Nineteen seventy-seven was a year of great political upset in Israel, and of a new era in the quest for peace. The elections on May 17 put an end to a generation of Labor dominance in the Knesset and government, bringing the veteran Herut leader Menachem Begin to power at the head of an anti-socialist coalition. A month later, however, Labor retained its position in the elections to the quadrennial convention of the Histadrut, the General Federation of Labor.

At the end of October, the new Begin government announced a drastic reversal in economic policy, based on the abolition of foreign currency controls and the free floating of the Israeli pound. At the beginning of 1978, there were signs of a developing clash with various groups of workers demanding higher wages to compensate for price increases.

Meanwhile, in November 1977, President Anwar Sadat of Egypt dropped a bombshell by offering to conclude a permanent peace with Israel—the first time such an offer had been made by an Arab leader. His conditions were that Israel withdraw from all territories taken in the Six-Day War of 1967 and agree to self-determination for the Palestinians. It was later disclosed that the visit had been prepared by a secret Israeli offer to restore the whole of Sinai to Egyptian sovereignty.

At the end of December, Prime Minister Begin presented his peace proposals, based on withdrawal of Israeli forces from Sinai and self-rule for Palestinian Arabs, to United States President Jimmy Carter in Washington, and to President Sadat in Ismailiyah. Egypt and Israel agreed to continue negotiations in a military committee in Cairo, and in a political committee in Jerusalem.

The Elections

(For the early stages of the events leading up to the elections, see AJYB 1978 [Vol. 78], pp. 475–7.)

Shortly before nominations day, there were signs of unrest among hawkish members of the Labor Party. Mordecai Ben-Porat resigned and formed an independent list. Former Defense Minister Moshe Dayan met with Menachem Begin, leader of the Likud, to discuss the possibility of running on his list, but nothing came of it, reportedly because Begin would not agree that there be no annexation of Judea and Samaria as long as peace discussions were proceeding. To appease Dayan, a score
of Labor Party leaders stated that, when the next government was formed, they would insist that the nation be consulted before any territory in Judea and Samaria be ceded. Dayan agreed to run on the Labor ticket.

Seven Labor leaders, including Knesset Speaker Israel Yeshayahu and Israel Galili, minister without portfolio, failed to secure places on the Labor-Mapam Alignment's list. Twenty of the first 50 names, regarded as having a fair prospect of being elected, were nominated by the party's regional groupings, and the other 30 by an appointments committee, which also decided on the order of listing. Heading the list were Defense Minister and acting Prime Minister Shimon Peres, Foreign Minister Yigal Allon, and former Foreign Minister Abba Eban.

On March 1, the council of the Likud approved its election platform on foreign affairs, which declared that a Likud government would participate in the Geneva Peace Conference and invite the neighboring Arab states "to conduct direct negotiations for the signature of peace treaties between them without prior conditions." It would "strive for an agreement" with Syria and Egypt, "taking into consideration the interests and needs of the parties" (a formula which left the way open for territorial concessions). In regard to the "West Bank," the platform declared: "Judea and Samaria will not be handed over to any foreign rule; between the sea and the Jordan there shall be only Israeli sovereignty." Each of the Likud's components chose its leading candidates separately by secret ballots in several stages.

The governing bodies and list of parliamentary candidates of the Democratic Movement for Change (DMC) were elected directly by the entire membership on February 18. The 33,000 registered members were asked to pick 30 candidates out of 151 names, in order of preference. The results aroused some surprise and controversy. DMC's opponents insinuated that organized groups had succeeded in manipulating the voting, pointing out that the first ten names on the list included three former leaders of the Free Center, that two Druzes (representing little more than one per cent of the population) were in 12th and 13th places, and that women, former members of the Shinui movement, and the poorer neighborhoods were under-represented. DMC leaders retorted that their example had induced other parties to adopt more democratic methods of choosing their nominees.

The main plank in DMC's elections platform was the reform of the electoral system. On peace policy, DMC declared that Israel's defense border should be "the River Jordan, including areas west of it essential for Israel's defense. In order to retain its Jewish and democratic nature," the plank continued, "Israel must be ready for territorial compromise while safeguarding its security needs." Security considerations would be "the guiding principle in determining settlement priorities." The economic planks, which were somewhat similar to those of the Likud, called for more opportunity for individual initiative, and a reduction in government interference. DMC representatives would be given freedom of action on questions concerned with the relations between religion and state.

In the nominations of the National Religious Party (NRP), Yitzhak Raphael, former minister of religious affairs, was ousted in favor of two of his younger
lieutenants. Rabbi Hayim Druckman, closely associated with the Gush Emunim religious activists, was added to the list in second place by common consent, reinforcing the influence of the younger, more hawkish, circles in the party.

Tourism Minister Moshe Kol, the veteran leader of the Independent Liberal Party (ILP), gave way to Gideon Hausner. Shortly before the election, Hillel Seidel, one of ILP's Knesset members, joined the Likud.

Public meetings played a small part in the election campaign. Appeals by the parties were made primarily through the press, radio, and television. The party campaigns were financed, in large part, by statutory allocations from the Treasury, in proportion to the Knesset strength of the parties, and under the supervision of the state comptroller.

The Likud mounted a vigorous and effective election campaign, carried out by a prominent advertising agency under the direction of General (Reserves) Ezer Weizman. Its two main watchwords were “Force No. 1” and “Change the Government”—claiming that, after 29 years of Labor domination, it was time to try an alternative government, and that the Likud was the only political force capable of playing that role. It concentrated on domestic affairs, especially scandals (see AJYB, 1978 [Vol. 78], pp. 476-7), and portrayed Labor as riddled with corruption. It claimed to be a party of peace, playing down its opposition to withdrawal from Judea and Samaria. A special effort was made to build up the image of its leader, Menachem Begin, as a sympathetic personality and a statesman of world stature.

The Labor-Mapam Alignment, whose campaign was conducted by Yosef Sarid, a young Knesset member, pointed to the inclusion of 14 candidates from the Oriental communities and eight women in the first 50 names on its list, as showing Labor's broad-based representative character. The Alignment's main slogan was “We are the Address”—admitting responsibility for past shortcomings, but claiming credit for achievements, and asking for renewed confidence in its capacity to provide a re-invigorated leadership. It portrayed the Likud as a “one-man-show,” and Menachem Begin as a man who had failed in eight election attempts. In the event of large Likud gains, Labor forecast political deadlock and national chaos.

NRP appealed to broader circles on the lines of “You don't have to be religious to vote NRP,” and presented itself as a positive alternative to the Labor-dominated regime, rather than—as in past years—a potential partner.

DMC presented Professor Yigal Yadin as the most suitable candidate for prime minister, backed by a capable and experienced team, with a comprehensive program of social and political reform. Its main barbs were aimed at Labor, although it also attacked the Likud as an old-style party.

General (Reserves) Ariel Sharon led a list called Shlomzion (Peace of Zion) with a strongly nationalist platform.

Two left-wing parties, Hadash (Front for Democracy, Peace, and Equality), which appealed mainly to Arab voters, and Shelli (Peace and Equality for Israel) called for the establishment of a Palestinian state, and readiness to withdraw to the June 1967 lines as part of a peace settlement. The former came out for recognition
of the Palestine Liberation Organization (PLO) as the representative of the Palestinian people, while the latter stressed the compatibility of its policy with essential Zionist aims.

An unusual candidate was Samuel Flatto-Sharon (see AJYB 1978 [Vol. 78], p. 472), who employed paid vote-getters and conducted a lavish campaign of press advertising based on the watchword "The Solitary Man in the Knesset."

