

Israel

DEVELOPMENTS IN ISRAEL IN 1980 were marked by considerable political ferment, culminating in the calling of early elections; an inflation rate which was the highest in the world, and which was one of the major contributing factors to the political malaise; sporadic progress in the process of normalization with Egypt, along with the suspension of the autonomy talks; a slackening in terrorist activity inside the country, against the backdrop of stepped-up strikes at the terrorists in Lebanon; the expansion of Jewish settlement in Judea and Samaria, where unrest among the Arab population continued to flare up intermittently; and tension in Israel's relations with the countries of Western Europe, in contrast to generally harmonious relations with the United States.

Foreign Relations

Israel's relations with the United States continued to be the linchpin of its foreign policy, although in the final stage of the Carter administration those relations were often far from close. Shock was expressed in Jerusalem at United States support for a United Nations security council resolution of March 1, calling on Israel to "dismantle all existing settlements in the occupied territories, including Jerusalem." The Knesset expressed its "absolute rejection" of the resolution, and later in the month Agriculture Minister Ariel Sharon caused a furor when, during a visit to Washington, he urged American Jews to demonstrate against the U.S. vote.

Israel was also highly critical of two other U.S. votes in the security council. In April Prime Minister Begin expressed his "surprise and regret" that the United States had not vetoed a resolution condemning Israel's actions in southern Lebanon. In August the cabinet charged that the United States had "surrendered to the pressure of oil blackmail" by not vetoing a resolution urging countries with embassies in Jerusalem to withdraw them from that city in the wake of the passage of the Jerusalem law (see below).

During a three-day visit to Washington in April for talks with President Carter, Prime Minister Begin asserted that Israel had every right to build settlements in the administered territories and rejected the idea of freezing their construction as a gesture during the autonomy negotiations. President Carter, however, termed his meetings with Begin "remarkably good," and a joint communiqué affirmed "the determination of [the] two countries to continue to work closely together in every sphere and particularly in the joint effort they have undertaken together with

President Sadat to bring a just, lasting, and comprehensive peace to the Middle East."

On October 17 Energy Minister Yitzhak Moda'i and Secretary of State Edmund Muskie signed an agreement ensuring that Israel would have sufficient oil supplies until 1994, despite the loss of about one-quarter of its total annual oil supply owing to the withdrawal from the oil fields in Sinai (see AJYB, Vol. 80, 1980, p. 262; AJYB, Vol. 81, 1981, pp. 254-255).

The U.S. commitment to Israel's security was given concrete expression in July, when the first four American F-16 fighter planes arrived in Israel. The remainder were due to arrive at an average of about four per month until the full complement of 75 was reached.

Israel's relations with Western Europe, and particularly with the member-states of the European Economic Community (EEC), continued to be marred by the "European initiative" on the Middle East (see also AJYB, Vol. 81, 1981, p. 258). A series of visits to Western European capitals by Foreign Minister Yitzhak Shamir, while producing friendly statements, seemed to have no perceptible effect on the policy of these countries vis-à-vis the Middle East. In April Israel deplored a resolution by the Council of Europe calling for the rephrasing of UN resolution 242 and favoring self-determination for the Palestinians. Early in June, a few days before the Venice conference of EEC leaders, Prime Minister Begin fiercely denounced the European initiative. The cabinet reacted sharply to the conference resolution calling for the participation of the PLO in Middle East peace talks, noting that only a short time before "the major component of this murderous organization resolved that its aim was to liquidate the Zionist entity politically, economically, militarily, culturally, and ideologically," and concluding: "Any person of good will who studies that [EEC] document will see in it a Munich surrender . . . and an encouragement to all those elements who seek to undermine the Camp David agreements and bring about the failure of the peace process in the Middle East."

Israel was also critical of military assistance provided by certain European countries to the Arab world. Singled out particularly in this regard were France and West Germany. In July a senior army intelligence officer told the Knesset defense and foreign affairs committee that the quantity of uranium France was supplying to Iraq, along with other forms of French assistance for Iraq's French-made nuclear reactor, would suffice to enable the Baghdad regime to manufacture several atomic bombs by the mid-1980's. Italy, too, was helping Iraq in this sphere.

A foreign ministry official told reporters in mid-November that Israel had tripled its exports to black Africa despite the severance of relations with most African countries. Koor Industries chairman Naftali Blumenthal noted that Koor had substantial interests in Africa. Israel, he said, had "not lost a single friend in Africa over the last seven years," and "there are now twice as many Israelis working in Africa as there were in 1973" (when most African nations broke off diplomatic relations with Israel). Once full relations were renewed, Blumenthal said, there would be a major expansion in commercial and trade relations with Africa.

A visit by South African finance minister Owen Horwood early in December led to the conclusion of a number of economic agreements between the two countries. There was a clash in the Knesset's defense and foreign affairs committee over the visit, several opposition members maintaining that the publicity given the visit would harm Israel internationally.

