"We hope that we will not be forced to escalate again and blast all what has been achieved," the statement said.

Shomron, who briefed military correspondents Sunday, said Israel is also concerned about the growing presence of terrorist organizations in Jordan.

But he thought King Hussein should be even more worried, because they threaten the stability of his regime.

Shomron estimated the chances of war in the Middle East in the near future to be very low, even though Iraq is arming for chemical and bacterial warfare, and Syria has not given up the idea of a swift military blow to recapture the Golan Heights from Israel.

ISRAELI GOVERNMENT AGENCY IS LINKED TO EFFORT TO SETTLE CHRISTIAN QUARTER By Gil Sedan

NEW YORK, NY 10001-5010

JERUSALEM, April 22 (JTA) -- The government, various settlement agencies and wealthy Jewish donors overseas have been implicated in clandestine efforts to expand the Jewish presence in Jerusalem's Old City into traditionally non-Jewish quarters.

If disclosures here over the weekend are correct, the Construction and Housing Ministry at least partially funded acquisition of the lease on a building in the Christian Quarter, owned by the Greek Orthodox Church, into which 150 Orthodox

Jews moved on April 11. The fiercely contested move, now before the High Court of Justice, triggered interreligious

strife in Jerusalem and sharp criticism of Israel. According to Knesset member Yossi Sarid of the left-wing Citizens Rights Movement, the lease was paid for by the ministry with money funneled through the Himnutah Co., an affiliate of the Jewish National Fund of Israel, and then through SBS, a company registered in Panama.

The money was paid to Mardiros Matossian, an Armenian businessman identified as the lessor. But the church maintains he had no legal right to lease the premises.

Matossian is reported to have fled to Canada with \$3.5 million, after intifada activists issued a death warrant against him.

The Construction and Housing Ministry is alleged to have provided some \$1.1 million on April 9 and another \$700,000 on April 11.

Shlomo Ariav, chairman of Himnutah. confirmed in an interview that some \$1.8 million passed through his company for the purposes of the transaction.

'Merely Acted As A Trustee'

He stressed, however, that neither Himnutah nor JNF used a penny for any purpose. "We have merely acted as a trustee on behalf of the government," Ariav said.

The firm has had a contract with the government since 1969 to act as a trustee in the purchase of real estate throughout the country.

It served as a courier for the government at the time of the Camp David accords in 1978, when then Prime Minister Menachem Begin promised his regime would not transfer funds to buy

land in the territories Israel captured in 1967. When Israel annexed East Jerusalem that year, the Old City became part of Israel proper, but its traditional division into separate quarters

of the various religious faiths was supposed to remain intact. Now, according to the latest maps of the

Old City, about 19 buildings in the Moslem Ouarter are inhabited by Jews, including a flat pur-chased in 1987 by Ariel Sharon, the hard-line former minister of Likud.

Jews are also said to be seeking to buy property in the Armenian Quarter.

The Greek Orthodox building, known as St. John's Hospice, was the first in the Christian Quarter to be populated by Jews. The settlers include 20 families and 60 unmarried yeshiva students.

Sarid charged that the Construction and Housing Ministry forwarded the money for the lease without approval from the Treasury.

A spokeswoman for the ministry would say only that it acted within the law.

Sarid's calculations did not account for sums of \$5 million and \$3.5 million said to have been paid to Matossian.

Those figures were mentioned in the court battle between the settlers and the Greek Orthodox Patriarchate, which is trying to evict them.

Money Raised At New York Dinner

Dan Avi-Yitzhak, a lawyer for the Panamanian SBS Co., said Sarid's figures were "nonsense" and insisted most of the money for the lease came from three or four Jewish donors.

According to the daily newspaper Ha'aretz, most of it came from Erwin Moskowitz, a medical doctor from Miami whom the newspaper described as a multimillionaire. He allegedly gave \$2.75 million to acquire property in the Old City.

According to the same report, another \$2.25 million was raised at a Jerusalem Day dinner in New York last spring, attended by then Mayor Edward Koch and Sharon, who was then Israel's minister of industry and trade.

