For the first seven months of 1990, Israelis gazed inward: an unprecedented political crisis paralyzed the government; new immigrants poured in from the Soviet Union; the intifada, in its third year, moved from the territories into Jerusalem and pre-1967 Israel. The stalled peace process brought down the two-year-old national unity government in March, and the protracted efforts to set up a new government produced a sense of deep revulsion; Israelis were never more disdainful of their leaders. The Soviet immigration, one of the lone surviving matters of national consensus, was embroiled in the divisiveness of settlements in the territories, attitudes toward the Palestinians, and relations with the United States. The latter, in any case, were at an all-time low.

On August 2, Iraq invaded Kuwait, and for the rest of the year, policymakers and public opinion focused outward, on the American campaign against President Saddam Hussein and the specter of war. When the Palestinians, who had succeeded in carving out a unique identity in the intifada, threw their support to Saddam, they were once again seen as but a component of the great Arab nation seeking Israel’s destruction. This and the perceived external danger at least temporarily erased internal differences and pushed the battle over the territories into the background. The United States emerged as a potential savior, but serious tensions remained between the two governments.

As the year ended, Israelis prepared for the possibility of war; it was clear that their country would be involved. What was not clear, for the first time in its history, was whether Israel would fight back.

National Security

The Intifada—Year Three

Judging by the dry statistics alone, it appeared that in 1990 the tensions between Israel and the 1.5 million Palestinians living under military occupation in Judea, Samaria, and Gaza were somewhat relieved. The statistics, however, were misleading. By the end of the year, the emotional gap between Israelis and Palestinians was greater than at any time since the Six Day War, and the intifada was not only turning increasingly violent but was slowly crossing the pre-1967 Green Line,
threatening Israelis at their hitherto-tranquil homes and offices.

The third year of the Palestinian uprising in the territories, the intifada, which ended on December 9, 1990, saw a marked reduction in the number of Arabs killed by the Israeli security forces: according to official statistics, 89 Palestinians were killed by the army in 1990, compared to 270 in 1989. The change was mainly the result of two factors: a decrease in wild street demonstrations by the Palestinians, and far more stringent open-fire instructions for the soldiers. At the same time, internal terror among the Palestinians was on the increase: 192 Palestinians were killed during the year by their own people, by self-appointed masked vigilantes. All of the murders were excused on the basis of the collaboration of the victims with the Israeli authorities; in some cases, however, this was simply a convenient cover for settling old scores in blood.

The policing practices of the army in the territories underwent some changes with the replacement of Yitzhak Rabin by Moshe Arens as defense minister, with the formation of a new government in June. Upon taking office, Arens decided to place greater emphasis on maintaining the security of the roads on which Jewish settlers in the territories travel; one of the results of this policy was that the army now more often than not refrained from entering villages and towns that were not strategically located in the vicinity of major roads. Thus, the potential for deadly confrontations between the army and the local population was significantly reduced. Even critics of Israel's very presence in the territories and of the harsh stifling of the intifada praised Arens for reducing the number of casualties. At the same time, the army announced that it was now employing sharpshooters and snipers against masked stone-throwers; this action was criticized both in Israel and abroad.

Between April and July, the mood and attitudes of the population in the territories underwent a dramatic change, influenced by three unrelated developments. By this time, after two and a half years of intifada, the Palestinians were described by Israeli authorities as fatigued by the uprising and suffering from its debilitating economic consequences. The first development was President Saddam Hussein of Iraq's threat, in April, to "burn half of Israel" with his "binary chemical weapons." The Palestinian population in the territories, as well as the Arabs in Israel, rallied behind him, applauding the self-proclaimed "liberator" of Palestine, hailing him as the latter-day Saladin. (See "Gulf Crisis," below.) The moderates among them explained the Palestinian reaction as resulting from the despondence created by 23 years of Israeli occupation.

The second episode took place the next month, on May 20, near Rishon LeZion not far from Tel Aviv. An emotionally unbalanced discharged Israeli soldier, armed with an army-issue M-16 automatic rifle, massacred seven Palestinian laborers who were seeking work in Israel. The government claimed that the assailant, Ami Popper, was deranged and roundly condemned the killings. The Prime Minister's Office labeled the massacre "a fearful act of insanity." Arabs, however, saw things differently: they blamed the government for the outrage. The next few days saw a fierce outburst of bloody riots in the territories: 20 Palestinians were killed in
confrontations with the army. For several days, the Palestinians refrained from crossing over into Israel, but after a while, economic imperatives sent them back.

The incident near Rishon LeZion further enhanced the identification of Israeli Arabs with their brothers and sisters in the territories, and, for the first time, masked rioters could be seen wielding rocks inside established Arab towns in Israel, such as Nazareth and Shefaram. Prime Minister Yitzhak Shamir told the Likud Knesset caucus that the Israeli Arabs “must be warned that they are crossing a red line.”

Some 50,000 Jewish demonstrators, organized by Peace Now, protested the murders; President George Bush sent condolences to the victims—including those who had been killed in the riots in the territories. The United Nations convened a special session in Geneva, with Yasir Arafat in attendance. The Security Council wished to send a delegation to examine the “safety” of the Palestinians under Israeli rule. Israel refused, but subsequently accepted the mission of a top UN official, Jean Claude Aimé.

The third development that embittered Palestinians was the termination of the U.S. dialogue with the PLO. This grew out of an aborted terrorist attack on an Israeli beach, on May 30, during the Shavuot vacation. Two rubber boats carrying 16 heavily armed terrorists were conveyed by a Libyan ship to a point several kilometers from the Israeli coastline. The leader of the terrorist squad, which belonged to the PLO-affiliated Palestine Liberation Front, subsequently stated that the mission of the squad had been to land on the crowded Tel Aviv beach, after the major hotels had been shelled by Katyusha fire from the sea. The boats, however, were detected by the Israel Navy; one was sunk at sea; the other landed on the beach at Nitzanim, some 35 kilometers south of Tel Aviv. Thousands of sunbathing vacationers were in the vicinity as the army and police closed in on the occupants of the second boat, which had succeeded in landing on the beach despite the Israeli patrol boat chasing after it. There were no civilian casualties in the incident, but many questions were raised in its wake about the navy’s effectiveness in preventing such incursions, about the fact that, despite being tracked and followed, one of the boats nonetheless succeeded in landing, and about the controversial decision reached jointly by the army and police commanders not to evacuate the crowded beaches.

In July, following the aborted raid, the United States cut off its dialogue with the PLO (see “Diplomatic Developments,” below). This move was seen by the Palestinians as a potentially fatal blow to any prospects for progress in the peace process, and they themselves proceeded to boycott American representatives in Israel.

Throughout the summer and fall, acts of violence in Jerusalem and elsewhere heightened apprehension on both sides. On May 28, an explosive device rocked Jerusalem’s Mahaneh Yehudah market; one 72-year-old man was killed, nine persons were injured. The Islamic Jihad organization claimed responsibility. In June, riots broke out in the Silwan neighborhood of Jerusalem; these were described as the worst since the start of the intifada. Over 30,000 people were placed under curfew inside the capital of Israel. On July 27, a 17-year-old Canadian tourist was
killed when a bomb exploded on the beach in Tel Aviv. Again, the Islamic Jihad claimed responsibility. Several days later, on August 6, an act occurred that shocked even the hardened Israeli public: two Jerusalem youths, 17 and 18 years old, were found dead, bound and gagged, near the Jerusalem suburb of Ramot. They had been repeatedly and viciously stabbed.

Jewish Jerusalem exploded with outrage. Unprecedented riots broke out. Arab cars with blue West Bank licenses were stoned; one such car was overturned and its driver killed. Altogether, 12 Palestinians were injured by stone-throwing Jewish youths, some emulating their Palestinian counterparts by covering their faces with masks. Justice Minister Dan Meridor summed up in the Knesset the sentiments of most of the Jewish population: “This murder has reminded us of something about our enemies which we all wished to forget.” For the first time, politicians on the Left and on the Right called for a “separation” of the territories from Israel. Those on the Left saw the move as preliminary to a “separation” between Israel and the territories themselves; those on the far Right as a first step toward the “transfer” of the Palestinians out of the territories altogether.

In September a curious calm descended on the territories. For over a month, not one Palestinian was killed by the army in the West Bank; in Gaza, the army had not killed a demonstrator for three months. The change was attributed to Arens's “policy of restraint” and to the general preoccupation with developments in the Gulf.

On Thursday, September 20, during the Jewish New Year holiday, the Israeli public was stunned once again by a particularly gruesome murder. Amnon Pomerantz, a 46-year-old reserve soldier, lost his way in Gaza; instead of reaching his unit, he found himself alone in his car inside the El-Bureij refugee camp in Gaza. The car was stoned, he was beaten, and the car was torched, with his body still inside. In swift retaliation, 34 houses in the camp were demolished. Still, Prime Minister Shamir told a Knesset committee that the intifada was “in retreat.” Were it not for the murder of Pomerantz, he said, the issue would not even be raised for discussion.

THE TEMPLE MOUNT INCIDENT

Two weeks later, on October 8, Israeli policemen opened fire on Palestinian rioters on the holy Temple Mount, overlooking the Western ("Wailing") Wall in Jerusalem's Old City. It was the most serious incident since the start of the intifada, indeed, since the start of the occupation. It injected, as never before, the volatile religious element into the already inflamed nationalistic struggle between Jews and Arabs. It earned Israel worldwide condemnation, and, for the first time, threatened to give credence to Saddam Hussein's attempts to create a "linkage" between his invasion of Kuwait and Israel's presence in the occupied territories.

Since 1968, groups of extremist Jews had railed against "Muslim control" of the Temple Mount. During the festival of Sukkot, they once again announced plans to
lay the cornerstone for the "Third Temple" on the Temple Mount. The police, fearing riots, forbade a group of zealots known as the Temple Mount Faithful from approaching the enclosed area where the Mosque of Omar and Al-Aksa mosque are located. They did allow them to demonstrate in the vicinity of the Western Wall, below. On the Temple Mount, thousands of Muslims gathered to "protect" their holy shrines.

Following the incident, it was unclear who had started it. The police and a subsequent government commission of inquiry determined that the rioting had started when the Arabs began to pelt the policemen on the mount, as well as Jewish worshipers down below in the plaza near the Wailing Wall, with thousands of stones, metal rods, and other construction materials. The Arabs and a Jewish human-rights group maintained that it was the other way around: first the police had opened fire on the Muslims; then the stoning began. One thing was clear: only a few policemen and border guards—fewer than 50—had been assigned to stand guard over close to 3,000 agitated Muslims. Outnumbered and driven back by the storm of stones and blocks, the policemen retreated, firing their weapons, including automatic bursts, directly at the rioters. When reinforcements were sent in to disperse the crowds, this was also accompanied by direct fire at the demonstrators. In all, 17 Arabs were killed, including an Israeli Arab, and over 200 people were wounded, including 15 Jews. In the aftermath, riots erupted all over the territories and inside Israel.

The government claimed at first that the incident was a "provocation" organized by the PLO at the behest of Iraq. Facing vociferous worldwide condemnation and a U.S.-sponsored resolution of censure in the UN, on October 10 the government appointed a commission of inquiry, headed by former Mossad head Zvi Zamir. In presenting its report, released on October 26, the Zamir Commission found that the Arabs had started the incident. The commission did, however, sharply criticize the police for not preparing adequately for the volatile Sukkot holiday, for disregarding prior warnings about potential rioting, and for exhibiting a lack of sensitivity to the Temple Mount complex. Despite the censure, Police Minister Ronnie Milo took no action against the police. Toward the end of the year, an independent inquiry was launched by a Jerusalem magistrate at the request of the Arab family of one of the victims. Unlike the Zamir Commission proceedings, these deliberations were held with witnesses testifying under oath.

On October 12, the UN Security Council condemned Israel in a unanimous vote. The Israeli government, in turn, criticized the Security Council's "complete disregard" for the fact that Jewish worshipers had been attacked as well. Once again, the council wished to send a delegation to inquire about the "safety" of Palestinians under Israeli occupation. Once again, the government refused to accept the delegation, claiming that Jerusalem, just like Rishon LeZion, was sovereign Israeli territory. Once again, as in the Rishon massacre, the government finally accepted a personal envoy of the UN Secretary-General, Aimé. This time, the American desire to direct attention away from the Temple Mount incident in order to focus on the
Gulf crisis helped Israel to avert a serious confrontation with the international community.

**ESCALATION OF VIOLENCE**

Three weeks later, the *intifada* moved further west, into the calm, upper-middle-class Jerusalem neighborhood of Bakaa. In the early morning of October 21, a 19-year-old Arab youth from Obadiya, a village near Bethlehem, ran amok with a carving knife, killing three people and wounding a small child. The murders shocked Israelis as perhaps no others had before. For one thing, many of the residents of Bakaa were activists of the Peace Now movement; for another, Bakaa itself was the epitome of pre-1967 “safe” Israel. Alongside the well-to-do leftists lived poorer, older residents of the neighborhood who supported the Right. The “leftists” faced not only the shock of the murder but the anger of their neighbors, who demonstrated outside their homes with placards reading “death to the traitors.”

The next day two women soldiers were stabbed in the north; another Israeli was attacked by a hammer-wielding Arab in Ashkelon.

In the wake of the murders, both Left and Right increased their calls for a “separation” of the two peoples. Peace Now spokesman Amiram Goldblum, whose house had been attacked by irate right-wing residents of the Bakaa neighborhood, said, “Our aim is not to fall in love with the Palestinians; it is to be separated from them.” Two days later, Defense Minister Arens appeared to be responding to the call when he ordered all the territories sealed off and the return of all Palestinians from Green Line Israel back to their homes. One of the uglier consequences of this action was the appearance on the scene of Jewish “informers,” who summoned the police to evict Palestinians who were trying to evade the orders in order to maintain their jobs.

The government did not plan to make the sealing-off a permanent condition. Opposition to the move was growing from inside the Likud, where several politicians pointed out that by sealing off the territories, the Likud, with its own hands, was resurrecting the Green Line. Nonetheless, the government exerted stricter control over the entry of Palestinians from the territories; over 20,000 Palestinians with police records relating either to security or regular criminal offenses were henceforth to be barred permanently from entering Israel. The Palestinian work force declined from 150,000 to about 70,000. The police announced a campaign against employment of Palestinians without official permits.

The stabbings abated but did not stop. On December 2, bus riders near Tel Aviv were attacked by three knife-bearing terrorists; one bus rider and one assailant were killed. On December 14, three Jewish employees in an aluminum factory in Jaffa were murdered; the Hamas Islamic movement claimed responsibility. The government announced plans to deport four Hamas activists from the Gaza strip; the action was “deplored” by the Security Council, with the United States in support.
In 1990 the character of the intifada had changed from mass street demonstrations and rock throwing to deadly stabbings by individuals inside the old Green Line Israel. In December an ominous further escalation appeared to be in the offing: Jewish settlers on the Ramallah-Nablus road were attacked by gunfire from a well-laid ambush; there were several more gunfire incidents; a few days later, an Israeli soldier was killed in Bethlehem by an explosive, detonated by remote control. The security forces expressed concern that the army would henceforth have to contend with an increasing number of terrorist cells in the territories employing "hot weapons," including hand grenades and explosive devices. According to official statistics of the army spokesman, there were 85 incidents of gunfire during 1990; eight hand grenades were thrown; 102 explosive devices of varying sizes were detonated; 648 Molotov cocktails were hurled; 1,196 Israeli soldiers were wounded. The total number of Arabs killed since the start of the intifada passed 700.

Other Terrorist Attacks and Border Incidents

On February 4, a bus carrying Israeli tourists from Tel Aviv to Cairo was attacked by three gunmen near the Egyptian town of Ismailia on the Suez Canal. Nine Israelis were killed, 18 others wounded. Two Egyptians were also killed. The incident shocked Israel and put a significant strain on relations between Israel and Egypt. Deputy Foreign Minister Benjamin Netanyahu accused the PLO of responsibility for the murderous attack; credit was claimed, however, by the Islamic Jihad organization. Israeli intelligence experts told the inner cabinet on February 7 that the PLO was not responsible. The attack had been carried out by three Jordan-based Palestinians, and indeed the Islamic Jihad was the perpetrator. Minister Ariel Sharon revealed a few days later that the perpetrators were Palestinians with links to the Teheran-based Islamic Jihad, who had been deported by Israel to Jordan.

On November 25, the border of peace between the two countries was once again violated by an Egyptian soldier who crossed over into Israeli territory just north of Eilat. The soldier, armed with a submachine gun and hand grenades, succeeded in stopping three vehicles, including a bus; he killed 4 Israelis and wounded 26. The soldier was wounded by return fire but nonetheless succeeded in escaping back to the Egyptian side of the border. He was subsequently apprehended by the Egyptian authorities. Both attacks put strains on Israel's relations with Egypt. Israel stated that it held Cairo responsible for maintaining security on its side of the border. The Egyptians expressed sorrow at the incident but rejected Israeli suggestions that their security measures had not been stringent enough.

Throughout the year, the hitherto tranquil border with Jordan was turning into a source of concern for the Israel Defense Forces. During the first half of the year, these concerns focused on the sporadic but nonetheless consistent infiltrations by terrorists and "crazed" Jordanian soldiers across the border in the eastern Negev, by repeated incidents of gunfire from Jordanian positions across the border, and even (March 24) by Katyusha fire from across the border. In November a terrorist
squad that included four Jordanian policemen infiltrated; one Israeli officer was killed before the army disposed of the squad. A few days later, another terrorist infiltrated, killing the Israeli commander of a border position. Hussein had lost control of his army, security sources said.

Israel warned Jordan that it would be held responsible for these incidents, although the military did not believe that Amman had condoned or had any interest in exacerbating relations with Israel. Analysts said that the incidents were a symptom of the growing radical Islamic influence in Jordan in general and in the Jordanian army in particular, as well as of the generally deteriorating economic situation in the Hashemite Kingdom and its consequences for the country's armed forces.

