

**Review
of
the
Year**

OTHER COUNTRIES

THE PALESTINIAN INTIFADA that began in late September 2000 petered out in the course of 2004, largely due to effective Israeli security measures. The most controversial of these, the barrier gradually being erected on the West Bank to keep out potential suicide bombers, was declared illegal by the International Court of Justice in a decision that many viewed as politically motivated, and that Israel ignored.

Convinced that the Palestinians were not prepared to negotiate a peace agreement, Israeli prime minister Ariel Sharon pushed through a controversial plan to disengage unilaterally from heavily Palestinian areas by pulling completely out of the Gaza Strip and giving up four settlements in the northern West Bank. It remained unclear whether Sharon intended any further territorial concessions beyond these.

The political cost of the initiative was high, as Sharon alienated his pro-settler constituency, including a significant portion of his own Likud Party. This necessitated reorganizing the government coalition and relying on the support of Labor to effect disengagement. Furthermore, the prospect of having to force unwilling settlers from their homes raised the possibility that religious soldiers, told by their rabbis that abandoning Israeli land was against the Torah, might refuse to carry out disengagement orders.

Domestically, a heightened sense of personal security due to the decline in terror attacks and the free-market policies put in place by Finance Minister Benjamin Netanyahu triggered a definite upturn in the economy. But some pointed out that the price paid—budget and benefit cuts that impacted on the most vulnerable strata of society—was dangerously widening the gap between rich and poor.

POLITICS AND DIPLOMACY

The Disengagement Initiative

Prime Minister Ariel Sharon dropped a political bombshell on December 15, 2003, when he announced a plan of unilateral withdrawal from some of the territories so as to secure “those parts of the Land of Israel that will be an inseparable part of the State of Israel in any future settlement” (see AJYB 2004, pp. 189–90).

Sharon gave the first detailed exposition of what he had in mind in a February 2, 2005 interview with the daily *Ha'aretz*. He said, “I have given an order to plan for the evacuation of 17 settlements in the Gaza Strip. It is my intention to carry out an evacuation—sorry, a relocation—of settlements that cause us problems and of places that we will not hold onto anyway in a final settlement, like the Gaza settlements.” There were, at the time, only 17 settlements in Gaza, and Sharon proceeded to state the obvious: “I am working on the assumption that in the future there will be no Jews in Gaza.” Also to be abandoned, he said, were “three problematic settlements in Samaria,” the biblical term for the northern West Bank. (A fourth settlement there was subsequently added to Sharon’s list.) The prime minister acknowledged the gravity of the move, which, he noted, “is not simple and cannot be done overnight. We are talking of a population of 7,500 people. It’s not a simple matter. We are talking of thousands of square meters of hothouses, factories, and packing plants. There are people who are third generation there.”

Dov Weisglass, a confidant of Prime Minister Sharon and his bureau chief, presented Sharon’s disengagement plan to U.S. national security adviser Condoleezza Rice on January 23. Toward the end of February, Shin Bet head Avi Dichter was told by Egyptian officials during a visit to Cairo that Egypt did not object to Israel’s plan to withdraw from the Gaza Strip, but that it expected Israel to coordinate the pullout both with Egypt and with the Palestinians.

Jewish settlers in the territories were quick to condemn the plan. Bentzi Lieberman, chairman of the Yesha Council, the organization of Jewish communities in Judea, Samaria, and Gaza, told Israel Radio the move “only gives a prize to terrorism,” adding that he did not think Sharon’s coalition, which included the right-wing National Union and the National Religious Party (NRP), could survive if it carried out the disengagement.

Signs of unrest in the coalition were not long in coming. Shortly after

Sharon's announcement, the NRP and the National Union both announced that they would quit the government immediately should the cabinet endorse the scheme. In fact, these parties were under pressure from settler groups to do even more: the Yesha Council was reportedly pressing them to leave the government if Sharon so much as went ahead with a planned meeting with President Bush to present his disengagement proposal. Another sign of the settlers' determination was a report that surfaced on February 15 to the effect that the Gaza settlers planned two new settlements in the southern part of the Gaza Strip and one at the northern end, and intended to welcome another 100 families into the existing Katif and Neve Dekalim settlements.

Sharon traveled to Washington for an April 14 meeting with President George Bush, the tenth between the two men. Through an exchange of letters, it accomplished what Sharon had hoped—an American endorsement of his disengagement plan. Bush's letter placed support for disengagement within the context of the "road map" plan accepted by both Israel and the Palestinians in 2003 (see AJYB 2004, pp. 159–160), which, the president insisted, remained the framework for peace. The American letter acknowledged Israel's need for a security fence on the West Bank, although considering it a temporary measure and not a marking of the future border between Israeli and Palestinian territory. While Bush reiterated the American commitment to "the establishment of a Palestinian state that is viable, continuous, sovereign, and independent," he made two key concessions to the Israeli position. On the issue of settlements, any final deal should take into account the then-current "demographic realities" on the West Bank. As for the Palestinian refugee problem, that should be solved by settling refugees in the territory of the proposed Palestinian state, not through wholesale recognition of a Palestinian "right of return" under which the refugees and their descendants could live in the State of Israel.

Sharon was quoted in *Yediot Aharonot* as saying the Palestinians had suffered "a lethal blow," and the Israeli media generally agreed that the Sharon-Bush meeting had been a triumph for the prime minister. Danny Rubinstein, for example, the Palestinian affairs commentator for *Ha'aretz*, called the Bush letter "one of the greatest political defeats in years" for the Palestinians. Rubinstein quoted Ziad Abu Amar, a member of the Palestinian parliament, as saying: "What is still left to negotiate between us and Israel if President Bush has already made a decision on two key issues, settlements and refugees?"

But Ze'ev Schiff, the well-connected defense analyst of *Ha'aretz*, sug-

gested caution: "Whoever thinks of Bush's statements as the second Balfour Declaration in terms of their importance to Israel is getting carried away." True enough, he noted, the denial of the "right of return" was a significant victory for Israel. On the question of territory, however, Schiff called Sharon's achievement "only partial," since the U.S. leader had "again promised the Palestinians a viable state, and a state cannot be viable when it is made up of patches of territory. Palestine will be a state whose borders will be determined in negotiations between the sides and taking Security Council Resolution 242 into account, and not by a separation fence being built today to thwart terror attacks, and so must be temporary." Schiff pointed out that Bush's reference to "new realities on the ground" was double-edged. While it recognized, on the one hand, that Israeli settlement in the West Bank could not be ignored, it also implied, on the other, that the hundreds of thousands of Palestinians who had settled in the Jerusalem area constituted a permanent presence, making ongoing Israeli control over East Jerusalem problematic.

Palestinian Authority leader Yasir Arafat, who at first had condemned Sharon's disengagement plan as an Israeli trick to undermine a more comprehensive settlement, and then on March 11 welcomed "any simultaneous Israeli withdrawal from any part of our land," reacted to the Bush letter with indignation. "Our destiny is to defend our land and sacred places and our rights in freedom and independence—and the return of the refugees," he said in a speech on Palestinian TV. On April 15, Arafat wrote UN secretary general Kofi Annan to complain about the disengagement plan and President Bush's support for it. Annan responded, in a letter released to the press on April 30, that "effective measures to curb terrorism and violence" by the PA "would help the international community ensure that any withdrawal from Gaza is part of the implementation of the 'road map' and not a substitute for it." Annan also said that Israel remained obligated to carry out its existing obligations, including a freeze on settlement construction and the dismantling of existing illegal outposts.

The EU responded to the Bush-Sharon exchange of letters with an implicit rebuke of the American acceptance of "new realities on the ground," saying it would not recognize any unilateral borders changes; the agreement of both parties to the conflict was necessary. Speaking to reporters on April 16, during a meeting of EU foreign ministers in Ireland, EU foreign-policy chief Javier Solana said that the "road map," not the Bush statement, remained the basic guideline for reaching a final Israeli-Palestinian solution.

Sharon Fights for His Plan

The Prime Minister's Office released a general outline of the disengagement plan on April 18. It declared Israel's commitment to resolution of the conflict "on the basis of the principle of two states for two peoples, the State of Israel as the state of the Jewish people and a Palestinian state for the Palestinian people, as part of the implementation of President Bush's vision." There currently was, however, "no reliable Palestinian partner with which it can make progress in a bilateral peace process," and so "a plan of unilateral disengagement" was necessary. The "relocation" from Gaza and part of northern Samaria, the document continued, "will reduce friction with the Palestinian population, and carries with it the potential for improvement in the Palestinian economy and living conditions." This should induce the Palestinians to "take advantage of the opportunity created by the disengagement in order to break out of the cycle of violence and to reengage in a process of dialogue."

Hoping to achieve a clear mandate from his own party before carrying out this controversial policy, Prime Minister Sharon arranged for the Likud bloc to hold a referendum on disengagement. In the days leading up to May 2, the referendum date, opponents of the plan both within and outside Likud launched a well-organized and well-financed effort to convince Likudniks to vote against their leader, including arranging personal visits by Gaza settlers to the homes of party members. On April 27, Israel Independence Day, hundreds of thousands of right-wing Israelis jammed into Gush Katif, in Gaza, for a demonstration of solidarity with the settlers that was also a show of strength for the upcoming referendum. Some came in their own cars, others in chartered buses; many were stuck in traffic jams for hours.

On May 1, the day before the crucial Likud vote, Sharon knew that disengagement was in trouble and sought to sway wavering Likud members by suggesting that should the party reject his policy new elections might be necessary, an eventuality that jeopardized the parliamentary careers of Likud's 40 Knesset members. Sharon told Channel Two TV that defeat in the referendum would create "very, very difficult conditions" for him to continue as prime minister.

But the veiled threat was not enough to turn the tide. The next day, his disengagement plan went down to defeat overwhelmingly by 59.5 percent to 39.7 percent, with 51.7 percent of the 193,000 registered Likud members casting ballots. Sharon did not call for new elections, instead insisting that that he would carry on with disengagement despite the clear

opposition of his party's rank and file. "One thing is clear to me," Sharon said. "The people of Israel did not elect me to sit on my hands for four years. I was elected to find a way to bring peace . . ." He was seconded by Deputy Prime Minister Ehud Olmert, a strong ally, who called the plan "unstoppable." Acknowledging that the results of the referendum were negative, Olmert nevertheless asked, "Is that the end of the story? No. Is that the end of the process? No." "In the end," he continued, "there will be a disengagement in Gaza, because the alternative . . . is more murder, terrorism, and attacks, without our having an intelligent answer to the question of what 7,500 Jews have to do among 1.2 million Palestinians" in the Gaza Strip. U.S. secretary of state Colin Powell, clearly disappointed by the result of the referendum, noted: "The Likud Party didn't vote for it. But when we look at the Israeli public, there's an 80-percent approval rating for this kind of initiative."

An estimated 150,000 people jammed into Tel Aviv's Rabin Square on May 15, in a rally supporting Israeli withdrawal from the Gaza Strip sponsored by the opposition Labor Party and others. Organizers claimed that they represented the views of Israel's majority, pointing out that the turnout at the rally exceeded the 100,000 voters who had participated in the Likud referendum.

Sharon tried to get a revised disengagement plan through his cabinet on May 30, but it was defeated by 12 to 11. Among those voting in the negative were three senior Likud figures, Finance Minister Benjamin Netanyahu, Foreign Minister Silvan Shalom, and Education Minister Limor Livnat. But the prime minister was not about to give up, and on June 4, two days before the next scheduled cabinet meeting, Sharon changed the ministerial balance by firing two National Union ministers, party leader Avigdor Lieberman (minister of transport) and Benny Elon (minister of tourism), pushing the National Union out of his coalition.

Both men were informed by phone about their ouster, and the cabinet secretary summoned them to appear at 9 a.m. on June 4 to be handed their official letters of dismissal. But Elon went into hiding to avoid receipt of the letter, believing that in this way he remained in the cabinet even though absent, and thus would deny Sharon a majority. From his hiding place, Elon told Israel Radio that the dismissal could not be formalized until he received the letter, and, in any event, he could not verify that the phone call he had received was actually authorized by Sharon. Lieberman, for his part, challenged his dismissal as undemocratic. "I'm being fired for disagreeing with the prime minister," he told Israel Radio. But Ehud Olmert defended the shakeup, arguing that "the prime minister has the right to replace a coalition partner who is no longer suitable."

The June 6 cabinet meeting approved the disengagement plan in principle by 14 to 7, though the specific settlements to be evacuated would be determined later on. Olmert called the decision “a historical turning point in the Middle East. This is the first time that such a plan was adopted by the Israeli cabinet, namely that Israel will, unfortunately in the circumstances, dismantle settlements and pull out of the Gaza Strip.” But NRP leader Effi Eitam, the minister of housing, signaled that he was on his way out of the cabinet, saying that the vote “is one of the most bitter, horrible decisions made by any government since the establishment of the State of Israel. It means that we are about to transfer thousand of Jews from their homes and to create a Hamas, Jihad, Hezbollah state on the blood of innocent Jews.” Two days later Eitam and former NRP leader Yitzhak Levy, deputy minister in the Prime Minister’s Office, resigned from the cabinet without immediately joining the opposition (apparently on the advice of Rabbi Mordechai Eliyahu, a former Sephardi chief rabbi of Israel), but their four fellow NRP Knesset members, including Minister of Social Welfare Zevulun Orlev, remained in the government coalition.

Settlers and their backers continued to ratchet up the pressure against the disengagement plan. On July 25, they staged what was perhaps their most spectacular effort—a human chain extending from the settlement of Nissanit in the southern Gaza Strip to the Western Wall in Jerusalem. According to some estimates, as many as a quarter of a million people took part.

On an August 12 tour of the West Bank, Olmert sparked settler ire by saying that the disengagement plan was only a first step. It “will not be the last, but only the beginning of withdrawals from Judea and Samaria,” *Ma’ariv* quoted him as saying. And the deputy prime minister also justified the fact that the pullout was unilateral, with nothing demanded of the other side. “If we cannot negotiate a settlement now, better to take our fate into our own hands and unilaterally do what we must to preserve and protect Israel’s interests, keeping what we can and leaving what we cannot. Swallowing more than we can chew will not serve the national interest.”

Hoping to convince his erstwhile supporters that he was indeed committed to “keeping what we can,” Sharon moved to tighten Israel’s grip on parts of the West Bank. This was extremely controversial in Israel. In May, State Comptroller Eliezer Goldberg had disclosed that the Housing Ministry, headed by Effi Eitam, had spent over \$6 million on unauthorized construction in the settlements at the same time that other government bodies were trying to curtail settlement expansion. Attorney

General Menachem Mazuz ordered a freeze on all money for settlement construction. But on August 17, Sharon authorized construction of 1,000 housing units in four West Bank settlements, in addition to 600 previously announced units just outside Jerusalem.

An official in the Prime Minister's Office said that the new units did not violate any agreements with the U.S. because they were within the settlement blocs implicitly recognized as Israeli in President Bush's April 14 letter to Sharon. But a spokesman for the U.S. State Department said the next day that American recognition of the "facts on the ground" referred to a final peace agreement, not to interim steps, and the day after that, National Security Advisor Rice took the position that expansion of settlements was inconsistent with the "road map." But on August 20, the *New York Times* reported that the State Department had no objection to the "natural growth" of "at least some Israeli settlements in the occupied West Bank," although it would not say this publicly. On August 24 the State Department said it would send a team to Israel to determine, in practical terms, what constituted "settlement activity." PA prime minister Ahmed Qurei reacted with incredulity, saying, "I don't believe that America says now that settlements can be expanded. This thwarts and destroys the peace process."

But the promise of new construction in the settlements did not help Sharon within his party. He suffered another political defeat on August 19, when the Likud convention voted down his efforts to broaden the government coalition by bringing in the Labor Party, so as to ease passage of the disengagement plan. The convention, meeting in Tel Aviv's Mann Auditorium, voted by a 58-percent majority to bar Labor's entry, and then, by a margin of just five votes, defeated a proposal which would have allowed Sharon to negotiate with "all Zionist parties" on joining the government. Though Sharon said before the vote he would not consider the decision binding, the rebuff was stinging, since his supporters had invested a great deal of time and effort in trying to convince party members to back their position.

He called the convention decisions "irresponsible" and said he would push ahead with his coalition efforts. "I am determined to implement the disengagement plan, and to enlarge the government to include Labor," said a letter from the prime minister to Labor leader Shimon Peres, published in the daily *Yediot Aharonot* on August 22. Labor, for its part, said it was suspending negotiations in light of Likud's actions, and would work to bring about early elections.

If his efforts were being frustrated in his party, Sharon had more suc-

cess with the “inner” security cabinet. On September 14, that body of top ministers approved, nine to one, an outline plan authorizing the government to begin making advance payments to families that obligated themselves to leave the Gaza settlements.

A Determined Opposition

The ferment against the withdrawal took a very serious turn in October, when former Ashkenazi chief rabbi and NRP spiritual leader Rabbi Avraham Shapira called on soldiers and border police to disobey all orders to evacuate settlements and to tell their commanders they intended to do so. His statement, which was supported by other rabbis both in the territories and within Israel proper, caused a considerable stir.