On Friday, meanwhile, the High Court of Justice upheld the Panamanian company's appeal that it leased the building legally and the Jews who occupy it are their guests. But it did not reverse a lower court's ruling in favor of the Greek Orthodox Church.

The High Court is scheduled to take up the matter again on Thursday. It ruled that the settlers can stay in the building until then, provided that no new guests or tenants are allowed inside.

DISPUTE IN CHRISTIAN QUARTER STRAINS DELICATE ISRAELI RELATIONS WITH GREECE By Jean Cohen

ATHENS, April 22 (ITA) -- Greek-Israeli relations have been strained at an inopportune time by the disputed settlement of 150 Jews in a building owned by the Greek Orthodox Church in the Christian Quarter of Jerusalem's Old City.

While government spokesman Vyron Polydoras insisted the events in Jerusalem will not affect the new conservative regime's decision to establish full diplomatic relations with Israel, he made clear that the government wants Israel to promptly enforce an eviction order against the settlers, pending since April 12.

Since the incident erupted, threatening telegrams, telephone calls and fax messages have been received at the Israeli mission in Athens and by prominent members of the Jewish community.

Diodoros II, the Greek Orthodox patriarch in Jerusalem, severely criticized the Athens government in a radio interview Saturday for its muted reaction to the affair.

"It is a shame that while these acts are taking place, the Greek government is talking about recognizing Israel," the patriarch said.

Israel's diplomatic representative here, Moshe Gilboa, met for two hours here with Diodoros' representative, Archbishop Irineos.

Gilboa, who holds the rank of ambassador but has represented Israel only at the consular level up to now, stressed that the Israeli government had nothing to do with the incident. He said Israel is doing everything it can to contain it within its proper proportions.

ARAB PRESSURE BLAMED FOR SRI LANKA'S MOVE TO SEVER RELATIONS WITH ISRAEL By David Landau

JERUSALEM, April 22 (JTA) -- Israel is blaming Arab pressure for Sri Lanka's move over the weekend to sever all diplomatic ties with the Jewish state.

The formal break follows an order issued March 20 by the Sri Lankan government for Israel to close its interests office in the Sri Lankan capital of Colombo within 30 days. The office is housed at the American Embassy.

At the time, President Ranasinghe Premadasa said the decision fulfilled an election promise he made when he took office at the end of 1988.

Sri Lanka said it would resume diplomatic relations when Israel recognizes the Palestine Liberation Organization and "withdraws from all occupied Palestinian territory."

Iran and several Arab states have congratulated the South Asian island nation on its move.

Reuven Merhav, director general of Israel's Foreign Ministry, predicted that relations between the two countries would be resumed when Sri Lanka's present government is eventually replaced.

Merhav contrasted this diplomatic setback with the growing resumption of ties with Israel by countries that broke relations after the 1967 and 1973 wars with the Arab states.

ISRAEL DENIES LINK TO ARMS FOUND ON ESTATE OF COLOMBIAN DRUG BARON By Hugh Orgel

TEL AVIV, April 22 (JTA) - Defense and Foreign Ministry officials have disclaimed any knowledge of how Israeli-made weapons came to be found on the estate of a Colombian drug trafficker shot to death by police there last December.

According to a Defense Ministry spokesman, the weapons were sent legitimately to a sovereign state, which promised not to transfer them to a third party without Israel's approval.

The spokesman refused to name the state.

Newspapers in Colombia and other sources reported late last week that the Israeli arms were smuggled to Colombian drug lords from Antigua and Barbuda, an island nation in the eastern Caribbean that is part of the British Commonwealth

The Antiguan deputy prime minister said last week that light weapons were shipped from Haifa to Antigua in April 1989 and from there to Santa Marta, on the Caribbean coast of Colombia.

Israeli officials insisted they had no knowledge "how these weapons were transferred to private hands in Colombia."