Public opinion polls taken in the first four months of 1977 indicated that the Alignment retained a slight lead over the Likud, with 10–20 seats going to DMC. A very high proportion—around 40 per cent—of those polled, however, either refused to answer or expressed no opinion. The polls also showed a striking contrast between general approval of the government's record on foreign affairs and defense, and even more pronounced disapproval of its economic and social policies.

After Prime Minister Yitzhak Rabin's retirement from the contest (AJYB, 1978 [Vol. 78], p. 477), Shimon Peres was left with little more than a month to impress himself on the electorate as a potential prime minister. His image as a successful minister of defense was damaged by the publication, on April 26, of the state comptroller's annual report, which pointed out, *inter alia*, a number of instances of inefficiency and waste in the administration of the Israel Defense Forces (IDF). On May 11, less than a week before the elections, 54 paratroopers and airmen were killed in a helicopter crash during a training exercise, and the Likud hinted that Peres had been too busy with party politics to look after the armed forces. In a television confrontation between the Likud and Labor leaders, Begin was confident and incisive, while Peres was subdued and unimpressive.

The results of the election, as compared with those of 1973, are given below. Likud's first-place finish, with a percentage of the popular vote approaching that gained by Labor in the past, and Labor's relegation to second place, with little more than a quarter of the seats, astonished both parties. The results were a disappointment to DMC, because they dashed its hopes of holding the balance between the two major parties. Hadash's gain of one seat was less than had been expected, but it polled a majority of the Arab votes. Shelli won a smaller percentage of the votes than its constituent parts had in 1973. The most crushing defeat was suffered by the Independent Liberals, who had played a modest but influential role in Israel's political history, and had participated in almost all cabinets.

An analysis of the voting showed that the Likud and the religious parties gained especially among the communities of Oriental origin, while the Alignment's losses went mainly to DMC in the areas with a larger population of European origin, and to the Likud among the Oriental communities. Most commentators believed that the results were due not merely to the events and actions of the immediate past, but to deep-seated social developments, particularly the tendency among the Oriental communities, native-born Israelis, and young people to vote against the ruling party, whose hold had been weakened by the gradual depoliticization of the government and other public bureaucracies.
Elections to 8th Knesset (December 31, 1973) and 9th Knesset (May 17, 1977)

<table>
<thead>
<tr>
<th>Party</th>
<th>1973</th>
<th>1977</th>
<th>Net gain or loss</th>
<th>Net gain or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible voters</td>
<td>2,037,478</td>
<td>2,236,293</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Votes cast (%)</td>
<td>1,601,098 (78.6)</td>
<td>1,771,726 (79.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalid votes (%)</td>
<td>34,243 (2.1)</td>
<td>23,906 (1.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid votes</td>
<td>1,566,855</td>
<td>1,747,820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid votes cast for parties not qualifying</td>
<td></td>
<td></td>
<td>75,887</td>
<td>46,969</td>
</tr>
<tr>
<td>Valid votes counting in allocation of seats</td>
<td></td>
<td></td>
<td>1,490,968</td>
<td>1,700,851</td>
</tr>
<tr>
<td>Quota per Knesset seat</td>
<td>12,424</td>
<td>14,173</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Party</th>
<th>Popular Vote (%)</th>
<th>Net gain or loss</th>
<th>Party</th>
<th>Popular Vote (%)</th>
<th>Net gain or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likud</td>
<td>473,309 (30.2)</td>
<td>+(3.2)</td>
<td>Alignment</td>
<td>583,075 (33.4)</td>
<td>39</td>
</tr>
<tr>
<td>Alignment</td>
<td>621,183 (39.6)</td>
<td>--(15)</td>
<td>Democratic Movement for Change</td>
<td>202,265 (11.6)</td>
<td>51</td>
</tr>
<tr>
<td>National Religious Party</td>
<td>130,349 (8.3)</td>
<td>+ (0.9)</td>
<td>Agudat Israel</td>
<td>58,652 (3.4)</td>
<td>5</td>
</tr>
<tr>
<td>Poalei Agudat Israel</td>
<td>23,956 (1.4)</td>
<td></td>
<td>Democratic Front for Peace &amp; Equality</td>
<td>79,733 (4.6)</td>
<td>4</td>
</tr>
<tr>
<td>Flatto-Sharon</td>
<td>35,049 (2.0)</td>
<td></td>
<td>Zion &amp; Social</td>
<td>33,947 (1.9)</td>
<td>2</td>
</tr>
<tr>
<td>Shlomzion</td>
<td>33,947 (1.9)</td>
<td></td>
<td>Bet Israel (Yemenites)</td>
<td>9,505 (0.5)</td>
<td>1</td>
</tr>
<tr>
<td>Shelli</td>
<td>27,281 (1.6)</td>
<td></td>
<td>Arab Reform</td>
<td>5,695 (0.3)</td>
<td></td>
</tr>
<tr>
<td>United Arab List</td>
<td>24,185 (1.4)</td>
<td></td>
<td>Women's Party</td>
<td>5,674 (0.3)</td>
<td></td>
</tr>
<tr>
<td>Independent Liberals</td>
<td>21,277 (1.2)</td>
<td></td>
<td>Kach (Meir Kahane)</td>
<td>4,396 (0.2)</td>
<td>(0.55)</td>
</tr>
<tr>
<td>Citizens' Rights</td>
<td>20,621 (1.2)</td>
<td></td>
<td>Workers' Front</td>
<td>2,498 (0.14)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Zionist &amp; Social</td>
<td>14,516 (0.8)</td>
<td></td>
<td>New Generation</td>
<td>1,802 (0.1)</td>
<td></td>
</tr>
<tr>
<td>Zion &amp; Social</td>
<td>1,798 (0.1)</td>
<td></td>
<td>Zionist Panthers</td>
<td>1,798 (0.1)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Movement</td>
<td>1,085 (0.06)</td>
<td></td>
<td>Coexistence with Justice (Arab)</td>
<td>1,085 (0.06)</td>
<td></td>
</tr>
<tr>
<td>Other Lists (1973)</td>
<td>30,155 (1.9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Only lists receiving at least one per cent of the valid votes cast—i.e. 17,478 in 1977—are entitled to share in the allocation of seats.

The quota for one Knesset seat is the number of valid votes cast for the lists qualifying—i.e. 1,700,851 in 1977—divided by 120.

Arie Eliav and Mordecai Ben-Porat withdrew from the party before the elections.

Mordecai Dayan withdrew from the party after the elections.

In 1973, Agudat Israel and Poalei Agudat Israel formed one list: the Torah Religious Front.

In 1973, Rakah—New Communist List

In 1973, Moked (Focus) and Meri (Radicals)

In 1973, Progress & Development (Arab) and Bedouins' List

Hillel Seidel withdrew and joined the Likud.

The Histadrut Elections

The Labor-Mapam Alignment’s supporters, particularly in the kibbutzim, reacted to the party’s parliamentary debacle by redoubling their campaign efforts for the election of delegates to the 13th convention of the Histadrut, which would determine the composition of its governing bodies for the next four years.

Yeruham Meshel, the incumbent secretary-general, was renominated to head the Labor list, which included leaders of some of the larger workers' committees, but not prominent political figures. The Likud list was headed by David Levi, a young father of ten from the new immigrants' town of Beit Shean, who had come from Morocco during the period of mass immigration. Eleven lists were submitted, representing the major political parties except the religious ones, which had their own labor federations.