Normalization of Relations with Egypt

The first full year of formal normalization of relations between Egypt and Israel saw several visits by high-ranking figures from both countries, the signing and implementation of several commercial agreements, and the beginning of fairly large-scale tourism, albeit mainly from Israel to Egypt.

Defense Minister Ezer Weizman's three-day visit to Egypt on the eve of the formal normalization ceremony, which took place on January 26, was reciprocated late in February by his Egyptian counterpart, Kamal Hassan Ali, accompanied by a large entourage of senior officers and foreign ministry officials. Early in September Foreign Minister Yitzhak Shamir paid a two-day visit to Egypt, where he heard pledges that the normalization process would go ahead more smoothly and rapidly.

The most successful visit during the year was that of President Yitzhak Navon to Egypt in October. Navon, accompanied by his wife and an entourage of 19 Israelis from all walks of life, was the first Israeli head of state ever to visit an Arab country. His welcome by President Sadat was, in a break with past procedure, carried live on Egyptian radio and television, and Cairo was decked out with hundreds of Israeli flags for the occasion. Among the highlights of the visit were Navon's visit to the village of Mit Abul Küm, Sadat's birthplace, and his address to the leadership of Egypt's ruling National Democratic party. Navon, whose fluency in Arabic was highly appreciated, said that "there is disappointment in Israel at the pace and scope of the normalization process," but dwelt on his hopes for the future and suggested the establishment of a "Supreme Command for Peace," to be made up of writers, teachers, psychologists, and so forth from both countries who would exchange views on "the various aspects of peace and the most appropriate ways to implant it and deepen its hold among the nations." Summing up the visit upon his return to Israel, Navon said his mission had been to "humanize" the peace process.

Early in November Labor party leaders Shimon Peres, Abba Eban, and Haim Bar-Lev were the guests of the National Democratic party. While they were warmly received, President Sadat was cool to both Labor's "Jordanian option" and the "Gaza first" notion, whereby the Gaza Strip would receive autonomy before Judea and Samaria.

Toward the end of the year agreement was reached for Israeli experts to advise their Egyptian colleagues on land reclamation. On December 26 Agriculture Minister Mahmoud Daoud arrived in Israel, accompanied by a team of experts, for a five-day visit as the guest of his Israeli counterpart Ariel Sharon to see farming settlements and agricultural installations. Other major visits by Egyptian officials

included the attendance of former prime minister Mustafa Khalil and Minister of State for Foreign Affairs Butros Ghali at the Labor party's convention. They also participated in a Tel Aviv University symposium on aspects of the peace process.

Tourism to Egypt became increasingly popular with Israelis. However, there were complaints about the length of time needed to obtain a visa from the Egyptian consulate in Tel Aviv. In late September President Sadat said he had personally ordered the consulate to speed up these procedures. In November an overland trade agreement was reached by the two countries, and one month later the first Israeli overland shipment of goods to Egypt—13 tons of kibbutz-grown bananas—was made.

The Autonomy Negotiations

In mid-May, after President Sadat's abrupt suspension of the autonomy talks that had started at Herzliah (see AJYB, Vol. 81, 1981, pp. 255–256), he blamed Israel for souring the atmosphere by its settlement activity in the occupied territories and the introduction of a private member's bill to proclaim the whole of Jerusalem the eternal capital of Israel. Prime Minister Begin replied that Israel was ready to resume the talks, but, since it was the Egyptians who had suspended them, only Sadat could bring about their renewal. He added that Cairo press attacks against Israel and against him personally had not improved the atmosphere.

The few efforts made during the rest of the year to renew the talks proved fruitless. Early in July Israel's chief negotiator, Interior Minister Yosef Burg, and his Egyptian counterpart, Kamal Hassan Ali, met in Washington with U.S. special envoy Sol Linowitz and agreed to resume the talks in Cairo. However, the first round of the renewed talks ended acrimoniously when the parties clashed over Jerusalem and other contentious issues. The talks were to have been continued in Alexandria at the ministerial level at the end of the month, but on the 27th Sadat again suspended them "until Israel removes the obstacles on the road to peace"—referring specifically to the passage by the Knesset of the Jerusalem law.

A visit to the region by Linowitz early in September produced considerable optimistic speculation. Burg, Ali, and Linowitz met for two days in Washington in mid-October, but there was still no indication of progress. Indeed, a Carter-Begin-Sadat summit meeting, which had unofficially been set for December, was not held. On December 4 Shamir and Egyptian minister of state for foreign affairs Butros Ghali, who were both in Paris on private visits, met briefly and reportedly agreed that the negotiations could not be resumed until after President-elect Reagan's inauguration.