Both Defense Minister Shaul Mofaz and Chief of Staff Moshe (Bogie) Ya’alon lashed out at the suggestion of refusal. Ya’alon, speaking at an Ashdod ceremony for the navy’s fallen, said: “The phenomenon of refusal is dangerous to us as an army, as a society and as a state. It is illegitimate and inappropriate.” He said that soldiers and officers of the IDF would carry out the orders passed on to them by the political leadership “professionally, and with the understanding and sensitivity mandated by the complexity of these missions.” Ya’alon called on rabbis not to put officers and soldiers “into impossible situations” by calling on them to refuse orders.

A large number of rabbis signed an open letter opposing refusal. Among them was Rabbi Shlomo Riskin, formerly of Lincoln Square Synagogue in New York and now the rabbi of Efrat, in the West Bank near Bethlehem. Riskin did not believe, in principle, that Jewish law prohibited ceding land, and cited several precedents to prove the point. Nevertheless, Riskin opposed Sharon’s unilateral disengagement plan, and even so denounced refusal of orders to carry it out. “And despite the terrible pain [of withdrawal], refusal is many times worse, since it could lead us downhill to the end of the very existence of the State of Israel,” he said.

Clearly intending to mollify the government’s pro-settler critics, Dov Weisglass, Prime Minister Sharon’s senior adviser and frequent emissary to Washington, stirred up a hornet’s nest with statements he made early in October to *Ha’aretz*. The disengagement plan, Weisglass said, was a means of freezing the peace process by pulling out of Gaza and the northern West Bank, and then standing pat. “The disengagement is actually formaldehyde,” he said. “It supplies the amount of formaldehyde that is necessary so there will not be a political process with the Pales-

tinians.” Weisglass continued: “And when you freeze that [peace] process you prevent the establishment of a Palestinian state, and you prevent a discussion of the refugees, the borders and Jerusalem. Effectively the whole package called the Palestinian state, with all that it entails, has been removed indefinitely from our agenda. And all this with authority and permission. All this with a presidential blessing and the ratification of both houses of Congress.”

Deeply embarrassed by the Weisglass story, Sharon insisted that he supported the “road map” and its intended goal, the establishment of a Palestinian state. The disengagement plan, he said, was meant to serve “until the time at which a Palestinian partner could be found who would fulfill all the required commitments in the ‘road map,’ and with whom it would be possible to hold diplomatic negotiations and move forward toward peace.” Weisglass himself protested that the statements attributed to him were taken out of context.

The Americans accepted Sharon’s explanation at face value: Secretary of State Powell said that the administration had no doubts about Sharon’s commitment to the “road map,” and State Department spokesman Adam Ereli said that Weisglass’s statements did not match Israel’s official government position as presented to the Americans.

Tensions mounted in advance of a scheduled October 26 Knesset vote on the disengagement plan. Security services were on high alert, and the guard around Sharon was reinforced. According to one report, the prime minister was accompanied to the key Knesset session by no less than 18 bodyguards. Shimon Peres said the atmosphere reminded him of the autumn of 1995, just before the assassination of then prime minister Yitzhak Rabin. Political jockeying in advance of the Knesset vote was intense, with several key Likud figures holding out until the last minute before declaring their intentions. Pressure was particularly high on senior party ministers like Netanyahu, Shalom, and Livnat, who faced the tricky challenge of not seeming to defy those opposed to disengagement, on the one hand, or to defy the prime minister, who could take away their cherished cabinet portfolios, on the other.

Sharon won by what seemed a comfortable margin—67 for, 45 against, and seven abstentions. But 17 of the “nay” votes came from members of his own Likud, including Minister without Portfolio Uzi Landau, the leader of the Likud “rebels” against disengagement, and Michael Ratzon, the deputy minister of industry and trade. Sharon proceeded to fire both of them from their posts. The NRP, still technically a coalition member, voted against Sharon as well.

Immediately after the vote, Netanyahu, Shalom, and Livnat, together with Agriculture Minister Yisrael Katz, announced that they would resign from the government within two weeks if Sharon did not agree to hold a national referendum on the pullout plan. At the same time, the remaining NRP MKs, including Zevulun Orlev, who had stayed in the cabinet, announced their departure from the coalition. Livnat, Katz, and Shalom soon withdrew their threats, as they put it, for the good of the party. But Netanyahu held out until the last moment: only on November 9 did he announce that he would not resign. He continued to back the idea of a national referendum and claimed that a majority of Likud MKs agreed with him, but acknowledged that a bill to that effect could not pass the Knesset. Speaking just days before Yasir Arafat's death, Netanyahu said that the illness of the Palestinian leader also had to be taken into account. "The expected departure of Arafat from the Palestinian leadership creates a new situation," he said.

A few days later, after a Knesset vote on the budget had to be put off because the government could not muster a majority, Sharon aides accused Netanyahu of "new heights of sabotage" for allegedly continuing to undermine the disengagement plan even after withdrawing his resignation threat. The press quoted sources close to the prime minister as saying that Netanyahu had not tried hard enough to pass the budget. *Ha'aretz* reported Sharon's aides saying: "Instead of concentrating on passing the budget, as his job requires, Netanyahu is busy traveling to dinners overseas, being involved in failed putsch attempts and initiating political spin that is harmful to Israel." Netanyahu's people, naturally, denied the charges and expressed surprise at the vehemence of the attack against the finance minister.

Sharon faced another test of sorts on November 21, when the Likud held elections for three key party chairmanships—of its central committee, secretariat, and bureau. In each of the races, antidisengagement "rebels" went down to defeat, although none of the winners could be called avid Sharon supporters. In the race for the central committee post, Tzachi Hanegbi, a minister without portfolio, defeated "rebel" leader Uzi Landau. Agriculture Minister Yisrael Katz won the secretariat post over "rebel" MK Michael Ratzon and Sharon's choice, MK Avraham Hirschsohn. Health Minister Danny Naveh topped MK Gilad Erdan for the bureau position.

A legislative hurdle was cleared on November 30, when the Knesset passed a preliminary reading of the bill authorizing a compensation package for settlers. Once again, a seemingly convincing majority—this

time 64-44—was deceptive, hardly boding well for the government. Fully 16 of the 40 Likud MKs voted against the bill, and it had the solid support of the opposition Labor Party. It still faced a tortuous path through Knesset committees before final passage. (On December 28, the Knesset Law Committee, responsible for preparing the bill for its second and third readings, would deadlock 8-8, delaying passage on this essential part of the withdrawal package.)

Coalition in Crisis

Sharon suffered another parliamentary defeat on December 1, when the first reading of the 2005 budget was defeated by 69 to 43. The 15 members representing Shinui, the anticlerical party, voted against the bill after Sharon had agreed to payments of about 400 million shekels to religious institutions in order to gain the votes of ultra-Orthodox MKs. Sharon himself brought the situation to a head, calling the first of three votes on the budget in the knowledge that it would fail, giving him a chance to reshuffle his shaky coalition. After the vote Sharon dismissed the five Shinui ministers, with the intention of inviting Labor and the Ashkenazi ultra-Orthodox party United Torah Judaism (UTJ) into the government. The entry of Labor (19 MKs) and UTJ (five MKs) would give Sharon 66 of the 120 seats in the Knesset.

While the Likud was engaged in internal battles over disengagement and possible coalition partners, Labor had plenty of infighting of its own. In late November, Ehud Barak—who, after losing the 2001 special prime ministerial election to Sharon, had said he was taking a break from politics—announced that he was returning to the fray and would seek the party leadership. During a debate at a Labor meeting on when to set the date for a leadership primary, Barak objected to delaying tactics by supporters of incumbent leader Shimon Peres, who wanted to wait until after coalition negotiations with the Likud had been resolved. Barak wanted an immediate decision.

At one point Barak rushed to the podium, snatched the microphone from the chairman of the meeting, and demanded a secret ballot on the issue, saying, “Anything else is an attempt to steal the party and we will not let this happen in the year 2004. Period.” Barak came under sharp criticism for what was seen as unseemly conduct, and he tried to explain his action on Kol Yisrael Radio: “I am not happy about the way I was forced to act,” he said. “But I was forced to do so because I want the party to have a real democracy.” Barak’s impulsiveness spurred a wave of hos-

tility that seemed likely to dim the former prime minister's hopes of a political comeback. "The nerves of this man of cool temperament, who infiltrated the camp of terrorists in Lebanon disguised as a woman, didn't stand up to his attempt to infiltrate the camp of his own party," wrote *Yediot Aharonot* political commentator Sima Kadmon. Haim Ramon, a Labor rival and architect of the potential deal for Labor's entry into the Sharon government, reminded all those who needed to be reminded that Barak, after his crushing defeat in 2001, had fled politics. "For the past three-and-a-half years, we have tried to rise from the ruins to which Barak sent us," Ramon said. "He hasn't learned a thing."

Sharon, who had been denied the right to negotiate with Labor by the Likud Central Committee in August, returned to the same body in December to ask once again for authorization. In canvassing party members, he made it clear that there was only one alternative to a coalition with Labor—new elections, which would likely cost the Likud a large chunk of its 40 Knesset seats. Speaking to party MKs on December 6, he said that he, personally, was not afraid of elections. "The one who is likely to be hurt by early elections is the Likud itself," he said. This time, the party forum backed Sharon by 1,410 to 856, or 62 to 38 percent. Sharon then invited both Labor and United Torah Judaism to begin coalition talks.

Sharon broke off talks with Labor briefly on December 16, after Dalia Itzik, a former minister and Labor negotiator, bragged to a forum of her party that Sharon was "groveling" to get Labor into his government. "He's running after us, not we after him," she said. "After 30 years [the Likud] are seeing how right we were. They are contractors implementing our policy." Likud circles were furious, saying that Itzik's statements did not indicate a desire for genuine partnership. After Likud broke off the talks, these sources told *Ha'aretz*, "Let's see who grovels now."

But over the course of the next week, a coalition agreement was reached—almost. The only thing holding it up was Likud unwillingness to change the law allowing there to be only one deputy prime minister, a post held by Olmert, so as to allow Peres to hold the same title. (In the end, Labor would relent, Peres would be given a different title, and the new government would be formed in early January 2005.) On December 23, the Labor Central Committee provided a surprise by choosing two relatively young party men, Ophir Pines-Paz and Yitzhak Herzog, as the senior ministers for the eight cabinet posts allotted to the party (in addition to that to be held by Peres). The other ministers chosen, all of them former cabinet members, were, in order, Binyamin (Fuad) Ben-Eliezer,

Dalia Itzik, Shalom Simhon, Matan Vilna'i, and Haim Ramon. Pines-Paz later said he would take the Interior Ministry, the most influential post offered to Labor, while Herzog, son of the late president of Israel Chaim Herzog and grandson of an Ashkenazi chief rabbi, opted for the Ministry of Housing.

As the disengagement plan and the construction of a new coalition moved forward, the campaign against the pullout also intensified. On December 19, the Yesha Council urged its supporters to engage in nonviolent civil disobedience to block the evacuation of the Gaza and northern Samaria settlements. Council leader Pinhas Wallerstein said that Israelis should “violate the transfer law en mass and be ready to pay the price of mass imprisonment.” Wallerstein said he was “not afraid to go to jail” in order to voice his opposition to “the immoral crime of forcibly uprooting Jews from their homes.” “Sharon’s dictatorship has pushed us into a corner,” said council spokesman Yehoshua Mor-Yosef, maintaining that the prime minister had ridden roughshod over the settler movement’s efforts to have the issue decided in a national referendum. Left-leaning MKs and leaders of Peace Now called on the attorney general to open a criminal investigation against Wallerstein.

Some settlers involved in the campaign to urge soldiers to refuse evacuation orders began wearing orange Stars of David, but the uproar this triggered among Holocaust survivors and others brought the practice to an end after a few days. The strongest comment came from Maj.-Gen Elazar Stern, head of the army’s manpower division, who told Channel Two: “Settlers who wear an orange star are Holocaust deniers, because if what was done in the Holocaust resembles what we are doing to them, it means that the Holocaust was not so terrible or unique.”

In a speech on December 20, Moshe Karadi, chief of the national police, said he worried that “public opposition” could prevent the disengagement from taking place. Karadi indicated he was assigning some 5,000 police officers—two for every adult Jewish settler in Gush Katif—to the operation, and that the army would supply at least the same number. “We believe that of all the burdens we have, the inability to fulfill a government decision is the worst of all,” Karadi said to the annual conference of local government officials.

At the same time, Chief of Staff Ya’alon expressed concern over the refusal campaign, which boasted that it had enlisted “thousands” of adherents. Indeed, 34 reserve officers, including four battalion commanders, notified their brigade commanders that they intended to refuse orders to evacuate settlements. (It was later disclosed that these officers were all

from settlements on the West Bank, and belonged to a regional defense unit that in any case was not going to be handling the evacuation.) There were allegations that Kach, the outlawed organization of followers of the late Rabbi Meir Kahane, was distributing the addresses of high-ranking Orthodox IDF officers, so that opponents of disengagement could demonstrate in front of their homes. *Ha'aretz* political commentator Akiva Eldar cited reports that Gaza settlers had mobilized both manpower and money from abroad to aid in their fight against disengagement. According to Eldar, the settlers claimed that they had thousands of inquiries from Christians, as well as Jews, who volunteered to come to Gush Katif and resist the evacuation. A group of a dozen right-wing Knesset members also pledged resistance. Effi Eitam, the former NRP leader, told Army Radio on December 24 that he and 11 others had signed a declaration to "prevent with our bodies the immoral and inhumane expulsion of thousands of heroic pioneer settlers."

But the settler front was far from solid. On December 26, Yonatan Bassi, the Orthodox kibbutz member chosen by Sharon to head the Disengagement Administration, announced that all the residents of the Gaza settlement of Pe'at Sadeh and five other settler families had agreed to move, as a group, to a moshav in the Negev. Speaking at a news conference, Bassi said he saw "the beginning of a great movement of settlers towards dialogue with us." Now that the political situation was becoming clearer, he continued, more and more individual settlers and "officials of settlements" were approaching the government to discuss relocation within Israel proper.

Even before the start of disengagement, there were mixed signals about what the government intended to do afterward. Deputy Prime Minister Olmert told the *Jerusalem Post* that a second disengagement plan, involving wider areas of the West Bank, was in the works. "There is no option of sitting and doing nothing," Olmert said. "Israel's interest requires a disengagement on a wider scale." But Prime Minister Sharon's bureau issued a statement denying there was any such plan. There would be no further disengagements, according to the statement, and the only peace program to which Israel would be a party was the "road map."

Marking a year since he unveiled his disengagement plan, Sharon presented a status report at the annual Herzliya Conference on National Security on December 16. "We stand before a window of unique opportunity," he said. "Who knows when we will have this opportunity in the future? We must not miss this opportunity to reach an agreement." The prime minister noted that whether the planned disengagement would

lead to diplomatic progress depended on the PA's ability to move against terrorism, carry out internal reforms, and end anti-Israel incitement. Addressing the Palestinians, he declared: "We have no desire to rule over you, we have no desire to control your affairs." But Mahmoud Abbas, who had just replaced the deceased Arafat as the Palestinian leader (see below, p. 248), told the Associated Press that Sharon's insistence on retaining Israeli control over most of the West Bank settlements and all of Jerusalem made his plan "a disaster . . . closing all the doors to peace," and called on President Bush to withdraw his support for Israel's disengagement strategy.

DEFENSE AND SECURITY

The Fence

Construction of the controversial security fence on the West Bank continued in 2004, and was marked by intermittent confrontations between army and police guarding the construction and a smattering of Israeli and Palestinian demonstrators protesting it. The issue of the fence—overshadowed in the press and the public consciousness by the controversy over Prime Minister Sharon's disengagement plan—moved in and out of several courts over the course of the year.

On July 9, the International Court of Justice (ICJ) sitting in The Hague ruled that Israel's security fence violated international law and must be dismantled. The ruling, which surprised no one, was decided by 14 to 1, with only Thomas Buergenthal, an American judge, dissenting. The court said the fence (which it called a "wall," the term favored by the Palestinians) "cannot be justified by military exigencies or by the requirements of national security or public order." The majority of the judges was "not convinced that the specific course Israel has chosen for the wall was necessary to attain its security objectives," and "considers that the construction of the wall and its associate regime creates a 'fait accompli' on the ground that could well become permanent, in which case, and notwithstanding the formal characterization by Israel, it would be tantamount to de facto annexation." And therefore: "That construction, along with measures previously taken, thus severely impeded the exercise by the Palestinian people of its right to self-determination."

The ruling, requested by the UN General Assembly, was an "advisory opinion" and nonbinding. Even so, the tribunal's decisions carry moral

and political weight, and some of its past rulings, such as the one in 1971 that declared South Africa's occupation of Namibia illegal, were used to pressure governments in the court of international public opinion.