A more benevolent side of Israel's relations with Jordan was exhibited at the beginning of September when the Jordanians returned, unharmed, two boys who had crossed the border several days earlier in an attempt to visit the ruins at Petra. Israel thanked Jordan for its "humanitarian" attitude.

Terrorists continued their attempts to infiltrate into Israel from Lebanon, through the Israeli-controlled security zone and by sea. None of these attempts was successful, although there were several casualties in encounters between army patrols and terrorist squads inside the security zone. On January 21, an Israeli colonel, Yitzhak Rahimov, who was serving as trainer for the Israeli-backed Southern Lebanese Army, was killed in an ambush laid by a squad belonging to the Abu Nidal organization. On November 27, the Israeli army suffered one of its most stinging setbacks in south Lebanon when five soldiers of the crack Givati Brigade were killed in an ambush by terrorists from George Habash's Popular Front for the Liberation of Palestine. The air force continued regular bombing raids of terrorist bases north of the security zone, and there were several land incursions as well, including a relatively large one, with armored forces, which took place on November 10 against Hezbollah bases just north of the security zone.

In October, Syria completed its takeover of Lebanon, ejecting by force Christian general Michel Aoun's 5,000-strong militia. The Israeli military was caught by surprise by the general's surrender, and military sources expressed concern about the overall security situation in Lebanon under complete Syrian hegemony. Especially disconcerting were the reports that armed Muslim militias had agreed to leave Beirut and were heading south to fight against Israel. Offering reassurance, Defense Minister Moshe Arens told the Knesset on October 17 that Israeli interests had not been harmed by Aoun's removal and that there was no reason for any Israeli intervention.

Other National Security Matters

Ofek 2, an Israeli-made satellite, was launched on April 3. The 250-lb. satellite, boosted on an Israeli Shavit rocket, was capable of communicating with a land base and receiving instructions from the ground. Science Minister Yuval Ne'eman claimed that the satellite was not military in nature and was aimed mainly at
furthering Israel’s space exploration. Foreign reports said that the satellite was intended for spying on Arab countries; the London Guardian said the rocket that carried Ofek into space was also capable of carrying nuclear warheads over a distance of 900 miles. The United States congratulated Israel on its scientific achievement; Israel denied any link between the timing of the rocket launch and the threats made a day earlier by Iraqi president Saddam Hussein to “burn half of Israel.”

Five Israeli soldiers were killed in an artillery accident on July 17 at the southern training base of Ze’elim. The mishap was at first attributed to an individual artillery commander who mistakenly called for the shelling of a position that was still manned. A subsequent internal commission of inquiry found, however, that the accident had been caused by “negligence throughout the command structure.” Six officers were dismissed from their posts and three others reprimanded. The incident resulted in a revamping of safety regulations throughout the army. Former chief of staff Rafael Eitan called for the resignation of his successor, Gen. Dan Shomron.

Col. Yehuda Meir went on trial on March 29 for ordering his soldiers, in February 1988, to beat Palestinian residents of the West Bank villages of Beita and Hawara. The trial, which was still in progress at the end of the year, raised questions concerning the responsibility of Defense Minister Yitzhak Rabin and senior army commanders for the “orders” to “break the bones” of Palestinians. In a separate trial, four soldiers of the Givati Brigade were sentenced to various terms of short imprisonment for beating three Arabs in Gaza, also in February 1988; one of the Arabs subsequently died. The four soldiers also claimed that they had been acting on orders; the court reconfirmed the soldier’s duty to refuse to carry out illegal orders, but nonetheless sentenced the men to relatively light prison terms.

Air Force Brig. Gen. Rami Dotan, a former head of the Air Force Equipment Squadron, was arrested in October on charges of massive bribe-taking and fraudulent purchase agreements with American arms firms. The arrest, which shocked the country, led to further investigations and arrests of lower-ranking officers and civilian arms dealers. Toward the end of the year, a plea bargain was reportedly being worked out, with Dotan undertaking to return over $11 million in stolen funds and receiving a 12-year prison sentence. The revelation of Dotan’s grand larceny tarnished the image of the air force and of its commander, Gen. Avihu Bin Nun, who for a lengthy period before the arrest stood up for Dotan. Dotan was labeled a traitor by several former air force commanders, with one of them, Gen. (res.) Benny Peled saying this about the affair: “In a normal country, they would have left him in a room with a loaded gun on the table.”

Mordechai Vanunu’s appeal to the Supreme Court to overturn his conviction for espionage and treason was rejected and his 18-year prison sentence confirmed. In a verdict partially released on September 30, the court found that in his 1986 disclosure of top-secret information about Israel’s nuclear facility at Dimona to the London Sunday Times, Vanunu had “implemented direct and extreme measures in order to expose information which could be exploited by all those who wish to do
harm to Israel.” On June 13, the European Parliament called on President Chaim Herzog to pardon Vanunu. In the wake of the eruption of the Gulf crisis and the reports of Iraq’s nuclear potential, there were those in Israel who maintained that Vanunu’s revelations had actually strengthened Israel’s power of deterrence.

Victor Ostrovsky, a former low-level Mossad operative, gained worldwide publicity as a result of the Israeli government’s ill-advised and unsuccessful attempts to stifle his book *By Way of Deception*. In the book, published in September, Ostrovsky revealed the names of many Mossad operatives and reported on various clandestine activities of the organization, including the damaging allegation that Israel knew in advance of the attempt against the American Marine barracks in Beirut in April 1983, in which 241 American soldiers died. Following publication of the book, Israel claimed that Ostrovsky was a low-level agent who did not have access to the events he claimed knowledge of; the contents themselves were described as fabrications.

**DIPLOMATIC DEVELOPMENTS**

*The Peace Process*

The basic situation at the beginning of the year was this: Israel had accepted U.S. secretary of state James Baker’s October 1989 “five-point plan,” which foresaw an Israeli-Palestinian dialogue in Cairo. From an Israeli perspective, the sole purpose of this dialogue was to discuss the modalities of elections in the territories, proposed in the national unity government’s peace initiative of May 1989. The third point of Baker’s five stated that “Israel will attend the dialogue only after a satisfactory list of Palestinians has been worked out.”

In January, the U.S. administration announced plans for a tripartite meeting of the American, Egyptian, and Israeli foreign ministers, aimed at resolving the final details of the proposed dialogue in Cairo. A date for this meeting was not set; the Americans first wished to overcome the obstacles obstructing the appointment of a Palestinian delegation.

The PLO, in direct contact with the U.S. administration through the American ambassador in Tunis, Robert Pelletreau, and through Egypt, which served as the main Arab interlocutor of the Americans, insisted that the Palestinian delegation to Cairo include representatives from East Jerusalem as well as representatives of the Palestinian “diaspora.” The PLO also claimed exclusive jurisdiction in picking and publicly announcing the makeup of the Palestinian delegation.

Prime Minister Shamir and most of his Likud party were adamantly opposed to the participation of East Jerusalemites in the delegation, claiming that this would weaken Israel’s claim to exclusive sovereignty over the capital; they were equally opposed to representation of the “diaspora,” claiming that this would imply recognition of the Palestinian demand for the “right of return.” They did not agree to any role for the PLO in the process and made clear that they would not sit with a
delegation chosen by the PLO. Shamir and his colleagues viewed the American support for the inclusion of East Jerusalemites and "outside" Palestinians as a clear warning signal of the degree of collaboration between the administration and the PLO; Ha'aretz reported on January 8 that Cabinet Secretary Elyakim Rubinstein, returning in January from a round of talks in Washington, told Prime Minister Shamir and Foreign Minister Arens that the Americans were involving the PLO in the preparations for the Cairo meeting. He added that the United States had already promised the PLO that East Jerusalemites and "outside" Palestinians would indeed be part of the Palestinian delegation.

Even as the diplomatic wheels continued to turn, the administration signaled its rapidly dwindling reserves of patience for the Middle East peace process. On January 9, administration sources leaked the contents of a meeting between Baker and the Norwegian foreign minister. Baker reportedly said that he had given up hope for a breakthrough in the peace process and was thinking of devoting his time to other matters. The next day, State Department spokeswoman Margaret Tutwiler confirmed the essence of Baker's message, saying that Baker would remain "engaged" in the peace process "as long as the parties are determined to make progress." She reminded the attending journalists, however, that other problems in the world were "clamoring for attention."

The Labor contingent in the national unity government played a sort of mediating role between the contradictory demands of the Likud and the PLO; often, this task was carried out in close coordination with both Egypt and the United States. In mid-January, Defense Minister Yitzhak Rabin, coauthor of the May 1989 initiative, held talks in Washington with Baker, while Egyptian foreign minister Esmat Abdel-Meguid was also in town; the following week Finance Minister Shimon Peres met with Egyptian president Hosni Mubarak in Egypt. In these talks, the two Labor leaders, Secretary of State Baker, and the Egyptian president agreed on a formula to solve the problem of the Palestinian representation, which would ultimately find expression in the "Baker question": East Jerusalemites would be represented by Palestinians with a "double address," i.e., Palestinians who lived in the West Bank but maintained offices or another business address in East Jerusalem; the "diaspora" would be represented by Palestinians who had been deported from the territories since 1967, to whom Israel would agree. Egypt undertook to persuade the PLO to accept the compromise formula; Labor would press the national unity government to approve it; and Baker would submit the question to Israel in the most innocuous way possible. Egypt, it was agreed, would publicly announce the makeup of the delegation.

On January 27, in a cabinet meeting, Shamir reacted to the reports of the "agreements" reached by Peres and Rabin in their talks: "If such agreements have been reached," he said, "they are not binding on anyone." The same week, Peres reported explicitly on the agreement to include two East Jerusalemites with "double addresses" and two deported Palestinians in the Palestinian delegation. This time, Shamir did not react at all.
The next week, Baker conveyed his question. It was indeed innocuous enough: would Israel agree to the participation of Palestinians, residents of the territories, on a name-by-name basis? To the harmless question, however, a lethal "assumption" was attached: that these "residents of the territories" would include both East Jerusalemites with a double address and deported Palestinians.

The PLO, in the meantime, was keeping a low profile concerning the Baker-Peres-Mubarak proposals. According to press reports, the organization had agreed to accept the formula, at least as far as the makeup of the delegation was concerned. PLO spokesmen continued to claim, however, that only the PLO would choose the Palestinian delegates, and only it would publicly announce the makeup of the delegation.

On February 23, Baker and Arens met. The Israeli attitude toward the Baker question appeared to be positive. Several days later, unnamed American sources were quoted as saying that Shamir had accepted the Baker formula "in principle." "Things are looking very good," the sources opined. The next day, however, the Prime Minister's Office in Jerusalem formally denied the reports of Shamir's acceptance of the Baker question. The positive "impression" created by Arens in his talks with Baker was apparently based on his own positive attitude toward the Baker proposal, rather than on the sentiments of the prime minister himself. On February 28, in a meeting with his Likud ministers, Shamir himself branded these reports "lies." At the same time, President Bush was still hopeful. He told a press conference in California that he hoped the report of the Likud's agreement to the Baker formula was true so that the peace process could at last move forward.

In the Knesset, Deputy Foreign Minister Netanyahu, who maintained close links with Shamir's office, also sounded as if agreement was the farthest thing from Israel's mind. "Instead of the United States asking stark questions of Israel and demanding clear answers," he said, "I propose that Israel ask the United States some stark questions, and the Administration will give clear responses. If the intention is to create a smoke screen which would allow the PLO to take control of the territory, under conditions of terror, then there is no understanding between us and each one of us has different things in mind." Sources in Foreign Minister Arens's office expressed reservations about Netanyahu's strident tone; it appears, however, that the deputy was more in touch with the mood of the prime minister than his immediate superior, Arens.

On March 5, Shamir's mood became even clearer. In a meeting with the National Religious party, he assailed the United States for "trying to inject the PLO into the process." This, indeed, was the underlying source of Shamir's opposition to the Baker proposal, as Likud ministers confided subsequently: the "Baker question" was but the tip of an iceberg, with the concealed elements including close U.S.-PLO collaboration and an ultimate aim of establishing a Palestinian "entity" in the West Bank and Gaza. As if to corroborate Shamir's accusations, Palestinian sources reported the same day that Baker had agreed that PLO chairman Yasir Arafat would "brief" the Palestinian delegation before the start of the Cairo meeting.
Foreign Minister Arens, who reportedly had let Baker understand in Washington that Jerusalem was amenable to his proposals, now told the Knesset's Foreign Affairs and Defense Committee that Israel should oppose the participation of East Jerusalemites and deported Palestinians. "Their inclusion," he said, "paves the way to negotiations over the status of Jerusalem and the right of return."

On March 6, Baker expressed his growing impatience with Shamir's procrastination by stating that he was no longer willing to deal in "assurances" or "clarifications." The next day, he spoke to Shamir by phone, hoping to spur Israel to finally reach a decision. Shamir reported on the content of his conversation to the Knesset committee. He had told Baker, he said, that Jerusalem was a "crucial question." He asked what the American position would be. "We'll see," Baker replied.

Shamir's continuing refusal to reply to Baker one way or another was now affecting the cohesion of the national unity government. In a March 11 meeting of the inner cabinet, he made no secret of his estimation of American intentions. The dialogue between Washington and the PLO, he said, had now become the cornerstone of Israel's own dialogue with the territories. Four days later, the national unity government fell in a motion of no-confidence in the Knesset (see "Political Developments," below). Spokeswoman Tutwiler commented that "it is clear that the progress in the peace process has now stopped, temporarily."

THE NEW GOVERNMENT

For the next three months, until June 11, Shamir's government functioned as a "transitional government"; there was no substantive discussion in Israel of the proper way to reply to Baker's question. Nonetheless, the issue continued to dog relations between the two countries. In an interview on Israel Radio, in honor of Independence Day, Shamir seemed to be indicating publicly for the first time what he had often said in private: "We cannot be expected to accept every proposal or idea offered by the American Secretary of State." The administration reacted with anger, and the Prime Minister's Office promptly offered a typically "Shamir-esque" interpretation of the prime minister's words: he hadn't said yes to Baker, but he hadn't said no, either. On May 7, American ambassador to Israel William Brown, speaking to high-school students in Arad, made the American attitude clear: We won't take no for an answer, he said. On June 11, the new narrow government was constituted. The government guidelines expressed continued support for the May 1989 initiative, although they explicitly ruled out any participation by East Jerusalemites in the proposed elections in the territories. It was clear, however, that if the old national unity government, of which Labor comprised half, could not bring itself to say yes to Baker, then the new one, composed of parties that were opposed to the May 1989 initiative, would definitely refuse to satisfy the American secretary of state.

Although the U.S. administration refrained from any direct public criticism of the
new government, it was clearly not happy with its makeup and with its proposed policies, especially its strong support for expanding the settlement drive in the territories. Indeed, Secretary Baker greeted the new government with one of the most disparaging statements ever made by an American leader about an Israeli government: "The phone number is 1-202-456-1414," he said in testimony in Congress; "when you're serious about peace, call us." Baker said that it was very hard for the United States to understand why Israel had refrained from responding positively to the question identified with his name; the position of the new Israeli government, he said, is that "there will be no dialogue unless the Palestinians accept our positions in advance."

The new government, concerned about the deteriorating state of relations between the two countries, tried to contain the acrimony. The new foreign minister, David Levy, who in previous governments had been one of the three so-called constraints ministers who had railed against Shamir's "concessions," called for a resumption of the dialogue between the two countries. In his new role, Levy suddenly discovered the positive aspects of the American position on the peace process: the United States, he said, agreed with Israel that the PLO should not have a role in the peace process and with Israel's opposition to a Palestinian state. On June 26, he tried to portray Israel's rejection of the "Baker question" in a positive light: "We say yes to the Baker initiative, but no to his questions." Since the Baker question had first come up for discussion in January, this was the first uncategorical statement of Israel's reply: no.

Prime Minister Shamir, for his part, sent President Bush an eight-page letter in reply to Bush's request for clarifications about the new government's attitude toward the peace process. Shamir's letter dealt at length with the need for a peace process with Arab states and for a resolution of the Palestinian refugee problem, both major elements of the May 1989 initiative that had been placed on the back burner while the focus was on the issue of elections in the territories. As far as the Baker question was concerned, and despite Levy's explicit rejection of it, Shamir continued to avoid an explicit no. Israel, he wrote Bush, was interested in having the Cairo dialogue with a Palestinian delegation that would be chosen on a name-by-name basis. Thus, Shamir had replied positively to the open part of the Baker question; he expressed "reservations," however, about its hidden "assumption" regarding the participation of East Jerusalemites and "outside" Palestinians.

On July 14, in an interview with Ha'aretz, Shamir went a step further in an effort to convince the administration that his new government was not necessarily an inferior partner, compared to the previous national unity government. He said that he was not concerned whether the Palestinian negotiators "consulted" with the PLO; he was worried that the PLO wished to "run the whole show."

Shamir's continued equivocation concerning the Baker question led the administration to conclude that the peace process should be given another chance (New York Times, July 8, 1990). The renewed effort was not to be launched, however. On August 2, Iraq invaded Kuwait. Shamir did not conceal his reading of the significance of this event for the peace process. The Gulf crisis, he said, on August 8,
"pushed aside" other problems in the Middle East. In a September meeting, Levy persuaded Baker to forego Israel's reply to his question, asking him whether he wished to bring about the fall of yet another government in Israel. In December, Shamir and Bush agreed not to deal with the peace process at all until the Gulf crisis was resolved.

SYRIA IS HEARD FROM

While the Palestinian question was caught in the representation quagmire, and while Israel was engaged in the protracted process of setting up a new government, the elusive peace process suddenly had a new participant: Syria. This, in any case, was the impression left by Syrian president Hafez al-Assad on several visitors to Damascus; the most prominent of these was former American president Jimmy Carter. Arriving in Israel after talks with Assad, Carter stated on March 18 that Syria was now willing to engage in direct negotiations with Israel, within the framework of an international conference. The purpose of these talks, as far as Assad was concerned, was one: the return of the Golan Heights to Syria.