Lebanon

During the period under review Israel maintained pressure on the Palestinian terrorists in Lebanon, with the aim of keeping them off balance and making them

allocate more manpower for self-protection. This policy was intensified after the terrorist attack on the kibbutz of Misgav Am in April (see below). Immediately following the attack, Israeli troops entered southern Lebanon to carry out what was officially described as "policing duties," but they were withdrawn within five days, apparently because of heavy political pressure exerted by the United States.

The rest of the year saw a series of Israeli attacks on the terrorists in southern Lebanon, in which all the army's main branches were employed. In a major operation in mid-August—the biggest since Operation Litani in 1978—three Israeli soldiers were killed and 12 wounded, as 18 terrorist targets were hit simultaneously in an area extending 30 kilometers north of the Israeli border. Prime Minister Begin asserted: "The raid into Lebanon was not a retaliation. We shall not wait for the terrorists to come to our houses and our kibbutzim to slaughter our children."

Israeli civilian aid to southern Lebanon in 1980 totalled IS20 million in the areas of medicine, education, agriculture, electricity, and water. In addition, Israel provided 20,000 days of hospitalization for Lebanese who were wounded in fighting or who could not obtain treatment for illness in their own area. Israel continued to stand firmly behind Major Saad Haddad, the militia commander in southern Lebanon, despite several clashes between Haddad's troops and the UN Interim Force in Lebanon (UNIFIL).

Terrorism

There was a considerable decline in terrorist activity inside Israel during 1980. As compared with 1979, the number of Israelis wounded in terrorist attacks dropped by over one-half, to 135, and the number killed fell by about one-fifth, to 19.

The worst outrage occurred on April 7, when five terrorists of the Iraqi-backed Arab Liberation Front penetrated the Misgav Am kibbutz, on the Lebanese border, and entered the nursery. There they shot to death the kibbutz secretary and an infant boy, and held all the rest of the children, as well as several adults, hostage, demanding the release of about 50 terrorists held in Israeli prisons as well as a meeting with foreign envoys and Red Cross officials. An infantry unit was driven back in an effort to take the building, but a few hours later a crack assault group broke in, killed all the terrorists, and freed the hostages. All told, two kibbutz members and one soldier were killed, while four children and 11 soldiers were wounded.

However, this was the sole instance in which terrorists succeeded in seizing hostages in Israel. Most of their activity took the form of planting explosives in public places. Some of these went off and inflicted casualties, but many were discovered by alert passersby or civil defense personnel and dismantled by police experts. The armed forces also maintained vigilance on the borders, and a number of terrorist squads were intercepted and most of their members killed. Several katyusha rockets were fired into Israel from Jordan, but Prime Minister Begin stated that, so far as was known, the Jordanian government was opposed to such activities. Three

attempts to infiltrate Israel from the air from Lebanon by means of hot-air balloons and by a motor-driven hang-glider were foiled.

Late in July the Knesset passed an amendment to the Prevention of Terrorism Ordinance, outlawing any public expression of sympathy for or identification with a terrorist organization, such as flying "Palestinian" flags or proclaiming terrorist slogans.

Trials of captured terrorists went on throughout the year. Three Palestinians who had tried three years earlier to hijack an E1 A1 plane in Kenya were sentenced to 18 years imprisonment each, but two West German nationals who took part in the attempt were released in December as a Christmas gesture after serving about half of their ten-year terms. The two terrorists captured following the Nahariya outrage (see AJYB, Vol. 81, 1981, p. 259) each received five terms of life imprisonment plus 47½ years, the sentences to run concurrently. In February a woman who had been held captive by the PLO for six years as an alleged Israeli spy was exchanged for two Palestinian terrorists serving life sentences in Israeli jails.

Abroad, an attempt to blow up an Israeli plane on April 21 was foiled when Israeli security personnel discovered a time bomb in an E1 A1 plane on a flight from Zurich to Tel Aviv. After a terrorist attack on a group of Jewish children in Antwerp on July 27—in which one boy was killed and 17 persons were hurt—Foreign Minister Shamir declared, referring to a pro-PLO resolution adopted by the UN general assembly: "The hands that vote at the UN encourage and strengthen the hands that murder." Shamir noted that Belgium, where the attack occurred, was one of the European countries that had recently called for PLO participation in Middle East peace efforts. Two months later, after a bomb attack on a synagogue in rue Copernic, Paris, in which four passersby, including an Israeli woman, were killed, a cabinet statement noted that "the terrorist organizations operating in France and other European countries collaborate with the Arab organization that calls itself the PLO."