The White House dismissed the ruling, reiterating its earlier position that the matter should never have been taken up by the court. "We do not believe that that's the appropriate forum to resolve what is a political issue. This is an issue that should be resolved through the process that has been put in place," presidential spokesman Scott McClellan said. On July 15, the U.S. House of Representatives passed HR713, deploring the General Assembly's misuse of the ICJ. The resolution, which passed 361-45, was introduced by Reps. Mike Pence (R., Ind.), Ileana Ros-Lehtinen (R., Fla.), and Shelley Berkley (D., Nev.). It charged that the ICJ ruling "seeks to infringe on Israel's right to self-defense" and condemned the PA for failing to engage in a sustained fight against terror. "By condemning the ruling of the International Court of Justice, Congress has given voice to the compassion and commitment that the American people feel toward our precious ally Israel," said Congressman Pence.

Yasir Arafat, in contrast, praised the decision. According to Reuters, he told reporters, "This is an excellent decision. We thank the court in The Hague. This is a victory for the Palestinian people and for all the free peoples of the world." PA prime minister Ahmed Qurei (Abu Ala) agreed, saying that the court had now made clear "that this racist wall is illegal to the root, and Israel should stop building it and take down what has already been built of this wall."

Sharon aide and spokesman Ra'anana Gissin belittled the court's action. "After all the rancor dies, this resolution will find its place in the garbage can of history. The court has made an unjust ruling denying Israel its right of self-defense," he said. Speaking before the July 11 cabinet meeting, Sharon himself drew a connection between the ICJ ruling and a terror attack in Tel Aviv that had just taken place. He said: "I want to make clear that Israel categorically rejects the advisory opinion . . . It is one-sided, based on political considerations, and totally ignores the reason for building the fence, which is Palestinian terrorism." The court, he said, dealt only with the Israeli response, "which happens to be the most appropriate way to combat the terrorists." Noting the latest terror incident, the prime minister said that "it is not for nothing that the Palestinians opposed the building of the fence; they know full well that it will make it very difficult for them to continue their murderous attacks."

On July 20, the UN General Assembly voted 150-6, with 10 abstentions, to endorse the ICJ decision, and called on member states to comply with

their obligations under it, including “not to recognize the illegal situation resulting from the construction of the wall in the occupied Palestinian territory, including in and around East Jerusalem,” and “not to render aid or assistance in maintaining the situation created by such construction.” The six states voting against the resolution were Australia, the Federated States of Micronesia, Israel, Marshall Islands, Tuvalu, and the U.S. Abstaining were Cameroon, Canada, El Salvador, Nauru, Papua New Guinea, the Solomon Islands, Tonga, Uganda, Uruguay, and Vanuatu. After the vote, Dan Gillerman, Israel’s ambassador to the UN, wryly remarked, “Thank God the fate of Israel and of the Jewish people is not decided in this hall.”

To be sure, the fence was a matter of some controversy in Israel. At the time of the court ruling, approximately one-third of the projected 425-mile-long barrier had been completed, made up of a combination of barbed wire, electronic fences, ditches, and, in some places, huge concrete slabs. There was virtual unanimity among Israelis about the legitimate security function served by the barrier, as shown by the dramatic drop in the number of suicide attacks since sections of it had gone up, but its precise route was another matter. In a series of rulings, the Israeli High Court of Justice had ordered the rerouting of certain portions that it believed caused undo hardships to Palestinians by cutting them off from farmland, schools, and hospitals.

The latest such decision came on June 30, not long before the ICJ ruling, when the Israeli court ordered the Defense Ministry to reroute a 30–40 km portion of the fence northwest of Jerusalem, finding that the route “established for the security fence, which separates the local inhabitants from their agricultural lands, injured the local [Palestinian] inhabitants in a severe and acute way, while violating their rights under humanitarian international law.” An alternative route would have to be found “which will provide a fitting, if not an ideal, solution for the security considerations.” At the same time, the court affirmed that Israel had a legal right to build the barrier. Ze’ev Boim, the deputy defense minister, commented that the court ruling would of course be honored, even though the delay involved meant that the fence would not be completed until 2006, putting the lives and welfare of tens of thousands of Jerusalemites at risk.

Visiting Israel on September 14, German interior minister Otto Schily rejected the comparison made by some in his country between Israel’s fence and the Berlin Wall. “Those who draw comparisons with the Berlin Wall are wrong, because it does not shut people in and deprive them of

their freedom," he told Deutschlandfunk Radio. "Its purpose is to protect Israel from terrorists."

At year's end Israel's Ministry of Defense estimated that at least 90 percent of planned terror attacks had been prevented largely by the fence. Ironically, the clearest indication of the barrier's utility came from the successful terrorist attacks. In almost all cases, the perpetrator crossed into Israel at a location where the fence was not yet built, or else was forced by the fence to take a circuitous route into Israel and thus not be able to reach the populated area originally targeted for terror.

Israelis and Palestinians

Although the intifada that broke out in late September 2000 (see AJYB 2001, pp. 494–502 and subsequent volumes) had clearly lost much of its steam, episodes of violence and Israeli measures to cope with them continued on into 2004.

On January 19, an Israeli soldier was killed by a Hezbollah missile while clearing mines along the Lebanese border, and the next day Israeli jets hit Hezbollah targets in the area. Clashes continued intermittently all along the Gaza Strip during the month. On January 28, 13 Palestinians were reported killed in a particularly fierce encounter near Netzarim, the Jewish settlement located virtually in the midst of Gaza City. Eleven Israelis were killed and over 50 wounded in a January 29 bomb attack on a No. 19 Egged bus near the corner of Gaza Road and Arlozorov Street in Jerusalem's Rehavia neighborhood.

The bodies of soldiers Benny Avraham, Avi Avitan, and Omar Sueid, killed by Hezbollah in October 2000 at Har Dov on the Lebanese border (see AJYB 2001, p. 484), were laid to rest on January 30, a day after they were returned to Israel in a deal that involved the freeing of 436 Palestinian and Arab prisoners. The exchange took place in Germany, whose government facilitated it (for details see below, p. 416).

As part of the arrangement, reserve colonel Elhanan Tannenbaum was freed after over three years in Hezbollah captivity. Following a brief reunion with his family, Tannenbaum began the lengthy process of interrogation by police and security officials. After first claiming that he had been seized while in Lebanon in search of information about missing airman Ron Arad, Tannenbaum told his interrogators that he actually had been kidnapped in Dubai where he had gone to close a drug deal.

That Israel had gone to such lengths to free a drug dealer triggered severe criticism. The daily *Ma'ariv* reported that during the 1970s Tan-

nenbaum's father-in-law had managed the Sharon family ranch and had been part owner of a business together with Sharon's late wife. Sharon dismissed suggestions that these connections had anything to do with the deal, even though, according to *Ma'ariv*, the prime minister had met eight times with Tannenbaum's family, seeing them far more frequently than the kin of other missing Israelis. On March 30, after 70 days of interrogation by Israeli police and security agents, Tannenbaum was placed under house arrest at the home of his sister in Herzliyah. Although he was suspected of fraud, forgery, and planning to smuggle drugs into Israel—apparently as part of an attempt to cover his heavy debts—it was decided, in the end, not to press charges.

Aziz Mahmoud al-Shami, a member of the Islamic Jihad's military wing, was killed in an Israeli helicopter attack on his car, on a Gaza City street, on February 7. Shami, 37, had been involved in many terror attacks, Israeli sources said, including the double suicide bombing near a bus stop at the Beit Lid intersection, north of Tel Aviv, in 1995, in which 22 Israeli soldiers and civilians were killed.

The army, on February 16, informed the parents of three Lebanon war MIAs, Zechariah Baumel, Yehudah Katz, and Zvi Feldman, that the men had been formally designated as fallen soldiers whose place of burial is unknown, and therefore the search for them would end. They had been unaccounted for since their tanks were ambushed by Syrians in the Lebanese village of Sultan Yakub on June 12, 1982. But the families fought the decision, and in November, the army reversed itself and returned the missing soldiers to the MIA category.

In late February, the long-simmering crisis between PA leader Yasir Arafat and his prime minister, Ahmed Qurei (Abu Ala), intensified. In a February 14 meeting at Arafat's Mu'qata headquarters in Ramallah, Abu Ala reportedly threatened to resign if Arafat did not give in to European Union demands for transparency in the payment of salaries to security personnel. He said that the PA coffers were empty, and the EU would not provide funds to pay salaries unless its requests for transparency were met. In a related development, Israeli security forces confiscated over \$8 million from Arab banks in Ramallah on February 25, claiming it came from accounts linked to Islamic Jihad, Hamas, and Hezbollah. Israel said the confiscated money would be used on "projects that benefit Palestinian welfare."

Israeli contacts with the Palestinians continued on a low key. On February 26, Weisglass and Shalom Turgeman, a Sharon political adviser, met with Hassan Abu Libdeh, an aide to Abu Ala, in the hope of preparing

for a meeting between Sharon and the PA prime minister. Weisglass called the meeting—which had been delayed because of the January 29 bombing in Jerusalem—“positive and effective.”

Four Palestinian terrorists and two Palestinian policemen who tried to stop them were killed during an abortive March 6 bombing attack at the VIP crossing of the Erez checkpoint in Gaza. The following day, Israeli troops conducting a raid near Gaza’s al-Burej refugee camp and killed 14 Palestinians in what the Associated Press called the “deadliest confrontation in Gaza in 17 months.” The battle pitted hundreds of Palestinians armed with assault rifles against Israeli troops backed by helicopters and tanks. That afternoon, tens of thousands of Palestinians participated in the funeral services of those who were killed. Avi Pazner, speaking for Israel, said that “terrorism is pouring out of this refugee camp, and we have to stop it.” Palestinian cabinet minister Sa’eb Erakat had a different view. “At a time when they are speaking about withdrawing from Gaza,” he said, “they are destroying Gaza.”

On March 14, four Palestinian men who had gone on trial in February for the bomb attack of October 15, 2003, that killed three U.S. embassy security men near Erez, were released by a Palestinian court because of lack of evidence. The U.S. had offered a \$5-million reward for the arrest and conviction of the perpetrators, and its patience was running thin. On May 7, the U.S. announced that in light of PA’s failure to find those responsible, it had stopped funding two water-development projects in the Gaza Strip. Speaking to a congressional hearing on the Middle East in July, Deputy Assistant Secretary of State David Satterfield said: “There has been no satisfactory resolution of this case. We can only conclude that there has been a political decision taken by the chairman [Arafat] to block further progress in the investigation.”

Security forces apprehended a ten-year-old boy on March 15 who was transporting a bag with explosives. Apparently, the material was intended to be used by operatives of Fatah’s Tanzim in a terror attack on Israelis. The boy had been given the bag to transfer across a roadblock near Nablus for a fee, and the Israelis freed him because he had been ignorant of its contents.

On March 19, residents of the peaceful French Hill neighborhood, on the slopes of Mt. Scopus in East Jerusalem and not far from the Hebrew University, were shocked when Elias Houry, 20, a Hebrew University student and son of a prominent East Jerusalem attorney, was killed in a drive-by shooting while jogging. Al-Aqsa Martyrs Brigades apologized when it learned that the victim was not a Jew, but a Christian Arab. The

killers were arrested on April 23, stopped by police while on their way to another attack in the French Hill area. The men, who belonged to no official terror organization, also confessed to the shooting of another Israeli in the Givat Hamivtar neighborhood between Ramat Eshkol and French Hill.

Targeting Terror

In mid-March, large numbers of Israeli troops deployed just outside the Gaza Strip amid reports that Sharon had ordered the IDF and the Shin Bet secret service to act against leaders of the terror groups. The IDF, in a report to the security cabinet, recommended "making the organizations pay a stiff price" in Gaza before implementation of disengagement, since it was vital to prevent these groups, particularly Hamas, from creating the sense that the Israeli move was actually flight under fire, and thus, in their view, a repetition of the pattern created by the Israeli withdrawal from southern Lebanon in 2000.

Action was not long in coming. In a sunrise helicopter attack on March 22, Israeli missiles killed Sheikh Ahmed Yassin, the founder and spiritual leader of Hamas, and seven others. Yassin, 66, had been confined to a wheelchair by an injury he suffered at the age of 12. He became affiliated with the Muslim Brotherhood in the 1950s, while studying at Cairo's Ein Shams University. Arrested in 1983 by Israel, he was sentenced to 13 years in prison on charges of weapons possession and forming an anti-Israel underground organization. He was released in 1985 as part of a prisoner exchange between Israel and the Popular Front for the Liberation of Palestine, and founded Hamas in 1987, just before the start of the first intifada. He was arrested again in 1989 and sentenced to life in prison on a variety of charges, including inciting the killing of Israeli soldiers. But in 1997, Yassin was released in a deal with Jordan for the freedom of two Israeli agents who were involved in a botched attempt on the life of Khaled Masha'al, a key Hamas leader then based in Amman. Yassin was virtually blind, had little hearing, and suffered from various respiratory diseases, but remained a charismatic figure with great influence as long as he lived. After the assassination, Dr. Abdel Aziz Rantisi, now the top Hamas leader in Gaza, pledged that Sharon and other Israeli leaders "will never feel security and safety," and called President Bush "an enemy of God and Islam." Six Israelis were hurt in two attacks in the Tel Aviv area hours after Yassin was killed: three were wounded by a Palestinian wielding an ax near an army installation in Ramat Gan, and the three others were stabbed on a Jaffa bus.

While the Israeli consensus was that the blind sheikh “had it coming to him,” there were differences of opinion about the wisdom of the assassination. The left-leaning *Ha’aretz* called the move “wrongheaded” and expressed concern that it might trigger a wave of terror. The *Jerusalem Post*, which leaned to the right, said that “compared to Arab ruthlessness against Muslim fanatics, Israel uses kid gloves.” Dr. Reuven Paz of the Interdisciplinary Center in Herzliya, an expert on Islamic terror, said he was “not one of those who uncorked a bottle of champagne upon hearing the news of Yassin’s killing, though I assume some in the IDF did celebrate.” Paz noted that, in some ways, Yassin was a moderate: he did not support Osama bin Laden, he opposed terror attacks outside Israel and the territories, and saw the struggle against the Jewish state as a fight against occupation. Far from considering the assassination as a death blow for Hamas, Paz felt that it would adversely affect the Palestinian Authority and weaken Gaza security chief Muhammad Dahlan, on whom the U.S. pinned high hopes.

In a statement issued on the day of the assassination, EU foreign ministers said that Hamas was guilty of “atrocities . . . which have resulted in the deaths of hundreds of Israelis” and that Israel had the right to protect itself against terrorism. But they also noted that “Israel is not, however, entitled to carry out extrajudicial killings” and said that Yassin’s assassination “has inflamed the situation . . . Violence is no substitute for the political negotiations which are necessary for a just and lasting settlement.”

On March 25, the U.S. vetoed an Algerian-sponsored resolution condemning Israel for the Yassin assassination. Ambassador John Negroponte, the U.S. representative, called the resolution unbalanced since it failed to take into account the “terrorist atrocities” committed by Hamas. The American veto came after Algeria had refused to add language condemning Hamas or other terror groups. The vote was 11-1, with Great Britain, Germany, and Romania abstaining.

One indirect result of the Yassin killing was the collapse of the Arab League summit, which had been scheduled for Tunis at the end of March. Arab leaders had hoped to use the conference to relaunch the Saudi-crafted peace initiative of 2002 that offered peace to Israel in return for withdrawal from all lands overrun in the 1967 war (see AJYB 2003, pp. 195–98), and to submit their own proposals for political reforms in the PA. But widespread outrage in the Arab world made it politically risky for some of the Arab states to pursue a peace initiative

Hamas promised a stepped-up campaign of suicide bombings in revenge for the assassination. But the only incident over the next two week

was a bombing at the Erez industrial zone at the northern edge of the Gaza Strip in which one Israeli was killed. Even so, security forces were on high alert over the Passover holiday, guarding synagogues, national parks, markets, and shopping malls, and, according to an Army Radio report, ten attempted suicide bomb attacks on Israeli targets were thwarted during that week. Two of these were to have been carried out by women, one was supposed to be a triple suicide bombing in a large Israeli city, and another was to have been carried out with a device containing AIDS-infected blood.

Immediately after Passover, on April 17, missiles fired from an Israeli helicopter killed Abdel Aziz Rantisi, who had replaced Sheikh Yassin at the head of Hamas. Rantisi was killed shortly before 9 p.m., together with one of his bodyguards and his driver. Ten other people, including Rantisi's wife, were injured in the attack, which occurred on a street in the Sheikh Radwan neighborhood of Gaza City and about 100 meters from Yassin's grave. At Rantisi's funeral, in which thousands participated, new Hamas leader Ahmed Baher pledged vengeance, at a time of Hamas's choosing. He said: "There is no doubt that the assassinations of Yassin and Rantisi are losses to the Hamas movement. But the response will come at a suitable time. Jihad will continue. All we need is patience." But Baher's bluster came as tighter Israeli security precautions, as well as offensive actions against key men in the resistance movement, made terror operations more difficult for Hamas.

Two Israeli Arabs were arrested on April 18 and accused of the July 2003 killing of Cpl. Oleg Shaichat, who was picked up while hitchhiking and murdered near his Upper Nazareth home (see AJYB 2004, p. 174). They were nabbed after a shooting attack in which Shaichat's M-16 rifle was used. A few weeks later, several residents of Kafr Kana who had been accused of the Shaichat killing and held by the authorities for ten months were released and the charges against them dropped.