Accompanying Syria's willingness to change the tone of its attitude toward Israel, at least publicly, were the rapidly warming relations between Damascus and Cairo. Just before the close of 1989, the two countries had restored full diplomatic relations, which had been broken a decade earlier when Egypt agreed to make peace with Israel. On March 24, Assad met with Mubarak in Tobruk. Libyan president Muammar Qaddafi was also present. Israel reacted with marked skepticism to Assad's newfound moderation: Lt. Gen. Dan Shomron, chief of staff of the Israel Defense Forces, said there was "no significance" to Carter's reading of Assad's intentions. The strategic objectives of Syria had not changed, he said.

Deputy Foreign Minister Netanyahu was even more blunt, in an appearance in the Knesset on March 21. "We've heard these songs before," he said. Israel had rejected such signals in the past, Netanyahu said, and will continue to reject them in the future. Assad, according to Netanyahu, was still unwilling to aim for the appropriate final objective: an end to the state of war with Israel. Shamir himself reacted along the same lines a few days later, when he told the Knesset drily that the only new element in Assad's position was his agreement to the convention of an international peace conference. This might be progress from the point of view of Syria, which had refused to attend the 1973 Geneva peace conference, but it was meaningless as far as Israel was concerned.

Mubarak nonetheless continued his efforts to engage Syria in the peace process. He sought a public statement by Assad to this effect. In mid-July, his wish was granted; Assad, visiting Cairo, announced publicly that he was willing to enter into negotiations with Israel, within the framework of an international conference, based on a return of the Golan and appropriate arrangements in Lebanon. The reaction in Israel was more guarded this time, but still skeptical; by this time, however, the
Gulf crisis was brewing. In November, there were reports of the administration’s intention to involve Syria in the post-Gulf crisis peace process. But the test of Syria’s intentions would have to wait.

U.S.-PLO Dialogue

The American dialogue with the PLO, launched in December 1988, was the main source of friction between the Shamir government and the Bush administration, at least from Israel’s vantage point. In principle, the Shamir government viewed the dialogue as American recognition of Israel’s sworn enemy and, implicitly, as partial recognition of at least a part of the organization’s aims: the establishment of an independent Palestinian state. Israel was suspicious that, while the United States, in theory, accepted Israel’s adamant opposition to any PLO role in the peace process, in practice, behind a “smoke screen,” the administration was actively negotiating with the organization, directly and through Egypt. A constant accusation hurled at Shamir, from both the Left and the Right, was that while Israel forbade, in law, any contacts with the PLO, in reality it was conducting indirect negotiations with the organization through the United States.

In March, in testimony given by Secretary Baker to Congress, and in an official report submitted to Congress by the State Department, the administration maintained that the PLO was living up to its commitments to desist from terrorism. Shamir called the report “tendentious” and said that the Israeli government disagreed with its findings. The Israeli military also disagreed with the report’s findings. General Shomron said that Arafat may indeed have promised to stop terrorism but that his Fatah organization continued to engage in terror. The prime minister told the cabinet that an unnamed senior American official admitted that the administration was being “lenient” with the PLO in order to promote the peace process.

The prestigious Defense and Foreign Affairs weekly reported on April 2 that, in light of U.S. satisfaction with the PLO’s moderation, the State Department was considering upgrading the level of the dialogue with the PLO: Deputy Secretary of State Lawrence Eagleburger would replace Ambassador Pelletreau as the PLO’s interlocutor. The State Department report on world terrorism, released in May, stated bluntly that the U.S.-PLO dialogue was one of the main contributing factors to the diminishing incidence of terrorism in the world in 1989.

Less than a month later, on May 30, this aspect of the American strategy collapsed, when two rubber boats carrying 16 heavily armed terrorists were intercepted near a southern Israeli beach. The aborted attack was carried out by the Palestine Liberation Front, an organization headed by one Muhammad Abul Abbas; he was no less than a full member of the PLO’s executive committee.

Israel, which had been claiming all along that even those organizations subservient to Arafat had never desisted from terror, pounced on the opportunity and immediately demanded that the United States stop its dialogue with the PLO. The evidently embarrassed administration procrastinated: it sharply condemned the
attack, but said it was seeking “proof” that the PLO was involved. Israel launched a massive public campaign in the American media and in Congress in order to create political pressure that would induce the administration to end the dialogue. In the meantime, Arab states, led by Egypt, and the Soviet Union, including President Mikhail Gorbachev personally, appealed to the United States not to break off its dialogue; this, the PLO lobbyists claimed, would deal a harsh blow to the peace process.

The United States called on Arafat to denounce clearly the beach attack and to take disciplinary action against Abul Abbas. Arafat did his best, but his best wasn’t good enough. On June 9, President Bush himself pleaded with the PLO chairman to “raise his voice” about the attack. After some further prodding by Sweden, Arafat tried again: on June 11, the PLO’s executive bodies stated that the PLO was “against any military action which targets civilians, regardless of the nature of such actions.” There was no mention of any action against Abul Abbas. On June 20, the reluctant United States officially suspended its dialogue with the PLO, until such time as Arafat would fulfill its demands. Against the backdrop of the strained American-Israeli relations, the suspension of the dialogue was greeted in Israel like a breath of fresh air.

A few weeks later, the PLO openly sided with Saddam Hussein in the Gulf conflict. Palestinians in the territories, who had decided on an official boycott of American diplomatic representatives in the wake of the suspension of the dialogue, reacted likewise. Henceforth, and until the end of the year, the gap between the administration and the Palestinian leadership expanded rapidly.

**Soviet Jewish Immigration**

Another area of friction between the United States and Israel related to Soviet Jewish immigration. On January 14, in a speech before a Likud forum, Prime Minister Shamir told a gathering of Likud activists that “a big aliya requires a big Israel.” The statement played directly into the hands of the Arab countries, who were on the verge of launching a concerted international effort against the massive waves of immigration that had started to arrive in Israel toward the end of 1989. Now Israel had to contend with the allegation that the freedom of movement granted to Soviet Jews was being exploited by Israel to strengthen its hold on the occupied territories and greatly expand the settlements there. While the United States had strongly supported the former, it—President Bush in particular—was adamantly opposed to the latter. For a few days, Shamir tried to deny that he had used the word “big”; he had meant “strong”; but in subsequent speeches he repeated the equation—a big Israel for a big aliya.

A few days later, an American “senior official” told the Reuters news agency that the United States would not lend financial assistance to Israel to help absorb the tens of thousands of new Soviet immigrants—if there was no breakthrough in the peace process. The following month, White House chief of staff John Sununu told Con-
gress that Israel’s request for $400 million in loan guarantees should be linked to political flexibility by the Shamir government. Sununu indicated that even if Israel committed itself not to spend U.S.-brokered funds to build settlements in the territories, these funds allowed Israel to spend money from other sources on the settlements.

The most vocal of Arab opponents to the aliyah was the usually moderate King Hussein of Jordan. The Hashemite monarch, always suspicious of Israeli plans to turn his kingdom into a Palestinian state and thus solve the issue of Palestinian self-determination once and for all, was concerned that hundreds of thousands of new settlers in the West Bank and Gaza would in turn mean hundreds of thousands of new Palestinian refugees in Jordan and, subsequently, further destabilization of the kingdom. On January 18, a few days after Shamir’s statement, Hussein told the Jordan Times that the wave of immigration to Israel constituted a threat to Jordan and to the Arab world as a whole. President Mubarak then joined the campaign, expressing “discomfort” with the Soviet immigration. Soon the entire Arab world was engaged, and Palestinians as well as Israeli Arabs also joined the fray. (The Palestinians’ position on this matter soured their relations with the Israeli Left; most Israelis saw the Arab campaign against the aliyah as an indication of the Arab refusal to accept the very idea of Zionism and Israel, and not as a specific objection to the settling of immigrants in the territories.)

The Soviet Union, now under increasing Arab pressure to curtail the immigration, summoned the Israeli consul in Moscow, Arye Levin, and lodged a strong protest against Shamir’s statement.

On February 22, Prime Minister Shamir assured President Bush, in a phone conversation, that immigrants were not being directed to the territories. Bush, however, appeared to be viewing East Jerusalem as part of the territories: on March 3, he said that Israel’s claims that only 1 percent of the immigrants had settled in the territories were only “partly true,” and that a further 10 percent had settled in East Jerusalem. In late February, a senior government official was quoted as projecting an annual immigration rate of 230,000; Immigration Minister Yitzhak Peretz, returning from talks in the United States, reported that the publication of this figure had created a “psychosis” in the United States and among Arab states. (On March 2, the government imposed censorship on the number of arriving immigrants, on projections for the future, and on routes of arrival.)

The Arabs did enjoy partial success in mounting obstacles on the immigrants’ path to Israel. In February the Soviet Union promised the PLO that it would not allow direct flights between Israel and the Soviet Union. But that is as far as the Soviets were willing to go; Deputy Foreign Minister Yuli Vorontsov stated flatly, in a press conference on February 12, that there would be no limitations on the exit of Jews. The Soviet Union did make an effort to agree with the United States on a joint statement condemning the settling of immigrants in the territories. Secretary Baker said on February 12 that he had refused the proposal.

Nonetheless, the Arab campaign, which had quickly become a concerted cause
of the entire Arab world, was raising concern in Jerusalem. A Baghdad summit meeting of the Arab Cooperation Council (Iraq, Egypt, Jordan, and Yemen) called on the Soviet Union to stop the immigration altogether. Four other Arab foreign ministers (Algeria, Iraq, Syria, and Tunisia) traveled together to Moscow to press their case personally. Defense Minister Rabin told the Knesset, on February 21, that the Arab effort posed a danger to the continuation of the immigration. In March, Hussein spelled out his objections explicitly, in an interview with the French paper *Le Figaro*. The immigrants, he said, would push out the Palestinians. Hussein accused the United States of hypocrisy; on the one hand it had lobbied in favor of their right to emigrate; on the other hand, Washington itself was refusing to accept the emigrating Jews.

In March the Islamic Conference convened in Jedda, labeling the immigration “a threat to peace.” It said that the Soviet decision to open the gates was nothing more than “the implementation of a Zionist plot aimed at settling Jews in Palestine and other occupied lands.” Also in March, Muhammad Abul Abbas of the PLO Executive Committee swore that the PLO would attack immigrants in their way stations in Europe. Similar threats by the Islamic Jihad organization achieved temporary results in what was then the most important way station, Budapest. Toward the end of the month, Malev, the Hungarian carrier, announced that it would stop bringing immigrants on charter flights because of the security risk. But that was a short-lived refusal; combined American and Israeli pressures brought the Hungarian government, after a week, to express regret at its airline’s “surrender to international terrorism.” The director general of Malev was sacked, and the flights continued as before. At the same time, Poland, following its resumption of ties with Israel, announced that Warsaw would henceforth serve as a point of transfer for exiting Jews.

Also in March, Secretary Baker spelled out American intentions; the loan guarantees would be linked to an Israeli commitment not to initiate new settlements. This position was rejected categorically by Israel; Shamir described the linkage created by Baker as “completely superfluous.” The administration reaction angered Israel even further when the State Department made clear that the restriction on settlements required by Washington also applied to East Jerusalem.

By this time, the Israeli national unity government had fallen. The administration refused to discuss the issue of guarantees before a new government was constituted, although both houses of Congress approved the Israeli request. Throughout the interim period before the establishment of a new government in June, the administration issued several statements criticizing the erection of two new settlements in the West Bank and Gaza.

Tensions reached a peak in May, when the United States appeared to be considering support for an Arab-sponsored resolution in the UN Security Council opposing Soviet Jewish immigration. Foreign Minister Arens accused Washington of coordinating its moves with the Arabs; he spoke of a definite “low point” in relations between the two countries. State Department spokeswoman Margaret Tutwiler
reacted by reiterating American support for immigration but opposition to the settling of immigrants in the occupied territories. That same month, a senior official in the Prime Minister's Office described the state of relations between Jerusalem and Washington as "a catastrophe." Shamir himself disagreed; "the situation isn't that bad," he said.

Meanwhile, the immigration issue was raised in each and every meeting held between Arab leaders and Western statesmen and among themselves as well. In May, Soviet president Gorbachev promised visiting Egyptian president Mubarak to press Bush to increase American immigration quotas for Soviet Jews. On June 3, following the summit meeting between Bush and Gorbachev, the Soviet leader announced that his country would review its liberal policy toward the emigration of Jews if Israel did not desist from its policy of settling them in the territories. Gorbachev seemed to imply that Bush agreed with his position; the American side denied this. In any case, Foreign Minister Arens told a Knesset forum, on June 4, that Israel had received assurances from Washington that there would be no change in the Soviet immigration policies.

By now, Israel was intent on repudiating the allegation that it was sending new immigrants to the territories. The Prime Minister's Office announced, in reaction to the Gorbachev statement, that there was no policy of sending immigrants anywhere; Absorption Minister Peretz said that only a few scores of new immigrants had settled in Judea, Samaria, and Gaza; and even Housing Minister Ariel Sharon, now in charge of Israel's massive construction effort for the new immigrants, pledged that Israel would not send new immigrants to the territories. But the United States was not mollified; in testimony to Congress, on July 31, Assistant Secretary of State John Kelly explained that it wasn't enough that the Israeli government was not directly encouraging new immigrants to settle in the territories; veteran young Israelis, he explained, had nowhere to live because of the Russian Jews coming to Israel. Therefore, there was a danger that they would choose to move to the territories, and for them there were ample government incentives.

On September 5, the new foreign minister, David Levy, met with Secretary of State Baker and discussed the loan-guarantees issue. As a result of these talks and other lower-level contacts, an agreement was reached. On October 4, Levy sent a letter to Baker pledging that the loans secured on the basis of the guarantees would be used only in "geographic areas which were subject to the Government of Israel's administration prior to June 5, 1967." Levy also reiterated the government's policy of not "directing" new immigrants to the territories and pledged to submit periodic reports on Israel's building plans in the territories. For the next 30 days, it was unclear whether the government in Israel backed the language of Levy's letter; the right-wing opposition was opposed to it. Prime Minister Shamir himself claimed that the language of the letter excluded East Jerusalem. Responding to the internal criticism, Levy sent yet another letter to Baker, making clear that his letter in no way entailed a commitment not to build in East Jerusalem. On October 21, the government in Israel ratified Levy's letter. In November, Baker authorized a fact-
finding delegation of the Agency for International Development to go to Israel to prepare a report that would enable the administration to give the guarantees. At the end of the year, the administration notified Israel officially that the guarantees would be handed over by March 1991.

Jerusalem

On March 3, President Bush threw a bombshell into the already strained atmosphere between Israel and the United States. “We do not believe there should be new settlements in the West Bank or in East Jerusalem,” he told a press conference in California. The next day, Margaret Tutwiler reemphasized this American position, saying that the “occupied territories include East Jerusalem.” The fact that U.S. policy did not recognize the annexation of East Jerusalem was already well known. But Bush’s explicit statement of American opposition to “settlements” in Jerusalem seemed to imply that the United States now opposed Jewish residence in the formerly Jordanian part of Jerusalem. The Prime Minister’s Office reacted angrily, saying that “it appears that in the United States there is a lack of understanding of the significance of Jerusalem for every Israeli and Jew in the world. It is inconceivable to restrict the residency of Jews in any part of the city.”

In the days following, both President Bush and Secretary Baker tried to mollify the angry Israelis and the American Jewish community: “No peace that I can envision would deny Jews the right to live anywhere in this special city of Jerusalem,” Bush wrote to Sen. Rudy Boschwitz, while Baker wrote to Cong. Mel Levine, “Clearly, Jews and others can live where they want, East or West, and the city must remain undivided.” The Senate and House of Representatives also passed resolutions stating that “Jerusalem is and should remain the capital of the state of Israel.”

The truce lasted less than a month. On April 11, scores of Jewish settlers entered St. John’s Hospice in the Christian quarter of the Old City of Jerusalem, which had formerly belonged to the Greek Orthodox Church. It was subsequently revealed that $1.8 million had been transferred from the coffers of the Housing Ministry to a mysterious company in Panama in order to fund the purchase of the building. The goodwill that had been built up in the wake of Bush’s controversial statement on Jerusalem in March now dissipated completely: not only was the administration incensed by the action, but traditional allies in Congress as well as American Jewish leaders blasted this “settlement.” The status of the hospice itself was being adjudicated in the Israeli courts through the rest of the year, with the settlers maintaining a nominal presence in the building. On May 14, Congress cut $1.8 million from the Israeli aid package, and there was concern that this act would serve as a precedent for the future in expressing American displeasure with Israel’s overall settlement policy.

Conflict over Jerusalem erupted once again in the wake of the October 8 massacre of 17 Palestinians on the Temple Mount in Jerusalem and ensuing Security Council resolutions 672 and 673 (see above), which called for a fact-finding delegation to visit
Israel and report on the conditions of Palestinians and their "safety." Not only did Israel refuse to accept the mission, it promptly announced plans to build 15,000 additional housing units in East Jerusalem. The United States immediately condemned the Israeli position, Secretary Baker warning that by its refusal to abide by a Security Council resolution, Israel was opening itself up to comparisons with Saddam Hussein. The State Department issued a travel advisory, warning against travel to Jerusalem and the territories, which angered Jerusalem greatly. A few weeks later, Shamir rebuffed a personal appeal by President Bush to accept the UN delegation. Ultimately Israel agreed to accept a personal representative of the UN secretary-general.