Administered Areas

The main focus of unrest during 1980 was Hebron, where six Jews were killed and 17 injured in a terrorist ambush on May 2 (see AJYB, Vol. 81, 1981, pp. 260–264). A prolonged legal struggle followed the summary deportation, on the morrow of the outrage, of Mayors Fahd Kawasme of Hebron and Mohammed Milhem of the nearby village of Halhoul, and the Kadi of Hebron, Rajab al-Tamimi, for incitement to violence. In mid-August, following a series of hearings, the high court, by a majority of two to one, rejected the petition of the three deportees against deportation, but invited the two mayors to submit a written appeal, which might allow their return to appear before a military review panel. The majority of the court also censured the military authorities for the summary manner of the deportation.

Prime Minister Begin, acting in his capacity as defense minister, ruled that the mayors could return to appeal their banishment before the military board. When

they crossed the Jordan River—it was by now mid-October—they promised not to incite Arabs against Israel or to express support for terrorist organizations. On October 20 the Judea and Samaria military commander reconfirmed the deportation order, after the military tribunal had so recommended. The mayors again petitioned the high court of justice, which, on December 4, reconfirmed the military government's legal authority to banish them, but recommended that the cabinet reconsider the matter from a political point of view. A special cabinet committee decided to re-expel the mayors, citing reasons of "security and public welfare," and they were immediately deported via southern Lebanon. The new banishment touched off a fresh series of violent demonstrations in Judea and Samaria, and there were international calls for their return—including a UN security council resolution on December 19 which was supported by the United States—but Israel adhered to its decision.

On June 1, just one month after the Hebron outrage, Nablus mayor Bassam al-Shaka and Ramallah mayor Karim Khalaf were seriously injured when explosive devices planted in their cars went off as they started the engines. Both of al-Shaka's legs had to be amputated, and Khalaf lost a foot. A third device, planted in the car of the mayor of El Bireh, Ibrahim Tawil, exploded as it was being examined by an Israeli bomb disposal expert, who lost his sight as a result. Accusations and counter-accusations, rumors and suspicions began to fly in the wake of these attacks. Even though Prime Minister Begin condemned them and asserted that the search for its perpetrators was "the most intensive ever mounted in the history of the country," there was a widespread feeling that extremist Jewish elements had been behind the attacks. About three weeks before, two Israeli soldiers had been arrested in connection with an arms cache discovered on the roof of a yeshivah in the old city of Jerusalem.

An allegation by an Israeli reporter, published in the *Washington Star* early in August, that the head of the Israeli security service, Avraham Ahituv, had resigned because Prime Minister Begin had intervened in the investigation, was vehemently denied by both Begin and Ahituv. The latter explained that he had submitted his resignation, after 31 years' service, before the bomb incidents. The Knesset's defense and foreign affairs committee, after hearing the security chief, resolved unanimously that the *Washington Star* report was "groundless" and had "no basis in fact."

Khalaf and al-Shaka, who had been fitted with artificial limbs, returned to their posts around the end of 1980.

The government's settlement drive in Judea and Samaria went on for the most part quietly, but intensively. At the beginning of June Prime Minister Begin stated that the government planned to set up only ten more settlements in the area, and then to concentrate on the consolidation and expansion of the existing settlements. In reply to criticism by U.S. secretary of state Edmund Muskie, to the effect that the settlements would hamper the autonomy negotiations, Begin declared that they were "a defense line against the terrorists who come to kill our people. We are not foreigners to the land," he affirmed. "It is all the land of our forefathers. Our settlements are legal. We have a perfect right to settle. . . . It is part of our country's security."

The cabinet opposed, as inopportune, a bill proposed by Geula Cohen, of the Tehiya party, to apply Israeli law to the Golan Heights and to extend Israeli sovereignty to the area. Many members, on both sides of the Knesset, had previously expressed their support for the idea and, although the bill was defeated by 45–13, with five abstentions, about two-thirds of the Labor members and several senior Likud figures were absent from the vote.

Political Affairs

Throughout 1980 the fortunes of Menachem Begin's government were at a low ebb. It had lost two of its most distinguished members, Foreign Minister Moshe Dayan and Defense Minister Ezer Weizman (see AJYB, Vol. 81, 1981, p. 265); cabinet meetings were marked by constant backbiting between ministers, promptly leaked to the media; and inflation was still spiralling, although Finance Minister Yigal Hurvitz could point to a growth in exports and retrenchment in public expenditure. Defense Minister Ezer Weizman's resignation in May was accompanied by an acrimonious exchange of letters with Prime Minister Menachem Begin. Weizman asserted that "never, I believe, has there been such despondency and depression as in the last few years," and charged that Begin had missed a "rare opportunity" to use the peace treaty with Egypt to forge a new spirit and renewed vigor in the nation, while the prime minister lashed back, accusing Weizman of trying to depose him from the Herut movement leadership. The tension between Weizman and his party reached a climax in November, when he announced that he was thinking of forming his own list to contest the Knesset elections. In a Knesset debate on a no-confidence motion shortly afterwards, Weizman called on the Likud to replace Begin as prime minister and voted against the government. This was the last straw, and Herut expelled him from its ranks. The defense portfolio continued to be filled by Prime Minister Begin (see AJYB, Vol. 81, 1981, p. 266). In September it was formally offered to the chairman of the Knesset's defense and foreign affairs committee, Moshe Arens, but he turned it down on the ground that the gap between his views and those of the government on basic foreign and defense matters was "too great and unbridgeable." (He had voted against the Camp David accords.) Following Arens' refusal, pressure for the appointment of a separate defense minister gradually waned.