As in the Knesset elections, lavish press advertising was a prominent feature of the campaign, but unlike 1973, there was no television propaganda. The Likud called upon voters to complete its parliamentary victory by giving it control of the Histadrut, while the Alignment stressed the need for a strong Histadrut under its leadership, as a counterweight to a Likud dominated government.

Sixty-nine per cent of the 1,354,794 members voted, and the valid votes totaled 917,126. The results (see p. 266) were a surprise to both sides. Not only did Labor’s share of the total drop much less than had been expected, leaving it in firm control, but it gained almost 60,000 more votes than it had on May 17. (In 1973, it had received about 150,000 more votes for the Knesset than for the Histadrut.) The Likud, though failing to achieve its declared objective, considerably improved its strength. The big losers, as in the Knesset elections, were the smaller parties. The Alignment also maintained its majority in Na’amat (Women Workers and Volunteers)—formerly Mo’etzet Hapo’alot (Working Women’s Council)—and almost all the local labor councils, the elections to which were held simultaneously.
(with Knesset votes, 1977, for main parties)

<table>
<thead>
<tr>
<th></th>
<th>1973</th>
<th></th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Votes</td>
<td>%</td>
<td>Votes</td>
</tr>
<tr>
<td>Alignment</td>
<td>447,541</td>
<td>58.35</td>
<td>507,236</td>
</tr>
<tr>
<td>Likud</td>
<td>174,038</td>
<td>22.69</td>
<td>258,466</td>
</tr>
<tr>
<td>DMC</td>
<td></td>
<td></td>
<td>73,594</td>
</tr>
<tr>
<td>Hadash</td>
<td>18,240</td>
<td>2.38</td>
<td>27,781</td>
</tr>
<tr>
<td>Religious Workers</td>
<td>32,782</td>
<td>4.27</td>
<td>16,491</td>
</tr>
<tr>
<td>ILP and CRM</td>
<td>45,811</td>
<td>5.97</td>
<td>11,685</td>
</tr>
<tr>
<td>Shelli</td>
<td>21,118</td>
<td>2.75</td>
<td>10,162</td>
</tr>
<tr>
<td>Others</td>
<td>27,470</td>
<td>3.61</td>
<td>11,711</td>
</tr>
</tbody>
</table>

a In 1973, Rakah (New Communist List)
b In 1973, Moked (Focus), Meri (Radicals) and Left Union

The New Government

The results of the elections dictated the composition of the new government within fairly narrow limits. The Likud, together with Shlomzion (whose two members joined Herut on May 29), NRP, and Flatto-Sharon, could command 58 votes, but needed the support of either Agudat Israel or DMC to have a majority. Labor firmly declined to join a government of national unity. While Begin was in the hospital, to which he had been admitted for a rest after the strains of the election, he startled the country by offering Moshe Dayan the post of foreign minister in his new cabinet. The appointment aroused fierce public controversy. Both the Liberals and DMC had expected to receive the post, while Labor spokesmen denounced Dayan's readiness to serve under Begin so soon after the elections, in which he had stood on the Alignment list, and demanded his resignation from the Knesset. The ferment soon died down, however, and the Likud started negotiations with NRP and Agudat Israel, which submitted numerous conditions concerned mainly with religious affairs.

On June 7, after the publication of the official election results and the statutory consultations with representatives of the parties, President Ephraim Katzir entrusted Begin with the task of forming a government. After seeing the President, Begin recited a psalm at the Western Wall in Jerusalem and paid a visit to Rabbi Zvi Yehuda Kook, spiritual mentor of Gush Emunim. The negotiations with NRP and Agudat Israel were rapidly concluded, but the Council of Sages, composed of recognized authorities on rabbinic law, whose rulings were binding on Agudat Israel in all matters, authorized only its joining the coalition but not accepting a cabinet
portfolio. The talks with DMC raised many problems concerning foreign policy, settlement in the administered areas, and cabinet posts for its nominees.

Begin, anxious to form his government as quickly as possible, so that he could go to Washington to meet President Carter, concluded the negotiations with NRP and Agudat Israel, and the coalition agreement among the three parties was signed on June 12. It envisaged a number of social reforms, but 35 out of the 43 clauses were concerned with religious matters, such as legislation to provide that no autopsy be performed without the written consent of the deceased’s family, stricter implementation of Sabbath work laws, and the amendment of the recently passed Termination of Pregnancy law to prohibit abortions on the grounds of difficult family or social conditions. A particularly controversial clause promised that any woman would be exempt from army service without further investigation, as customary hitherto, upon submitting a duly attested declaration that service would be incompatible with her religious mode of life. Prime Minister Begin undertook to make every effort to secure the passage of a private members’ bill providing that only conversions in accordance with Orthodox religious law would be recognized under the Law of Return. A committee was to draft a bill, subject to the consent of all three parties, to reform the electoral system.

Begin presented his cabinet, consisting of 13 members, to the Knesset on June 20. Police was incorporated into the Ministry of Interior; Tourism was combined with Commerce and Industry; a new Ministry of Energy and Infrastructure was established; Labor was merged with Social Welfare to form a Ministry of Social Betterment, Communications, and Transport. For the first time, an NRP nominee was appointed minister of education and culture. The deputy premiership and three ministries—Labor and Social Betterment, Justice, and Transport and Communications—were left open for nominees of DMC in case it later decided to join the coalition; in the interim, they were managed by Yoram Eridor, deputy minister in the prime minister’s office.

An opening clause in the new government’s basic policy guidelines, presented to the Knesset for approval together with the list of ministers, declared: “The Jewish people has an eternal, historic right to the Land of Israel, the inalienable heritage of its forefathers.” The government would “plan, establish, and encourage urban and rural settlement on the soil of the homeland.” It would be ready to take part in the Geneva Conference “on the basis of Security Council Resolutions 242 and 338” and would not invoke its authority (under a law passed in June 1967) to apply Israeli law and jurisdiction to further parts of the Land of Israel “so long as negotiations are being conducted on a peace treaty between Israel and her neighbors.” The Knesset gave the government a vote of confidence, 63 to 53.

The talks with DMC, suspended during Prime Minister Begin’s visit to the United States in July, broke down in August over the question of electoral reform, as NRP objected to DMC’s proposals, which would have endangered its parliamentary representation. Begin announced that he would fill the vacant cabinet posts with Likud nominees; but on October 21, a few days before the new appointments were
due, DMC decided to join the government on the terms already offered. If DMC ministers objected to proposals for settlement in the administered territories, the final decision would be made by the Knesset Foreign Affairs and Security Committee; DMC members would have freedom of conscience on religious matters; and an electoral reform scheme, acceptable to the coalition parties, would be enacted before the next elections. Professor Yadin explained that he had become convinced that Israel faced "the toughest test since 1948" in connection with the reconvening of the Geneva Conference and that, therefore, DMC must join the government to strengthen it. Opponents within DMC argued that this would be a betrayal of the movement's basic principles and its promises to the voters; but the DMC council approved the proposal 68 to 45, and its representatives joined the cabinet on October 24. In order to maintain a balance between the parties, two additional Likud ministers, without portfolio, were added to the cabinet on January 10, 1978.