Israeli troops killed four Palestinians on April 23. Three were militants from the Fatah movement in Qualqilya, in the northern West Bank, who were shot by a special unit of Israeli troops disguised as Arabs. The fourth fatality was Yasir Abu Leimun, who was killed in Taluza, north of Nablus. Abu Leimun's wife, Dalal, said that her late husband, who taught hospital management at the Arab-American University in Jenin, had no political affiliation. A week later, after an investigation by the IDF Central Command, the army apologized for the killing. It explained that Abu Leimun had wandered into an area where Israeli troops were chasing two wanted men, and that he was dressed like the suspects.

Pregnant mother Tali Hatuel, 34, and her four young daughters, all 11 or under, were killed by terrorists near the entrance to the Gush Katif settlement bloc in the southern Gaza Strip on May 2. Troops in the area rushed to the rescue after a joint Palestinian force, including members of Islamic Jihad and Al-Aqsa Martyrs Brigades, fired on Hatuel's car, disabling it, but they did not arrive in time to stop the execution-style killings. Later in the day, missiles fired by Israeli helicopters hit a 14-story building in the center of Gaza City. Earlier the same day, security personnel at the Karni crossing in the north-central Gaza Strip found an explosives belt in a truck filled with produce bound for Israel.

On May 4, the PA released funds it had frozen nine months earlier from bank accounts belonging to several charities affiliated to Dawa, the civilian arm of Hamas. The money was transferred to the Gaza bank accounts of the charities, including that of Al-Mujamma al-Islami, founded by Sheikh Yassin.

Rising Tensions

On May 11, six Israeli soldiers were killed in Gaza's Zeitoun neighborhood when the explosives-laden armored personnel carrier in which they were riding hit a booby-trapped mine during an incursion to blow up Qassam missile workshops. Hamas and Islamic Jihad displayed what they said were body parts of the six soldiers. "We possess the remains of your bodies that were thrown into the streets of Gaza," the two organizations said in a statement. Al-Jazeera, the Arabic-language satellite channel, broadcast a video showing what it said were two masked Islamic Jihad activists with what they claimed to be the head of an Israeli soldier on the table before them. Maj. Gen. Dan Harel, head of the IDF's Southern Command, told reporters his troops would remain in Zeitoun until the remains of their comrades were recovered. Those remains were subsequently handed over to Israel by representatives of the Palestinian Red Crescent Society.

The next day, five members of the IDF's anti-tunnel unit were killed when a rocket-propelled grenade (RPG) scored a direct hit on their armored personnel carrier, which was filled with explosives to blow up smuggling tunnels between Gaza and Egyptian Sinai, in the so-called Philadelphi Corridor at the southern end of the Gaza Strip. For most of the following day, Israeli troops scoured the sandy area searching for body parts of their fallen comrades. Over the ensuing days, 29 Palestinians were killed and more than 150 wounded in clashes with Israeli troops, PA

sources said. Israeli troops began demolishing Palestinian homes in an effort to widen the narrow corridor, but on May 16 Israel's High Court of Justice issued a restraining order barring these demolitions.

On May 14, Syrian president Bashar al-Assad rejected an American demand that he expel Hamas and Islamic Jihad leaders—including Khaled Masha'al of Hamas and Ramadan Abdallah Shami of Jihad—from Damascus. The Syrian leader claimed that they "are not leaders, they are political spokesmen." In addition, he told visiting American editors, the men "can only return to their home country, and if they do that Israel will imprison them."

On May 15, Yasir Arafat delivered a televised speech marking the 56th anniversary of the Nakba (Disaster), as the Palestinians call Israel's successful battle for independence in 1948. The PA leader called on his people to "terrorize the enemy." Arafat said: "Acts of sacrifice, determination and revolution have sent a message to the world that Palestine is the homeland of the Palestinian nation and it has no other, and it will not accept an alternative to its homeland." But others in the Palestinian leadership were delivering different messages. Abu Ala, who met with Secretary of State Powell at Amman Airport, said that the two had "very, very constructive" talks. Other PA officials, including Foreign Minister Nabil Shaath, indicated they were ready for a cease-fire with Israel as a step towards implementing the "road map." From Damascus, however, Hamas leader Masha'al, on May 18, rejected any such idea, charging that Israel had launched a "war of annihilation" against the Palestinians. "The choice is between death and death," Masha'al told the Associated Press.

Israel launched a major operation into the Gaza Strip on May 17. At least ten Palestinians were killed two days later when an IDF tank fired a shell that passed through an abandoned building and hit a group of about 3,000 marchers demonstrating against house demolitions in the Tel Sultan neighborhood of Rafiah, at the southern end of the Gaza Strip. According to Palestinians, most of those killed—and most of the demonstrators—were schoolchildren. Military sources said the shell was fired as a warning, to prevent the demonstrators from getting too close to the Israeli forces. In the past, they noted, armed militants had used demonstrators, including children, as cover in order to attack Israelis.

President Bush declined to comment directly on the attack, but, speaking to reporters at the White House, he said: "I continue to urge restraint. It is essential that people respect innocent life in order for us to achieve peace." Russia denounced the Israeli action as a "disproportionate use of force," and British prime minister Tony Blair said it was "unacceptable and wrong."

At the Knesset, which was in session when news of the Rafiah mishap broke, MK Muhammad Barakeh of the largely Arab party Hadash called the incident a “massacre” and demanded an international inquiry. Likud MK Yuval Steinitz, chairman of the Foreign Affairs and Defense Committee, said the events were “tragic,” but noted that the Palestinians frequently sent civilians into danger areas on purpose. MK Ran Cohen of Meretz said the army should get out of Rafiah immediately.

A Tel Aviv District Court convicted Marwan Barghouti of five counts of murder on May 20. Leader of the Fatah Tanzim in the West Bank and one of the most popular Palestinian leaders, Barghouti had been captured during Operation Defensive Shield in 2002. The court acquitted him of direct involvement in 21 other slayings, ruling that the prosecution had not demonstrated that Barghouti was involved in their planning. Bearded, manacled, and wearing a blue prison uniform, Barghouti reiterated what he had said many times during his trial, that he did not recognize the authority of the “court of occupation.” He added: “So long as the occupation continues, the uprising will not stop. As long as Palestinian mothers are weeping, Israeli mothers will also weep.” He said he was “against killing innocents on either side.” Throughout the trial, Barghouti had insisted he was an elected politician, not a terrorist leader, and that “we want freedom and a state, just like the Israelis.”

Sentencing came on June 6, when Barghouti was given five life terms plus 40 years in jail for the killings, which included the death of a Greek monk on the outskirts of Jerusalem in 2001.

A report by Amnesty International released on May 26 accused Israel of killing some 600 Palestinians, including 100 children, during the course of 2003. The organization criticized Israel for abuses that it claimed constituted war crimes, including the use of human shields, wanton destruction of property, obstruction of medical assistance, and targeting of medical personnel. (Israel claimed that Palestinian groups used ambulances to transport terrorists and their materiel.) At the same time, Amnesty condemned the “deliberate targeting of civilians by Palestinian armed groups,” viewing that also as a “crime against humanity.” In a separate document, Amnesty urged Israel to investigate the deaths of Asuma al-Mughayr, 16, and her brother Ahmad, 13, who, it alleged, were shot in the head on the roof of their Rafiah home while collecting laundry and feeding pigeons.

According to *Ha'aretz*, 111 Palestinians, including 31 noncombatant civilians, were killed by the army in the territories during May. This figure was double the 55 killed in April and the highest monthly figure since Operation Defensive Shield on the West Bank in 2002. Defense Minister

Mofaz said that 18 Palestinians planning to carry out suicide bombings were arrested in May. Six more were about to be smuggled from Gaza into Israel in early June, but security services foiled the plan.

Prime Minister Sharon told the cabinet on June 20 that Israel would not dig a water-filled trench to block access along the southern end of the Gaza Strip, in the Philadelphi Corridor, without Egypt's consent. The Defense Ministry had already called for bids on a 4-km long, 100–120-meter wide, 15–25-meter deep excavation to inhibit the digging of tunnels used to smuggle arms into Gaza from Egypt. The ministry said it was standard practice to invite bids prior to the political echelon reaching a decision on a project.

In late June, the IDF said it was looking into allegations of abuse raised in “Breaking the Silence: Soldiers Tell About Hebron,” a display of photographs and videos collected by four ex-soldiers who did military service in that city. The exhibit painted an extremely unflattering portrait of the interaction between Israeli forces and the over 100,000 Palestinian residents of Hebron, causing considerable controversy and garnering much press attention while it was on display at the Gallery of Geographic Photography in the Yad Eliyahu section of Tel Aviv.

Yasir Arafat, in a rare interview with an Israeli newspaper, told *Ha'aretz*, in an article published June 18, that his recognition of Israel's right to remain a Jewish state logically implied an acceptance of the idea that the Palestinian “right of return” may be limited. Arafat said it is “clear and obvious” that the refugee problem needed to be addressed in a way that did not change the Jewish character of Israel.

A striking 63.7-percent majority of the Israeli Jewish public thought that the government should encourage the emigration of Israeli Arabs, according to a Haifa University poll released on June 21. Conducted by school's National Security Studies Center and supervised by Prof. Gavriel Ben-David, the poll found that 48.6 percent of Israeli Jews felt the government was overly sympathetic to Israeli Arabs, 55.3 percent considered Israeli Arabs a danger to national security, and 45.3 percent favored depriving them of the right to vote and hold national office. About a quarter of those polled said they would think about voting for an extremist party such as the outlawed Kach, if such a party were allowed on the ballot. The data also showed hostility towards foreign workers: 72.1 percent backed the imposition of entry restrictions on such laborers, and 54 percent said their presence burdened the Israeli economy. The survey was based on the responses of 1,016 Jewish Israelis.

A suicide bomber who had planned to attack Caffit, a café on busy

Emek Refa'im Street in Jerusalem's German Colony, on July 13, backed down at the last minute, security forces disclosed on July 18. Malek Nasser al-Din, 41, intended to shoot the guard at the entrance and then to blow himself up inside, but had second thoughts and returned to his home in Hebron. Two days later he was killed in a fight with security forces who came to arrest him. Another suicide-bomb attempt, in the Sharon region north of Tel Aviv, on July 14, was aborted when security officers arrested two men trying to smuggle an explosive device into Israel in the upholstery of an armchair. This was the fifth bomb attack prevented since the beginning of July and the 87th since the start of 2004.

A Long, Hot Summer

Heavy clashes among Palestinian factions forced Arafat, on July 19, to cancel the appointment of his nephew, Musa Arafat, as head of the PA's national security apparatus. Arafat had originally appointed the nephew—then head of military intelligence—to bring some order to Gaza, which was rapidly falling into chaos as elements demanding reforms in the PA conducted a series of kidnappings of Arafat loyalists. But the appointment angered supporters of Muhammad Dahlan, formerly the security affairs minister in Gaza and a major force behind the reform movement, and anti-Arafat demonstrations broke out. Adding to the tension was a report in *Ha'aretz* that Musa Arafat had close ties with an extensive smuggling network at the southern end of the Gaza Strip. The military wing of Fatah, Yasir Arafat's own party, came out against the new powers for Musa Arafat, and so the PA leader had to rescind the appointment.

If more evidence was needed that the Palestinian leadership needed to establish order, it came the next day, when former PA information minister Nabil Amir was wounded by unknown gunmen. Yasir Arafat ordered police to investigate, and cabinet minister Sa'eb Erakat emphasized the seriousness of the situation. "If we can't restore public order and law . . . this will bring the most damage to the Palestinian people and their cause," he said. "It's the whole social fabric that is collapsing now."

On July 22, four days after refusing an offer by Qurei to resign as prime minister, Arafat finally agreed to give him full authority over the various overlapping PA security forces. But the prime minister found it impossible to exert control over the bewilderingly complex organizational apparatus, much of which still owed allegiance to Arafat, and unrest continued. Protesters burned a police station in Gaza City on July 24, and

briefly took over an administrative building in the southern part of the Strip. Secretary of State Powell, on a visit to Budapest on July 27, expressed exasperation. What was needed, he said, was “real action that transfers power to the prime minister of the Palestinian people and the PA, and the consolidation of security services, with those consolidated services under the direction of the prime minister.”

Hassan Za'anun, 16, was killed by members of the Al-Aqsa Martyrs Brigades on July 23, in a clash over whether the militants could use the Za'anun family's property in Beit Hanun, at the northern edge of the Gaza Strip, for firing Qassam rockets in the direction of the Israeli town of Sderot. According to a *Ha'aretz* report, six members of Al-Aqsa arrived in a van at the Za'anun property and set up a Qassam launcher near the family's home. Members of the family—most likely fearing that their house would be destroyed by Israeli return fire—tried to drive the militants off with sticks and rocks, but the latter opened fire, killing Hassan.

On the morning of July 19, Ghaleb Awali, a Hezbollah leader, was killed in a car-bombing in Beirut. Hezbollah immediately blamed Israel and threatened revenge, inducing Israel to increase its army alert along the northern border. Brig. Gen. Yossi Kuperwasser, chief of army intelligence research, met with Knesset members that day and raised the possibility that Iran might arm Hezbollah with chemical weapons.

A bombing at the Qalandiya checkpoint north of Jerusalem on August 11 killed two Palestinian bystanders and wounded six Israeli border policemen and 13 other Palestinians. Security forces said that terrorists from the Al-Aqsa Martrys Brigades had been trying to smuggle the bomb into Israel.

A senior U.N. official said on August 12 that both Israel and the PA were violating international obligations. Kieran Prendergast, undersecretary for political affairs, made the statement in what he called a “depressingly familiar” monthly briefing. Israel, he said, was not living up to its obligation “to protect Palestinian civilians and not to destroy their property unless this is rendered absolutely necessary by military operations,” adding that the scale of destruction in IDF operations “raises concerns about collective punishment.” At the same time, acknowledged Prendergast, the PA had failed to protect Israeli citizens from attack. Prendergast noted what he called a new pattern of Qassam and mortar attacks by the Palestinians on Israeli territory, followed by Israeli helicopter attacks into Gaza. “For each side, the actions of the other does not in any way excuse it from fulfilling its obligations,” he asserted.

On August 31, 16 Israelis were killed and about 100 wounded in a dou-

ble bus bombing in Beersheba, the “capital of the Negev,” which had, until then, been barely touched by terror attacks since the beginning of the intifada. The buses were traveling along Beersheba’s main street, Rager Boulevard, near the city hall. Hamas in Hebron claimed responsibility for the attack.

Saying that many of their demands for improved conditions had been met, almost 4,000 Palestinian security prisoners in Israeli jails ended an 18-day hunger strike on September 2. Israel Prison Service sources denied that any demands had been agreed to. Five days later, on September 7, Israel released 188 of the prisoners, citing lack of space.

Focus on Gaza

Army units destroyed a tunnel ten meters deep under a house in Deir al-Balah, in the Gaza Strip, on September 2. It was dug in the direction of the Kfar Darom settlement, half a kilometer away. As intermittent violence in the Strip continued, at least 14 militants were killed in a September 7 attack by Israeli helicopters on a Hamas training camp there.

The army announced on September 19 that it had developed and installed a new kind of radar that would give residents of Sderot 15–20 seconds of warning that Palestinian Qassam rockets had been fired at the town. But Sderot, near the border with the Gaza Strip, was hit by a Qassam the very next day, and subsequently continued to endure intermittent attacks. In response, Israeli helicopters attacked a Hamas training area on a soccer field in Sajaiyeh, a neighborhood in eastern Gaza City near the border fence with Israel. Thirteen people were killed in the rocket raid on what Israel called a facility for training terrorists and Hamas called a summer camp for Palestinian youths.

Izz a-Din al-Sheikh Khalil, a senior Hamas leader, was killed by a car bomb in Damascus on September 26. According to a report in *Ha'aretz*, Israeli security sources acknowledged that Israel was involved in the killing of Khalil, 42, whose main “claim to fame” was his role in training Yehiya Ayyash, Hamas’s legendary bomb-making engineer who was killed when his booby-trapped cell phone exploded in January 1996. Khalil, expelled from Gaza to Syria in 1992, was thought to be in charge of Hamas military activities outside the territories. A Hamas spokesman vowed revenge, saying: “All these assassinations will not deter Hamas or stop it from carrying out its policies and its program. It shows that there is no use for a political solution to this conflict.” The killing came just days after *Al-Hayat*, a London-based Arabic-language newspaper, re-

ported that the intelligence service of an unnamed Arab state had passed on detailed information about the movements and residences of Hamas leaders outside the territories to the Mossad.

On September 30, Israel responded to repeated mortar and Qassam rocket attacks on Gush Katif and the northern Negev town of Sderot with what it called Operation Days of Penitence, largely in and around the Jabalya refugee camp in Gaza. A proposed UN Security Council resolution to condemn the Israeli action was vetoed by the U.S., on the grounds that it did not also condemn terrorism against Israel. The operation, which lasted until October 15, claimed about 100 Palestinian lives. The IDF claimed that the action seriously weakened the Hamas infrastructure in Gaza, but the rocket attacks continued.