THE GULF CRISIS

Israel and Iraq

Throughout 1989 and during the first few months of 1990, some observers suggested that, by virtue of its close ties to Egypt and to relatively moderate Jordan, Baghdad was ready for a historic reconciliation with Israel. In meetings with Israeli leaders, Egyptian president Mubarak claimed that Israel "misunderstood" Iraqi president Saddam Hussein. Some Israeli officials, including top Foreign Ministry experts, were even drawing up theoretical blueprints of potential cooperation between Iraq and Israel. In light of past history, however, this assessment was hard to credit. Iraq had participated in three wars against Israel—in 1948, 1967, and 1973—but unlike the other combatant Arab states, it had never agreed to sign a cease-fire agreement. Moreover, for over a decade Israel had been anxiously following Iraqi attempts to secure sophisticated and unconventional weaponry. It also worried about the considerable battle experience gained by the Iraqi army in its eight-year war against Iran.

Months before the invasion of Kuwait, Iraq was emerging as a serious threat to Israel's security. Clues to this development were contained in reports of close Iraqi-Jordanian cooperation to strengthen the so-called eastern front, which could ultimately plunge Jordan's King Hussein into an open confrontation with Israel.

In February, Iraq formally announced plans to set up a joint jet-fighter squadron with Jordan; Israeli military sources later revealed that the squadron would consist of French Mirage F-1 fighters. Jordan claimed that it felt threatened by the repeated assertions of Israeli leaders, most notably Minister Ariel Sharon, that "Jordan was Palestine" and by the massive waves of Soviet immigration, which King Hussein believed would ultimately "flood" Jordan with hundreds of thousands of additional Palestinian refugees from the West Bank. Israeli sources also revealed that throughout January, Jordan had allowed Iraqi planes to carry out aerial photography and reconnaissance missions near the Israeli border over Jordanian territory. The two armies were also engaged in setting up joint air command and control headquarters,
and officers from the two armies regularly trained with each other's units. There were unconfirmed reports that Jordan and Iraq were planning to set up joint land units.

On February 17, Israeli chief of staff Gen. Dan Shomron tried to allay Hussein's fears by stating that Jordan had no reason to feel threatened by Israel. The newspaper *Ma'ariv* reported on February 26 that Prime Minister Yitzhak Shamir also told the cabinet, "Israel does not support the identification of Jordan as Palestine." Similar assurances were conveyed to Jordan directly and through the United States. (Hussein was not appeased; in May, the king's paranoia reached a peak of sorts, when he claimed that an Israeli naval vessel had opened fire on his royal yacht near the Jordanian port of Aqaba. The navy replied that the shots had been fired in another direction altogether, but nonetheless issued instructions to naval commanders in the Gulf of Elat to steer clear of the king's boats and his nerves.)

Defense Minister Yitzhak Rabin told the Knesset on February 20 that Israel could not treat the expanding military collaboration between Jordan and Iraq with equanimity. On March 22, the prestigious *Jane's Defense Weekly* quoted unnamed senior Israeli defense sources as claiming that Israel was now facing the ominous possibility of a united "eastern front" made up of Syria, Iraq, and Jordan. The Iraqi military potential, the sources said, which included 50 battle-trained divisions, 700 modern aircraft, ballistic capabilities, and chemical warfare experience, posed a real danger to Israel. March and April brought numerous reports of Iraq's attempts to achieve a nuclear potential, of its construction of a super long-range cannon, of its chemical and biological capabilities, and of its surface-to-surface missiles. At the end of March, the *New York Times* reported that Iraq was positioning improved Soviet-made Scud-B surface-to-surface missiles in the southwestern part of the country from where they could reach Israel. The missiles, the newspaper noted, were capable of carrying chemical warheads. Saddam himself made clear in April that Iraqi ballistic missiles were being aimed at Israel, not at Iran, which was confirmed in testimony to Congress by Assistant Secretary of State John Kelly. He added that the United States did not believe Iraq was close to achieving a nuclear potential.

Throughout the first three months of the year, Iraqi president Saddam Hussein reacted to repeated Israeli statements about Iraq's menacing profile by making belligerent statements about the need for a military solution to the question of Palestine, the necessity of a unified Arab military effort, and American and Israeli aggressive designs on Iraq. He warned against an Israeli attempt to repeat the 1981 bombing raid on the Iraqi nuclear reactor at Osirak.

In April, any remaining illusions about Saddam Hussein's intentions were dispelled. In a speech to decorated Iraqi army commanders, on April 2, Saddam said that "if Israel, with the backing of the West, will try to carry out any aggressive act against Iraq, Iraq will make the fire eat up half of Israel," using what he described as "binary chemical weapons." Israel reacted angrily to this statement, and Rabin made the first of numerous counterthreats that would be repeated throughout the year. If Iraq attacked Israel, he warned, the response would hurt Iraq many times
The Prime Minister’s Office issued an official statement, saying, “Israel will not be blackmailed.”

On April 18, Saddam expanded his threat to “burn half of Israel” to include any attack by Israel on any Arab state. The next day, he warned that Iraq would attack Israel even without provocation, in order to achieve the “liberation of Palestine.” The Iraqi press agency reported that Saddam had ordered the Iraqi Air Force to attack Israel with chemical weapons if Israel launched a nuclear attack against Iraq.

Throughout this period, Egyptian president Mubarak maintained close ties with Saddam; he excused the Iraqi president’s belligerent tone by claiming that Iraq was only reacting to the pressures being exerted on it by the West; he called on President Bush and Western leaders to alleviate the tensions with Baghdad. In May, Labor leader Shimon Peres, now in the opposition, quoted Mubarak as describing Saddam as a “realistic leader with both feet on the ground.” The world, Mubarak said, should not be overly impressed by Saddam’s bellicose statements. The Arab world as a whole expressed public support for Saddam and would continue to do so for as long as the target of his belligerence remained Israel.

Mubarak was also seeking to bring about a rapprochement between Saddam and Syrian president Assad and raised the matter in each of three meetings with the Syrian president. Assad, while impressing Western visitors with a supposedly moderate attitude toward peace, joined in the escalating rhetoric: in a speech before his Ba’ath party in Damascus, on March 7, he called for a *jihad*, or holy war, against Israel; on May 16, he announced that the war against Israel must continue because Arab victory was assured; the next week, he went so far as to pledge Syrian assistance to Iraq if attacked by Israel.

There were other pleaders on behalf of Saddam. U.S. senator Robert Dole, on a Middle East tour with four other senators, said in a press conference in Jerusalem, following a meeting with the Iraqi president, that “Saddam has constructive suggestions which could bring calm to the area.” Dole said he had conveyed to Saddam the American wish for improved Iraqi-U.S. relations. Sen. Howard Metzenbaum, who also met with Saddam, came away with rather different impressions: the Iraqi leader, he said, was suffering from a “psychosis of war.”

On May 28, an Arab summit convened in Baghdad. Both Saddam and Mubarak spoke at the meeting but presented completely divergent messages. Mubarak said the Arab world must convey a “logical and humanitarian message”; Saddam said the Arab world must unite in order to “liberate Palestine.” King Hussein, meanwhile, tried to distance himself from the Israel-Iraq confrontation. In reaction to repeated Israeli warnings that it would not tolerate an Iraqi military presence in Jordan, Hussein announced on June 17 that he would not allow any foreign army to enter Jordan. In mid-June, Saddam once again stepped up his public threats against Israel. He called on the Arab world to stop looking for compromises with Israel. In a rare interview that appeared in the *Wall Street Journal* (June 28 and July 2, 1990), Saddam stated that, if Israel persisted in its absorption of immigrants and continued to adhere to the right of the Jewish people to Palestine, there would
be no escaping war. Moshe Arens, now defense minister, said that Israel was extremely concerned about Iraq's ability to wage chemical warfare. He said that there was a danger that Saddam would act against Israel even without an Israeli provocation.

In mid-July, the head of the American Joint Chiefs of Staff, Gen. Colin Powell, visited Israel. Much of his meetings with Arens and with the top echelons of the Israeli army dealt with the Iraqi threat in general and the danger of an Iraqi missile attack on Israel in particular. General Powell pledged American assistance to Israel in the effort to find a response to the missile threat; Arens said that Israel might already have found such a response. (He was referring to the Arrow antimissile missile, an Israeli development heavily funded by the United States, which several weeks later, on August 9, underwent its first test launch. At the same time, the Israeli defense establishment decided against purchase of the American-made Patriot anti-aircraft missile, claiming that it did not provide adequate protection against missile warfare; that decision was reversed within a few weeks of Iraq's invasion of Kuwait.)

On July 17, Saddam launched his campaign, as yet only verbal, against Kuwait and the other Gulf countries, accusing them of "economic sabotage" against Iraq. Three days later, Arens traveled unexpectedly to the United States for meetings with his American counterpart, Secretary of Defense Richard Cheney. It was subsequently revealed that in this meeting Arens warned Cheney of Iraq's aggressive intentions and provided detailed Israeli information about the advanced state of Iraq's nuclear industry. Returning from his visit, Arens declared, on July 24, that "the chances of a war breaking out between Iraq and Israel are now higher than they've been in recent years." Arens was roundly criticized for this statement, which, according to some reports, contradicted the assessment of Israel's own intelligence services. (Some critics accused Arens of making the statement as part of his battle against the government decision to cut the defense budget by $37 million.)

While Arens was in Washington, Science Minister Yuval Ne'eman surprised many in Israel and abroad by declaring that "Israel has a chemical response to Saddam's threats." The U.S. administration did not take kindly to Ne'eman's statement, noting that Israel was admitting for the first time that it had a chemical-warfare potential, something it had denied in the past.

The Crisis Erupts

On August 2, Iraq invaded Kuwait, sending in 26 army divisions which took control of the oil sheikhdom within 48 hours. The immediate and universal assessment in Israel was now in tune with Arens's statement of July 24, that there was indeed a heightened danger of war. Following the U.S. decision to send troops to protect Saudi Arabia, Saddam once again injected Israel into the Gulf equation: Iraq would attack Israel, he said, if the United States attacked Iraq. An Iraqi military
spokesman claimed that the American campaign against Iraq was just a cover for Israel's aggressive intentions. Israeli pilots, he said, were flying American aircraft, dressed in American uniforms. A few days later, Saddam created the "linkage" that would haunt Israeli policymakers throughout the Gulf crisis: Iraq, he said, would withdraw from Kuwait only in conjunction with an Israeli withdrawal from the occupied territories.

Despite the threats, there was an understandable sense of relief in Israel in the wake of the Iraqi invasion of Kuwait. Arab solidarity, usually aimed at Israel, collapsed in the face of intra-Arab conflict. The strong response of President George Bush and the international community, including the sanctions imposed by the UN, created hope that Israel would not have to deal with the Iraqi menace on its own.

There were other perceived advantages to be gained from the invasion of Kuwait: most Israeli cabinet ministers felt that the American-Iraqi conflict would alleviate the tensions between Washington and Jerusalem, which had reached a dangerous low just before the invasion. They hoped that the events in the Gulf would also help to reconstruct Israel's image as a vital "strategic asset" for the United States. Israel clearly saw armed conflict in the Gulf as being in its interest, so much so that efforts for a peaceful compromise by diplomatic means, though unchallenged in public, aroused great discomfort.

Israel lent its full support to President Bush's effort to organize an international coalition against Iraq, Prime Minister Shamir repeatedly praising Bush for his determination and tenacity. The support did not erode even though, as the *New York Times* reported on August 14, the United States had asked Israel to maintain a "low profile" concerning the Gulf crisis. The United States was concerned that accentuating the Israeli aspect of the conflict with Iraq would weaken its effort to drum up Arab support for the campaign to eject Iraq from Kuwait. There was also concern that stressing Israel's security could give credence to allegations voiced in some quarters in the United States that American soldiers would be going to war at Israel's behest and in its behalf.

Throughout this period, therefore, relations between the two allies turned more delicate than ever, and careful maneuvering was required by both sides. Israel wished to see the Iraqi menace removed; therefore it was interested in assisting the United States in its efforts to build an international coalition against Iraq. On the other hand, Israel could not maintain too low a profile, lest Saddam interpret this stance as a sign of weakness, misinterpret it as an invitation to attack, and damage Israel's deterrent capabilities in the whole area. The same applied to the United States: it did not want to appear to be cooperating with Israel in any way; at the same time, it could not afford to allow Saddam to believe that it had abandoned Israel altogether. Nor did it wish for Israel to feel abandoned and thus anxious for action. The same balance was required in the strategic relations between the two countries: Israel tried to cooperate with the United States in concealing the strong military links between the two countries; on the other hand, the Gulf crisis had created unforeseen military expenditures, for which Israel sought compensation.
Israel also wanted closer intelligence links with Washington; the United States refused to share information from satellites in "real time."

Another troubling element was Saddam's creation of a "linkage" between Iraq's withdrawal from Kuwait and Israeli withdrawal from the occupied territories. Israel rejected this position, and was closely watching American statements to make sure that Washington would do the same. The administration, for its part, had to show some sympathy for the Arab call to solve the Palestinian issue once the Gulf crisis was over, in order to placate its potential Arab allies; at the same time it could not accept the linkage openly lest it be perceived as bowing to Saddam's demands and risk continued Israeli goodwill.

On September 1, Foreign Minister David Levy received a letter from Secretary Baker reiterating the administration's determination to fight Saddam's aggression but reminding Israel that the Palestinian issue had to be addressed. This letter was already seen in Jerusalem as a sign of the changing times: for the first time, Baker emphasized the need for the peace process to advance on what was termed the "dual track" system, that is, with the Palestinians and with the Arab states concurrently. Israel believed that this acceptance of its own long-held view was one of the first political fruits of the changed international atmosphere following the eruption of the Gulf crisis.

Three Israeli ministers descended on Washington in September: Foreign Minister Levy, Defense Minister Arens, and Finance Minister Modai. Reacting to the American intention to write off $7 billion of the outstanding Egyptian debt, each came up with his own version of what Israel thought was an appropriate parallel measure. Modai and Levy proposed a write-off of $4.6 billion of the Israeli debt; Arens, on the other hand, asked for increased military aid to the tune of an additional $1 billion. Following his own twice-delayed meeting with Secretary Baker, an ebullient Levy declared on September 8 that "the ice between the two countries was now broken; the two countries are once again allies." But Washington was not interested in accentuating the alliance; Baker undertook two trips to the Middle East and in both pointedly refrained from calling on Jerusalem.

Meanwhile, the Israeli military was expressing a healthy respect for the Iraqi military machine. Air force commander Gen. Avihu Bin Nun in September called the Iraqi air force the biggest and qualitatively best in the Middle East, more powerful than the British or German air forces. It was reported that Israel's intelligence and air force had been placed in a state of readiness, though not in a formal state of alert; a limited call-up of reserves was carried out quietly. On September 16, Chief of Staff Shomron said that the close relationship between Iraq and Jordan necessitated a state of preparedness in the army; Prime Minister Shamir said that Israel was prepared to repel an Iraqi air strike through Jordanian airspace. Israel sent several warnings to King Hussein, both publicly and privately, not to entertain the thought of allowing Iraq to use Jordanian airspace against Israel. The same month, the New York Times revealed that the United States had undertaken to defend Israel in case of an Iraqi attack.
Publicly, however, Israel continued to threaten retaliation. Foreign Minister David Levy put it starkly in an October 1 speech to the UN General Assembly. Israel, he said, would react immediately and with force if attacked by Iraq; it would not pay with its own security for the economies and freedoms of other nations. In November, Arens said that if attacked, Israel would not respond with a “low profile.” The crisis in the Gulf, he said, had already cost Israel $1 billion in unexpected defense expenditures. On five separate occasions, Prime Minister Shamir warned of the “terrible” price that would be exacted from Iraq. His characterization of the possible Israeli retaliation was widely interpreted as a thinly veiled reference to Israel’s hitherto denied nuclear capability.

Defense Ministry director general David Ivri went to Washington to submit a preliminary supplemental Israeli request for arms; most of his requests were denied. Defense Minister Moshe Arens followed in his footsteps in mid-September; he asked for a supplemental $1 billion dollars in military assistance. Unnamed American sources said that Arens’s request was received with “coolness.” Nonetheless, by late October the U.S. Senate approved a “drawdown” of $700-million worth of surplus American military supplies to be transferred to Israel; the Pentagon approved a supplemental plan to “preposition” $200-million worth of supplies that would nominally remain American but in practice would be at Israel’s disposal; and President Bush approved the transfer to Israel of two Patriot missile batteries that had originally been earmarked for stationing in Italy.

**Arms Sales to Saudi Arabia**

Israel was also concerned by the close strategic links being forged between Washington and Saudi Arabia in the wake of the invasion of Kuwait. In addition to the massive troop buildup meant to protect the oil kingdom from Iraqi aggression, Washington announced its intention of selling great quantities of arms and weaponry to Saudi Arabia. This policy put Israel in a quandary; clearly, Israel’s long-held argument that weapons in Saudi Arabia’s possession would only be turned against Israel was not as credible as before, given the Iraqi threat; on the other hand, Israel was concerned about the aftermath of the Gulf crisis and the ramifications of the Saudi buildup on the postcrisis strategic and military balance. Riyadh had an outstanding order of weapons for $2.2 billion, which had already been approved by the administration. Now suddenly there were reports that the administration planned to supply Saudi Arabia with ten times as much weaponry. The United States assured Israel, at the beginning of September, that the new arms deal would not include the supermodern F-15E combat aircraft, but only the older F-15D and F-15C. However, the *New York Times* reported, on September 2, that the Saudis would be getting 385 M-1A-2 tanks, the most modern in the American arsenal. By the end of September, the administration announced that the total sum of its arms package to Saudi Arabia was $6.7 billion; Israel claimed that this was a ruse and that the second half of the original $20-billion arms deal would be presented at a later date.
U.S.-Israeli relations took a turn for the worse following the Temple Mount incident in October; Jerusalem was also concerned about what was then seen as some equivocation by Bush vis-à-vis Iraq. The American position in the Security Council and its unprecedented condemnation of Israel (Resolution 672 of October 12) reigned suspicion of the administration's intention of "appeasing" the Arabs. On October 23, the Israeli newspaper *Ma'ariv* printed a disparaging assessment of the American situation by Shamir, in what he thought were private remarks: "I am under the impression," he said, "that the Americans don't know what to do about Iraq; they are confused, and that's why they are devoting their attention to us." Foreign Minister Levy suggested that the United States was being "held captive by the very coalition it had formed against Saddam Hussein."