The Democratic movement, previously the Likud's senior coalition partner, continued to disintegrate; three of its seven remaining members formed a separate group and another proclaimed himself an independent. On July 31 Shmuel Tamir, one of the movement's three ministers, gave up the justice portfolio, since his party was over-represented in the cabinet, and Moshe Nissim (Likud-Liberal) was named to succeed him.

The Likud also lost two members: Yosef Tamir (Liberal) joined Shai, which had left the DMC in 1978 (see AJYB, Vol. 80, 1980, p. 266), and Yitzhak Yitzhaki formed an independent faction, called One Israel. There were also changes in the opposition: two members of Shai rejoined the Labor party, which they had left in

1977, and Saadia Marciano resigned from the left-wing Sheli as an independent. As a result of these changes, the Knesset by the end of the year comprised some 20 factions, most of them consisting of one man each; and the coalition could hardly rely on a majority. In a vote of confidence in November, in which Dayan and Weizman voted with the opposition, it scraped through by 57–54.

For the first time in Israel's history, a cabinet minister was charged with criminal offenses. On September 28, following weeks of press reports, rumors, and speculations, Religious Affairs Minister Aharon Abuhatzzeira (National Religious party), a scion of a highly respected Moroccan Jewish family, was summoned to police headquarters for questioning in connection with alleged irregularities in the ministry. Abuhatzzeira asserted his innocence, and Jews of Moroccan origin demonstrated in protest against what they regarded as "trial by the media" with the complicity of the police. Nessim Gaon, chairman of the World Sephardi Federation, promised moral and financial support for the minister's efforts to clear himself. Early in December, after further police investigations—punctuated by increasing public pressure for the minister to resign or at least take a leave of absence until after the affair was cleared up one way or the other—Attorney General Yitzhak Zamir notified the Knesset that he had decided to charge Abuhatzzeira with accepting bribes from three religious institutions and asked for his parliamentary immunity to be lifted so that he could face trial. This was done, after lengthy deliberations in committee, by a 66–33 vote, with five abstentions.

Throughout the period when the government's fortunes were on the wane, the popularity of the Labor party continued to grow. A large percentage of those polled, however, consistently stated that they had not yet decided how to vote. Former prime minister Yitzhak Rabin's feud with Labor party chairman Shimon Peres continued unabated. The "Allon camp," which had supported the late Yigal Allon, now became the "Rabin camp," with the Kibbutz Meuhad as its backbone. Encouraged by public opinion polls in which Rabin was first choice for prime minister, his backers conducted a vigorous campaign against Peres. On October 10, in a television interview, Rabin announced his intention to challenge Peres for the party's leadership at its forthcoming convention, as he was convinced that he would "win a larger majority for Labor than Peres, thus making for a stronger, more stable Labor government."

The escalating tension within the Labor party reached a new high when the French magazine *L'Express* published a report in mid-November quoting "Peres men" as having informed it that an Israeli businessman with alleged underworld connections, Bezalel Mizrahi, had paid the IL250,000 fine levied on Mrs. Rabin in 1977 for having an illegal foreign currency bank account. Despite Peres' vigorous denials, Rabin strongly hinted at his rival's complicity in the magazine's allegations. When Rabin sued *L'Express* for IS2.5 million for libel, Peres signed an affidavit denying any connection with the story. The case was settled when the paper retracted its allegations.

The festive opening of the two-day Labor party convention took place on December 17, with distinguished foreign guests, including the Egyptian minister of state for foreign affairs, Butros Ghali, former Egyptian premier Mustafa Khalil, and François Mitterand, the French Socialist leader, in attendance. Peres scored a resounding victory, when 70 per cent of the delegates voted for him as party chairman and candidate for the premiership as against 28 per cent for Rabin (the rest were abstentions). Rabin said that he respected and accepted the convention's decision, and Peres demonstratively shook Rabin's hand, asking every delegate who had voted for Rabin "to regard his own hand as also having been shaken by me personally." Peres was non-committal, however, about whether he would include Rabin in the leadership team that he intended to name at a later stage.