THE BEGIN CABINET
(installed on June 20, 1977)

Prime Minister
Menachem Begin (Likud-Herut)

Deputy Prime Minister
Yigael Yadin (DMC)\(^a\)

Agriculture
Ariel Sharon (Likud-Herut)

Construction
Gideon Pat (Likud-Liberal)

Defense
Ezer Weizman (Likud-Herut)

Education & Culture
Zevulun Hammer (NRP)

Energy & Infrastructure
Yitzhak Moday (Likud-Liberal)

Finance
Simha Ehrlich (Likud-Liberal)

Foreign Affairs
Moshe Dayan (Independent)

Health
Eliezer Shostak (Likud-La'am)

Immigrant Absorption
David Levi (Likud-Herut)

Industry, Commerce, & Tourism
Yigael Hurwitz (Likud-La'am)

Interior & Police
Yosef Burg (NRP)

Justice
Shmuel Tamir (DMC)\(^a\)

Labor and Social Betterment
Israel Katz (DMC)\(^a\)

Religious Affairs
Aharon Abu-Hatzeira (NRP)

Transport & Communications
Meir Amit (DMC)\(^a\)

Without Portfolio
Haim Landau (Likud-Herut)\(^b\)

Moshe Nissim (Likud-Liberal)\(^b\)

\(^a\) Took office on October 24 (see text).

\(^b\) Took office on January 10, 1978.

Deputy Ministers

In the P.M.'s Office
Yoram Eridor (Likud-Herut)

Defense
Mordecai Zippori (Likud-Herut)

Finance
Yehezkel Flomin (Likud-Liberal)

Industry, Commerce, & Tourism
Yitzhak Peretz (Likud-La'am)
The Quest for Peace

Israel's foreign relations during the year were dominated by the quest for peace with her Arab neighbors, and the reconvening of the Geneva Peace Conference.

At the end of a visit to Israel in February (the first stage in a tour of six Middle East countries), the new United States secretary of state, Cyrus Vance, pledged "full consultations" with the Israeli government, reiterated America's commitment to a strong and secure Israel, and delivered an invitation to Prime Minister Rabin to visit Washington. (For an account of the visit, see AJYB 1978 [Vol. 78], p. 466.)

Foreign Minister Allon told the cabinet on May 8 that Israel had expressed concern to Washington about the Jewish state's exclusion from the list of favored nations for the purpose of arms supplies and joint weapons production (AJYB 1978 [Vol. 78], pp. 103-4). After President Carter reassured a Senate delegation that Israel would still be included in the list, and Allon and Secretary of State Vance met in London, Allon told the cabinet on May 15 that Israel was "thoroughly satisfied" with Carter's statement of firm commitment to Israel's deterrent strength.

Further statements by President Carter and United States spokesmen after the Knesset elections aroused renewed concern. At a cabinet meeting on June 5 to sum up the outgoing government's work, Rabin said that Carter's statements about the need for a "homeland" for the Palestinians were "a serious retreat" from past American policy.

Statements by Likud leader Menachem Begin, in the first flush of enthusiasm after his election victory, indicated a hard line over the future of Judea and Samaria. Begin sent Shmuel Katz, a close friend later appointed his advisor on overseas information, to the United States to explain his outlook. He established cordial relations with the new United States ambassador, Samuel Lewis and with Senator Richard Stone, chairman of the Senate subcommittee on the Middle East and South Asia.

When presenting his cabinet to the Knesset on June 20, Begin declared that a national consensus rejected withdrawal to the 1967 borders and the establishment of a Palestinian state. Moshe Dayan, who was to become foreign minister, appealed to all Zionist parties not to squabble with each other until the Arabs, the United States, or someone else presented concrete proposals. Government circles were very pleased with President Carter's cordial message to Begin on his accession as prime minister.

While reiterating his opposition to the establishment of a Palestinian state and a return to 1967 borders, Begin told the Zionist General Council on June 23: "The words 'not negotiable' are not in our dictionary. Everything is negotiable. The negotiations, however, must be free . . . without any externally devised formula for a settlement."

Begin was given a ceremonial send-off when he left for his visit to the United States on July 15. According to unofficial reports, he was prepared to tell President Carter that Israel would not agree to withdraw its forces from any part of the West
Bank and Gaza Strip, but would be ready to make a substantial withdrawal in Sinai, and adjust the lines on the Golan Heights. Israel was prepared to attend a renewed Geneva Conference, which could meet on October 10 or later.

The first three days of Begin's visit were spent in meetings with Jewish leaders in New York. The talks with President Carter in Washington on July 19 and 20 were marked by the obviously cordial relations established between the two leaders, who were reported to have agreed that there was no need to resolve their outstanding differences in advance of the Geneva Conference. Despite previous apprehensions, Begin declared that there had been no confrontation.

In a briefing of Israeli correspondents in Washington, a "senior Israeli official" contrasted Begin's policy with that of the previous government. He stated that Rabin, in trying to secure American agreement to Israel's positions, had only invited pressure for concessions. In a parliamentary debate on July 27, Labor Party leader Shimon Peres warned against "groundless optimism" and said that, by avoiding substantive political issues in favor of short-term agreements with the United States on procedure, Begin had waived American support and might well have set a snare for future Israel-U.S. relations.

Secretary of State Vance visited Israel again on August 9 and 10, after talks in Egypt, Syria, Jordan, and Saudi Arabia, to discuss arrangements for the reconvening of the Geneva Conference. It was agreed that the discussions with the U.S. would continue during the UN General Assembly in September. Begin declared that there had been a "breakthrough in the peacemaking process," but Vance stated that there had been "no narrowing of gaps."

Begin announced in a September 6 radio interview that Foreign Minister Dayan would be taking with him to the United States the draft of a peace treaty with Egypt, which would also apply to Syria, Jordan, and Lebanon. In Dayan's talks, which started on the 19th in Washington, a central issue was the American proposal for a united Arab delegation including Palestinians. The aim of this proposal was to avoid the difficulty of Palestinian representation at the Geneva Conference. This idea was first opposed by the Israelis, but was later accepted with certain conditions.

On October 1, America dropped a bombshell by issuing, together with the Soviet Union, a joint statement of principles favorable to the Arab cause. The Israeli government declared that the joint statement could only "further harden the positions of the Arab states and make the Middle East peace process still more difficult." On the 5th, however, while American Jewry was girding itself for a massive protest against the U.S.-USSR statement, Carter, Vance, and Dayan agreed, during a marathon session at the White House, on a working paper for the resumption of the Geneva Conference. The Arabs would be represented at the opening session by a unified Arab delegation, including "Palestinian Arabs." The negotiations would then be conducted by working groups. The West Bank and Gaza issues would be discussed in a working group consisting of Israel, Jordan, Egypt, and Palestinian Arabs. There would be separate discussions of the problem of "the Arab refugees
and the Jewish refugees.” The working paper was unanimously approved by the cabinet on October 11, and by a 41-28 vote in the Knesset on the 13th.

Four weeks later, while the discussions were continuing, President Sadat startled the world. At the opening session of the Egyptian Peoples’ Assembly, on November 9, he declared his unprecedented intention to go to the Knesset in Jerusalem. The next day, Prime Minister Begin said that if Sadat came to Jerusalem, he would be received with all honor. On the 15th, an official written invitation to Sadat was delivered to U.S. Ambassador Lewis for transmission to Cairo. On the 17th, Sadat accepted Begin’s invitation, and the next morning 60 Egyptian officials, most of them security men, arrived at Ben-Gurion airport to prepare for the visit. Within 48 hours, communications facilities, with direct telephone links to Cairo and world centers, were installed at the airport, the King David Hotel (where the main Egyptian delegation was to be housed), and the Jerusalem Theater, for hundreds of media correspondents.