The American inaction and Israel's willingness to continue its "low-profile policy" were greeted with some criticism inside Israel itself. Levy said on November 20 that Israel was taking an "irresponsible risk" by not acting against Saddam. Israel's apprehension increased following President Bush's offer to launch a high-level dialogue with Iraq and Saddam's statement of December 1 accepting the Soviet proposal for an international conference on the Middle East, stipulating only that the Palestinian question be the main item on the agenda. Israel was concerned that the American wish to see an Iraqi withdrawal from Kuwait might induce it to "amend" some of its more pro-Israeli positions; the reservoirs of trust between the two governments were clearly at a low.

At this point, another delicate diplomatic balancing act was necessary: the Arab states had joined the coalition with the sole objective of bringing about the ejection of Saddam's forces; Israel had struck its low profile solely in the belief that the United States would remove the Iraqi military threat. This was made clear to U.S. ambassador to Israel William Brown in a December 4 meeting with Foreign Minister Levy. It was as close as Israel could come to openly warning the administration not to make any deals with Saddam.

In an apparent attempt to placate Israel, whose goodwill was, after all, deemed essential to the American war effort, Bush announced at the end of November that he would meet with Shamir during the next month. After more than a year of virtually no personal contact between the two, the announcement was greeted with much satisfaction by the Prime Minister's Office in Jerusalem. Arriving in the United States, Shamir made Israel's position clearer: we will resist, he said, any appeasement of Iraq at our expense. On December 11, Bush met Shamir; the atmosphere was warmer than expected. The two agreed to put off any further dealings with the peace process. Shamir returned from the United States satisfied and expressing renewed support for the administration's policies toward the Gulf. The reason for Shamir's satisfaction was ultimately revealed: Bush had persuaded him that the United States would not cave in to Saddam.

In the first week of December, Iraq successfully carried out a launch of three El-Hussein modified Scud-B missiles, which military analysts said proved Baghdad's capability of reaching Israel. On December 22, reports surfaced in the foreign press about an Israeli test-launching of a surface-to-surface missile, presumably the Jeri-
cho 2, which reportedly had a far longer range than the Iraqi missiles and could carry sophisticated warheads. The reported Israeli launch was widely interpreted as a warning to Saddam.

On December 20, the massive American military presence in the area exacted a steep price. In the bay of Haifa, 20 American soldiers were drowned when their Israeli ferry, the Altuvia, capsized and overturned. American officials later expressed warm appreciation for Israeli rescue efforts.

On December 24, a senior army official said that war appeared to be in the offing; the Israel Defense Forces, he added, were in a state of preparedness appropriate for the eve of a war. The focus, once again, was on Jordan, and what was seen as the probability that King Hussein would be compelled to allow Iraqi forces to enter Jordanian territory or to allow the Iraqi Air Force access to Jordanian air space. On December 25, the newspaper Ha'aretz quoted Prime Minister Shamir as saying that the danger of war in the Gulf was “very imminent.” Shamir expressed grave concern about the possible necessity of Israeli action against Jordan.

CIVIL DEFENSE

Beginning with Saddam's first bellicose statements in April, the Israeli press had started to look into the state of the country's civil defense, particularly the question of whether or not the population should be universally supplied with gas masks. The defense establishment, including the defense minister and the army chief of staff, were opposed to mass distribution; the army had already made plans for a gradual distribution of the masks over a period of several years. In light of the intelligence assessment that the chances for a chemical attack on Israel were very low, the army saw no reason to change its assessment. The cabinet went along with the army's position.

In August, however, Foreign Minister Levy seemed more in tune with the public's apprehension and called for a cabinet review of the army's position. He was criticized for injecting his personal rivalry with Defense Minister Arens into a national security matter. Nonetheless, the inner cabinet then set up a special ministerial committee to review the question. For two months, the committee stuck to its previous position; then, in October, it abruptly reversed its position and opted for mass distribution. The decision emphasized as no other the government's calculated decision to risk an Iraqi missile strike against urban population centers, based on its reported promise to Washington not to launch a preemptive strike. At the same time, the government was forced to dispel speculation abroad about the significance of the distribution: Shamir made clear on October 7 that the decision on the gas masks was not indicative of any Israeli decision to attack.

The decision to distribute masks was also tinged with bitter irony: the decision was made public on the day of Germany's reunification. Memories of the Jewish people's previous experience with gas warfare, as well as modern Germany's assist-
ance in Iraq's chemical warfare effort, led caricaturist Ze'ev of Ha'aretz to portray a gas-mask-donning Israeli gazing in wonderment at a newspaper headline heralding the return of a united Germany. Military sources repeated their assessment that Iraq would not attack Israel with chemical weapons; nonetheless, the country's hospitals were preparing themselves to deal with hundreds of possible casualties from a chemical gas attack. Tourism, already down, dropped even further in the wake of the decision to distribute gas masks.

At the end of the year, it appeared that there would be no averting war. Last-minute efforts to arrange compromise talks between Secretary of State James Baker and his Iraqi counterpart, Tariq Aziz, caused some nervousness among policymakers in Jerusalem. Most Israelis seemed to share their government's sense of priorities; they wanted the United States to "take care" of the Iraqi menace. At the same time, most responded to the government's call to pick up their gas masks. Most kept them handy, just in case.

FOREIGN RELATIONS

Europe

Ever since the 1967 Six Day War, Israel's relations with Europe had been completely lopsided. Alongside cordial, if sometimes strained, diplomatic ties and expanding commercial links with Western Europe, Israel's relations with Eastern Europe were virtually nonexistent, with the notable exception of Romania. As part of the aftermath of the liberation of Eastern Europe in the wake of Mikhail Gorbachev's glasnost, and in light of increased Western European criticism of Israel's policies in the territories, 1990 saw the return of equilibrium. Relations with Eastern European countries began rapidly thawing; ties with Western Europe were noticeably cooling.

Hungarian foreign minister Gyula Horn visited Israel in the first week of January; diplomatic relations between Israel and Hungary had been renewed in September 1989, and in January the first Hungarian ambassador after the 23-year break submitted his credentials to President Herzog. A few days later, a diplomatic delegation from Czechoslovakia came to Israel to discuss the resumption of ties with Prague. An agreement was signed setting up direct air links between the two countries. On January 20, Finance Minister Shimon Peres visited Czechoslovakia and was informed that diplomatic ties would be renewed in February. This took place on February 9, during a visit by Foreign Minister Arens. In February as well, Israel and Poland resumed full diplomatic ties. In May, Bulgaria followed suit.

There were now full relations with all the former Eastern bloc countries, except the Soviet Union, East Germany, and Yugoslavia. The latter, concerned about the effect that a full resumption of ties with Israel would have on its good ties with the Arabs and its standing as a leader of the Third World, proposed that the links with
Israel be upgraded gradually, starting with consular ties. Israel rejected the offer, saying it would not agree to anything less than an immediate renewal of full ties at the ambassadorial level.

In January, Science Minister Ezer Weizman visited Moscow, after having been "sacked" by Prime Minister Shamir from the prestigious inner cabinet for alleged contacts with the PLO (see "Political Developments," below). Weizman's warm reception by the Soviet authorities was undoubtedly related to his dovish positions and his advocacy of an Israeli dialogue with the PLO. Soviet foreign minister Eduard Shevardnadze told Weizman of the Soviet intention to partially upgrade their relations with Israel and, in a quid pro quo, to allow the PLO to open a full-fledged embassy in Moscow; but only the second part of the deal was kept. In Moscow, Weizman signed an agreement for scientific cooperation between the two countries. The government in Jerusalem, meanwhile, was none too pleased with Weizman's trip to Moscow. Perhaps as a result of this displeasure, Foreign Minister Arens told a Knesset forum that "there is no reason to rush to meetings in the Soviet Union; its influence in the area is on the wane, anyway."

Relations between the two countries deteriorated in the wake of the Arab campaign against immigration to Israel and Prime Minister Shamir's statement of the need for a "large Israel for the large aliyah." The Soviet Union could not succumb to Arab pressure to curtail the immigration without risking a serious rupture of its ties with the West, which might imperil its much-needed financial assistance. What the Kremlin did is make much diplomatic and media noise, calling in the senior Israeli representative in Moscow, Arye Levin, for repeated protests about Israeli practices and policies, in general, and its alleged settlement of Soviet Jews in the territories, in particular. On February 19, Shevardnadze announced that the Soviet Union would not be renewing full links with Israel in the foreseeable future. He said that Israel had "complicated" the situation by settling Jews in the occupied territories. "This is an erroneous and irresponsible policy by Tel Aviv," he added.

Nonetheless, economic, tourist, and cultural ties were rapidly being forged. In March the Israel Philharmonic Orchestra went on a first, widely acclaimed, tour of the Soviet Union. The Kremlin also approved, for the first time, the stationing in Moscow of a permanent reporter of the state-owned Israel Broadcasting Authority.

In September, Housing Minister Ariel Sharon visited Moscow to explore Soviet ability to provide Israel with prefab housing for new immigrants. Several days later, President Gorbachev himself entertained two Israeli ministers in a two-hour discussion. Ministers Yitzhak Modai and Yuval Ne'eeman said later that the discussion centered around grand visions for future economic cooperation between the two countries, although these were greeted with some skepticism in Jerusalem.

Relations with the Soviet Union were maintained throughout the year at consular level, first established in 1987. The Soviets allowed only six diplomats to serve in the Israeli "consular mission" in Moscow, creating an unbearable workload for the mission, which had to deal with the issuing of hundreds of thousands of visas to Soviet Jews who wished to emigrate to Israel. By the end of the year, following a
meeting at the UN between Foreign Ministers Levy and Shevardnadze, the Soviets did allow Israel for the first time to raise the Israeli flag in Moscow. The Israeli consular mission would no longer be formally attached to the Dutch embassy in Moscow but could henceforth function independently. Following a subsequent meeting in December with Prime Minister Shamir, Shevardnadze announced that the Kremlin was no longer attaching any preconditions to the establishment of full relations with Israel, thus dropping the traditional Soviet position that Israel must first agree to attend the Soviet-proposed international conference. Shevardnadze added, however, that the “time is not right yet” for full relations to be resumed.

East Germany made no secret of its wish to establish ties with Israel (the two countries had never had formal ties). On January 28, officials from both countries met in Copenhagen to discuss the matter. Israel demanded, as a precondition to signing an agreement, that East Germany recognize its historic responsibility for crimes committed against the Jewish people by the Nazis and agree in principle to pay compensation to Nazi victims. Israel claimed about 1.5 billion Deutsche marks in compensation, based on the 1953 reparations agreement with West Germany, which had declined at the time to pay a third “owed” by East Germany.

In February, East German prime minister Hans Modrow wrote World Jewish Congress president Edgar Bronfman that his country recognized its historic responsibility for the Holocaust and was willing to give “material compensation” to Nazi war victims. The Copenhagen talks convened again in March; in April, the first non-Communist East German government officially asked the Jewish people for forgiveness for Holocaust crimes. In May, Foreign Minister Arens told the Knesset that Israel had also demanded of East Germany that it express support for the repeal of the 1975 UN “Zionism is racism” resolution and that it introduce study of the Holocaust into all East German schools.

Talks with East Germany were discontinued after unification. The reunification of Germany presented a special diplomatic dilemma for Israel. Foreign Minister Arens angered many in Israel when he declared that German reunification was “inevitable” and therefore not worth resisting. Two other matters were prominent on the Israeli-German agenda: German assistance to the Iraqi chemical-warfare complex, and Israel’s request for financial assistance for the new immigration, which in Israel’s view was also tied in with East Germany’s outstanding debt on reparations for Nazi war crimes. By year’s end, there was as yet no reply from the Germans on this matter.

There were some diplomatic breakthroughs with Western European countries as well. Arens, on a first-ever visit to Portugal, in January, concluded that Portugal would send a resident ambassador to Israel. Following a change of regime in Athens, Greece announced that it would henceforth recognize Israel de jure as well as de facto and would set up full diplomatic ties with Israel.

However, Israel’s overall political links with the European Community (EC) suffered as a result of the stalemate in the peace process and European criticism of Israel’s policies toward the Palestinians. In January, the European Parliament tem-
porarily suspended scientific ties between the EC and Israel; the EC also rejected an Israeli request for enhanced cooperation in the sphere of energy. In February it was reported that the EC would refrain from concluding new agreements with Israel or from holding high-level visits to the country, because of the situation in the territories. (By the end of the year, in the wake of Israel's revived standing as a result of the Gulf crisis, these sanctions were dropped.)

In June, following the establishment of a new, Likud-led narrow government, relations with the EC continued to deteriorate. A statement issued following an EC summit meeting in London, in June, roundly condemned Israel's behavior in the territories. In July the “troika” of EC foreign ministers, led by the Italian Gianni De Michelis, visited Jerusalem to meet with new foreign minister David Levy. The three warned that relations between Israel and the EC would deteriorate even further unless progress was achieved in the peace process.

Africa and Asia

In January Israel reopened its embassy in Ethiopia. Relations with the Mengistu regime, which was reviled in Washington, were extremely sensitive. The Ethiopian tyrant demanded military assistance, which the United States opposed vehemently. Mengistu, however, held the keys to the exits from Ethiopia, through which Israel wished to see pass the over 15,000 Jews who remained in the country. Jerusalem refused Mengistu’s request for outright weaponry, agreeing to send him essentially nonmilitary supplies and to lobby on his behalf in Washington. Immigration from Ethiopia was renewed, then stopped, then renewed again.

In March, Sri Lanka closed down the Israeli interests office there, following the election of an Islamic candidate to the post of prime minister. Relations with China continued to develop slowly, following the 1989 decision to open an Israeli academic center in Beijing and a Chinese tourist center in Tel Aviv. In June, former defense minister Yitzhak Rabin offered a glimpse into the level of military cooperation between the two countries, which was widely reported in the foreign press but censored in Israel. Rabin confirmed that Israel had transferred to China avionic technology of the Lavie fighter, the Israeli-made jet which was scrapped a few years earlier.

DOMESTIC AFFAIRS

Political Developments

On March 15, Prime Minister Yitzhak Shamir’s government fell in a vote of no-confidence in the Knesset; it was the first time in the country's history that the parliament voted a government out of power.

During the subsequent 37 days, Labor leader Shimon Peres tried to put together
an alternative government, but failed. Then it was Shamir's turn: he spent another 42 days before establishing a coalition comprising his own Likud, parties to its right, and the religious parties. These 87 days of protracted political horse-trading exposed the Israeli political system at its worst. The reason for the political stalemate: the distribution of forces in the Knesset between the two major blocs, Labor and Likud, was split right down the middle. With 60 members of the Knesset pledging their loyalty to each side, any single member of the Knesset could make a coalition by giving it the redeeming 61st vote. For some MKs, this was an opportunity of a lifetime; never had they been the objects of such ardent courtship by the major political leaders. The stalemate was also a godsend for the religious parties; never before had the big secular parties agreed to such far-reaching concessions in exchange for their support. Hitherto obscure rabbis, who proudly proclaimed their antipathy toward the very existence of a modern and secular Jewish state, emerged as political kingmakers; by their word, coalitions were born, and at their whim, the same coalitions promptly died. The largely secular public woke up to find that their system of government had been hijacked by a small group of aged religious zealots.

The result was an unprecedented crisis of confidence between the public and its leaders. Respect for politicians reached an all-time low; many were subjected to insults and abuse and occasional threats on their lives. The public's disenchantment also gave birth to the first apolitical grass-roots mass protest movement in the country's history: the movement for changing the electoral system.

THE WEIZMAN AFFAIR

On December 31, 1989, Prime Minister Yitzhak Shamir dismissed Science Minister Ezer Weizman from the cabinet. Shamir accused Weizman, the flamboyant former Likudnik and former air force commander, of breaking the law and working against the interests of the state by holding a series of meetings with PLO officials in Europe during the summer of 1989. Weizman at first denied the charges; Shamir claimed that he had intelligence reports to prove them. Weizman later admitted to having had indirect contacts with the PLO, aimed at prodding the organization not to reject the American peace initiatives.

The Labor party rejected the legitimacy of Shamir's move and threatened to bring down the government—this, without condoning Weizman's meetings with the PLO. Ultimately, a few hours before Shamir's letter of dismissal to Weizman was to take effect, a compromise was worked out between Labor's defense minister Rabin and the Likud's justice minister Meridor. Weizman would be allowed to retain his post as a minister, but would be barred from membership in the inner cabinet for a period of 18 months. (A subsequent police investigation recommended that no action be taken against Weizman for allegedly violating the law banning contacts with the PLO.)

The crisis was over, but it signaled the fragile condition of the national unity
government. Inside the Labor party, the doves attacked the party leadership, especially Rabin, for having capitulated to Shamir. Shamir, in turn, was attacked by his opponents inside the Likud, for capitulating to Labor. It was widely assumed that Shamir had agreed to take back his dismissal because of reports that Labor had concluded secret agreements with some ultra-Orthodox religious parties, which would have allowed it to set up an alternative Labor-led government had the national unity government fallen.