According to a Foreign Ministry official, "While Israel would never allow such deals, no country can possibly guarantee that shipments of weapons it makes to legitimate clients will later remain in the possession of the customer."

Colombian police found 213 Israeli rifles and more than \$3 million in cash when they confiscated the farm owned by the late drug lord, Gonzalo Rodriguez Gacha, military leader of the Medellin cocaine cartel.

Colombian newspapers reported that ousted Panamanian strongman Manuel Noreiga and senior Antinguan army officers may have been involved in smuggling arms to drug traffickers.

Noriega is in federal custody in the United States, awaiting trial on drug trafficking charges.

USSR CONSIDERS ADDED ISRAELI CONSULS. TO ACCOMMODATE JEWS WAITING TO LEAVE By David Landau

JERUSALEM, April 22 (JTA) -- The Soviet Union will consider allowing Israel to increase the staff of the Israeli consular mission in Moscow by as many as 10 officials, leading Kremlin figure Alexander Yakovlev was quoted as saving by an Israeli scholar who met with him.

Professor Eliahu Zemtzov added that Yakovlev had also spoken of the possibility of transferring the Israeli facility to a more convenient site in the suburbs, to better accommodate Soviet Jews waiting for help with bureaucratic procedures.

The current Israeli consular staff in Moscow numbers six, who are charged with handling 2,000 to 3,000 Jews per day. The hopeful emigres have to wait in long lines outdoors.

Meanwhile, one of the last of the prominent refuseniks arrived in Israel on Sunday, and another former refusenik in Moscow received permis-

sion to emigrate.

Vladimir (Ze'ev) Dashevsky of Moscow, a leader of the Orthodox Zionist circles in the city and a notable scholar and thinker in Jewish philosophy, arrived here Sunday to a big welcome. Back in Moscow, Leonid Stonov, refused emigration for 10 years, received his permission.

In a further sign of improved relations between Israel and the Soviet Union, Yakovlev also held out the prospect of an official invitation to the new Israeli foreign minister - once a government has been formed in Jerusalem.

He urged Israel to accept the proposals put forward by U.S. Secretary of State James Baker for the launching of a dialogue with the Palestinians, leading to elections in the administered territories

Arrival Sparks Celebration

Zemtzov, a social scientist, was in Moscow as guest of the Soviet Academy of Sciences. On an earlier visit late last year, he accompanied Science and Development Minister Ezer Weizman during an unscheduled private meeting with Soviet Foreign Minister Eduard Shevardnadze.

The Israeli scholar quoted Yakovlev as saving that the Soviet Union would move slowly toward normalization with Israel, carefully regarding the vying trends of conservatism and radicalism within Moscow policy-making circles.

In Israel, Dashevsky's arrival was a cause for rejoicing. A "ba'al teshuvah" (returnee to religion) of many years' standing, Dashevsky in recent years headed the Moscow branch of Machanaim, a return-to-Judaism movement among whose Soviet-Israeli leaders is former Soviet prisoner Yosef Mendelevich.

Dashevsky's classes in Talmudic subjects and the works of Jewish philosophers were popular in the Moscow religious community, and his staunchly pro-Zionist stance won him strong support from Israeli establishment circles.

Dashevsky's departure had been held up for years because of the opposition of his wife's family. Members of the Gush Etzion kibbutz of Ein Tzurim planned a welcoming ceremony for him Sunday night at the Western Wall.

Stonov, who received his permission Friday, is a scientist who was refused emigration for 10 years for alleged possession of state secrets.

Another long-term refusenik, Emanuel Lurie, also from Moscow, arrived in Israel on Friday, after 12 years' refusal.

NO MORE SOVIET JEWS SHOULD SETTLE IN WEST BANK, SAYS FRENCH PRESIDENT By Howard Rosenberg

WASHINGTON, April 22 (JTA) -- Further settlement of Soviet Jews in the West Bank "is not conducive to the general process of reconciliation" between Israelis and Arabs, French President François Mitterrand warned last week.