Sadat arrived at Ben-Gurion airport after the end of the Sabbath on November 19, and was welcomed by President Katzir, the prime minister, and the entire cabinet. Together with the president and the prime minister, he stood at attention as the Egyptian and Israeli national anthems were played. Sadat reviewed a guard of honor and received a 21-gun salute. Crowds, waving Egyptian and Israeli flags, lined the road and cheered as Sadat’s motorcade approached Jerusalem. The two leaders held their first talk the same evening in Sadat’s hotel suite.

Next day, Sadat attended prayers at the al-Aqsa mosque, visited the Church of the Holy Sepulchre, and toured Yad Vashem, the Holocaust memorial to European Jewry, where he wrote in the visitor’s book: “May God guide our steps for peace. Let us end all suffering for mankind.” In the afternoon, after a working lunch with Begin, he went to the Knesset, where he laid a wreath at the foot of the monument to the fallen soldiers of IDF.

Addressing the Knesset in Arabic, Sadat opened with a passionate call for peace, but warned that he had not come to Jerusalem to conclude a separate peace between Egypt and Israel. He admitted that the Arabs had previously rejected Israel, but urged a new beginning: “We refused to meet with you anywhere; yes . . . We used to brand you as ‘so-called Israel’; yes . Yet today I tell you, and I declare it to the whole world, that we accept living with you in permanent peace based on justice We accept all the international guarantees you want ”

“Peace for Israel,” he stated, would mean that “Israel could live within her borders with her Arab neighbors in safety and security . . .” However, Sadat added, “There are Arab territories which Israel has occupied, and still occupies by armed force. We insist on complete withdrawal from these territories, including Arab Jerusalem.” The “Palestine cause,” he stressed, was “the crux of the entire problem.” A peace agreement in Geneva would have to be based on, among other things, the “achievement of the fundamental rights of the Palestinian people and their right to self-determination, including the right to establish their own state.” (It was noted, however, that Sadat made no mention of the PLO in his speech.)
In his reply, which was delivered without notes, Begin paid tribute to Sadat’s courage, recalled that Israel’s leaders had always wanted peace, and offered friendship and cooperation to the Arabs. He declared: “We seek a real, full peace, with complete reconciliation between the Jewish people and the Arab people... Let us negotiate... as free men for a peace treaty.”

Begin invited the President of Syria and King Hussein of Jordan to follow in Sadat’s footsteps; he also invited “genuine spokesmen of the Arabs of the Land of Israel to come and hold talks with us about our common future...” Sadat had been aware, Begin said, even before he came to Jerusalem, that “we have a different position from his on the permanent borders between ourselves and our neighbors.” But he continued, “I call upon the President of Egypt and all our neighbors. Do not say that on any subject whatsoever there will be no negotiations... Everything can be negotiated... No side shall present prior conditions... Let us start the negotiations; let us continue with them, resolutely, until we succeed... in signing a treaty for peace.”

Shimon Peres, chairman of the Labor Party, and the only other speaker, said, “Peace must be based on a reciprocal compromise, in contrast to war, which is built on a unilateral victory. We are prepared for [territorial] compromise with each of the Arab states... so long as they do not affect security... We are aware of the existence of the Palestinian identity.”

In the evening, after the historic Knesset session and a working dinner, the two leaders met for a private talk. On Monday the 21st, Sadat had private meetings with Begin and Defense Minister Ezer Weizman, and went on to the Knesset to meet separately with party representatives. A basic concern, he told the coalition factions, must be “security for Israel.” At the same time, however, Israel would have to make “very hard decisions.”

At the beginning of a press conference given jointly by Sadat and Begin to sum up the visit, Begin read a mutually acceptable statement: “In response to the sincere and courageous move by President Sadat, the government of Israel proposes that this hopeful step be further pursued through dialogue between the two countries concerned, thereby paving the way towards successful negotiations leading to the signing of peace treaties in Geneva with all the neighboring Arab states.” During Sadat’s visit, Begin said, “a momentous agreement was already achieved, namely, no more war, no more bloodshed, no more threats.” Both leaders replied “Yes” to the question: “Are you now both convinced of the sincerity of the desire for peace of each of you?” One of the main motives behind his visit to Israel, Sadat indicated, was “to give the peace process new momentum and to get rid of the psychological barrier that, in my idea, was more than seventy per cent of the whole conflict...” Sadat expressed his deep gratitude to the Israeli people, “whose welcome I can never forget.”

On November 27, a few days after Sadat’s return home, Egypt invited Israel, Syria, Jordan, Lebanon, the United States, and the USSR to attend an “informal” conference in Cairo to prepare the way for the Geneva Conference. Despite the
efforts of Secretary of State Vance, who went to Amman and Damascus, Jordan and Syria refused to attend. The Cairo conference opened on December 14 under the chairmanship of General Ensio Siilasvuo, the UN chief of staff in the Middle East, with only Egypt, Israel, and the United States represented.

Israelis were profoundly impressed by the atmosphere surrounding the conference. The Israeli delegation, accompanied by approximately 50 journalists, was warmly greeted by the Egyptians. In a telephone survey in Israel, 41.2 per cent of those polled indicated that they were willing to give up the whole West Bank "in return for true peace and appropriate security guarantees"; 16.4 per cent were prepared to give up part of the area. In another poll, 46 per cent stated that they did not expect another war, and an unprecedented 90 per cent thought that Egypt was sincerely interested in peace with Israel. Over 100,000 people participated in a peace "happening" in Tel Aviv.

Working parties were set up in Cairo to discuss the agenda in detail, while Begin and his advisors prepared detailed peace proposals, which Begin presented to President Carter on the 16th. On the following day, Sadat invited Begin to visit Egypt for further talks, and there was a second Begin-Carter meeting on the 18th. Begin was clearly delighted at the reception of his proposals, which, he said, Carter considered "a fair basis" for negotiations. "I am leaving here a happy man," he declared.

On December 25-26, after a brief visit to Cairo by Defense Minister Ezer Weizman, Begin discussed the proposals with Sadat at Ismailia. At the end of the talks, Sadat announced that the negotiations would be continued through two ministerial-level committees: one on political affairs, headed by Foreign Minister Dayan, in Jerusalem, and one on military matters, chaired by Defense Minister Gamasy, in Cairo. There were differences regarding Judea and Samaria (the West Bank) and the Gaza Strip. While Israel offered self-rule for the Arabs of these areas, Egypt demanded the establishment of a Palestinian state.

Begin's peace plan was disclosed in detail, for the first time, in the Knesset on December 28. With reference to Judea, Samaria, and Gaza, the plan called for "self rule." Military government would be abolished, and an eleven-man administrative council, elected by the residents, would direct all affairs "relating to the Arab residents of the areas." Security and public order in the areas would be the responsibility of the Israeli authorities. Residents would be free to choose either Israeli or Jordanian citizenship, and would be entitled to vote in the elections to the respective legislatures. Residents of Israel would be entitled to acquire land and settle in the areas, and residents of the areas who opted for Israeli citizenship would be assured "freedom of movement and freedom of economic activity" in Israel.

Two committees representing Israel, Jordan, and the administrative committee would be established—one to decide questions involving legislation in the areas, the other to determine norms of immigration to the areas by Arab refugees "in reasonable number." Both committees would adopt rulings by unanimous decision only. Israel stood by "its right and its claim to sovereignty of Judea, Samaria, and the
Gaza district," but proposed, "for the sake of agreement and peace, that the question of sovereignty in these areas be left open." The final clause read: "These principles will be subject to review after a five-year period."

The central feature of the plan in terms of the future of Sinai was the withdrawal of Israeli forces to the international boundary.