The convention also adopted a foreign and security affairs platform drawn up by a committee headed by former minister Yisrael Galili. The statement opposed the annexation of Judea and Samaria (the "West Bank") and Gaza, and objected to Jewish settlement in the densely populated parts of the territories. It ruled out the idea of a Palestinian state between Israel and Jordan, and called for the Palestinian problem to be solved within a Jordanian-Palestinian state. Israel should be willing to sign peace treaties with Jordan and Syria, on a basis of territorial compromise, and to talk to "Palestinian personalities and bodies who would recognize Israel and reject terrorism," but not with the PLO. Even if Jordan refused to cooperate, Israel should be ready "to negotiate with authorized representatives of the residents of Judea, Samaria, and Gaza on the implementation of the autonomy scheme" according to the Camp David accords. In demarcating permanent boundaries, Israel would insist that the settlements in the Jordan Valley, Jerusalem and its environs, the Etzion bloc, and the southern part of the Gaza Strip, remain under Israeli sovereignty.

Two weeks later, at a second session of the convention, a party council, with over a thousand members, was elected, giving the "Rabin camp" about 28 per cent of the places, in accordance with the results of the Peres-Rabin contest. Resolutions were adopted on economic and social problems and on the Zionist movement and relations between Israel and the Jewish people.

Economic Developments

The transition from the Israel pound (*lira*) to the *shekel* (IS) took place at the end of September at the exchange rate of one *shekel* for ten *lira*, but the old currency continued to be legal tender until further notice.

The Israeli economy in 1980 continued to be marked chiefly by a catapulting inflation rate—the highest in the world, according to International Labor Organization data—of 132.9 per cent. The devaluation of the currency also continued at a rapid pace, from IL35 at the beginning of 1980 to approximately IS7.5 (7.5 *shekels*)—i.e., 113 per cent—at the end of the year. The gross national product grew by just 0.9 per cent, the lowest rise in six years; industrial output fell by 4.5 per cent; and

investments declined by 15 per cent after an 8 per cent increase in 1979. In addition, the last quarter of 1980 saw a worrisome rise in unemployment to 5.4 per cent of the labor force, about 72,000 persons, according to a statistical sample. Even the 21 per cent rise in exports—\$10.1 billion in 1980—was offset by a 16 per cent rise in imports, to \$14.1 billion.

The wobbly state of the economy was reflected in the many problems the cabinet encountered in trying to adjust the budget for the 1980 fiscal year to the inflation rate and to work out the budget for fiscal 1981. Thus, after the passage of the original budget for fiscal 1980, totaling IL653 billion, Finance Minister Hurvitz presented an updated budget of IS90.1 billion (equivalent to IL901 billion). Preparation of the budget for fiscal 1981 was marked by intense ministerial wrangling and infighting. Hurvitz demanded an across-the-board cut of five per cent, including the defense budget and various social-welfare allocations. This unleashed furious debate, with the army contending that this kind of cut would be detrimental to the country's security. Finally, a compromise was reached.

The cabinet decided toward the end of August on a major project for the building of a 70-mile canal between the Mediterranean and the Dead Sea, to be completed in eight to ten years at a cost of \$680 million. The route, chosen from a number of alternatives, was to run from Katif, north of Khan Yunis in the Gaza Strip, to a point south of Masada. It was expected that the capital for the project, which was expected to produce 600 megawatts of hydroelectric power, would be raised from foreign investors.

On the labor relations front, the teachers seemed to be in the news more than any other single group, as they fought for better wages and enhanced prestige. They imposed sanctions of various sorts and staged a week-long strike as part of their struggle, moves which severely disrupted the economy.

The national airline, El Al, was jolted by a series of wildcat strikes as the management, working closely with the government, tried to put the company back on its feet after it had lost \$122 million in two years. A revival plan, involving considerable sacrifices by the flying and maintenance staff, was eventually worked out and approved, and quiet ensued, with a marked improvement in services. A great deal of suffering was caused to many persons when over 7,000 hospital physicians imposed sanctions for a period of several weeks to press their demands for higher wages.

Jerusalem

Jerusalem was very much in the news in 1980. In March controversy was generated when the government announced that about 1,000 acres of land in the north of the city—in an area under Jordanian control before 1967—were to be expropriated for the construction of 12,000 apartments over a four-year period to link two of the new suburbs built since the Six-Day War. About 30 per cent of the land was Jewish-owned, 68 per cent belonged to non-Jews, and 2 per cent was state-owned.

Fair compensation was to be paid. Mayor Teddy Kollek said he favored the idea behind the plan, but feared that it would remain on paper only, and would thus merely cause political damage without any concrete benefit. The U.S. state department issued a statement "deploring" the decision.

In late July the Knesset adopted a new basic law, "Jerusalem the Capital of Israel," by an overwhelming majority—69–15, with three abstentions. It was originally introduced in May by Geula Cohen, MK, of the Tehiya (Renaissance) movement, as a private member's bill. Many observers had believed that it would "die in committee," since it was widely criticized as a merely declaratory measure, which would change nothing and arouse international disapproval. However, few political leaders were prepared to oppose it; Labor party chairman Shimon Peres, while describing the bill as "foolish," explained that a vote against it would detract from the status of Jerusalem. The two main paragraphs declared that "Jerusalem, complete and undivided, is the capital of Israel," and that "Jerusalem is the seat of the president of the state, the Knesset, the government, and the supreme court." On the initiative of Mayor Teddy Kollek, two clauses were added proclaiming the protection of the holy places and providing for special government aid for the development of the capital.