"It is not wise to multiply such settlements, because they give rise to a climate of uncertainty and lack of security," Mitterrand said last Thursday at a joint news conference with President Bush in Key Largo, Fla. But Mitterrand said France supports the

unfettered emigration of Jews from the USSR. "To place conditions on their destination and to ask the Soviet Union to sort people out on the basis of such criteria is something that is

unacceptable," he said.

Mitterrand also called for unrestricted emigration in a letter he sent earlier in the week to Israeli caretaker Prime Minister Yitzhak Shamir, who had asked for the French leader's views on the subject. But the letter did not mention any opposition to the settlement of Soviet Jews in the territories.

Only about 175 Soviet Jews have settled in the West Bank in the last 12 months, according to officials at the Jewish Agency for Israel. Nevertheless, the issue of Jewish settlement in the disputed territory continues to be raised by leaders around the world.

While French and U.S. views on Soviet Jewish emigration are virtually identical, their positions differ on allowing government officials to speak with Palestine Liberation Organization leader Yasir Arafat.

Mitterrand met with Arafat earlier this month, their second such contact. But Robert Pelletreau, the U.S. ambassador to Tunisia, is the only U.S. official permitted to speak with PLO representatives, and he has not met with Arafat. On Thursday, Mitterrand praised the PLO for

seeing "with lucidity what the new perspectives are" in moving toward peace. "I think that such a move on their part should not be discouraged," he said.

GERMAN POLICE SEARCH FOR NEO-NAZIS WHO TORTURED THREE TEEN-AGE GIRLS By David Kantor

BONN, April 22 (JTA) -- Police in the Ruhr Valley town of Hagen are using helicopters and jeeps to search for five neo-Nazi youths who attacked and tortured three girls, ages 12 and 13, last week.

The incident occurred April 18 in a woods near Menden, another town in North Rhine-Westphalia, while the girls were on their way to a playground. One of them reportedly was Iranian.

Police believe the youths who accosted them were members of a neo-Nazi paramilitary group between the ages of 16 and 20 who went to the

woods on a training exercise. They forced their victims to strip and then daubed their bodies with swastikas. The girls also were allegedly forced to kneel down, say "Heil

Hitler" and sing Nazi songs. The attacks preceded a flare-up of neo-Nazi activity on April 20, the 101st anniversary of the birth of Adolf Hitler. Last Friday evening, about 200 neo-Nazi Skinheads marauded through East Berlin, attacking both civilians and police.

CONCERN ABOUT JEWS OF EUROPE VOICED AT NEW YORK COMMEMORATION OF SHOAH By Richard Rubin

NEW YORK, April 22 (JTA) -- Holocaust survivors warned of the current rise of anti-Semitism in Europe and were urged to share the horrors of their experiences at Yom Hashoah ceremonies here Sunday.

More than 2,700 Holocaust survivors and their families filled Lincoln Center's Avery Fisher Hall for the 47th anniversary of Yom Hashoah, Holocaust Remembrance Day.

The observation marked the 47th anniversary of the Warsaw Ghetto Uprising by Jewish freedom fighters against the Nazis.

Yom Hashoah ceremonies were held around the world Sunday, including for the first time in East Germany.

With the rapid changes in Eastern Europe, societies are again in states of disarray, said Benjamin Meed, president of the Warsaw Ghetto Resistance Organization, the principal sponsor of

the commemoration here.

"Again a scapegoat is needed, and again the finger is pointed at the Jews," Meed said. "Everywhere the Soviet empire has collapsed, native

nationalism replaces communism.

"We must insist the drunkenness of freedom does not express itself in anti-Semitism and anti-

does not express itself in anti-Semitism and anti-Zionism," he said.

Concerns about a united Germany were

"We survivors remember all too well a unified Germany," Meed said. "From the East and the West, including Austria, they came to murder us."

German Jewish survivor Ernest Michel, whose family could trace itself back 300 years in Germany, said a united Germany must pledge to be "steadfast in stopping any growth in anti-Semitism and to always recognize the special relationship of Jews and Israel."