The Sinai II agreement of September 1975 for the thinning out of forces between the Suez Canal and the Gidi-Mitla line was to remain valid, and the Egyptian army was not to cross the line. Jewish settlements in the Rafa area, south of the Gaza district were to "remain in place." They were to be linked with Israel's administration and courts and protected by "an Israeli force." For a transition period of several years, IDF forces would be stationed on a defensive line in central Sinai, and airfields and early warning systems would be maintained, until the withdrawal of the forces to the international boundary. Freedom of navigation in the Straits of Tiran was to be guaranteed.

In the Knesset debate, Labor leader Shimon Peres stressed the advantages of seeking a solution in cooperation with Jordan, including territorial compromise. The proposals were hotly denounced by Geula Cohen (Likud-Herut) and Moshe Shamir (Likud-Land of Israel Movement), while doubts were expressed by some NRP members. They were, however, approved by a vote of 64 to 8 (Communists, Cohen, Shamir, and one NRP), with 40 abstentions (Labor, three NRP, two Likud, and Shelli).

**Lebanese Border**

The "Good Fence" policy of humanitarian aid to the inhabitants of southern Lebanon (see AJYB 1978 [Vol. 78], pp. 467–8) continued, and was deeply appreciated by the Maronite Christians in the area. Francis Rizzak, political advisor to Major Sa'ad Hadad (commander of the mainly Christian forces in south Lebanon), told the press on April 18, during one of his frequent visits to Israel: "The people of Lebanon have entered into a fraternal alliance with Israel, from which they will not deviate and for which they are ready to pay with their blood." Hadad himself wrote: "Our former enemy, Israel, is today the only and the last support we have."

A close watch was kept on the situation in the area to prevent the approach of Palestinian guerrillas and Syrian forces. Toward the end of January, Israel complained about the deployment of a Syrian battalion around Nabatiya, and in mid-February, the Syrians started withdrawing their forces northward from the town.

In April, tension rose again. Shells fell in Misgav Am, just south of the border, and Israeli artillery fired several rounds at Palestinian forces. The situation quieted down, and Syria agreed to the extension of the mandate of the UN Disengagement Observation Force (established in 1974), which was approved by the Security Council on May 24.

Prime Minister Begin was outspoken about Israel's support for the Lebanese Christians. On August 9, he told an American Jewish delegation: "It shouldn't be
a secret. When a barrage is opened on Christian villages, we aim our fire at the source of the hostile fire.” On September 16, when the struggle between the Christians and Palestinians intensified, Israeli troops were sent to protect women and children in Christian villages, while the men were fighting. Katyusha rocket shells were fired from Lebanese territory during the next few days on Naharyia, Safad, and Kiryat Shmona, injuring several persons. A ceasefire went into effect on the 26th, and Defense Minister Weizman warned that Israel would not allow the situation to deteriorate again.

On the whole, the situation was quiet until early November, when three persons were killed and five injured by Katyusha rockets fired at Naharyia. In retaliation, Israeli planes and artillery strafed PLO bases near Tyre.

Other Foreign Relations

Resentment was felt at the statement of the European Economic Community (EEC), issued in London on June 29, supporting the Palestinian people’s “legitimate right to a homeland” and rejecting “territorial conquests by force.” Foreign Minister Moshe Dayan said on July 3 that the statement represented a further erosion of the EEC attitude toward Israel and would hamper the peace-making process.

Friendly contact was maintained with European organizations, and there were a number of official visits by European statesmen and delegations. Dayan visited the German Federal Republic in November, and Begin visited Britain in December.

On February 8, Israel signed an additional protocol to the 1975 agreement with EEC, providing for cooperation in the fields of industry, science and technology, as well as a financial protocol for investment aid from the European Bank.

Israel's relations with France improved somewhat after Foreign Minister Louis De Guiringaud’s visit at the end of April, but there was still dissatisfaction with France’s role in shaping EEC's unfavorable policies toward Israel. At the beginning of August, Israel protested against the French government’s decision that an anti-boycott law would not apply to Arab-imposed restrictions on trade with Israel.

After the agreement between Portugal and Israel to establish diplomatic relations (see AJYB 1978 [Vol. 78], p. 472), the Israeli consulate in Lisbon became an embassy. The opening of a Portuguese embassy in Israel, however, was delayed.

There was no change during the year in the unfriendly attitude of the Soviet Union and the Soviet bloc countries, with the exception of Rumania. Prime Minister Begin paid a five-day visit (August 25–30) to the latter country. He described his meetings with the Rumanian Jewish community as “the most moving day in my life since the day Israel declared its independence.”

There were numerous visits to Israel by Latin-American groups and public figures. President Katzir's cordial reception on a state visit to Mexico in November and December eliminated the last vestiges of tension arising out of Mexico's support of anti-Zionist resolutions at the United Nations in 1975.

Israel maintained varied economic ties with Black African countries, and, in some of them, had representatives serving as interest officers in the embassies of third
countries. On February 4, Prime Minister Rabin had a secret three-hour conference in Geneva with President Felix Houphouet-Boigny of the Ivory Coast, and a joint communiqué issued after the talks declared that “dialogue is the best method for achieving peace in the region.” Relations with South Africa were kept low-key during the year, and government spokesmen repeatedly denied reports of military links between the two countries.

**Administered Territories**

Between June 1967 and September 1977, 77 new settlements had been established in the administered territories; 26 on the Golan Heights; 21 in the lower Jordan valley and on the eastern slopes of Samaria; seven in the Etzion bloc, north of Hebron; three in western Samaria; 17 in the Rafah area (north-eastern Sinai) and the southern tip of the Gaza Strip; and three on the east Sinai coast. Prime Minister Rabin said on January 6 that these settlements enhanced the country’s security, and provided a firm basis for Israel’s demand for peace with defensible borders. The government’s aim was to strengthen the confrontation lines along the Golan Heights, on the Jordan River, and at Ophira (Sharm al Sheikh), to protect Jerusalem and the Hebron hills, and to ensure a blocking zone south of the Gaza Strip. In May, a settlement was established on the West Bank, but it was only a short distance east of the former armistice lines.

Two days after the elections, Begin made some far-reaching statements at Elon Moreh, a settlement established by the Gush Emunim religious activist movement on the grounds of the army camp at Kadum (see AJYB 1977 [Vol. 77], p. 495 and AJYB 1978 [Vol. 78], p. 482). “In a few weeks or months,” he averred, “there will be many Elon Morehs; there will be no need for a Kadum.” In reply to a question whether the government would “annex” the administered territories, he retorted, “We don’t use the word ‘annexation’; you ‘annex’ foreign land, not your own country.” In an ABC interview broadcast on May 22, he declared that Judea and Samaria were “an integral part of our sovereignty.” On July 26, the cabinet Committee on Settlement officially recognized the Gush Emunim settlements at Kadum, Ophra, and Ma’alei Adumim. On August 17, the Joint (government and Zionist Organization) Settlement Committee approved the establishment of three new settlements in the territories close to the former armistice lines. In reply to American criticism, government sources pointed out that the settlements were all within the limits of the “minor adjustments” in the borders which even the United States was prepared to endorse; and on August 21 the Cabinet stated, “Israel does not and cannot accept the assertion that settlement by Jews in the Land of Israel is illegal.” Speaking in a television interview on September 2, Agriculture Minister Ariel Sharon, chairman of the government Settlement Committee, outlined a 20-year plan to settle two million people in the administered areas, mainly in a new belt of settlements running from the Golan Heights along the River Jordan to the southern tip of Sinai.
Early in September, it was reported that Gush Emunim, tired of waiting for the new government to act, was preparing to establish 12 new settlements in the heart of the West Bank. The government asked it to exercise restraint, in view of the negotiations with the United States; but on September 28, after a long discussion with Prime Minister Begin, it was agreed that its groups be allowed to settle on the grounds of army and police camps. Six settlements were established in this way; but one group, which set out without permission to settle near Jericho, was stopped by the army with Begin’s approval. The Treasury allocated funds to reimburse Gush Emunim for past outlays and new expenditures.