Shamir's "capitulation" on the Weizman affair gave valuable ammunition to his internal opposition, led by the three so-called constraints ministers—Ariel Sharon, Yitzhak Modai, and David Levy. The three had hounded Shamir for his "concessions" in the government's peace initiative of May 1989; they were on the warpath once again, as the government faced the need to make final decisions concerning the makeup of the Palestinian delegation to peace talks. Throughout January, the two camps traded harsher and harsher accusations: Shamir said that Sharon's only purpose was to "divide, obstruct, destroy"; Sharon replied that under Shamir, the Likud had turned into a "pseudo-Labor party." Modai warned that "if Shamir will enter our line of fire, he will be committing suicide." Levy, commenting on the Weizman affair, said that Shamir's government "is not functioning—on any level."

On February 12, the Likud party gathered for what came to be known as the "convention of two microphones." Sharon dropped a bombshell: without any prior warning, even to his fellow "constraints ministers," he announced his resignation, saying that under Shamir's leadership, "the Palestinian terror is running wild, Jewish lives have been abandoned." Shamir then delivered his speech, and, without warning Sharon in advance, asked the convention to approve his policies. At that moment, Sharon stood up and grabbed a second microphone. "Who is in favor of my proposal?" cried Shamir at the exact same moment that Sharon was asking the delegates, "Who is in favor of the eradication of terror?" Most of the delegates raised their hands; Shamir declared victory and left the podium, followed by most of the Likud ministers. Sharon and his colleagues remained, claiming that the victory was theirs. The Likud was close to an open split.

An ironic postscript: in the wake of the government's fall, in March, there were calls for Shamir's resignation, both from Levy and from within the Shamir camp itself. At a critical moment, Sharon expressed support for Shamir's continued leadership, and the attempted "putsch" collapsed. A month earlier Sharon had resigned over Shamir's alleged lack of leadership; now he was salvaging it. When the new government was constituted, the constraints ministers disbanded: Sharon was rewarded for his unexpected loyalty by being appointed housing minister and czar of the absorption process; Levy, now foreign minister, turned into the most moderate of the Likud ministers; Modai indeed split from the Likud on February 28, setting up his own four-member party "For the Advancement of the Zionist Idea."
Only 48 hours before the eruption of the coalition crisis on March 15, the government enjoyed an overwhelming majority in parliament. No less than 92 members out of 120 belonged to the second national unity government, set up following the November 1988 elections. Only 28 members of the Knesset were in the opposition, 16 to the left of the government, 7 to the right, and 5 from the Orthodox religious bloc. The coalition itself consisted of 36 Likud members, 4 members of the Likud splinter led by Minister Yitzhak Modai, 39 Labor members, and another 13 members of the religious parties.

On February 21, three weeks before the eventual fall of the government, Peres and Labor had presented Shamir and the government with an ultimatum: bring the Baker question to a vote in the cabinet, or face the dissolution of the national unity coalition. To underscore the seriousness of its threat, Labor offered a motion of no-confidence in the government (in which it was still a partner) in the Knesset. As Shamir and his Likud colleagues pondered the proper response to the Labor ultimatum, Peres himself made no secret of the fact that his party's threat packed a wallop. According to Labor's calculations, if the government should fall, it would be the party to set up the next government. Labor's 39 members and the 16 members of the Left totaled 55; the 5-member ultra-Orthodox Agudat Israel party was in the opposition and made no secret of its animosity toward Shamir; another 8 ultra-Orthodox members of the coalition, from the Shas and Degel Hatorah parties, were subservient to rabbis with clearly dovish views. Thus, Labor could presumably muster a strong 68-member coalition with relative ease.

For Shamir, there were no good options. He could either cave in to Labor's demand and the American position and agree to the inclusion of East Jerusalemites and deported Palestinians in the delegation to peace talks; or he could refuse and face almost certain relegation to the opposition. Shamir believed that a yes answer to the Baker question was tantamount to an Israeli agreement to negotiate with the PLO; but he was also aware that a Labor-led government would agree to the Baker question, and more. In the days following the Labor ultimatum, reports in the press suggested that rather than lose his post, Shamir intended to give Baker a positive response. Thus, a February 26 appearance by the prime minister in the Knesset's Defense and Foreign Affairs Committee was marked by some interesting reversals of positions: Shamir's usually staunch ideological opponents on the Left treated him with gentle deference, while MK Geula Cohen—a leader of the far-Right opposition Tehiya party and Shamir's colleague in the prestate underground Lehi movement—told the prime minister that it was "embarrassing" to see him in such a state. The usually taciturn prime minister replied in a most unparliamentary manner, indicative of the pressures taxing him: Cohen, he said, was "a lunatic."

On March 3, as the Labor ultimatum was nearing its deadline, the forum of Likud ministers met to discuss the party's attitude toward the Baker question. On that issue they reached no decision; however, they did come up with new demands for
Labor: before bringing the Baker question to a formal vote in the cabinet, the Likud insisted that Labor undertake to agree to new elections in case of an eventual fall of the government. This was intended to prevent Peres from using the same tactic—the threat to set up an alternative coalition—if and when an Israeli-Palestinian dialogue ever got under way.

The Likud added another preliminary condition to the cabinet vote: any Israeli delegation to peace talks, the Likud ministers declared, had to be able to speak “with one voice.” Specifically, Labor had to agree in advance that East Jerusalemites would not be allowed to vote in the proposed elections in the territories and undertake not to allow the PLO any role at any stage of the peace process. Labor’s defense minister Yitzhak Rabin, who did not share Peres’s enthusiasm for an alternative narrow coalition, nonetheless labeled the Likud demands “hutzpah.” In practical terms, the Likud had rejected the Baker formula.

On March 6, the Labor ministers rejected the Likud’s demands and reiterated their request for an immediate cabinet session to discuss and decide on the Baker question. The next day, the government’s highest decision-making forum, the inner cabinet, in which Labor and Likud enjoyed a parity of six ministers each, met to discuss the Baker question. Shamir, however, refused to allow a vote. He did make clear what he thought of Labor’s latest demands: the PLO, he said, is constantly getting weaker. Its only source of strength is the attitude of the Israeli Labor party.

Peres understood Shamir’s procrastination, as well as the Likud “preconditions,” as a clear sign that Shamir had no intention of saying yes to Baker. In a television appearance following the inconclusive inner cabinet meeting, he said that “the Likud has decided to bring an end to the national unity government, and with it to the peace process itself.” Likud, for its part, launched a series of clandestine contacts with the religious parties aimed at preventing Peres from setting up an alternative narrow coalition. The next day, March 8, Shamir responded to Peres by confirming his suspicions. In a press conference in the north, the prime minister said, “When I am talked to by ultimatums, I turn deaf.” Shamir added that “since the establishment of the national unity government, Peres has been counting the days to its demise.”

On Sunday, March 11, the inner cabinet met again; again, Shamir refused to bring the Baker question to a vote. The Labor ministers, realizing Shamir’s adamance, left the meeting before it was formally closed. The crisis was clearly coming to a head. Peres convened Labor’s Central Committee, which had to approve any effort to bring down the government, and the committee unanimously approved Peres’s formulation of the issue: “The Likud’s refusal to decide on matters which are crucial to progress in the peace process has effectively eliminated the prospects for its advancement.” The committee, therefore, authorized Labor’s contingent in the Knesset to take the “appropriate parliamentary measures.”

On Tuesday, March 13, Shamir precipitated the crisis by dismissing Peres. He did so in order to avert a situation mandated by Israeli law, which prevents cabinet ministers from entering or leaving a transitional government. If the government
falls, it automatically becomes such a transitional government. Thus, Shamir de-
cided to dismiss Peres—knowing full well that his Labor colleagues would have no
choice but to resign in the wake of the dismissal—so that Labor would not be
"trapped" inside the government. If this government was destined to fall, Shamir
reasoned, it should at least not be burdened by the presence of his Labor rivals.

In his official letter dismissing Peres, Shamir charged that the Labor leader had
"worked toward the dismantling of the national unity government and had under-
mined its very existence. He [Peres] accuses the government, unjustly, that it is not
working for the advancement of peace, which is its main raison d'êt"er, and therefore
it does not have the right to exist. I say these things with the deepest pain, since
I have invested considerably in the establishment and continued existence of the
national unity government. I believed, as I continue to believe today, that our
situation in these times mandates the existence and the policy of such a government.
But subversion against the essence of the national unity government is damaging to
the interests of both the people and the state."

Shamir’s move surprised the Labor ministers, who until then were calling the
shots in the developing government crisis. Their stinging remarks in this, the last
meeting of the national unity government, reflected their chagrin. Minister Rafi Edri
described Shamir’s move as “antidemocratic”; Communications Minister Gad
Yaakobi accused Shamir of “dividing the nation and causing severe harm to the
country.” Political science professor Yitzhak Galnoor, a supporter of the Left, said
that Shamir was simply diverting the public agenda away from the external dilemma
of the Baker question to the internal political arena.

Peres’s dismissal and the resignations of his colleagues were due to take effect 48
hours after the formal submission of the dismissal and resignation letters. Seeking
to counter Shamir’s designs, and indeed to “trap” its ministers inside the transitional
government, Labor sought to force the Knesset to vote on its motion of no-confi-
dence earlier than planned; the party even appealed to the High Court of Justice
for this purpose, but to no avail.

Several attempts were made to seek a compromise with Shamir, but these too
failed. On the morning of March 15, it appeared that there was no avoiding the vote
on the no-confidence motion, but the results were far from certain. Labor appeared
to have 60 definite votes: 55 of its own and the leftist bloc, and an additional five
of Agudat Israel. It was not clear where the clinching 61st vote would come from.

Before the Knesset started its debate, a last-ditch mediation effort was made.
Rabbi Ovadia Yosef, a former Sephardic chief rabbi and spiritual leader of the
ultra-Orthodox, Sephardic Shas party, decided to intervene—the first such action
by a supposedly nonpolitical religious leader. Israelis, who were anxiously following
the drama on live television, were dismayed to see Labor leader Peres, and then the
prime minister himself, leave the Knesset building to go to Rabbi Yosef’s residence
in another Jerusalem neighborhood.

Yosef proposed a five-point compromise: revocation of Peres’s dismissal, post-
ponement of the no-confidence vote, a convening of the cabinet within a week, and
a positive answer to Baker, coupled with a reaffirmation of Israel's commitment to the indivisibility of Jerusalem and the nonparticipation of the PLO in the peace process. Peres agreed and signed the compromise agreement. Shamir, however, refused to commit himself to a positive reply to Baker; he agreed only to say that the cabinet would “decide” on the Baker question; and not within a week, but within two weeks. Before giving his final negative reply to Rabbi Yosef, Shamir decided to submit the matter to a vote among the ten Likud ministers. Seven Likud ministers voted in favor of the compromise. Shamir, however, disregarded the clear majority.

In later days it would emerge that Labor and Shas's political leader, Interior Minister Arye Deri, were in complete coordination; for weeks, Deri had expressed support for a positive answer to Baker. It was clear to Peres that Shamir would not agree to the rabbi's compromise. It was also clear to Peres that he himself would have to affix his name to the rabbi's offer, if he indeed wished to bring the government down. It was Shas which ultimately defected from the ranks of the coalition and ended the reign of the national unity government.

On March 15, the Knesset passed a no-confidence motion, 60-55. Rabbi Yosef had instructed the six members of Shas not to participate in the vote, but one of the six, Minister Yitzhak Peretz, refused to comply. (In actuality, Peretz was much more in tune with the sentiments of the voters who had put Shas in the Knesset in the first place than the venerated rabbi.) On the following Sunday, Yosef appeared on national television, in an unprecedented nine-minute interview on the prime-time news show Mabat. He explained that he had ordered Shas not to provide the votes which would have saved Shamir's government, because “a narrow right-wing government would have led to war.... If we would have had such a government, which relies on the extreme right, who shout morning and night 'not an inch,' this would mean that we do not want peace; this is what the nations of the world would believe.”

It was strong stuff, especially in light of the fact that Rabbi Yosef was the spiritual leader of hundreds of thousands of Oriental Israelis who were traditionally considered to be supporters of the Likud and even “Arab-haters.”

FORMING A NEW GOVERNMENT

In accordance with Israeli law, on Sunday, March 18, President Chaim Herzog opened a series of consultations with all the parties in the Knesset, to determine which candidate had the best chance of forming a new government. Labor's bloc of 60, including Agudat Israel, recommended that Peres be given the job. Surprisingly, the same number of Knesset members expressed support for Shamir. The five members of Shas, who only three days earlier had brought down the government, told Herzog that “someone from the Likud” should form the next government, since the party could not bring itself to support Peres outright. In a statement issued from the President's House, Herzog said that despite the 60-60 tie, he believed Peres had
“the best and most reasonable chance” to set up a new government. Herzog based his decision on two factors. First, Labor was the largest party in the Knesset (by virtue of Modai’s split from the Likud); second, Herzog maintained that if a certain government policy is defeated in a no-confidence motion in the Knesset, the opposing point of view should be “given a chance.”

The Likud did not take kindly to Herzog’s decision; their criticism, however, was muted, in light of the general deference accorded the president’s position by the public. The Likud did, however, launch its campaign against Peres’s efforts; what Israel is facing, the Likud stated, is a government that will be based on “anti-Zionist and pro-fascist” parties.

Peres, meanwhile, was exuberant with confidence. On March 17, the daily David reported that, in a conversation with World Jewish Congress president Edgar Bronfman, held weeks before the government fell, Peres boasted that he had 72 Knesset members. Peres himself said in a public appearance that he would set up a coalition that would enjoy the support of at least 70 members of the Knesset. On March 21, Peres launched a series of intensive negotiations with all his potential coalition partners, including Modai’s previously Likud-linked party For the Advancement of the Zionist Idea. After the first round of talks, however, it was clear that Peres’s path to the prime ministership would be more difficult than envisioned in his public statements.

**ENTER THE RABBIS**

Apart from the Likud leanings of its supporters, another significant reason for Shas’s equivocating position in its consultations with the president was to be found in the person of 95-year-old Rabbi Eliezer Schach, of B’nei B’rak, leader of the so-called “Lithuanian,” non-Hassidic branch of the ultra-Orthodox. Though himself an Ashkenazi, Schach exerted crucial influence on Shas. Many of the party’s political and religious leaders had been educated in his own Poniewez Yeshivah in B’nei B’rak. It was Schach who originally set up Shas as a Sephardi splinter of Agudat Israel before the 1984 elections and installed Rabbi Yosef as its titular spiritual leader. In 1988 he promoted another Ashkenazi party, Degel Hatorah, which gained two Knesset seats. All in all, Schach had direct and indirect control of eight crucial Knesset members.

The rabbi was none too happy with Rabbi Yosef’s newfound independence and, in the wake of Yosef’s controversial television appearance, ultra-Orthodox circles were rife with rumors about Schach’s displeasure with Yosef. Schach’s arch-enemy, whom he frequently depicted as a dangerous “false messiah,” was Rabbi M.M. Schneerson, the Lubavitcher Rebbe of Brooklyn. In its essence, the rivalry between Schach and the Lubavitcher dated back to 19th-century Eastern Europe and the fierce rivalry, indeed schism, between Hassidism—represented in modern times by the Lubavitcher—and the “mitnagdim,” of whom Schach was today’s most promi-
nent rabbi. In the 1988 elections, the Lubavitcher, who had always been very influential in Agudat Israel, openly pitched his strong Chabad movement behind that party, a move which earned the Agudah an additional couple of seats in the Knesset, at the very least. As a result, if the arch-rival Agudat Yisrael were in favor of Labor, Schach would be in favor of Likud. This, despite the fact that Schach had frequently expressed extremely dovish views, including a willingness to return all the territories captured in the 1967 Six Day War. Thus, Degel Hatorah opted for Shamir in their deliberations with Herzog, and Shas would never again support Labor in the open.

When President Herzog asked Peres to try and form a government, Rabbi Schach reacted by warning Shas that if it joined a Peres government, he would split the party in two. Shas leader Arye Deri, who as early as January had promised Peres that his party would support a Labor-led government, now refused even to enter into coalition negotiations with him.

On March 26, Schach spelled out the ideological underpinnings for his position, in a landmark speech delivered before 10,000 fervent followers at a Tel Aviv basketball arena. The speech, which was televised nationally, was to prove a watershed event in relations between the secular and religious in Israel. Most of the public had never seen Schach before; the overwhelming majority also could not understand a word he said, since the rabbi chose to speak in Yiddish. All in all, it was a surrealistic spectacle: the entire country glued to their television sets, in prime time, watching an indecipherable rabbi arouse thousands of black-garbed adherents to wild enthusiasm. Though many did not understand the language, the message was clear: Schach had declared war on the Labor movement in general, and on its most precious jewel, the kibbutzim, in particular. “The kibbutzim don’t know what Yom Kippur is, what is Shabbes, what is the mikve; they raise forbidden pigs and rabbits. One kibbutz member told me that he did not know what ‘Shma Yisrael’ was; another that she was afraid to enter a synagogue. Is this a Jew? Labor has severed itself from the Torah, from the Sabbath, from the past; they believe in a new Torah.”

Schach’s diatribe shocked the nation, and the Labor movement in particular. Throughout the ensuing weeks, fierce counterattacks were launched against Schach and the entire ultra-Orthodox community, centering on the fact that yeshivah students did not serve in the army, while the kibbutzim had suffered enormous casualties in Israel’s wars, out of all proportion to their share of the population. A veritable kulturkampf was launched; relations between religious and secular sank to an all-time low. The term “Khomeinism” was used to describe Schach and his message. Even the president was embroiled. Herzog mildly criticized Schach in a weekly radio address, and ultra-Orthodox politicians responded by calling for his resignation.