Survivors Urged To Share Stories

raised by several speakers.

"I speak with the moral authority of a German-born Jewish survivor," said Michel, executive vice president emeritus of the United Jewish Appeal-Federation of Jewish Philanthropies of New York.

The ceremony included the lighting of hundreds of yarzheit candles by three dozen black-cloaked women survivors, while a chorus from a Hebrew day school sang in Yiddish and English "Es Brent" (It Burns), a song about the burning of the shtetl.

Ann Oster, a daughter and daughter-in-law of Holocaust survivors, admonished survivors to share their horrible secrets with others.

"We want your memories, your eyewitness accounts," Oster said. "Protect us no longer.

"You survivors are the only ones to speak for your Moishes, your Shloimies, your Rivkes, who were brutally ripped from your arms," Oster said

Moshe Arad, Israel's ambassador to Washington, said it is "symbolically moving, historically appropriate and politically meaningful" that the new Eastern European democracies of Poland, Hungary and Czechoslovakia have renewed their ties with the Jewish state, "a refuge to so many survivors of the Holocaust."

But Arad, a Holocaust survivor from Romania, called the polices of the Soviet Union "unsettled and contradictory." Moscow has urged Syria to be less aggressive toward Israel; has allowed increased cultural, educational and communal freedom for Soviet Jews; and, most important, has liberalized Jewish emigration.

But the increased freedoms have been accompanied by the rise of open anti-Semitism and the Soviet government's continuation of supplying arms to Syria, Iraq and Libya, Arad said.

New York Mayor David Dinkins said good people must prevent the spread of evil and hate. "Six million people condemn us from the grave if we do not," he said.

4,000 YOUTHS RETRACE WARTIME MARCH FROM GATES OF AUSCHWITZ TO BIRKENAU By Hugh Orgel and Cathrine Gerson

TEL AVIV, April 22 (JTA) -- Some 4,000 worths from 35 countries on Sunday silently marched the two miles between the Auschwitz and Birkenau death camp complexes in southeastern Poland, in a moving commemoration of International Holocaust Martyrs and Heroes Day.

Wearing blue parkas, they marched, with arms linked, in ranks of five behind, banners which read "March of the Living" and the names of the countries they represented.

They trooped through the main gate of Auschwitz under the warped slogan "Arbeit Macht Frei" (Work Makes Freedom).

Along a dirt track still bordered by barbed wire fences that were once electrified, the marchers retraced the infamous "death march" of 1945 when, as the Red Army approached, the Nazis evacuated Auschwitz.

The surviving inmates were forced to walk to the Birkenau crematoria. Others were marched further into Poland and Germany.

At the entrance of Crematorium No. 2, where an average of 6,000 people -- mostly Jews -- were incinerated a day, a memorial service was conducted Sunday by the chief rabbi of Tel Aviv, Israel Lau, himself a concentration camp survivor.

Lau led the recitation of the Kaddish, accompanied by the cantor of the Yeshurun Rehavia Synagogue in Jerusalem.

Six of the marchers each lighted a torch in memory of the 6 million Jews slain by the Nazis.

Knesset members Eliahu Ben-Elissar and Shevach Weiss were present to represent the Israeli parliament.

Ceremony At Yad Vashem

dead.

So were representatives of former camp inmates, partisan fighters, Righteous Gentiles who saved Jews, and a former chief of staff of the Israel Defense Force, retired Gen. Mordechai Gur. Nobel Laureate Eli Wiesel, Israeli Cabinet

member Ehud Olmert and Rabbi Avraham Hirshon, organizer of the march, all gave speeches.

The ceremony was broadcast live on Israel's educational television station and on Israel Radio as part of Israel's own Holocaust Memorial Day commemoration.

Yom Hashoah began in Israel on Saturday night with an official ceremony at the Yad Vashem Holocaust memorial, attended by President Chaim Herzog and Prime Minister Yitzhak Shamir.

At 10 a.m. local time Sunday, all traffic throughout the country stopped to observe a minute of silence in memory of the Holocaust