The first concrete reaction to the new law came from Egypt, which announced that it was again suspending the autonomy talks "until Israel removes the obstacles on the road to peace" (see above). France, West Germany, and Holland issued statements condemning the law. Turkey recalled its *chargé d'affaires* for consultations, while Venezuela and Uruguay announced their intention to move their embassies from Jerusalem to Tel Aviv. The exodus became virtually total in the wake of a resolution passed by the UN security council in mid-August, calling for the removal of all embassies from Jerusalem. The vote was 14–0, with the United States abstaining. Eventually, not one embassy remained in Jerusalem; in addition, Turkey shut down its consulates-general in both East and West Jerusalem, and the Dutch also moved their consulate-general to Tel Aviv.

In the background of the Jerusalem law issue were repeated reports that Prime Minister Begin intended to move his office to East Jerusalem, where work had begun on a new government complex six years earlier. (The head office of the ministry of justice was already in East Jerusalem.) On the eve of the vote on the Jerusalem law, Matityahu Shmuelevitz, director-general of the prime minister's office, hinted that the move was imminent, but little more was heard of this plan.

Another issue involved the East Jerusalem District Electric Company, which operated a concession granted in 1928. Following a declaration by the government that it intended to take over the company's franchise to provide electricity to East Jerusalem, the new Jewish suburbs in the capital, and to considerable areas in Judea and Samaria, the company petitioned the high court of justice, arguing that the government's intention was "politically rather than economically motivated." Early in 1981 the court ruled that, while the government could take over the company's concession within the boundaries of Jerusalem, it could not do so for the other areas

involved, as these were, legally, occupied territory and hence subject to the Hague Convention. The court also urged Energy Minister Yitzhak Moda'i to reconsider the matter before going ahead with the takeover.

Other Domestic Matters

As 1981 began Israel's population stood at 3,919,000—3,281,000 Jews and 638,000 non-Jews; this was a growth of 2.2 per cent during 1980. The Jewish population increased by 1.9 per cent, as compared with a 2.5 per cent growth in 1979, mainly owing to a low immigration rate, while the non-Jewish population grew by 3.4 per cent, almost the same as in the previous year.

Progress was still slow in the implementation of Project Renewal, which had been inaugurated in 1977 for the purpose of improving housing and building new community facilities in 65 new towns and slum quarters. The project was bogged down in bureaucratic difficulties, but Deputy Prime Minister Yigael Yadin, who was in charge of the scheme, asserted that it was now embarked on the right road.

Legislation to implement the coalition agreement with Agudat Israel again aroused controversy. By a majority of 57 to 53, with 3 abstentions, the Knesset passed, at the beginning of December, an amendment to the anatomy and pathology law, restricting doctors' discretion to perform autopsies and organ transplants, despite the protests of the Israel Medical Association that the bill would severely hamper the progress of medical science in Israel.

In February the Reform movement ordained its first Israeli-born rabbi, Mordecai Rotem, in Haifa. In December, however, the Knesset rejected a bill sponsored by the Shinui movement to place the Reform and Conservative movements on an equal footing with the Orthodox stream in Israel.

Toward the end of November the Knesset passed the guaranteed incomes law, which provided that payments to persons temporarily or permanently in need of aid should be calculated as a percentage of the average wage in the economy, and be made through the National Insurance Institute.

The police force was the center of a public controversy, with political overtones, at the end of 1980. Herzl Shafir, a retired senior army officer, was dismissed from the position of inspector-general by Yosef Burg, minister of the interior and of police, exactly a year after his appointment. Burg gave Shafir's "refusal to accept ministerial control" as one of the key reasons for the dismissal. Shamir, however, hinted that the real reason for the move was that he was about to launch an investigation into evidence of alleged irregularities in the interior ministry itself, contained in a file code-named "Peach." Burg said the file consisted mainly of incomplete intelligence reports, denied that he had done anything to hamper investigation, and turned the file over to the attorney-general. There were calls from various quarters for an inquiry into the affair, and a petition demanding such an investigation, organized partly by some of Shamir's former army comrades, was signed by some 123,000 persons, but the issue faded quickly from public consciousness after a veteran police officer, Arye Ivtzan, was appointed to head the force.