A poll released in early May revealed where the public’s sentiments lay: over 60 percent opted for a revocation of the “Orthodox monopoly” in Israel.
THE FALSE GOVERNMENT

On the immediate political level, Schach's speech took all the wind out of Labor’s sails. Many in the party said on the day following the speech that Labor should give up the effort to form a new government and should seek early elections instead. It was now clear that the Ashkenazi Degel Hatorah party would never join a coalition with Labor; indeed, several days earlier the party had already concluded a secret agreement with the Likud. More significant, however, was the fact that Rabbi Yosef, who also spoke at the basketball arena, had backtracked completely from his previous support for Labor. “He is the leader, and we shall always walk hand in hand,” Yosef said of Schach. This meant that the five members of Shas were now also out of Peres’s reach. Now that it was stuck with its basic 60 supporters, Labor reached out for “defectors” from within the Likud itself, and another shameful chapter in the coalition negotiations was launched. On April 3, Peres told surprised and skeptical journalists that he had a majority of 61 members of the Knesset. For 24 hours, the political community and the press scanned the entire political spectrum for the extra Knesset member to whom Peres was referring. After a day, the search was over: the 61st vote was that of Avraham Sharir, a member of the Liberal branch of the Likud party.

Sharir had held two portfolios in the first national unity government, justice and tourism, and had managed to become one of the most unpopular politicians in the country. When Shamir announced the Likud lineup of ministers for the second unity government, Sharir’s name was not on the list. The decision gained Shamir rare accolades from both sides of the political arena, but Sharir swore revenge. Peres’s effort to set up a government gave him his chance: he signed a secret deal with Peres that would give him a cabinet portfolio in a Labor-led government and ensure his inclusion in the Labor list for the next Knesset.

The parties to Labor’s left were not happy with Peres’s contract with Sharir, the “defector,” a title that quickly stuck to him. (In a country that sanctifies army service, the word “defector” carries an especially negative connotation.) The leftist parties said that they would refrain from joining the Labor coalition for as long as its majority was based solely on a “defector.” They did, however, pledge to support Peres’s government “from the outside,” explaining that they would not block the establishment of a “coalition of peace.”

The same day, Peres shored up his coalition by signing a formal agreement with the five-member Agudat Israel party. Now armed with the support of the necessary 61 Knesset members, Peres informed the president that he had succeeded in setting up a government. A special Knesset meeting to approve his new government was set up for Tuesday, April 10. In an interview with a French weekly, Peres already spoke of his new government’s policy: the first thing we will do, he said, will be to convene the Cairo dialogue with the Palestinians.

On Monday, April 9, the Labor Central Committee met to approve Peres’s list of 11 Labor ministers for the new government. Peres tried to dispel persistent
rumors that all was not well among the five supposed supporters from Agudat Israel by saying that “61 Knesset members are signed, and I am convinced that they will keep their word.” The new government’s guidelines stated that it would reply positively to Baker’s question. The committee approved Peres’s plans; the atmosphere was one of foreboding, however, not jubilation.

The next day, at 9:00 A.M., 120 members of the Knesset came to hear Peres present his government. Peres never appeared. Overnight, his majority of 61 had become a minority of 59. Two members of Agudat Israel had “defected.” One, Avraham Verdiger, tendered his resignation from the Knesset. The other, Eliezer Mizrahi, left Agudat Israel to set up his own single-member list. Both said that, as supporters of the Greater Land of Israel and opponents of any territorial concessions, they could not support a coalition that was dependent on the votes of pro-PLO Arabs and anti-Zionist elements such as the Israel Communist party. More importantly, both were also adherents of the Lubavitcher Rebbe, who forbade them to support such a coalition. Once again, a rabbi had interceded against Peres, and this one didn’t even live in Israel. Several days later, the Lubavitcher gave a rare interview to Israel television: The messiah is coming, he said, but until he gets here, we should continue in Shamir’s way.

PERES’S SECOND CHANCE

On the afternoon of this hitherto unheard-of parliamentary fiasco, President Herzog extended Peres’s deadline for forming a coalition by another 15 days. Once again, the Likud was furious, but this time some of the party’s more radical members did not hold their tongues. Zahi Hanegbi, a young Likud firebrand, said that Herzog had acted like a “minor political functionary” and called on the president to resign immediately. The Likud Knesset caucus asked the president to “reconsider” his mistaken decision. Privately, enraged Likud members charged that Herzog’s agreement to give Peres another 15 days was a result of cronyism—the two men’s common political past as well as repayment by the president for Peres’s help in electing him to his post. Never before had such accusations been leveled at a president, not even posthumously. The President’s House reacted by issuing a statement explaining that Herzog’s decision was based on a firm commitment given to him by the Agudat Israel party, which pledged to “deliver” five Knesset members to support Peres—even if they had to replace the two “rebels.” Herzog, the statement read, had been subjected to “stark pressures and ugly threats.”

For the next 15 days, Peres tried every available avenue, but his efforts were directed chiefly at two targets: another attempt to persuade Rabbi Ovadia Yosef to allow Shas to support his government and the Likud splinter group led by Yitzhak Modai. Rabbi Yosef rebuffed Peres’s advances but he met frequently with both Peres and Shamir, trying to persuade the two to reconstitute the national unity government. Both refused to commit themselves to such a possibility, but refrained from
rejecting the rabbi’s plea outright. In any case, Rabbi Yosef made clear that he could not order Shas to support a Labor-led government.

In the meantime, the Agudah’s Verdiger retracted his resignation from the Knesset. Under pressure from the Agudah’s governing body of rabbis, the Council of Torah Sages, he announced that he was now willing to support Labor, in exchange for a commitment from Peres that before any territorial concessions were made, new elections would be called. Peres moved up once again from 59 to 60 seats.

His last chance lay with Modai and his four-member movement For the Advancement of the Zionist Idea. On April 14, the Likud had signed a controversial agreement with Modai, pledging to guarantee the reelection of its four members in the next elections. On April 19, the Likud Central Committee met to approve the agreement, but its concessions to a “defector” aroused widespread resentment. Binyamin Zeev Begin, the former prime minister’s son, made a strong impression with an impassioned appeal against the agreement, but party leader Shamir made clear that rejection of the agreement would ensure Peres’s becoming the next prime minister. The Central Committee concurred and ratified the agreement with Modai. Shamir even called on the “defector” Avraham Sharir to return to the Likud ranks. “Abrasha, come home,” he cried, using the disgraced politician’s nickname. Sharir, by this time, was in hiding. Enraged Likud supporters hounded him around the clock, demanding that he revoke his agreement with Labor.

On April 25, during the last 24 hours before the period given to Peres expired, Labor had two last gasps of hope. A rabbinical court in Jerusalem ordered Eliezer Mizrahi, the last Agudah refusenik, to support Peres’s government. Mizrahi, however, was nowhere to be found. He too was in hiding. It was left to Modai to maintain the drama until the very last minute. Modai had been one of the three so-called constraints ministers who had plagued Shamir from the Likud’s extreme right flanks. Now he was conducting negotiations with Labor. He made clear that he did not believe that the Likud would adhere to the agreement signed with him, despite its approval by the party’s Central Committee. Three hours before Peres’s term expired, Modai appeared on the nightly Mabat television program. After several minutes of avoiding the interviewers’ questions, he finally announced, with the semblance of a smile, that he would not support Peres. Thus, after 39 fruitless days, the mandate to set up a government was transferred by Herzog from Peres to Shamir.

SHAMIR’S 42 DAYS

On April 27, Shamir showed that he could be just as overconfident as Peres. “I will set up a narrow coalition very quickly,” he said. Negotiations with his potential coalition partners started off under an auspicious sign: the “defector” Sharir had now changed his mind and was “returning home” to the Likud. Sharir, who was by now the most reviled politician in Israel, said that he had posed no conditions
for his return. "You don't make agreements with your own home," he told supporters in Tel Aviv.

Then Shamir's efforts hit a snag. Both the National Religious party and Rabbi Ovadia Yosef, expressing apprehension at the establishment of an "extreme right-wing government," announced that they would make a last-ditch effort to reconstitute a national unity government. For more than ten days, both Shas and the NRP refused to enter substantive discussions with Shamir. By the time they had changed their minds, Shamir's first 21 days were over. Throughout this period, Shamir had conducted few meetings with his potential coalition partners. Unlike Peres, Shamir proceeded at a snail's pace; his advisers, unlike Peres's, did not swamp the press with supposedly new information every day. Although Shamir's caretaker government had already been in power for 60 days, and despite the fact that the political stalemate continued unresolved, the general atmosphere in the country calmed down.

Shamir's potential coalition partners, as well as senior members of the Likud, were starting to get suspicious. Shamir, they now thought, was only putting on a show of conducting serious negotiations. His real aim, they believed, was to use up his 21-day extension and then lead the country to new elections. On June 3, Ariel Sharon called a press conference in Tel Aviv and made his suspicions clear. Shamir, he said, had the pledged support of 61 Knesset members, and "if Shimon Peres had 61 members in the same situation, he would have established a government a long time ago." The Prime Minister's Office announced a few days later that indeed, Shamir now enjoyed the support of 61; but the political community continued to be skeptical of Shamir's ultimate designs.

Now it was the Likud's turn to produce a rabbit from the hat, its own version of the defecting Sharir: MK Efraim Gur of the Labor party. Gur, born in Georgia in the Soviet Union, was the first Soviet immigrant to be elected to the Knesset. Since the downfall of the government, there were persistent rumors of his contacts with the Likud. On April 9, he described these rumors as "cheap gossip." Several weeks later he termed them "an insult." On June 4, he categorically denied any intentions of crossing the political lines. Two days later, he acknowledged signing an agreement with the rival party: he would be appointed a deputy minister in a Likud government; his reelection would be assured; he would even be allowed to appoint 30 members to the Likud Central Committee.

Shamir's task now was formidable. He had to appease three parties to the right of the Likud (Tehiya, Moledet, Tzomet) that opposed the Camp David accords and the government's initiative of May 1989; he had to negotiate with the politicians of Shas, who were committed to a coalition with the Likud but secretly yearned for a Labor-led government or at least a return to the national unity government; he had to deal with four individual Knesset members who were no longer connected to any previously existing party; and he had to reconcile the contradictory ambitions of many of his own Likud members, who saw the narrow coalition, with the attractive portfolios vacated by Labor, as a golden opportunity for political advancement.
Shamir's main gambits were obfuscation and brinkmanship; unlike Peres, who clearly sought a narrow Labor government, Shamir behaved as if it made no difference to him whether he succeeded in setting up a new government, or whether the country faced new elections less than two years after the previous ones, or whether a new national unity government was set up. He postponed the clinching meetings with his potential partners until the very last minute, when there was no time left for bluff and tactics. On June 8, he signed a coalition agreement with 60 members of the Knesset; when Rehavam Zeevi's Moledet party promised to support the government from the outside, Shamir was assured of the support of 62 members of the Knesset. His government comprised the Likud faction—36 (including reformed defector Sharir); the Modai faction—4; the National Religious party—5; Shas—5; Degel Hatorah—2; Tehiya—3; Tzomet—2; and three individuals (Shas resigner Yitzhak Peretz; Labor defector Efraim Gur; and Agudah rebel Eliezer Mizrahi). Nearly half the members of the new government were either ministers (20) or deputy ministers (9). The coalition undertook to curtail abortions, abolish pork growing, and ban "lewd" advertisements. Judging by its makeup, the Shamir coalition was definitely the most right-wing in Israel's history. The Arab world reacted with horror, Yasir Arafat and Hafez al-Assad describing it as a "cabinet of war."

On June 11, the Knesset convened to approve Shamir's government. At the last minute, it looked as if there would be a replay of Peres's debacle of April 10. Shas suddenly threatened not to vote for the proposed coalition. The reason: police investigators had conducted a search at the offices of Interior Minister Deri, who was under investigation for alleged mismanagement of government funds. After a flurry of contacts with Rabbi Yosef, the crisis was resolved. In the end, 62 Knesset members voted for Shamir's coalition; 57 opposed it, and there was one abstention. Many Israelis had misgivings about a coalition composed of so many parties, splinters, and free-roaming individuals. At the same time, there was a collective sigh of relief. The three-month nightmare, which had seen Israel's political leadership sink to previously unimagined depths, was finally over.

PERES VS. RABIN

Defense Minister Rabin was a reluctant participant in the moves leading to the downfall of the national unity government. He had been outmaneuvered by Peres, the party doves, and sympathetic ultra-Orthodox politicians, mainly Interior Minister Arye Deri. But when the plot failed, Rabin decided to seize his chance and challenge Peres for the leadership of the party. He described Peres's abort attempt to depose Shamir as a "stinking trick." Most of the party's representatives in the Knesset, some of whom had prodded Peres into bringing down the government, jumped on Rabin's bandwagon. Peres's misfortunes were compounded by the publication of an internal party report which pinned on him the blame for Labor's lackluster performance in the elections of November 1988. Rabin was self-confident.
THE NEW CABINET
(installed on June 11, 1990)

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<th>Position</th>
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<tr>
<td>Prime Minister, Minister of Labor &amp; Social Affairs, &amp; Minister for Environment</td>
<td>Yitzhak Shamir (Likud)</td>
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<tr>
<td>Deputy Prime Minister &amp; Minister of Foreign Affairs</td>
<td>David Levy (Likud)</td>
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<td>Deputy Prime Minister &amp; Minister of Industry &amp; Trade</td>
<td>Moshe Nissim (Likud)</td>
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<td>Defense</td>
<td>Moshe Arens (Likud)</td>
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<td>Finance</td>
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<td>Rafael Eitan (Tzomet)</td>
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<td>Communications</td>
<td>Rafael Pinhasi (Shas)</td>
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<td>Economy &amp; Planning</td>
<td>David Magen (Likud)</td>
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<td>Zevulun Hammer (National Religious party)</td>
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<td>Energy &amp; Science</td>
<td>Yuval Ne’eman (Tehiya)</td>
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<td>Ariel Sharon</td>
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<td>Avner Shaki (National Religious party)</td>
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<td>Transportation</td>
<td>Moshe Katsav (Likud)</td>
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Shamir retained the Labor and Social Affairs portfolio until Agudat Israel joined the coalition, and the Environment portfolio was left unfilled for Moledet.
The New York Post reported (June 20, 1990) his boast that he would topple Peres before the end of June, and then topple Shamir’s government and lead the party to elections.

In order to avert a defeat, Peres clung to procedural objections. There was no justification, he said, for Rabin’s challenge such a long time before the next elections. Thus, the question facing the party’s Central Committee on July 22 was not who should be the party leader but when this leader should be chosen. Nonetheless, it was clear that defeat for Peres would force his resignation.

Peres, however, confounded all the predictions by emerging victorious. The party rank and file, it was reasoned with hindsight, were not comfortable with the idea of deposing a leader, especially one who had proven his loyalty by remaining active and optimistic through the bad times that the party had undergone in the previous decade. Rabin, on the other hand, had stayed aloof from the party during this time; he had also, so it was alleged, stayed aloof from the Central Committee members whose votes he sought. The conventional wisdom regarding Rabin’s surprising defeat was ultimately encapsulated in the complaint of a veteran “tea server” at Labor headquarters in Tel Aviv: Rabin had seen her for 20 years, she said, and not once did he say hello. Peres, on the other hand, was always polite. He always remembered to ask about her children.

MOVEMENT FOR ELECTORAL CHANGE

President Herzog was instrumental in drumming up popular support for a concept that was gaining more and more adherents with each passing day of the coalition crisis: the movement to change the Israeli electoral system. Basically, the movement called for direct elections for the post of prime minister. The prime minister would thus not be dependent on the vagaries of a Knesset coalition, and the “extortion” powers of religious parties and other minority elements would be significantly curtailed. Herzog, a longtime supporter of electoral change, approached the limits of his authority to intervene in day-to-day politics when he stated, upon his first announcement of Peres as the candidate for prime minister, that “the public is fed up with an electoral system which causes untold damage.”

The Knesset was also feeling the heat and anger of the public. Contrary to the recommendation of the justice minister, the parliament gave preliminary approval to four private bills that offered slightly differing blueprints for a new electoral system.

Rabbi Schach’s speech gave new impetus for the reformist movement: municipal leaders and mayors, who were themselves chosen in direct elections, joined up with a fledgling group of nonpoliticians to lead the call for electoral change. In April some of these political novices launched a hunger strike. On its 15th day, they called off their hunger strike, in deference to one of the biggest mass demonstrations ever seen in Israel: over 250,000 people showed up at Tel Aviv’s Malchei Israel Square
on April 7, to demand that the politicians heed *vox populi*. In a public-opinion poll released soon afterward, 61 percent of the public expressed support for the change. American Jewish leaders, dismayed by the ugliness of the Israeli political process, also came out strongly in support of the reform.

Some establishment politicians now lent support to the movement, among them Labor's Yitzhak Rabin and the Likud's Ariel Sharon and Benjamin Netanyahu. Not surprisingly, all three were thought to be driven, *inter alia*, by personal motives, since all three were thought to be popular with the public and thus had a personal stake in direct elections for the prime ministership.

With the establishment of a new government in June and the onset of the Gulf crisis in July, the public lost some interest in the reform movement. Toward the end of the year, the Labor party decided formally to support the change. The Likud, especially Prime Minister Shamir, had yet to openly state its position. It was clear that the reform, if it ever came, would come slowly. The four bills, approved in March, were being discussed in a Knesset committee at the end of the year.

**Immigration**

Immigration of Jews from the Soviet Union turned from a trickle to a stream by the end of 1989; in the beginning of 1990, it was a steady flow; by the end of the year, it had turned into a veritable flood. More immigrants arrived on a single night in December than the total number of immigrants arriving in some previous years.

Immigration started to pick up toward the end of 1989, with the relaxation of Soviet emigration procedures. The pace grew from 5,000 a month at the beginning of the year to close to an overwhelming 45,000 at its end. All in all, 199,516 immigrants arrived in 1990, more than in any single year since 1949, the first year following the establishment of the state. The bulk of the new immigrants—all but 15,000—came from the Soviet Union. Immigration from Ethiopia also picked up, and over 4,000 new Ethiopian immigrants came, usually by way of Rome. Two thousand Jews came from Bulgaria and Romania, and by the end of the year the last remnant of the small Albanian Jewish community was being transferred to Israel.