On September 30, during a visit by Prime Minister Begin, plans were announced to expand the population of Yamit (a coast town in the Rafah area) from about one to thirty thousand within the next two years. At his request, Begin was allocated a home in the settlement of Ne’ot Sinai, 2 kms. east of El-Arish. On August 14, the cabinet announced a policy of “equalization of services” for the inhabitants of the administered territories. Several local Arab leaders denounced the decision, and Yossi Sarid, a Labor member of the Knesset, declared that it “smells of annexation.” Cabinet Secretary Arie Na’or, on the other hand, termed the move “humanitarian, not political,” its object being to provide the population with the same standard of governmental services as that afforded citizens of Israel. He added, however, that the coalition parties were committed to the total integration of the areas into Israel “when the time is ripe.”

Speaking at the UN Assembly debate on October 10, Foreign Minister Dayan said that Israel aimed at equal rights and full coexistence for Israelis and Palestinians in the Gaza Strip, Judea, and Samaria. “The settlements will not decide the final borders between Israel and its neighbors,” he emphasized. “The border will be decided upon in the negotiations.”

**Economic Affairs**

Nobel prize-winner Milton Friedman, of the University of Chicago, was invited to advise the new government on economic policy, as his advocacy of the elimination of government intervention conformed to one of the Likud’s central planks. At the beginning of July he came to Israel to receive an honorary degree from the Hebrew University in Jerusalem, but met only once with Finance Minister Simha Ehrlich.

On June 29, Prime Minister Begin called for a program of “Social Justice without Socialism,” and invited the Histadrut and the employers to join the government in negotiating a “social contract” to bring about economic stability and combat inflation. The proposal, however, was opposed by some ministers, and by the Manufacturers Association. As the previous Knesset had passed only an interim budget for April-July, a further two-month interim budget was introduced to enable the new government to consider its fiscal policy. On July 17, Finance Minister Ehrlich announced a series of drastic measures, including cuts in subsidies and state expenditures, to reduce inflationary pressure and prevent depletion of foreign-currency
reserves. The Histadrut called for a one-hour work stoppage in protest against the price increases, but the response was limited. In August, the Knesset approved a budget of IL 124 billion (about $12 billion) for the entire financial year 1977–78, comprising the two interim budgets. It became clear, however, that further measures would have to be taken to cope with inflation. By the end of September, currency in circulation had grown by over IL 10 billion, nearly twice as much as envisaged for the entire fiscal year, and an 8.8 per cent cost-of-living allowance was paid from October. On October 23, the cabinet decided on further subsidy cuts, which would immediately increase the prices of staple commodities and public transport by up to 10 per cent.

On October 28, Finance Minister Ehrlich announced a radically new economic policy, based on the free convertibility of the Israeli pound, and the abolition of control on foreign-currency accounts in local banks, cash holdings of up to $3,000 per person, and accounts of up to $3,000 in foreign banks. The 15 per cent defense duty on imports and the premium on exports were abolished, and the value added tax was raised from 8 to 12 per cent, with corresponding reductions in purchase taxes. Subsidies were further reduced, involving price increases of 15 per cent, but the foreign-travel tax was abolished. Welfare payments, pensions, and children’s allowances were raised by 12 per cent, to compensate lower-income groups. Ehrlich said the plan would usher in a new era of economic growth, stabilize the economy, stimulate exports, attract foreign investments, and eliminate bureaucratic impediments to economic activity. Israel would now “join the club” of western nations and could become an important financial center.

The new policy was announced on the Sabbath eve. When the banks reopened on Monday, October 31, they sold dollars freely to the public for 15.5 pounds per dollar, rather than the previous rate of 10.35 pounds per dollar; but there was no rush on foreign currency. Many work committees and labor councils protested the new policy. Histadrut Secretary-General Yeruham Meshel described it as “a declaration of class war by a government that concerns itself only with the problems of the moneyed classes.” The Histadrut estimated that about half a million people took part in demonstrations and strikes throughout the country; but some groups refused to stop work, and Likud spokesmen charged that some workers had been coerced into striking. Prime Minister Begin declared on November 2: “This government, which was formed on the basis of the people’s will, will not be frightened by threats from without or within. The bolshevik-like tones heard these days will quickly disappear.”

The new economic policy dominated the Histadrut’s quadrennial convention on November 7–9, which was the stormiest in its history. However, Absorption Minister David Levi, who had headed the Likud list at the Histadrut elections and had voted against the new policy in the cabinet, made a conciliatory speech; and Meshel was given a standing ovation when he was re-elected secretary-general and promised to be the servant of all members regardless of party.

The main features of the economy during the year were: growth of only 1–3 per cent in the GNP, continuing the slow-down which had started in 1973 after
increases of 11-12 per cent in 1971 and 1972; a drop of one per cent in the resources at the disposal of the economy, owing to a fall in imports; a rise of 13 per cent in exports; a rise of 3-4 per cent (1 per cent per capita) in personal consumption; a drop of 14 per cent in public consumption (expenditure by government and local authorities), due to a 20 per cent fall in defense expenditure as against a 2-5 per cent increase in civilian spending; a drop of 10-11 per cent in gross local investment; and increases of 9 per cent in agricultural output and 4-5 per cent in industrial production, counteracted by a drop of 15.5 per cent in construction.

Prices of goods and services at the disposal of the economy rose by an average of 43 per cent, after a rise of 31 per cent in 1976; while those of goods and services for private consumption rose by only 35-36 per cent (29 per cent in 1976). Over a million tourists arrived, a 25 per cent increase over 1976.

Other Domestic Affairs

At the end of the year, the population totalled 3,650,000—3,076,000 Jews and 574,000 non-Jews. This meant a 2.1 per cent increase during the year (1.8 per cent for Jews and 3.5 per cent for others). The estimated balance of immigration over emigration was only 4,000, and the growth in the rest of the Jewish population—56,000—was due to natural increase.

The Termination of Pregnancy law, legalizing abortions on the grounds of, inter alia, serious social or family hardship, was passed on January 31, although bitterly opposed, before and after, by the religious parties.

In March, the Likud and Labor Party agreed on the terms of the latter's electoral reform bill, which had been given a preliminary reading in 1974 but had been held up in committee. Filibustering by representatives of Mapam, NRP, and Agudat Israel, however, prevented further progress.

Two proposals by Prime Minister Begin met with considerable public criticism and were ultimately dropped. One was to combine Holocaust Memorial Day and the memorial day for the war dead with the fast of Tish'a Be'av. The other, at first adopted by the cabinet, was to hold a military parade on Israel's 30th Independence Day.

There was heated controversy over President Katzir's remission, on Begin's recommendation, of part of the prison sentence of Joshua Bension on grounds of ill-health. Bension was released on September 8 after serving two years of a 12-year prison sentence for embezzling $39 million from the funds of the Israel British Bank, of which he was manager. The prime minister's office stated that Bension had been released on purely medical grounds, but opposition spokesmen insinuated that the motivation was political, as Bension was a supporter of Gush Emunim. Justice Joel Sussman, president of the Supreme Court, took the unprecedented step of labeling the decision a use of presidential prerogative to short-cut normal legal processes.