The operation also served as the backdrop to a confrontation between Israel and UNRWA, the United Nations Relief and Works Administration, which provided assistance to Palestinians living in refugee camps. Israel had long charged the agency with turning a blind eye to terrorist incitement in the camps. On October 3, Peter Hansen, the UNRWA commissioner-general, caused a furor in Israel when he told an interviewer for the Canadian station CBC: "I am sure that there are Hamas members on the UNRWA payroll, and I don't see that as a crime." He went on to note that since Hamas had a political wing and therefore not everyone associated with the group was a militant, "we do not do political vetting and exclude people from one persuasion as against another."

The next day, even as Hansen's office was issuing a clarification claiming that he had meant Hamas "sympathizers" and not "members," and while the Security Council was deliberating the resolution condemning Israel, Israel's UN delegation presented a videotape to Secretary General Kofi Annan allegedly showing a Palestinian loading a Qassam rocket into the back of a van clearly marked "UN." Dan Gillerman, Israel's UN ambassador, called for an investigation of the incident and the firing of Hansen. After viewing the video, Hansen insisted that the item placed in the van was not a weapon but a folded stretcher. The following day, October 5, the IDF removed the video from its Web site and issued a statement saying: "The IDF is reviewing the analysis of the footage in which UNRWA vehicles are seen involved in suspicious activity in the combat zone in Gaza." Israel did not retract its charge, however. In the course of its investigation, Israel arrested 13 Palestinian employees of various UN bodies on suspicion of involvement in terror, and collected testimony about UN staff members who allegedly aided terrorists. A UN team was set up to investigate the charges.

An Israeli helicopter strike hit the Subaru automobile of Bashir Jabash,

a senior Islamic Jihad commander in the Gaza Strip, on October 5; he and three other occupants of the car were killed. Israel considered Jabash, 38, responsible for the deaths of at least eight Israelis.

Another killing of a Palestinian that same day created a furor. Iman al-Hams, a 13-year-old Palestinian girl, was shot to death when she wandered close to IDF positions while walking to school in the Rafiah refugee camp. After she was initially shot, the company commander “confirmed the kill” by pumping bullets into the girl’s body at close range. That officer first claimed he had been acting according to regulations, but soldiers from the company told the press about the officer’s conduct and reports appeared in the media, including a broadcast on “Fact,” a popular Channel Two news show, of an audiotape of the incident that seemingly incriminated the commander. The army initiated legal proceedings against him on a number of grounds, including obstruction of justice for attempting to stop the soldiers under his command from talking about the incident.

On October 7, twin terror bombings at resort hotels in Egyptian Sinai killed 32 people, 12 of them Israelis, and wounded about 120. The attacks took place at the Taba Hilton and Ras a-Satan, both heavily frequented by Israelis. Though initial reports indicated the involvement of Al Qaeda-affiliated terrorists, the Egyptians arrested local people they said carried out the atrocities.

Imad Kawasma, the head of the Hamas military wing in Hebron, surrendered to Israelis who had surrounded the safe house where he was hiding on October 13. Kawasma had dispatched the two suicide bombers responsible for the double bomb attack in Beersheba on August 31, in which 16 people were killed (see above, pp. 242–43). Those two bombers were Ahmad Kawasma and Nisam Ja’abari, both members of prominent Palestinian clans in Hebron.

Musa Arafat, Yasir Arafat’s nephew whose appointment as head of PA security in July had raised so much opposition that it had to be withdrawn, escaped unharmed when a car bomb exploded near his convoy in Gaza City on October 13. Palestinian sources acknowledged that the bomb was Palestinian, not Israeli.

Conflict continued about the Philadelphi Corridor at the southern end of the Gaza Strip, as Israeli forces fought a continuing battle against Palestinian smuggling tunnels. On October 21, Engineers Corps Sgt. Moshe Almaliah, 35, was killed by a bomb in the area. On the same day, Adnan al-Ghoul of Hamas, known as “the father of the Qassams,” and his deputy were killed by Israeli missiles in the Gaza Strip.

According to numerous reports in late October, Israeli security forces

assumed that Palestinians in the Gaza Strip had at least five shoulder-fired anti-aircraft missiles. Known in military jargon as Man Portable Air Defense Systems (MANPADS), these would endanger the helicopters used in many of the IDF's antiterror operations, such as the targeted elimination of terrorist leaders. Previously, the Palestinians had had no real air defense system, and IDF helicopters had virtually unhindered freedom of movement over Gaza.

November started off on a grim note when three Israelis were killed and 40 others injured in a suicide bombing at Tel Aviv's Carmel market on the first day of the month. The bomber was a 16-year-old Palestinian boy from the Askar refugee camp, near Nablus.

Israel's border defenses were penetrated twice in the first half of November; though neither incursion was deemed particularly dangerous, both created alarmed headlines. On November 7, Hezbollah sent an unmanned aerial vehicle over the northern coast, flying as far south as the city of Nahariya before returning to Lebanese territory. The flight, by an Iranian-made drone, followed threats by Hezbollah's Sheikh Hassan Nasrallah that his organization would respond to Israeli incursions over southern Lebanon. Though the capability to launch one such vehicle over Israel did not constitute a strategic threat or raise any real danger of attacks by drones, the fact that it took military intelligence by surprise was considered a matter of concern.

And on November 9, Israeli naval coastal defenses detected a submerged object, later identified as a submarine, which had penetrated two miles into Israeli territorial waters. The navy followed the sub, but when it attempted to close on the vessel, it headed back into international waters. Aryeh O'Sullivan, reporting in the *Jerusalem Post*, quoted a senior navy officer as saying: "We assume that the submarine belonged to a Western navy" and was either on a spying mission or testing Israel's level of alertness. But others noted that neighboring countries also had submarines—Egypt, Iran, and Turkey had active subs, and Syria and Libya had inactive ones.

Arafat Departs, Tensions Continue

The death of Yasir Arafat on November 11 brought a major change in Israeli-Palestinian relations. Arafat first took ill in mid-October while living in his rooms at the Muq'ata, the Ramallah office compound where he had been under virtual house arrest since Israel's Operation Defensive Shield in the spring of 2002 (see AJYB 2003, pp. 198–203). According

to some of his associates, who were quoted in the *Guardian* newspaper after his death, Arafat suddenly experienced an onset of what seemed to be flu, with vomiting, diarrhea, and a slight fever. He could not hold food down, and lost weight rapidly.

Alarmed aides summoned a team of doctors from Egypt, who arrived on October 17, followed by a second medical team from Tunisia. Although his condition continued to decline, on October 24 he managed to rise from his sickbed to meet with members of the PLO Executive Council. But those present noticed that he was hardly himself. "When we met with him, he hardly recognized who was speaking," one of them said.

As Arafat's condition deteriorated, his wife, Suha, was summoned from Paris, where she had lived apart from him for several years. Some top Arafat aides insisted that their leader be taken abroad for treatment, and, after Qurei received a telephoned assurance from Sharon that Arafat would be allowed to return if he went abroad for medical help, the Palestinian leader left by helicopter for Amman, where he was put aboard a French military aircraft on October 29. Arafat spent five days at the Percy military hospital on the southern edge of Paris taking tests. But French doctors, including specialists in toxicology, made little progress in determining the cause of his illness other than to rule out leukemia.

On November 3, Arafat slipped into a coma. Awaiting word on his condition, President Bush was incorrectly informed on November 4 that the PA leader had died. He said: "My first reaction is God bless his soul. And my second reaction is that we will continue to work for a free Palestinian state that's at peace with Israel."

On November 7 the coma deepened. That day Suha Arafat called his associates who had come to Paris "those who want to inherit," and accused them of "trying to bury Abu Ammar" (Arafat's nom de guerre). On November 9, Arafat suffered a cerebral hemorrhage, and he died on the morning of November 11.

In a report on Arafat's illness, French doctors said he suffered from disseminated intravascular coagulation (DIC), usually the result of malignancy and infection, in which the blood vessels are blocked and clotting factors needed to control bleeding are impaired. But the doctors never ventured an opinion as to what brought all this about, that is, the cause of death.

Arafat was flown to Cairo for a formal funeral, and then to Ramallah for burial in the Muq'ata complex, for which Israel gave permission. The burial itself was chaotic, as thousands of Palestinians milled around the complex and swarmed over a helicopter bearing the body. Mourners

clambered for a chance to touch Arafat's casket, as security personnel fought to carry it to the gravesite. Finally, the casket arrived at the concrete and marble tomb, into which officials poured about four buckets of soil brought from Jerusalem—where Arafat had said he wished to be laid to rest.

The PA announced elections for January 9, 2005, after the traditional 60-day mourning period. Meanwhile, Mahmoud Abbas (Abu Mazen), a longtime Arafat aide and PA prime minister in 2003, was named interim leader, but his succession was far from assured. On November 14, a group of masked gunmen forced their way into the official mourning tent for Arafat in the Gaza Strip while Abbas was there. In the ensuing scuffle, two men were killed. Abbas later downplayed the incident, which, he said, "had no personal or political character." He claimed that the intruders, from the Fatah Al-Aqsa Martyrs Brigades, had merely been firing into the air.

Human rights activists from the Mahsom Watch organization, which monitored Israeli checkpoints, disclosed on November 26 that a few days earlier, Israeli soldiers had forced a Palestinian man to play his violin for about two minutes before allowing him to pass through the Beit Iba roadblock north of Nablus. The incident, filmed by Mahsom Watch volunteer Horit Herman-Peled, took place on November 9. The army said the soldiers made the man open the case and play the instrument to demonstrate that there were no explosives inside, but said that the incident was "insensitively dealt with by soldiers who are faced with a difficult and dangerous reality." Palestinians had long claimed that the roadblocks, which made moving from one place to another on the West Bank extremely difficult, were a form of collective punishment rather than the security measures Israel said they were. The soldiers were reprimanded after an investigation.

The Philadelphi Corridor and arms smuggling into PA territory were on the agenda of conversations between Prime Minister Sharon and Secretary of State Powell on November 27. Sharon told Powell that while Egypt was doing more to stop smuggling than it had in the past, it could do still more. "It is not enough to guard the 200-km border and deploy troops," he said. "The smuggling has to be stopped in the mainland." Solving the smuggling problem, Sharon told Powell, would enable Israel to pull back completely from the Gaza Strip and have "neither responsibility nor blame" there, and allow the reopening of the Dahaniya airport and, eventually, Gaza port as well.

The IDF suspended antiterror operations by Shayetet (Flotilla) 13, the

elite naval commando unit, after the fatal shooting on December 3 of Islamic Jihad member Muhammad Kamil when he was unarmed and already injured. The incident took place in Rab'a, a village near Jenin in the northern West Bank. An investigation showed that Kamil had surrendered his pistol to Palestinian civilians before he was shot and killed at a distance of 40 meters. The commandos said they thought Kamil had another weapon. A week later the suspension of Shayetet 13 was lifted, the IDF spokesman explaining that there had been no ethical failure on the part of the commandos, and that Kamil had not been "executed," as charged by B'Tselem, the human-rights organization.

On December 3, Deputy Chief of Staff Maj.-Gen. Dan Halutz said that Israel would not have approved the assassination of Hamas Gaza leader Salah Shehadeh in July 2002 had it known that large numbers of innocent civilians would also die in the operation (see AJYB 2003, p. 218). Sixteen Palestinian civilians—including nine children—were killed and dozens more wounded when the air force, which Halutz commanded at the time, dropped a one-ton bomb on Shehadeh's home in a residential area of Gaza City. Halutz made the statement in a declaration to the High Court of Justice in response to a challenge against his appointment as chief of staff lodged by Yesh Gvul (There Is a Border/Limit) and other left-leaning groups. They cited comments he made immediately after the operation in an interview with *Ha'aretz* to the effect that he had told the air force crew to "sleep well at night, your operation was perfect," and added: "By the way, I sleep well at night." Halutz now denied that he had been indifferent to civilian deaths.

Warming Up to Egypt

Azzam Azzam, a 41-year-old Israeli Druze who spent eight years of a 15-year espionage sentence in an Egyptian jail, returned home on December 5 to a hero's welcome. Wrapped in an Israeli flag, Azzam returned to Mughar, his home village, to wild celebrations. Azzam had been running an Israeli textile factory in Egypt at the time of his arrest in 1997. Sharon, who spoke with Azzam shortly after his release, described their conversation as "emotional." "Immediately after I was elected," Sharon told the freed prisoner, "I met with your family and I promised them that during my tenure as prime minister we would release you. Since then, I have worked tirelessly in all my meetings with Egyptians and others to do so, and, as I promised your family, I delivered."

Ostensibly, Azzam's freedom was secured by Israel's release of six

Egyptian students who were captured in August trying to infiltrate Israel from the Sinai, allegedly on their way to kill soldiers, hijack a tank, and rob a bank. But there was much more to the deal than that: the Azzam case was just one element of intensive negotiations that had taken place between Israel and Egypt on a whole host of issues. Signs of improvement in relations between the two countries came in the days preceding Azzam's release. On December 1, the Egyptian foreign minister paid a rare visit to Israel, where he made surprisingly upbeat statements. The next day, President Mubarak told reporters that Sharon represented the Palestinians' best chance for peace.

After Azzam's release, Israel announced that it would free an unspecified number of Palestinian prisoners it was holding, though Foreign Minister Shalom insisted that this was not part of a package deal for Azzam, but an independent decision by Israel to promote cooperation with the Palestinians. This was followed, in mid-December, by an agreement between Israel, Egypt, and the U.S. to establish what are called Qualified Industrial Zones in Egypt. This meant that products manufactured in the zones that had an Israeli component of 11.7 percent would be eligible for duty-free entry into the U.S. under Israel's free-trade agreement with it, an arrangement that would mean hundreds of thousands of new jobs for the hard-pressed Egyptian economy (see below, pp. 271–72).

Another element in the Israel-Egypt rapprochement was an agreement to have 750 Egyptian border guards, equipped with armored personnel carriers and antitank rockets, stationed at the country's frontier with southern Gaza, to prevent the passage of terrorists and weapons into Gaza once Israel withdrew. Formally, this would have required a change in the 1979 peace treaty with Israel, which allowed Cairo to post only civilian police along the frontier, but Israel did not want to reopen the treaty, and so the deal was secured through an exchange of letters. Originally scheduled for January 2005, the date for deployment of the border guards was moved to April. Earlier, Egyptian intelligence minister Omar Suleiman and Israeli defense minister Mofaz reached an agreement for Cairo to train 40 Palestinian police officers, in advance of Israel's planned disengagement from Gaza.

The agreed-upon prisoner release occurred on December 27, when 159 Palestinians were let out of Israeli jails; about a third of them had been arrested for being in Israel without the necessary permit, and not for serious security violations. PA leader Mahmoud Abbas expressed disappointment, saying he had expected "a more serious prisoner release."

Portents

A bomb-tunnel dug by Palestinian terrorists blew up at an Israeli checkpoint near Rafiah, at the southern end of the Gaza Strip, on December 12, killing five soldiers, all members of the IDF's Bedouin Desert Battalion. Hamas claimed credit for what it called Operation Angry Volcano, and said it had dug the 800-meter tunnel over four months in order to reach the outpost. The next day Sharon complained that the new PA leadership had not done enough to fight terror. "As of now, we don't see any change," he said.

Chitladda Tab-Asa, a 20-year-old female farm worker from Thailand, was killed in a December 13 rocket attack on the hothouses of Ganei Tal, a moshav in Gush Katif, in the southern Gaza Strip. A few days later, Thai labor minister Uraiwan Thientthong and the country's ambassador to Israel, Kasivat Paruggamanont, met with 150 of the estimated 300 Thais working in the Strip and advised them to leave the vicinity immediately. The Thai embassy, in fact, had been urging its nationals not to work in the area for some time.

On December 18, the British Foreign Office said that no final decision had been made on holding an international conference in London on Israeli-Palestinian issues early in 2005. Israel said it wanted the conference to concentrate on ending violence, while the PA wanted it to take up broader issues. Prime Minister Tony Blair discussed the proposed conference with both sides while on a visit to the region in late December. Blair made it clear that the Palestinians would get no political support from Britain if they did not crack down on terror. "There has to be a complete and total end to terrorism" for peace talks to succeed, he said in Jerusalem, adding that only when there are actions, "not just declarations," would it be possible to get back to the "road map."

Hamas scored heavily in the elections for 26 local governments on the West Bank that were held December 22. Hamas won seven races, compared to 12 for the ruling Fatah movement; in the seven other localities results were inconclusive, and coalition negotiations would decide the governing authorities. The Hamas victories, however, were mostly in smaller towns, while Fatah won in Abu Dis (Bethany) and Al-Azariyah, just east of Jerusalem, in Halhul near Hebron, and in Jericho. In all, Fatah won nearly 65 percent of the 306 seats up for election. Danny Rubinstein, the veteran Palestinian affairs expert who wrote for *Ha'aretz*, suggested that the significance of the elections was less the actual results than the fact that Hamas had adopted the character of an organized political

party within the PA, and raised the possibility that Hamas would similarly participate in the PA parliamentary elections, due in the spring.