Despite numerous projections, Israel was caught unprepared: there were not enough apartments for the newcomers and no jobs. The government debated which of the two deficiencies should be remedied first: without a formal decision, housing won out. For their first six months in the country, the immigrants' upkeep was at the government's expense. The employment problem, therefore, was deferred to the future.

Although the *aliyah* was welcomed by politicians from both the coalition and the opposition, from the outset the absorption process was marked by fierce turf fights between the Jewish Agency and the government, on the one hand, and factions within the government itself, on the other. The agency and the government bickered over their relative shares in absorbing the cost of the immigration and the "absorp-
tion basket” given to every immigrant upon his arrival, for a period of six months. In January there were reports that Prime Minister Shamir intended to set up a special oversight committee in his office; Absorption Minister Peretz railed against what he saw as an attempt to intervene in his exclusive sphere of influence, and Shamir backed down.

A sense of emergency took hold in Israel because of increasing reports of wild outbursts of anti-Semitism in the Soviet Union in the wake of the democratization and liberalization there. The head of the Jewish Agency’s immigration department, Uri Gordon, said, on February 19, that the agency planned to accelerate the pace of aliyah because of the growing anti-Semitism. There were reports of anti-Semitic incidents in Azerbaijan and Moldavia, Leningrad and Moscow. “The Jews of Kiev don’t let their children out of their houses for fear of pogroms,” it was reported in March. There were insistent reports of a large-scale pogrom planned by the nationalist Russian Pamyat organization, scheduled to take place on May 5. It never did.

The Jewish Agency rejected proposals to open up new way stations in Western Europe, for fear that the Soviet immigrants would then choose not to come to Israel at all; Peretz, on the other hand, surprised the Knesset by stating that Soviet Jews must be rescued, even if they “go to Uganda.” The first rule, he said, is that “a drowning Jew must be saved.” Peretz’s position, however, was not shared by the government. Prime Minister Shamir said: “Sometimes people say the wrong things. That’s democracy.”

In February, Finance Minister Peres submitted the state budget, which took into account only 40,000 new immigrants for the year. It was clear that the budget was unrealistic even before it had been approved by the Knesset. One reason cited by Peres was concern that a budget covering 100,000 immigrants—the prevailing projection at the time—would arouse “great anger” in the world. Peres said that the Treasury had prepared ample monetary reserves; he also said that there were “tens of thousands” of vacant apartments awaiting the immigrants. Peres’s unrealistic budget earned criticism from the Bank of Israel, which said that the budget should have been geared for the absorption of at least 120,000 immigrants. By April, a supplementary one billion shekels was added to the budget for absorption; even the 100,000 figure, which Peres was afraid would needlessly agitate the world, was no longer considered realistic. The Jewish Agency, meanwhile, concluded an agreement with the United Jewish Appeal on a fund-raising campaign goal of $600 million over a period of three years. That figure was subsequently raised to a billion dollars. In March, Peres asked the heads of the Israel Bonds organization to raise no less than $10 billion. Meanwhile, the leaders of the American Jewish community were increasingly disturbed by what they saw as incessant internal bickering in the Israeli government, which was preventing a coordinated policy and threatening the success of the absorption process. When State Comptroller Miriam Ben Porat, who shared these apprehensions, criticized the fact the government had not set up a central absorption authority, Shamir retorted that the comptroller was exceeding the bounds of her authority.
In the latter part of the year, a major construction effort was undertaken under new Housing Minister Ariel Sharon, who had also been appointed head of a special inner cabinet to deal with absorption. Sharon wanted to import 90,000 prefabricated caravans (mobile homes) by the end of 1992; the Finance Ministry replied that Israel didn’t have the resources. In the meantime, the army announced that it was vacating military camps, thus producing 20,000 “beds” for new immigrants, and the Housing Ministry unveiled an emergency plan to use dilapidated hotels and guest houses for temporary housing for immigrants.

The arrival of the immigrants rekindled an old internal argument about the proper “distribution” of the population. The Labor party, including Histadrut secretary-general Israel Kessar, said that at least 50 percent of the new immigrants should be directed toward the thinly populated north and south and the underdeveloped development towns. Most of the new immigrants, however, preferred to settle in the densely populated coastal zone. Those that preferred the periphery did so because of the lower cost of living there.

Contrary to widespread prediction, the waves of new immigrants did not create an immediate conflict with the poorer, largely North African, segments of society, as was the case during the sizable Soviet immigration in the 1970s. The only manifestation of such tension was related to housing and the reports of the massive building plans for the immigrants. From summer onward, homeless veteran Israelis erected tent cities in most major towns; they demonstrated, sometimes violently, demanding that the government solve their housing problems. They were careful not to attack the Soviet immigration, however, which enjoyed consensual support among the Israeli public.

A public-opinion survey conducted among the immigrants toward the end of the year found that 75 percent were satisfied with their situation. Most of those questioned, however, had yet to leave the safety of their “absorption basket” and were still to face the hardships of the unemployment-ridden job market.

Israel was also unprepared for the concerted Arab campaign against the waves of immigration, which succeeded in dissuading the Soviet Union from allowing direct flights to Israel and played a role in toughening the American position on loan guarantees to Israel. Essentially, however, the campaign failed, and was cut short by the onset of the Gulf crisis. (See above, “Soviet Jewish Immigration.”)

**The Economy**

The main challenge facing the Israeli economy in the year 1990 was the arrival of 200,000 immigrants from the Soviet Union. Projections of continued mass immigration indicated that their absorption would be the main factor in the economy for years to come.

The economy reacted positively to the immigration, following two years of slump. Business output increased by 6 percent due to expanding demand, productivity increased while inflation did not accelerate, and there was an improvement in the
balance of payments. But unemployment, a critical factor in the eventual success of the absorption process, rose from 8.9 percent in 1989 to 9.6 percent in 1990. Among males, the unemployment rate was 8.4 percent; among females, 11.3 percent. Among non-Jews, the unemployment rate was double, reaching 21.4 percent in 1990.

The immigrants brought about only a modest increase in private consumption (5 percent) but a dramatic leap in investments in housing construction (18 percent). Investments in fixed assets also went up by 17 percent (compared to a 10-percent decrease during the two sluggish years). Disappointingly, exports did not contribute to the increase in business output, mainly because of the significant drop in tourism in the wake of the Gulf crisis. The crisis also created uncertainty in the entire area, dampening the enthusiasm of private firms for investment.

The rate of inflation was 17.2 percent, compared to a slightly higher five-year average of 18.4 percent. The increase in housing prices and increases in government-controlled prices played a significant role in the inflation rate; without these two elements, inflation actually subsided, reaching an average rate of 11-12 percent a year.

The state budget, geared to accommodate the waves of immigration, was criticized by the Bank of Israel for failing to grasp the true ramifications of the impact of the immigrants on the economy. The budget took into account an increase in direct absorption costs and in indirect expenditures such as education and health. But investment in infrastructure actually continued to decrease, and the budget deficit (2 percent) was relatively low in light of the absorption needs. The Bank of Israel also criticized the government for ignoring the need to create macro-economic conditions which would help business prepare for the change. Only in September did the government submit a plan for this purpose, creating greater flexibility in the labor market, liberalizing foreign-trade regulations, and introducing a certain reform in taxes.

To meet the growing housing needs, the government initiated, on April 1, a sweeping reform in mortgages. Responsibility for the mortgages was transferred from the government to private banks; interest on mortgages for government-eligible borrowers was reduced from 5 to 4.5 percent, and the return would henceforth be linked to the cost-of-living index once every three months, and not every month as before. In May the government approved a Treasury plan to build 45,000 housing units and to allocate land for a further 70,000 housing units. The government undertook to purchase 40 to 50 percent of the apartments built by private contractors in central areas and 70 percent on the periphery; this decision was widely criticized, with the critics claiming that the government might ultimately lose up to $2 billion by buying apartments built in undesirable areas. In August, in order to meet the rapidly expanding housing needs, the government decided to purchase 5,000 prefabricated caravans (mobile homes) from the local market and to import a further 9,000; by November the government added another 30,000 caravans to its shopping list. Also in August, the Knesset Finance Committee approved a special
allocation of NIS 1.2 billion for housing needs. To further open up the housing market, the Knesset committee approved tax waivers for income from rentals.

On March 1, Value Added Tax was raised from 15 to 16 percent, to spur government income. At the same time, various modest tax reforms were implemented throughout the year, including a slight reduction in personal income tax and a reform in automobile taxes.

The state budget, approved by the Knesset on March 30, amounted to NIS 62.5 billion; another NIS 1.9 billion was added on July 24 to meet the burgeoning expenditures on immigration; the budget for 1991, submitted on November 25, was in the amount of NIS 75.7 billion, in 1990 prices; it was to be for nine months only, following the 1990 decision to conform the budgetary year with the calendar year, as of December 31, 1991.

Other Noteworthy Events

Rabbi Meir Kahane was assassinated on November 5, in New York; the accused gunman was a 37-year-old Egyptian boiler repairman, El Sayyid A Nosair. The 58-year-old American-born rabbi, founder of the Jewish Defense League and the Israeli Kach movement, had served in the Israeli Knesset for four years, between 1984 and 1988, advocating expulsion of Arabs and a state ruled by religious law. In 1988, the Israel Supreme Court approved a decision by the Central Elections Committee to ban the Kach party from competing in the elections because of its "Nazi-like, undemocratic and racist stance." On the day following his death, two Arabs were murdered in the West Bank town of Luban a-Sharkiya, and although the police connected the incident with Kahane's killing, the perpetrators were not found. Kahane's November 7 funeral in Jerusalem was an unruly affair, with anti-Arab and antipress riots breaking out in various spots in the city. Over 15,000 people attended the funeral, including three cabinet ministers. The police warned Palestinian leaders of possible acts of retribution that might be directed against them and even instructed them on self-defense.

John (Ivan) Demjanjuk's appeal to the Supreme Court to overturn his 1988 conviction for Nazi war crimes and sentence of death opened on April 15. Demjanjuk's attorney, Yoram Sheftel, argued that Demjanjuk had been put on trial as a result of mistaken identity, and that he was not at all "Ivan the Terrible" of Treblinka. As in the district court case, the appeal was marked by acrimonious dialogue between Sheftel and the court and between Sheftel and the prosecuting attorney, Michael Shaked, who repeatedly begged the court to restrain his adversary. After hearing arguments for 34 days, the court postponed continuation of the case until 1991, to give both sides time to gather new evidence they claimed was available in the newly opened archives of the Soviet Union.

State Comptroller Miriam Ben Porat emerged as the one of the most popular and respected figures in the country following publication of a series of scathing reports which lambasted political cronyism in government and the mishandling of govern-
ment funds. Unlike previous comptrollers, Ben Porat made skillful use of the media by releasing individual reports on specific subjects in the limelight. Her year-end report on financial misdeeds in the ultra-Orthodox Shas party paved the way for an extensive police investigation of the party's leaders and also turned Ben Porat into the sworn enemy of haredi (ultra-Orthodox) religious circles, a fact which only enhanced her popularity with the general public.

**Vital Statistics**

At the end of 1990 the Jewish population in Israel comprised, for the first time, over 30 percent of the total number of Jews in the world: 3,947,600 Jews lived in Israel on December 31, 1990. Jews comprised 81.9 percent of the total population; 14.1 percent were Muslims, 2.4 percent were Christians, and 1.7 percent were Druze or "others." In 1990 the Jewish population in Israel grew by over 6 percent, compared to only 4 percent for the non-Jewish population. The reason for this was chiefly the massive immigration from the Soviet Union. Over 195,000 Jewish immigrants came to Israel during the year; 72,496 Jews were born in the country itself. Of the Jewish population in 1990, 62 percent were born in Israel (compared to only a third in 1948). Close to a third of these were already second-generation "sabras." The number of Jews who came from Asia or were born in Israel to Asian-born parents was 744,000; the largest contingent among these came from Iraq (262,000).

Less than 10 percent of the Israeli population was now rural; 2.6 percent of the population lived in kibbutzim, and another 3.1 percent lived in agricultural moshavim. Thirty years ago, close to 16 percent of the population was rural. Twenty-three percent of the population lived in the three biggest cities: Jerusalem (525,000), Tel Aviv (340,000), and Haifa (246,000); 44 percent of the population resided in the coastal area of Tel Aviv and its surroundings.

The average Israeli household numbered 3.64 persons in 1990, including singles. Among Jews, the average household included 3.38 people; among non-Jews, 5.64. There were 31,359 marriages during the course of the year; this figure, in absolute terms, had held steady for the past 20 years, despite the increase in population. Divorce, on the other hand, was a growth industry: 6,301 couples were divorced in 1990, compared to only 2,442 in 1970. The divorce rate among Jews was 4 per 1,000 population; among Muslims, the rate was 3 per 1,000. The number of babies born was 103,349; of these, close to 30,000 were born to non-Jewish parents; 26 percent were first-born; close to 20 percent were born into families with six or more children.

The number of approved abortions carried out in 1990 was 15,509 (15 approved abortions for every 100 live births). ( Abortions in Israel must be approved by a public committee, and are granted on the grounds of the woman's age, out-of-wedlock-pregnancy, malformed fetus, or danger to the woman's life.) Of the abortions performed, 6,715 were approved for out-of-wedlock pregnancies, 3,022 for malformed fetus, 3,994 for danger to the woman's life, and the balance for older women.
Slightly over a million tourists came to Israel in 1990, down by almost 400,000 from 1987; the decline is explained by the security situation inside Israel, the increasing tension in the Gulf toward the end of the year, and high tourist prices in Israel. Fifty-eight percent of the tourists came from Western Europe; 23 percent from the United States. The average tourist stayed 21.5 days in Israel.

Traffic congestion continued to worsen. There were 13,181 kilometers of paved roads at the end of 1990 (compared to 6,572 in 1960); but there were also 1,015,000 motor vehicles on the road—compared to only 70,000 in 1960. There were 17,496 accidents, in which 427 people were killed and another 27,000 injured. The number of people killed in accidents actually declined, from 475 in 1989 and 511 in 1988.

A total of 1,510,382 pupils were enrolled in 1990 in the various educational institutions, an increase of close to 60,000 over the previous year. Universities and other higher-education institutions had a combined enrollment of 105,000; in 1970, the number was 45,000. Tel Aviv University was the country’s largest, with 19,440 students; the Hebrew University of Jerusalem was a close second, with 17,700 students (close to a thousand more than in the previous year). Slightly over 50 percent of the university students were women (their proportion has been steadily increasing). The average number of pupils in an elementary-school class was 27, up from 25 a decade ago; 32 pupils studied in the average high-school class. Among Jewish elementary-school pupils, 71 percent attended the secular state-run schools; 21.7 percent attended the religious state-run schools, and 7 percent attended the independent school system run by the ultra-Orthodox. The 895 newspapers and periodicals published in Israel during 1990 included 22 dailies and another 77 that appeared more than once a month. The numbers represent a decline: in 1978 there were 27 daily newspapers and 96 periodicals that appeared more than once a month. Of the current newspapers and periodicals, 483 were published in Hebrew, 204 in English, 63 in Arabic, and 25 in Russian.

In the West Bank and the Gaza Strip, the Arab population numbered 1,597,000; it grew in 1990 at an annual rate of 4.3 percent in the West Bank, 5.2 percent in Gaza. There were 75,465 live births—3,000 more than in the entire Jewish population of Israel. Over 103,000 Palestinians worked inside Green Line Israel. The number of Arab pupils enrolled in various educational institutions was 509,000. Close to 12 percent of those 15 and over had a post-high-school education; in 1970, the rate was 0.9 percent.

Personalia

Prof. John Strugnell of Harvard University was dismissed on December 31 as editor-in-chief of the Dead Sea Scrolls, for making anti-Semitic remarks in a November interview with Ha'aretz newspaper. The Israel Antiquities Authority announced that his replacement would be Prof. Emanuel Tov of the Hebrew University in Jerusalem.

Ephraim Katzir, former president of Israel and an internationally renowned
biochemist, was made a commander in the French Legion of Honor by President François Mitterrand, in July. It is the highest honor granted by France to foreigners. Nadav Henefeld, an Israeli basketball player at the University of Connecticut, was named Rookie of the Year of the Big East NCAA conference, in March. He was the first foreigner to win the title.

Among leading personalities who died in 1990 were Avraham Ofek, Israel’s leading contemporary muralist, in January, aged 54; Prof. Carl Frankenstein, a pioneer in the development of teaching techniques for mentally handicapped children, a founder of the Hebrew University’s education department, and Israel Prize recipient, in January, aged 84; Prof. Yitzhak Hans Klinghoffer, a former Member of Knesset for the Liberal party in the Likud and one of Israel’s leading theorists of constitutional law, in January, aged 85; Yaakov Tsur, Zionist leader and diplomat, onetime chairman of the Jewish National Fund and Israeli ambassador in Paris, in February, aged 83; Shin Shalom, honorary president of the Hebrew Writers Union and one of the country’s leading poets for more than a generation, in March, aged 85; Joshua Prawer, world-renowned scholar of the Crusader period, instrumental in reforming the country’s elementary and secondary school systems, and the spirit behind the Museum of the History of Jerusalem in the Citadel, in May, aged 73; Eliahu Elath, Israel’s first ambassador to the United States and former president of the Hebrew University of Jerusalem, in June, aged 86; Levin Kipnis, the father of children’s literature in modern Hebrew, the most prolific and popular author of children’s stories for over a generation, in June, aged 96; Haim Gvati, one of the leaders of the kibbutz movement and agriculture minister in two governments, in October, aged 89; Gideon Hausner, leader of the Independent Liberal party and former cabinet minister, who achieved world fame when, as attorney general, he served as prosecutor in the trial of Adolf Eichmann, in November, aged 75; Ger-shom Schocken, longtime editor of the Ha’aretz daily newspaper, son of the founder of the Schocken publishing house, in December, aged 78.