A police committee, headed by Assistant Commander Michael Bochner, was appointed in August to examine allegations that organized crime existed in Israel.
In its report, published on September 4, the committee said that there was no "super-organization" like the "syndicate" in the United States; nor was there any organized penetration of the police, courts, or government by criminals. There were, however, groups specializing in particular crimes on a basis of mutual aid and internal discipline. The committee also reported that police morale was low, owing to poor pay, and that there was a shortage of investigators. Interior and Police Minister Joseph Burg announced immediate measures to improve the situation at a cost of IL 140 million, and a public committee was appointed to make long-term recommendations.

Catholic Archbishop Hilarion Capucci, who was sentenced on December 9, 1974 to 12 years' imprisonment for supplying arms and explosives to Palestinian terrorists, was liberated on November 7 in response to a request for clemency from Pope Paul VI.

The terms of the Sephardi and Ashkenazi chief rabbis, which expired on October 15, were extended for up to nine months. On November 13, Rabbi Shalom Mashash, chief rabbi of Morocco, and Rabbi Bezalel Zolti were elected Sephardi and Ashkenazi chief rabbis of Jerusalem, respectively. The posts had been vacant for many years.

Israeli Arabs

In the Knesset elections, the Democratic Front for Peace and Equality (DFPE), led by the Communists, won 49 per cent of the Arab and Druze votes, in comparison to 37 per cent for the New Communist List (Rakah) in 1973. The Labor-Mapam Alignment's percentage fell from 13 to 11 per cent, its losses presumably going to DMC, which had four per cent. The United Arab List, associated with the Alignment, received 16 per cent, compared to 26 per cent for the corresponding Arab lists in 1973. In the Histadrut elections, the Alignment, with 60 per cent of the Arab votes, kept its strength; while the DFPE, with 32 per cent, made only slight gains.

There was some unrest among Israeli Arabs over government land policy and efforts to combat illegal building, especially in the Galilee and Negev. Ariel Sharon, minister of agriculture in the new government, alleged on August 23 that Negev Bedouin, moving northward with their flocks in search of pasture, had set up some 800 encampments in the coastal area. He warned Bedouin sheikhs on September 28 that the government would not tolerate illegal construction. On October 16, the government agreed to halt the demolition of nine illegally-built Bedouin houses in the Negev, and the Bedouin promised to stop unlicensed building.

On November 8, a riot in the Galilee Arab village of Majd al-Kurum over the demolition of an illegally-built house led to the death of one Arab; the arrest of 30 people, four of whom were hospitalized for injuries; and the injuring of two Jewish workers and 22 policemen. In reply to a Knesset demand for an inquiry, Interior Minister Burg stated that all Arab localities had received more building land, and that Majd al-Kurum's land reserves had been increased by 30 per cent. Over 3,000
structures had been erected in the north without permits, and legal action had been taken against only 167 of them, he added.

In response to the efforts of an Israeli Arab delegation which went to Amman in February to offer condolences to King Hussein on the death of his wife Alya, the Jordanian government persuaded Saudi Arabian authorities to allow Israeli Muslims—defined as "Moslems of Arab land occupied since 1948"—to go to Mecca for the haj (pilgrimage) with Jordanian travel documents.

Israel and World Jewry

Of the 21,500 olim in 1977—nine per cent more than in 1976—12,500 registered as immigrants and 9,000 (mainly from the western countries) as potential immigrants. Two-fifths—8,400—came from the Soviet Union, compared to 7,000 in 1976. There was also an increase of some 30 per cent in the number of olim from North America, to over 4,000. Some 3,000 olim came from Latin America.

The most serious problem in regard to immigration from the USSR was that of the "drop-outs"—those opting, on arrival at the transit station in Vienna, to go to some country other than Israel. About half of the Jews who left the USSR "dropped-out" in this way—most of them going to the United States—and the Hebrew Immigrants Aid Society (HIAS) was blamed, in Israel, for helping them to do so. Discussions of the problem between the Jewish Agency and American Jewish organizations were inconclusive. In Israel, there were frequent demands by representatives of the government, the Jewish Agency, and other public bodies for the removal of all restrictions on the departure of Jews from the Soviet Union.

The Zionist General Council, meeting on June 22, pledged support for the new government's efforts to achieve peace, and called for world support for the rights of Jews in the Soviet Union and Syria. The Jewish Agency assembly, meeting on June 26-30, devoted considerable attention to the solution of Israel's domestic social problems.

Over a million Jews outside Israel—10 per cent more than in 1971—registered in the World Zionist Organization's membership drive in preparation for the 29th Zionist Congress, to be held in Jerusalem on February 20, 1978. Among Jewish bodies holding conferences in Israel during the year were the Women's International Zionist Organization, the World Union of Jewish Journalists, and the World Congress of Jewish Community Centers. Two thousand sportsmen from abroad, as well as 450 from Israel, took part in the 10th Maccabiah Games, which opened on July 12. There was an increase of 50 per cent in the participation of young people from Europe and North America in the Zionist Organization's annual summer projects.

Prime Minister Begin established close and cordial relations with American Jewry. Rabbi Alexander Schindler, chairman of the Conference of Presidents of Major Jewish Organizations, paid frequent visits to Israel for consultations on foreign policy. During Begin's visit to the United States in July, he paid his respects
to religious leaders, including the Lubavitcher Rebbe and Rabbi Joseph Soloveitchik.

A delegation of rabbis representing the Conservative and Reform movements in the United States came to Israel in mid-August to express concern about concessions by the new government to the Orthodox religious parties. The delegation was particularly agitated over a proposed change in the Law of Return that would recognize only Orthodox conversions to Judaism. They met with the chief rabbis and Prime Minister Begin, who told them that he was bound by the coalition agreement to support the change in the law. He suggested, however, that they try to reach a compromise over the question with the Orthodox rabbinate in the United States.

**Personalia**

Moshe Rivlin was elected chairman of the Jewish National Fund Directorate; Rabbi Simha Bunim Alter was acclaimed Rebbe of Gur; Brigadier General Moshe Levi was appointed head of the Central Command; and Avraham Kidron presented his credentials as Israeli ambassador in London.

Avraham Ofer, minister of housing, died in Tel Aviv, January 3, at the age of 55; Abraham Dickenstein, founder of Ampal, died in Tel Aviv, February 16, at the age of 76; Rabbi Israel Alter, Rebbe of Gur, died in Jerusalem, February 20; Ezra Z. Shapiro, chairman of Keren Hayesod, died in Jerusalem, May 15, at the age of 75; Professor Haim Hillel Ben-Sasson, historian, died in Jerusalem, May 17, at the age of 63; Aviad Yaffe, director-general of the Jewish Agency, died in Kfar Sava, May 19, at the age of 54; Arye Nir, retired commissioner of prisons, died in Jerusalem, June 6, at the age of 65; Avraham Cygiel, former member of Jewish Agency Executive, died in Herzlia, June 24, at the age of 67; Oedoen Partos, composer and violist, died in Tel Aviv, July 7, at the age of 70; Julian Meltzer, veteran journalist and executive vice-chairman of the Weizmann Institute of Science, died in Jerusalem, August 6, at the age of 73; Nahum Nardi, composer of popular songs, died in Tel Aviv, September 9, at the age of 76; Meyer W. Weisgal, chancellor of the Weizmann Institute of Science, died in Rehovot, September 28; Professor Raphael Mahler, historian, died in Tel Aviv, October 4, at the age of 78; Zvi Yaron, writer and editor, died in Jerusalem, October 8, at the age of 56.

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