Of more immediate interest was the PA presidential election scheduled for January 9, 2005. Mahmoud Abbas (Abu Mazen), the interim leader, evoked a positive reaction from the U.S. on December 14, when he told *Asharq al-Awsat*, a London-based Arabic-language newspaper, that the use of weapons in the intifada had been an error. "Using the weapons was a mistake and has got to stop," he said, adding that it was important "to separate the uprising from the arms, because the uprising is a legitimate right of the people to express their rejection of the occupation by popular and social means." White House spokesman Scott McClellan welcomed these words and saw them as a necessary step toward fighting terror, a prerequisite "for a viable state to emerge." In fact, Abbas had opposed the armed intifada since it was launched in late September 2000, and said so in closed-door meetings. In public, he had only hinted at that position so as not to come into open conflict with Arafat, the uncontested leader of the Palestinians during his lifetime. Prime Minister Sharon and his closest aides avoided any show of support for Abbas so as not to damage his standing on the Palestinian "street" or his prospects in the upcoming election, and declined comment on his statement.

Abbas's election as head of the PA had actually been assured the day before his remarks, on December 13, when Marwan Barghouti, the jailed leader of Fatah Tanzim, dropped out of the race. Barghouti had originally supported Abbas, the official Fatah candidate, but then decided to run himself as an independent candidate. But now, in a press conference in Ramallah, Barghouti's wife Fadwa and two allies, Ziad Abu Ein and Ahmed Ghanem, read out a letter in which Barghouti withdrew the candidacy he had presented only ten days earlier. Ghanem explained Barghouti's move as expressing his "desire to underscore that the charade of a democratic Palestinian election under international sponsorship cannot hide the fact that the election is taking place under occupation and violations of international law." Ghanem stressed that the decision was not based on personal motives, but from the ex-candidate's "understanding and vision of the general Palestinian interest."

If Israeli expectations for Abbas as a moderate figure willing to make a deal were high, the candidate did something to dash them on December 26. Speaking in Al-Bireh, near Ramallah, he demanded the removal of the separation fence and an end to settlements, even those that, in the Israeli consensus, would have to remain if a peace deal was ever struck. "We will not accept settlements," Abu Mazen said, "and that includes

Ma'ale Adumim, Gush Etzion, and Ariel.” At the same time, however, the PA was apparently taking some steps to tone down media incitement against Israel. The London-based *A-shark al-Awsat* reported in late December that PA officials had met with TV stations to review films and song videos that encouraged attacks against Israel.

Terror Toll

The number of Israelis killed in terror attacks during 2004 was 117, down 45 percent from 2003, when 214 were killed. There was a parallel decline of 41 percent in the number of seriously injured, from 1,004 in 2003 to 589 in 2004.

Security forces attributed the trend—and the corresponding drop in the number of attacks—to more effective security measures rather than to any decline in the motivation of potential attackers. Indeed, a large number of Palestinian would-be terrorists were stopped inside the West Bank, before they could reach Israeli population centers.

Nevertheless, there were 16 “successful” suicide attacks in 2004 causing 55 deaths, as compared to 26 suicide attacks causing 144 deaths in 2003. At the same time, the number of recorded attacks on the Gaza border town of Sderot and on Israeli settlements in the southern Gaza Strip increased significantly.

A key factor in the apparent decline in terror in the northern West Bank, from the area Israelis call Samaria, was the security fence (see above, pp. 228–31). In 2003, before the fence was erected in the area, the terror infrastructure in Samaria was responsible for 12 large-scale attacks, wounding 374 people and killing 74. In 2004, with the fence in place there, two major attacks occurred, killing 14 and injuring 106.

According to the security forces’ year-end report, the existence of the fence closing off most of the northern West Bank border with Israel forced terrorists to find other routes into Israel. In fact, the perpetrators of two major attacks—at French Hill in Jerusalem on September 22 and at the Tel Aviv Carmel Market on November 1—entered Israel via Jerusalem’s northern neighborhoods. In the case of the Carmel Market attack, the perpetrator, a boy of 16, had gone from his home area of Nablus on a circuitous route through Jerusalem, rather than taking the more direct route that the fence now denied him.

The youth of the Carmel Market attacker, in which three Israelis died, was not atypical. The year 2004, according to the report of the security forces, saw a 64-percent increase in the number of minors involved in ter-

ror attacks. Women were also increasingly being enlisted to carry out “missions,” even by the Islamic Jihad and Hamas fundamentalist Muslim groups.

The role of Hamas in terrorist activities increased dramatically during the year. Israeli authorities said that Hamas was responsible for 555 attacks in 2004, up sharply from 218 in 2003. Much of this increase took the form of attacks by mortar and homemade Qassam rockets in the south of the country, on Gush Katif settlements and the town of Sderot. For the year, mortar fire rose by 500 percent and the number of Qassam attacks by 40 percent. The number of attacks carried out by Fatah Tanzim (including the Al-Aqsa Martyrs Brigades) declined from 117 in 2003 to 97 in 2004. Islamic Jihad was responsible for 106 attacks in 2004, up from 71 in the previous year—but did not succeed in carrying out even one “successful” suicide-bomb attack.

Another report linked Hezbollah to 20 percent of the terror attacks on Israeli targets in the West Bank and Gaza. Speaking on Israel Radio, unnamed officials confirmed reports of a growing role for the Iranian-backed group, saying that it had given \$9 million directly to Fatah Tanzim and the Al-Aqsa Martyrs Brigades. According to the officials, Hezbollah directed no less than 51 separate terror cells, and was actively attempting to recruit Israeli Arabs.

According to figures published by the Palestinian Red Crescent Society, 881 Palestinians died and 4,009 were injured by Israeli action during the course of 2004. October was the bloodiest month, the Red Crescent reporting 142 deaths and 343 injuries, followed by May, when 128 were killed and 545 injured.

Israeli Victims of Terror Attacks, 2004

January 13—Ro’i Arbel, 29, of Talmon, is killed in a shooting ambush on a vehicle near his home in the northern West Bank.

Three other passengers are wounded.

January 14—Cpl. Andrei Kegeles, 19, of Nahariya; Sgt. Tzur Or, 20, of Rishon Lezion; security guard Gal Shapira, 29, of Ashkelon; and Border Policeman St.-Sgt. Vladimir Trostinsky, 22, of Rehovot, are killed and ten others wounded when a female suicide bomber detonates a bomb at the Erez Crossing in the Gaza Strip. .

January 29—Eleven people are killed and over 50 wounded, 13 of them seriously, in a suicide bombing of an Egged bus No. 19 at

the corner of Gaza and Arlozorov streets in Jerusalem. Both the Fatah-related Al-Aqsa Martyrs Brigades and Hamas claim responsibility. The bomber: Ali Yusuf Jaara, a 24-year-old Palestinian policeman from Bethlehem. The victims: Avraham (Albert) Balhasan, 28, Rose Boneh, 39, Hava Hannah (Anya) Bonder, 38, Viorel Octavian Florescu, 42, Natalia Gamril, 53, Baruch (Roman) Hondiashvili, 38, Dana Itach, 24, and Eli Zfira, 48, all of Jerusalem; Anat Darom, 23, of Netanya; Yechezkel Isser Goldberg, 41, of Betar Illit; and Mehbere Kifile, 35, of Ethiopia.

February 22—Eight people are killed and over 60 wounded, 11 of them schoolchildren, in a suicide bombing on Jerusalem bus No. 14A near the Liberty Bell Park. The bomber is from the Bethlehem area. The victims: Israel Ilan Avidis, 41, Lior Azulai, 18, Yaffa Ben-Shimol, 57, Yuval Ozana, 32, and Benaya Yehonatan Zuckerman, 18, all of Jerusalem; Rahamim Doga, 38, of Mevasseret Zion; and Yehuda Haim, 48, of Givat Ze'ev.

February 26—Sgt.-Maj. (res.) Amir Zimmerman, 25, of Kfar Monash is killed and two other soldiers wounded when two Palestinian terrorists open fire near the Erez Crossing between the Gaza Strip and Israel. The terrorists are killed by IDF forces.

February 27—Eitan Kukoi, 30, and his wife, Rima Novikov Kukoi, 25, are killed in a terrorist shooting attack on the Lahav-Ashkelon Road, along the Green Line with the West Bank.

March 14—Ten people are killed and 16 wounded in a double suicide bombing at Ashdod Port. Hamas and Fatah claim responsibility. The victims: Gil Abutbul, 38, Danny Assulin, 51, Avraham Avraham, 34, Zion Dahan, 30, Maurice Tubul, 30, and Mazal Marciano, 30, all of Ashdod; Ophir Damari, 31, and Moshe Hendler, 29, of Rehovot; Avi Suissa, 56, of Kiryat Malakhi; and Pinhas Avraham Zilberman, 45, of Tel Aviv.

March 19—George Khoury, 20, a Christian Arab and the son of well-known attorney Elias Khoury of Beit Hanina, is shot to death from a vehicle while jogging in the north Jerusalem neighborhood of French Hill. The Fatah Al-Aqsa Martyrs Brigades, which claimed responsibility for the attack, later publishes an apology.

April 3—Ya'akov (Kobi) Zaghera, 40, of Avnei Hefetz, is shot dead

by a terrorist outside his home after his daughter Hani, 14, is shot and wounded. Hamas claims responsibility.

April 17—Border Policeman Kfir Ohayon, 20, of Eilat, is killed and three others wounded by a Palestinian suicide bomber at the Erez Crossing.

April 25—Border Policeman Yaniv Mashiah, 20, of Jaffa, is killed and three others are lightly wounded just an hour after the beginning of Memorial Day for Israel's fallen soldiers when shots are fired at their vehicle near Hebron.

May 2—Pregnant mother Tali Hatuel, 34, and her daughters Hila, 11, Hadar, 9, Roni, 7, and Merav, 2, of Katif in the Gaza Strip, are killed, and another civilian and two soldiers wounded when two Palestinian terrorists fire on an Israeli car at the entrance to the Gaza Strip settlement bloc of Gush Katif. Fatah and Islamic Jihad claim joint responsibility for the attack.

May 11—Six IDF soldiers are killed during an IDF operation to target Qassam workshops in Gaza City, when an armored personnel carrier hits a large explosive charge planted by Palestinian terrorists. Hamas and the Islamic Jihad claim responsibility. The soldiers: Sgt. Adaron Amar, 20, of Eilat; Sgt. Aviad Deri, 21, of Ma'ale Adumim; Sgt. Ofer Jerbi, 21, of Moshav Ben-Zakai; Sgt. Ya'akov (Zelco) Marviza, 25, of Kibbutz Hama'apil; Sgt. Kobi Mizrahi, 20, of Moshav Mata; and Sgt. Eitan Newman, 21, of Jerusalem.

May 12—Five soldiers are killed and three are lightly injured while preparing to detonate a weapon-smuggling tunnel on the Philadelphi Route near the Israeli-Egyptian border in the vicinity of Rafiah. Their armored personnel carrier exploded, apparently after being hit by an antitank rocket. Islamic Jihad claimed responsibility for the attack. Those killed: Cpl. Elad Cohen, 20, of Jerusalem; Sgt.-Maj. Aiman Ghadir, 24, of Bir Makhzur; Capt. Aviv Hakani, 23, of Ashdod; Sgt. Za'ur (Zohar) Smelev, 19, of Ofakim; and Sgt. Lior Vishinski, 20, of Ramat Gan.

May 14—Sgt. Rotem Adam, 21, of Rishon Lezion, and Sgt. Alexei Hayat, 21, of Beersheba, are killed and two other soldiers wounded by Palestinian sniper fire in the Rafiah refugee camp in the southern Gaza Strip.

May 29—Maj. Shahar Ben-Yishai, 25, of Menahemia, is killed by

Palestinian gunfire following a search in the Balata camp near Nablus.

- June 21—Thai worker Weerachai Wongput, 37, dies of shrapnel wounds from a mortar shell fired into greenhouses in Kfar Darom in the Gaza Strip. The mortar was fired by Palestinians trying to divert attention from an attempt to infiltrate the settlement.
- June 27—Sgt. Ro'i Nissim, 20, of Rishon Lezion, is killed and five other soldiers wounded when their outpost in the Gaza Strip is blown up by Hamas terrorists who tunnel under the position and detonate a massive explosive charge.
- June 28—Mordechai Yosepov, 49, and Afik Zahavi, 4, are killed when a Qassam rocket fired by Hamas terrorists in the Gaza Strip lands near a nursery school in the northern Negev town of Sderot.
- June 29—Moshe Yohai, 63, of Ashdod, is found shot to death in Beit Rima, a Palestinian Authority-controlled village near Ramallah, where he had apparently gone on business.
- July 4—Victor Kreiderman, 49, of Mevo Dotan, is shot to death by Aqsa-Martyrs Brigades terrorists as he and his wife drive near the West Bank village of Yabad. His wife, Emma, is lightly wounded.
- July 6—Capt. Moran Vardi, 25, of Binyamina, of the Navy Shayetet 13 (Flotilla 13) commando unit, is killed, and three others wounded in an exchange of fire between IDF forces and Palestinians while attempting to arrest terrorists in Nablus.
- July 11—Sgt. Ma'ayan Na'im, 19, of Bat Yam, dies and 33 are wounded when a bomb explodes at a bus stop not far from the old Central Bus Station in downtown Tel Aviv at about 7 a.m.
- August 13—Shlomo Miller, 50, of Itamar in Samaria, is killed by a Palestinian terrorist who opens fire outside the settlement gate. The Al-Aqsa Martyrs Brigades claims responsibility.
- August 31—Sixteen people are killed and 100 wounded in two suicide bombings within minutes of each other on two Beersheba city buses, on route nos. 6 and 12. The buses were traveling along Beersheba's main street, Rager Blvd., near the city hall. Hamas in Hebron claimed responsibility for the attack. The victims, all residents of Beersheba: Shoshana Amos, 64; Aviel Atash, 3; Vitaly Brodsky, 52; Tamara

Dibrashvilli, 70; Raisa Forer, 55; Larisa Gomanenko, 48; Denise Hadad, 50; Tatiana Kortchenko, 49; Rosita Lehman, 45; Karine Malka, 23; Nargiz Ostrovsky, 54; Maria Sokolov, 57; Roman Sokolovsky, 53; Tiroayent Takala, 33; Eliyahu Uzan, 58; and Emmanuel Yosef (Yosefov), 28.

September 22—Two Border Policemen, Lance Cpl. Menashe Komemi, 19, of Moshav Aminadav, and Lance Cpl. Mamoya Tahio, 20, of Rehovot, are killed and 17 Israelis wounded in a suicide bombing carried out by a female terrorist at the French Hill junction hitchhiking post in northern Jerusalem. The Fatah Al-Aqsa Martyrs Brigades claims responsibility. The victims prevented a much larger toll by preventing the bomber from getting close to the bus-stop area.

September 23—Capt. Tal Bardugo, 21, and St.-Sgt. Nir Sami, 21, both of Jerusalem, and St.-Sgt. Israel Lutati, 20, of Neve Dekalim, are killed by several Palestinian terrorists armed with AK-47 assault rifles and hand grenades, who infiltrated the military post near the community of Morag in the southern Gaza Strip. Another soldier and a journalist were also wounded in the exchange of fire in which the terrorists were killed. Two Fatah-related terror groups and Islamic Jihad claimed responsibility for the attack.

September 24—Tiferet Tratner, 24, of Jerusalem, is killed in her home in Neveh Dekalim by a mortar strike on the Gush Katif settlement bloc in the Gaza Strip.

September 29—Dorit Aniso, 2, and Yuval Abebeh, 4, children of Ethiopian immigrants living in Sderot, are killed while playing in the street by a Qassam rocket fired from Gaza. Some 20 people are wounded. Hamas claims responsibility.

September 30—St.-Sgt. Gilad Fisher, 22, of Mitzpeh Hoshaya, is killed before dawn when Hamas terrorists, under cover of heavy fog, attack an IDF lookout post east of Beit Hanoun in the Gaza Strip. Two other soldiers are wounded. The terrorists are killed.

September 30—Shlomit Batito, 36, of Nissanit, is shot and killed by Hamas terrorists while jogging on the road. Sgt. Victor Ariel, 20, of Kadima, a medic, is killed by a grenade thrown by one of the terrorists as he runs to aid Batito. Soldiers kill the terrorists.

October 6—Pratheep Nanongkham, 24, a greenhouse worker

from Maha Sarakham province in Thailand, is killed when armed terrorists infiltrate the hothouse area of Kfar Darom in the central Gaza Strip. Hamas claims responsibility for the attack.

October 7—A total of 32 people are killed in terror bombings at two Sinai holiday resorts frequented by Israelis, 29 at the Taba Hilton and three at Ras a-Satan. Among the dead were 12 Israelis; over 120 were wounded. The Israeli victims at Taba: Assaf Greenwald, 27, of Ramat Gan; Hafez al-Hafi, 39, of Lod; Rotem Moriah, 27, of Tel Aviv; Tzila Niv, 43, and her two sons, Gilad, 11, and Lior, 3, of Rakefet; Oleg Paizakov, 32, and his wife Ludmilla, 30, of Bat Yam; and Khalil Zeitounya, 10, of Jaffa. The Israeli victims at Ras a-Satan: Michal Alexander, 27, of Ganei Tikva; Roy Avisaf, 28, of Kfar Sava; and Einat Naor, 27, of Kibbutz Zikim.