On June 8 an eight-year-old boy, Oron Yarden, was kidnapped at Savyon, near Tel Aviv. The kidnapper managed to elude the police and escape with the IL2 million ransom paid by the child's parents. Impassioned appeals by the prime minister, the chief rabbis, and others to the kidnapper to release the boy were of no avail; the decomposed body of the child was discovered buried in sand dunes near Netanya on June 30. He had been strangled to death shortly after the ransom was paid. A 33-year-old Netanya man was arrested shortly after the body was found, and was sentenced to life imprisonment plus 34 years.

In December the government banned an "all-Arab congress" sponsored by the Communist party along with leading Israeli Arab intellectuals and politicians. Justice Minister Moshe Nissim said that the aim of the meeting had been to foster the idea of separation from the Jewish state among Israel's Arab citizens, and the official announcement of the ban, based on defense (emergency) regulations, asserted that those taking part would be identifying with the PLO. Speakers at a protest meeting of Jews and Arabs in Tel Aviv contended that the ban made a mockery of democracy and freedom of expression.

Israel and World Jewry

There was a drastic drop in the number of Jewish immigrants reaching Israel in 1980; the total was about 20,800, as compared with 37,000 in 1979. This was largely due to the fall in the number of Jews allowed to leave the Soviet Union, and particularly to the increase in the rate of "drop-outs"—those who arrived in the transit center in Vienna with Israeli visas, but went on to other destinations, especially the United States, instead of going to Israel.

Perhaps it was this dismal background that was responsible for the national welcome that was given to Josef Mendelowitch, who had been imprisoned for over ten years for his part in the attempt to hijack a plane at Leningrad in 1970 in order to fly to Israel. He was given a tumultuous welcome at Ben-Gurion airport and feted in the Knesset.

Attention was focused on difficulties in the absorption of newcomers from the Soviet Union and elsewhere by a strike staged in August at a number of absorption centers. The immigrants, mainly from the Soviet Union, were protesting a shortage of housing and a dearth of jobs. After a government-Jewish Agency committee was formed to examine the new immigrants' grievances, the strike petered out.

The other side of the coin, as it were—emigration of Israelis—was at the center of some bitter debates and no little soul-searching. While no universally accepted figures seemed to be available, there was a general sense that the phenomenon was on the rise in recent years. A report released in late 1980 by the director-general of the Jewish Agency, Shmuel Lahis, claimed that there were between 300,000 and 500,000 former Israelis residing in the United States. While the report was condemned by various officials as wildly exaggerated, it helped to make this highly sensitive and volatile issue a matter for public discussion.

In June the Israeli government decided to establish an emergency committee to protect Iranian Jewry, several of whose prominent leaders had recently been arrested or executed. Moshe Katzav, MK (Likud), one of the leaders of Israel's Iranian Jewish community, said the committee would mobilize international pressure to protect the 46,000 Jews living in Iran, and assist Jewish refugees from Iran to settle in Israel.

As in previous years, efforts continued to draw world attention to the plight of the Jews in Syria. Deputy Prime Minister Ehrlich, speaking in the Knesset, called on President-elect Reagan to continue the efforts of President Carter to get the Syrian government to allow the Jews there to leave.

Personalia

Professor Chaim Lev Pekeris, a mathematician at the Weizmann Institute of Science, Rehovot, was awarded the Gold Medal of the Royal Astronomical Society of England on January 11. Justice Moshe Landau and Justice Haim Cohen were sworn in as president and relieving president, respectively, of the supreme court on March 5. Yitzhak Berman was elected speaker of the Knesset on March 12, in succession to Yitzhak Shamir. Arye Ivztan was appointed inspector-general of the police, in succession to Herzl Shafir.

Shalom Moscovitz ("Der Zeigermacher"), primitive painter, of Safad, died on January 3, at the age of 90. Dov Bernard Joseph, former minister, died on January 5, at the age of 80. Professor Yitzhak Fritz Baer, distinguished historian, died on January 22, at the age of 91. Hanna Rowina, first lady of the Israeli stage, died on February 2, at the age of 90. Nathan Yellin-Mor (Friedmann-Yellin), former Lehy leader, died on February 18, at the age of 67. Yigal Allon, former minister and commander of the Palmach, died on February 29, at the age of 61. Anna Ticho, distinguished artist, died on March 1, at the age of 86. Meshullam Max Varon, veteran diplomat, died on April 7, at the age of 68. Shimon Dzigán, Yiddish actor, died on April 14, at the age of 74. Rev. Douglas Young, president, American Institute of Holy Land Studies, Jerusalem, died on May 21, at the age of 68. Professor Jacob Talmon, philosopher and historian, died on June 16, at the age of 64. Ehud Avriel, veteran diplomat, died on August 27, at the age of 62. Aharon Cohen, Arabist, died on September 29, at the age of 70. George Singer, conductor of the Israel National Opera, died on October 1, at the age of 73. Nahum Guttman, artist and writer, of Tel Aviv, died on November 29, at the age of 82.

MISHA LOUVISH