October 19—Sgt. Yair Nisim Turgemann, 22, of Kiryat Arba, is killed at an IDF base near Mevo Dotan in the northern West Bank when Palestinian gunmen open fire from Palestinian territory west of the community. Al-Aqsa Martyrs Brigades claims responsibility.

October 21—Sgt.-Maj. Moshe Almaliah, 35, of Dimona, a career NCO in the IDF Engineering Corps, is killed by a Hamas bomb explosion during construction work on the Philadelphi Corridor at the southern end of the Gaza Strip.

October 28—Sgt. Michael Chizhik, 21, of Tiberias, is killed and six other soldiers wounded in a mortar shell attack on an IDF outpost at Morag in the southern Gaza Strip.

November 1—Three people are killed and over 30 wounded in a suicide bombing at the Carmel Market in central Tel Aviv. The Popular Front for the Liberation of Palestine in Nablus claims responsibility for the attack, carried out by Amar Alfar, 18, from Askar refugee camp in Nablus. The victims: Tatiana Ackerman, 32, of Tel Aviv; Leah Levine, 64, of Givatayim; and Shmuel Levy, 65, of Jaffa.

December 7—St.-Sgt. Nadav Kudinski, 20, of Kiryat Gat, of the Oketz canine unit, is killed by a bomb, along with his dog, when a booby-trapped chicken coop explodes northwest of the Karni Crossing in the Gaza Strip. Four soldiers are wounded in the exchange of fire while evacuating him.

December 12—Five soldiers are killed and another five wounded

when a tunnel filled with 1.5 tons of explosives is detonated under an IDF post at the Rafah crossing, followed by the infiltration of the post by two terrorists who open fire and activate another explosive device. The dead, all from the army's Bedouin Desert Patrol unit: Sgts. Araf Azbarga, 19, of Kseifeh; Sa'id Jahaja, 19, of Arara; Hussein Abu Leil, 23, of Ein Mahal; Cpl. Adham Shehada, 19, of Turan; and Sgt. Tarek al-Ziadne, 20, of Rahat.

December 14—Chitladda Tap-arsa, 19, a female agricultural worker from Udon Thani's Nong Han in northeastern Thailand, is killed and two other foreign workers, from Thailand and Nepal, are wounded by mortar shells fired at Ganei Tal in the Gush Katif settlement bloc.

December 21—Ariella Fahima, 39, of Moshav Nehusha south of Beit Shemesh, is stabbed to death at the door to her house, apparently by a terrorist who infiltrated the perimeter fence.

December 22—Salem (Sami) al-Kimlat, 28, a Bedouin from the town of Rahat employed as a security guard at the construction site of the security fence west of Hebron, is shot and killed by Palestinian terrorists.

Other Security Matters

WEAPONS EXPORTS

Israeli defense exports approached \$4 billion in 2004, about 10 percent of the world market, according to Defense Ministry figures. Perhaps the most significant deal was struck on March 4 in New Delhi, when Moshe Keret, president of the government-owned Israel Aircraft Industries (IAI) signed a \$1.1-billion contract to supply India with three Phalcon airborne warning and control systems. This was the largest single sale ever made by Israel's defense and aerospace industries, and part of a growing trade relationship with India (see below, p. 269). Israel had also tried to sell Phalcons, considered the best system in the world by many military experts, to Australia and Turkey, but they preferred U.S. systems.

Aeronautics Defense Systems, located in Yavne, near Ben-Gurion International Airport, registered the first Israeli sale of defense products to Russia. Irkut, the developer of the Sukhoi-30 advanced fighter, purchased the Israeli company's Aerostar unmanned aerial vehicle to help

defend oil installations and other facilities. Aerostar had also been sold to several African countries, including Angola and the Ivory Coast, and, under a recent cooperation agreement with General Dynamics, several Aerostars were slated to be sold to the U.S. Navy. Another deal by an Israeli company with the American military was secured by Plasan Sasa Composite Materials, a small firm based in and owned by Kibbutz Sasa on the Lebanese border, which won one of the biggest non-high-tech contracts ever signed by an Israeli firm, a \$144-million deal to provide truck protection systems for the U.S. Marine Corps.

Israeli exports to China, however, had created concern in Washington since the early 1990s, the Americans suspecting that made-in-the-U.S.A. technology was being transferred to the Chinese. In the summer of 2000, American pressure forced Israel to rescind the sale to China of Phalcon airborne early-warning systems even though they contained no U.S. technology and were mounted on a Russian-made Ilyushin airframe, on the grounds that possession of the advanced command-and-control aircraft would upset the military balance in the China Straits (see AJYB 2001, pp. 505–06). At the time, Israeli sources suggested that the real question involved Israeli competition with U.S. firms in the world arms market.

In 2004 a dispute arose over the resupply and repair of parts for Harpy unmanned aerial vehicles Israel had already sold and delivered to China. The question came up during a routine conversation, sometime in the fall, between Undersecretary of Defense Douglas Feith (known as a strong supporter of Israel), Amos Yaron, director general of the Israeli Defense Ministry, and Yekutiel Mor, the chief Israeli weapons-procurement official in the U.S. The Israelis mentioned the Harpy, which Israel had sold to China for \$55 million long before the Phalcon dispute had even started. Feith was angered, believing (or seeming to believe) that Israel had broken its promise to stop selling strategic weapons to China. Yaron, according to press reports, was surprised that the Americans did not know of the Harpy deal, and upon checking Defense Ministry records found that the sale had been reported to the Americans “on a professional level” in the 1990s.

According to a report by *Ha'aretz* defense specialist Ze'ev Schiff, the Americans, themselves under pressure from the pro-Taiwan lobby, demanded that Israel not return the Harpy UAVs to China, even though they were clearly Chinese property. Such a move would certainly anger China, which still had bad memories of the 2000 Phalcon cancellation. State Councilor Tang Jiaxuan, China's deputy prime minister, was said

to have discussed the Harpy case on a December 25 visit to Israel that included talks with the Palestinians. The Chinese official also invited Sharon to visit Beijing.

Feith, meanwhile, had broken off relations with Yaron, but on December 15, both Israel and the U.S. denied reports that the Americans had called on Israel to dismiss him. Yaron, for his part, refused to discuss the case or provide details at a December 29 meeting of the Knesset's Foreign Affairs and Defense Committee. All he would say was that "the problem will be solved because it has to be solved."

SECOND-GUESSING ON IRAQ

On March 28, a Knesset subcommittee headed by Foreign Affairs and Defense Committee chairman Yuval Steinitz (Likud) released an 81-page preliminary report on Israel's failure to provide accurate intelligence about Iraq's weapons capabilities before the Iraq war. It was the product of an eight-month investigation that questioned intelligence officials, military officers, and cabinet members. A much longer and detailed version of the report remained classified.

The subcommittee found that Israeli intelligence agencies suffered from a closed "information loop" so that information from foreign intelligence services was used as if it were fresh data when in fact the other states had obtained the material from Israel in the first place. Speculation was passed around in intelligence circles "without any substantiation from the field," resulting in an overestimation of Iraq's stock of missiles and its ability to strike directly at Israel. In a further criticism of Israeli intelligence, the subcommittee noted that the Israeli agencies had failed to develop sources of hard data within Iraq. But the report strongly rejected suggestions that the Israeli agencies had intentionally misled the U.S. and others in the hope of encouraging them to go to war against Iraq, a longtime enemy of Israel.

By August, classified copies of the longer document had been distributed to key figures in the political and defense establishment. Ze'ev Schiff of *Ha'aretz*, who was well-connected with the kind of people who got the report, said that it showed no "serious black holes" in the intelligence apparatus, despite the shortcomings in the Iraqi assessment process.

Prime Minister Sharon's bureau, on July 3, denied that any Israelis were involved in the interrogation of prisoners at the Abu Ghraib prison in Iraq. The charge was made by Brig. Gen. Janis Karpinski, the U.S. Military Police officer suspended after photos showed abuse of prisoners at the jail.

October also saw the publication of a report criticizing the effectiveness of the U.S. conquest of Iraq as part of its war against terror. The Jaffee Center for Strategic Studies at Tel Aviv University said, in its annual "Middle East Strategic Balance," that the actions in Iraq had diverted energies away from steps against other terror centers. If the goal in the war against terror is "not just to kill the mosquitoes but to dry the swamp," it was now clear "that Iraq is not the swamp," said one of the report's authors, retired general Shlomo Brom. "On a strategic as well as an operational level," Brom concluded, "the war in Iraq is hurting the war on international terrorism."

PROBLEMS DOWN UNDER

On July 15, a New Zealand court sentenced Israelis Eli Kara and Uriel Kelman to six months in jail for seeking to obtain a New Zealand passport fraudulently. The two men, suspected of being agents of the Israeli Mossad, had been arrested in March as they went to pick up the passport, and pleaded guilty to using the identity of a cerebral palsy victim to secure it. According to press reports, Kara, who claimed to be a travel agent based in Australia, had entered New Zealand 24 times, and Kelman, who traveled to New Zealand on a Canadian passport, was employed by YTS Stems, a firm specializing in high-tech surveillance. Two other suspects left New Zealand before they could be arrested. They were ex-diplomat Ze'ev Barkan and Anthony (Tony) David Resnick, a New Zealand native who had lived in Israel for 13 years.

Soon after the sentences were handed down, Prime Minister Helen Clark said the incident had "demeaned the integrity" of her nation's passport and constituted a severe breach of New Zealand's sovereignty. She suspended high-level contacts with Israel and said that an anticipated request by Israeli president Moshe Katzav to visit her country would be declined. Additional sanctions were imposed requiring official Israeli visitors to apply for visas and delaying approval of a new Israeli ambassador. Kara and Kelman were released from jail in late September and deported, after serving the required half of their sentences.

In July, shortly after the two suspects were convicted, a Jewish cemetery in Wellington was defaced, with 14 gravestones uprooted and Nazi slogans placed near the graves. David Zwartz, a leader of the Jewish community, said the attack had taken place in an atmosphere of "government-sanctioned anti-Israelism." He blamed Prime Minister Clark, declaring, "The strength with which she made that allegation and her comments about Israel led directly to what happened, to my mind."

SYRIAN RELATIONS

Late in the year, Prime Minister Sharon turned back overtures by Syrian president Bashar al-Assad for a renewal of peace talks, but the Syrian leader kept on trying. Assad sent out peace feelers in a meeting with UN special envoy Terje Larsen, who visited Damascus on November 25. "President Assad has reiterated to me today that he has an outstretched hand to his Israeli counterparts and that he is willing to go to the table without conditions," Larson said after they met. The message was nearly identical to that Assad dispatched earlier through others—U.S. Rep. Gary Ackerman (D., N.Y.), European diplomats, and Martin Indyk, the former U.S. ambassador to Israel.

The Syrians, however, made it clear that what they had in mind was an arrangement building upon what had been agreed to in over a decade of talks between various Israeli administrations and Assad's late father, Hafez al-Assad—Israeli withdrawal from the Golan Heights, almost all the way to the water line on the eastern shore of Lake Kinneret. Israel, for its part, officially maintained that if Assad wanted peace he should stop supporting terrorism and, in particular, shut down the offices that terror groups maintained in his capital, and rein in Hezbollah, the Lebanese Shi'ite organization headed by Sheikh Hassan Nasrallah, that operated with Iranian sponsorship and express Syrian consent. Assad, hard-pressed by the U.S. as a supporter of terror, claimed that these offices in his capital engaged in public relations, not operations.

The Americans were skeptical about Assad's professed interest in a deal with Israel, since had he been serious, they argued, he would have used diplomatic back channels rather than sending his peace message via political figures and having them appear in the newspapers. But according to several reports, the IDF took Assad quite seriously and believed that the Syrian leader might be ready for peace if Israel withdrew to the 1967 borders. Lt. Gen. Moshe (Bogie) Ya'alon said in a mid-August interview with the daily *Yediot Aharonot* that withdrawal from the Golan Heights did not pose a serious military problem for Israel. "The army is able to defend any border," he declared. Sharon aides, however, said that Assad knew very well that Israel could not even consider a Golan Heights pull-back at the same time it was disengaging from the Palestinians in the Gaza Strip and West Bank, and that Assad was taking a "free shot" to win himself public-relations points.

After the dramatic improvement in its relations with Israel in December, Egypt pushed for Syrian-Israeli talks. President Mubarak, on a De-

ember 7 visit to Kuwait, urged Prince Jabber Ahmed Sabah, the Kuwaiti ruler, to negotiate diplomatic ties with Israel and to push Syria into making dramatic political moves that could open a peace front with Israel. And Tareq el-Kouny, Egypt's chargé d'affaires in Israel (Egypt withdrew its ambassador shortly after the start of the intifada) said on December 9 that Cairo was "certain that the Syrians are serious in their intention to renew negotiations and we believe that Israel should consider this favorably." A comprehensive regional peace was in Egypt's interest, he explained, because it would lead to stability, attracting badly needed foreign investment.

DOMESTIC DEVELOPMENTS

Israel by the Numbers

The population of Israel at the end of 2004 reached 6.86 million people, according to Central Bureau of Statistics estimates published on December 30. That figure included 5.235 million Jews (76 percent of the total), constituting 39 percent of world Jewry; 1.337 million Arabs (20 percent); and 290,000 others (mostly immigrants and their families not listed as Jews by the Interior Ministry). In addition, the CBS said that the country had about 189,000 "foreigners," defined as people who have stayed in the country for less than a year. There were 1.7 million Muslims in the country, 16 percent of the total population; 450,000 Muslims were under the age of 14, fully one-quarter of all Israelis in that age group.

The nation's Christian population was 144,000, which was 2.1 percent of the total. Most of them (81 percent) were Christian Arabs, but there were also some 27,000 Christians who immigrated to Israel under the Law of Return, qualifying as Jews because of their first-degree relationship to Jews or because they had one Jewish grandparent. Most of this group had come to Israel since the early 1990s, in the waves of mass immigration from the former Soviet Union and Ethiopia, but another 5,000 had arrived in the 1970s and 1980s, mainly from Romania and Poland. While the country's Christian population had grown 420 percent since the founding of the state in 1948, its percentage of the total population dropped from 2.9 percent to 2.1 percent because the general population was growing faster. In the early years of the state, Christians amounted to over 20 percent of the Israeli Arab population, but that ratio fell to about 15 percent in 1972 and less than 9 percent in 2004.

Israel's population grew by 114,000 during 2004. The rate of growth compared to the previous year, 1.7 percent, was the lowest since 1990, at the beginning of the mass immigration from the former Soviet Union that saw more than a million people come to Israel.

Immigration in 2004 was 20,000, compared to 23,000 in 2003 and much higher figures during the previous decade. About 9,700 immigrants came from the former Soviet Union, 2,000 from France, and 3,700 from Ethiopia—mostly Falash Mura, descendants of Jews who had been converted to Christianity but still had close Jewish relatives. Immigration from the U.S. reached about 2,000 with the arrival, at year's end, of a flight of 300 new immigrants sponsored by the Jewish Agency and the Nefesh B'Nefesh immigration organization.

Average life expectancy was 81.2 years for females and 77.3 for males. The average for all Israelis, 79.2, tied Australia for seventh place among the world's countries (Japan topped the list at 81.6). On October 1, International Senior Citizens Day, the CBS published data about Israel's older residents as of the end of 2003. About 670,000 Israelis—some 10 percent of the population—were over age 65. The figure was lower than in Europe, where about 15 percent of the population was 65 or over. But it was higher than in Asia (6 percent) and Africa (3.2 percent). Among Israeli Jews, 12 percent of the population was 65 and over, quadruple the 3 percent figure for Israeli Arabs. Women were disproportionately represented among older Israelis, constituting 57 percent of those 65 and over, and 60 percent of those over 80.

Many of Israel's older people were in financial difficulty. In the 2003 CBS survey, 13 percent of those 65 and over said that they had refrained from buying food at least once during the preceding year due to lack of money; 44 percent said they had shut off heat in their homes to save money; 39 percent said they had no supplementary health insurance beyond the free national health membership in an HMO; and 5 percent said they had had their phones or electricity disconnected due to nonpayment of bills. While 91 percent of those 65 and over required prescription drugs, 15 percent said they did not purchase all of the drugs, which are sold to HMO members at a fifth or less of their list prices, because of lack of money.

Only 328,000 Israelis, 8 percent of the adult population, lived alone, the CBS reported. In the U.S., the figure was 26 percent, and in Sweden 42 percent. Israel also stood out in the possession of cell phones: its 955 phones per 1,000 people ranked second in the world behind Luxembourg.

The annual Health Ministry survey on smoking showed that 23.8 per-

cent of Israelis were smokers, the lowest figure in the 32 years that the ministry had collected statistics. Most indicated that they picked up the habit in the army. But stopping smoking might have been a factor in a rise of 2 kg (4.4 pounds) in the weight of the average Israeli between 1998 and 2002. During that same period, the number of underweight women doubled to 16 percent. An even more alarming statistic, released by the Israel Cancer Association, was that 950–1,000 Israelis are diagnosed with skin cancer each year, second in the world to Australia.

Israel dropped from 21st to 26th on the 2004 Transparency International Corruption Perceptions Index, which measures the extent to which a country is seen as free of corruption. On a scale in which 10 is the perfect score, Israel's rating declined from 7.3 two years earlier to 6.4. The PA, with a score of 2.5, ranked 108th.

The Economic Picture

POSITIVE TRENDS

Interviewed in Washington in late September, where he had gone to attend the annual meeting of the International Monetary Fund, Finance Minister Benjamin Netanyahu justified the free-market economic reforms he had instituted, saying that they followed a tested formula. "Everything that we are doing now has already been done over the past 20 years in other countries that have surged forward, from New Zealand to Chile," he said. "In the past, Israel was a 'bad' country for business—the Histadrut, taxes, welfare—and things cannot go this way. On the other hand, we have the advantage of being a technological country, and if we combine this with a pro-business climate, our economy will also surge forward . . . I speak with businessmen who tell me the only reason they come to Israel to invest and to do business is that they understand the economy is changing. Who would come to a country of high taxes, insane bureaucracy, and bloated unions?"

According to data provided in the Central Bureau of Statistics (CBS) annual report, 2004 was a year of substantial economic success, clearly attributable to the Netanyahu policies. But for those concerned with the social implications, the results were far less satisfying.

The GDP (Gross Domestic Product) rose during the year by a healthy rate of 4.3 percent, after rising only 1.3 percent in 2003 and falling by 0.7 percent in 2002. Total GDP, according to the estimates, amounted to

about NIS 525.4 billion, or around \$120 billion. With population rising by 1.7 percent, the increase meant that per capita GDP, a key figure, rose by 2.5 percent to \$17,200, bringing Israel back to about where it had been five years earlier. Even so, this growth in per capita GDP lagged behind the 2.9 average for Western countries, where population was generally not rising.

This impressive growth was spurred by the business sector. It grew by 6 percent, driven by a 14.2-percent rise in the export of goods and services, reflecting both an improved world economy and a weakening U.S. dollar, which provided substantial price advantages for Israel's exports to Europe. Another major plus was the 30-percent increase in tourism, although it was far too early to speak of a boom in this vital industry, since revenues were still less than half of what they had been in 2000, when a record 2.5-million tourists visited Israel, the bulk of them before the start of the intifada in late September.

One major factor in the improved economic figures was a 19.6-percent rise in industrial exports, which added up to about \$30 billion, a rise of nearly \$6.7 billion. On a year-to-year basis, exports had risen by only 6.2 percent in 2003, and had actually fallen by 2.5 percent in 2002.

The export figure was somewhat misleading since it included \$6.4 billion worth of polished diamonds, which had little added value. Diamonds were second only to high-tech products, which rose a healthy 21.7 percent to almost \$11 billion. The technology figures included communications equipment, up 20.3 percent to \$2.87 billion, and electronic components, which rose 12.7 percent to \$1.7 billion. Also on the rise were chemicals (+24.4 percent, including fertilizers and pesticides); plastics and rubber (+17.2 percent); textiles and clothing (+10.2 percent to almost \$1.1 billion); and food exports, which were up 17.1 percent, reaching \$600 million in the sector's fourth consecutive year of growth.

About 31 percent of the increase in exports, amounting to \$2.1 billion, was to the U.S., 27 percent to the European Union, and 22 percent to Asia. Israel's exports to Europe rose by 18 percent since 2003. Ireland was up 62 percent; Switzerland 55 percent; Croatia 126 percent; Turkey 82 percent; Uzbekistan 51 percent; Russia 44 percent; Taiwan 95 percent; and Hong Kong 28 percent. During the same period, exports to the U.S. rose by about \$1.1 billion to \$7.5 billion, a 17-percent increase.

At the same time, total imports grew by 20 percent to \$6.9 billion. Israel's trade deficit was therefore \$200 million wider in 2004 than in 2003, standing at \$6.7 billion. The EU accounted for 36 percent of imports of

goods in 2004, and also 36 percent of the rise in imports. Imports from Asia contributed 25 percent to the total rise in imports.

Of particular significance was the steadily rising bilateral trade with India. In 2002 it had increased by \$200 million, to \$1.2 billion, almost equally divided between imports and exports, reached \$1.46 billion in 2003, and \$1.95 billion in 2004, a 36-percent increase. In 2004, Indian exports to Israel increased 25 percent to \$1.3 billion, while Israel's exports to India rose 43 percent to \$918 million.

Consumer confidence in Israel was up, spurred by an apparent decrease in the level and frequency of terror attacks, at least inside Israel proper. For the year, private consumption rose by 5.3 percent, spurred by a surge of 16.3 percent in the consumption of durable goods, including automobiles and household appliances. But while the consumption surge benefited some merchants, it had a lesser effect on the entire economy because durables were usually imported. The increase in nondurable goods, mostly local in origin, was much smaller, 4.2 percent.

Government consumption, on the other hand, declined by 2.3 percent as a result of budget-cutting. This helped free up resources for the private sector, an essential element for continued economic growth. At the same time, cuts in government payrolls increased pressure on the job market.

The deficit in the government's current account, according to the year-end estimate, amounted to NIS 20.6 billion, or about \$4.7 billion based on the year-end dollar-exchange rate. That was NIS 8.5 billion higher than the 2003 deficit, but because of the sharp increase in GDP, represented a lower percentage of GDP (3.9 percent) than the 2003 deficit (5.8 percent of GDP). That 3.9 percent figure was below the government's planned deficit, as enshrined in the 2004 budget, of 4 percent.

In fact, according to an analysis in the *Globes* business daily, the government deficit was even lower if two major, non-operating deductions were taken into account—an allocation of NIS 1.9 billion to Israel Railroads for development, and NIS 5.3 billion in tax cuts. The two changes, the paper said, added up to 1.4 percent of GDP, and excluding them would make the government deficit for the year only 2.5 percent of GDP.

The major reason for the improved deficit performance was not the reduction in some government expenditures (as exemplified by a 3.2-percent cut in the social welfare allowances paid out by the National Insurance Institute, Israel's equivalent of social security, and by various state welfare agencies), but rather a significant 4.5-percent increase in gov-

ernment revenues. Most of that came from much higher tax receipts, up 4.4 percent compared to 2003, while total government expenditure remained constant.

HIGH INVESTMENT, LOW INFLATION

The improved economic climate was also reflected in the rate of investment. Total foreign investment in Israel in 2004, according to a Bank of Israel report, amounted to \$6.08 billion, about 10 percent higher than the \$5.53 billion invested in 2003. Net foreign investment in the Tel Aviv Stock Exchange was \$566 million, up 52 percent over 2003, and foreign portfolio investment, at \$5.3 billion, was a huge 230 percent higher than the 2003 figure. At the same time, there was more Israeli investment abroad, including investment by high-tech companies and in income-producing real estate. Total Israeli investment overseas stood at \$8.6 billion, 17 percent more than in 2003.

Investment in the high-tech sector was seen as the main economic “engine” for future growth. Over the year, the IVC Research Center reported, 428 Israeli technology companies raised a total of \$1.46 billion from local and foreign venture investors, as compared to \$1.01 billion in 2003. Ze’ev Holtzman of Giza Venture Capital, who also chaired the IVC Research Center, said he expected the trend to continue into 2005. Confidence seemed particularly high in the second half of the year. In the third quarter, 113 companies raised \$438 million, and in the fourth quarter, the same number of companies raised \$366. The average size of investment, too, was substantial—\$3.2 million, compared to only \$2.6 million in the fourth quarter of 2003. In all, Israeli venture-capital investment totaled \$665 million, up 58 percent from the \$421 million invested in 2003.

Investment in life sciences, including biotechnology and medical devices, continued to show the strength it had exhibited over a four-year period; its share of total venture-capital investment was 22 percent, almost triple the 8 percent of 2000. Indeed, the new ISLI (Israel Life Sciences Industry) organization said that Israel had become the world leader in per-capita patents for medical devices, and fourth in the world, per capita, in biotech patents, behind Japan, Germany, and Great Britain. According to an ISLI study, Israel had 466 life-science companies, half of which had been founded in the past five years. Forty-one percent already generated some revenue, and one-fifth of the companies were engaged in clinical trials for their products or devices. The Israeli focus was on major diseases for which existing therapies were largely ineffective—67 com-

panies were working on treatments for cardiovascular and peripheral vascular disease, 35 on oncology, 25 on neurodegenerative disease, and 15 on ophthalmic, orthopedic, and other age-related conditions.

Inflation for the year, reflecting continued weakness in the economy despite the positive signs, was 1.2 percent, toward the bottom of the government's target range of 1–3 percent. One reason for recent low inflation in Israel, where high levels of inflation had previously been the rule, was the rapid increase in low-price imports from Asia, which somewhat offset rising world energy prices. Other factors were the decline of labor costs achieved partly through increased productivity, and the depressed job market where employees tended to accept lower wages. If in past years the Bank of Israel's insistence on keeping interest rates high to control inflation was seen by some as bordering on obsession, the central bank at the end of 2004 was talking about taking measures to induce inflation, at least slightly.

TOURISM

The number of tourist visitors to Israel totaled 1.5 million in 2004, an increase of 41 percent over 2003. While this was impressive jump, it must be recalled that 2003, with the Iraq war in the news, was an especially bad year for tourism generally, and especially in the Middle East. The U.S. accounted for the largest number of tourists, 368,000, an increase of 39 percent. Next came France (268,000, up 47 percent); Great Britain (146,000, up 40 percent); and Germany (75,000, up 54 percent). Overnights in tourist hotels reached a total of 17 million in 2004, an increase of 12.5 percent over 2003. Only 3 million of these were foreign tourists, but that number was up 45 percent over 2003, while the figure for Israelis staying at the hotels, though much larger, increased by only 3.4 percent.

The improving incoming tourist figures, however, did not come close to the number of Israelis traveling abroad. No less than 3.6 million Israelis left the country on trips in 2004, an increase of 10 percent over 2003.

TRADE AGREEMENTS

Israel, Egypt, and the U.S. signed a landmark free-trade agreement in Cairo on December 14 (see above, p. 250). The deal created seven Qualified Industrial Zones, or QIZ (four in Cairo, two in Alexandria, and one in Port Said), with duty-free access to the U.S. so long as the goods pro-

duced had an Israeli component of at least 11.7 percent. Israeli-Egyptian cooperation in the zones was expected to be principally in textiles, but could expand to include leather products, ceramics, luggage, housewares, and even some food products. The agreement was modeled on a similar one with Jordan, concluded in the late 1990s, which resulted in Jordanian exports to the U.S. rising from \$52 million in 2000 to \$583 million in 2003. According to the *Jerusalem Report* magazine, Israel had originally offered the QIZ plan to Egypt at that time, but was turned down because of political considerations.

According to a report published in Beirut's *Daily Star* newspaper, much of the impetus for Egypt signing the deal came from the fact that the abolition of global export quotas for textiles, due in January 2005, would have allowed South Asian countries, particularly China and India, to push smaller producers like Egypt out of the market. Therefore, the article suggested, Egypt needed the advantage of duty-free entry into the U.S. in order to compete. Textile industry publications suggested that without the QIZ agreement, Egypt would have lost as much as \$500 million of its annual trade with the U.S., which, in 2003, amounted to \$1.13 billion. With the deal, Egypt expected to increase its exports of woven and knitted goods to the U.S. to about \$2 billion by 2007.

Israel, for its part, expected its exports to Egypt—which had fallen from over \$63 million before the intifada to about \$25 million—to increase by some \$50 million in the first year after the QIZ came into effect. Israeli manufacturers did not believe that the zones would take away business from Israeli firms. According to Dov Lautman of Delta Galil Industries, a major exporter of underwear and the operator of the largest Israeli textile plant in Egypt, most of the work carried out in Egypt would be simple sewing, which barely existed in Israel anymore. The most important benefit the deal would have for Israel was political—strengthening relations with Egypt.

Israel and the European Union agreed in early November on a method of marking Israeli goods originating in the territories for customs purposes, indicating whether they were produced in Israel proper or in the area under occupation. The agreement, based on a proposal by Ehud Olmert, deputy prime minister and minister of trade, industry, and labor, stipulated that products be labeled not only with the word "Israel," but with the city or town of origin as well. Signed in January 2005, it would go into effect in February.

The EU did not recognize settlements over the Green Line as part of Israel, and therefore exports from plants in the territories—amounting

to an estimated \$150 million annually—would be liable to customs duties estimated at \$7–\$10 million per year. This dispute between Israel and the EU, which had simmered for several years, was exacerbated in 2004 when EU customs inspectors began holding up shipments from Israel proper, including those of major exporters not linked to the territories, in order to check on the origin of the goods in the shipment. In many cases, the importer of the goods in Europe had to pay a deposit equivalent to the customs duty that would be due on the goods, in order to clear them from customs.

EMPLOYMENT, POVERTY, LABOR RELATIONS

There was slight improvement in the jobs picture for the year, but the situation remained grim for many Israelis. Unemployment declined from about 11 percent at the end of 2003 to 10 percent in late 2004. (Joblessness crossed the unenviable 10-percent threshold in October 2001, and had never dropped under it since.) Even the decline in unemployment was not due to a flood of new jobs, but to a tightening of the criteria under which unemployment compensation was awarded. Also, a good number of the 80,000–90,000 new jobs created during the year were part-time positions, often at minimum wage, and without the social benefits accruing to permanent, full-time employees. Indeed, as in the U.S., the trend in Israel was away from tenured employment to part-time or temporary jobs. Furthermore, Oded Tyrah, the outgoing president of the Israel Manufacturers Association, charged that 40 percent of employers disobeyed the law and paid workers less than the minimum wage.

The National Insurance Institute's poverty report for 2003 was released in late November of 2004. The number of Israelis living below the poverty line rose by 100,000, reaching 1.4 million, including 680,000 children. There were 190,000 families with an average gross income of NIS 3,750 or less a month, less than a third of the average national income. Worse yet, 611,000 wage earners, mostly in the part-time or temporary category and including service workers and security guards, earned less than NIS 2,000 a month. This figure included 80,000 of the 90,000 or so people lucky enough to find a job at all in 2003.

According to Prof. Zvi Sussman, former deputy governor of the Bank of Israel, the erosion of salaries and the consequent expansion of poverty among the lowest paid workers was a particularly Israeli problem. Israel, he said, was one of the few developed economies where the wage gap between unskilled and skilled labor had widened greatly in the last few

decades. Sussman, who advocated a “negative income tax” for low-wage workers, placed some of the blame on the use of labor contractors by various employers, including the government. And inevitably, the situation of the poor was due to get worse, with additional cuts planned in some social allowances and in government payments to older Israelis.

Setting aside the quality of the work or the compensation for it, there was clearly more work to be had in 2004. There was an increase of 2 percent in the number of all work hours recorded by the CBS, including employed Israelis, legal foreign workers, and Palestinians legally permitted into Israel; in 2003 that increase in work hours was only 0.3 percent. Productivity—the net product per work hour—rose by 4.5 percent in the business sector after rising only 1.1 percent in 2003. This rise in productivity is typical of a recovering economy, where employers tend to increase the workload of the employees on their payrolls as orders pick up, before they commit to hiring new employees.

At the same time, the State Employment Service, an arm of the Ministry of Trade, Industry and Labor, reported a drop in the average number of jobseekers registering at its offices every month. For the year, the number of new jobseekers (including those who never had a job before) fell 12.5 percent to an average of 22,300 a month, from 25,400 in 2003. And the numbers dropped toward the end of the year: 227,200 jobseekers contacted the service in December, 1 percent fewer than in November. The number of jobseekers fell by a cumulative 6.4 percent in the last four months of 2004.

The job situation for municipal workers in many small local governments became something of a public scandal. Burdened by heavy debts and, in many cases, fiscal incompetence by elected political leaders, many municipalities did not pay their workers for extended periods, some for as much as two years. Local authorities argued that some of the burdens placed on them, including making welfare payments and running schools, were tasks delegated to them by the central government in Jerusalem with no regard for their ability to finance them. And some mayors claimed that cuts in allocations in the middle of the year by the central government, which provided the budget of some of the poorer towns and villages, had exacerbated the problem. In any event, a Dun & Bradstreet report indicated that the debts of local authorities increased by NIS 1.3 billion (about \$400 million) over the course of the year.

Israel continued its policy of seeking out and expelling illegal foreign workers. Since the institution of the Immigration Police in 2002, about 116,000 foreign workers were expelled. Human-rights activists objected to the way that the workers—from the Far East, Africa, and Eastern

Europe—were picked up and detained before expulsion. Tens of thousands of foreign workers with legal permits remained in the country, most of them employed in agriculture, construction, or home health care.

Intermittent friction continued between the Histadrut, Israel's trade-union federation, and the Finance Ministry—in particular, Finance Minister Netanyahu, whose preference for free-market policies threatened the position of organized labor (see AJYB 2004, pp. 201–04). But there were at least some signs of a meeting of the minds. In July and August, port workers staged a 23-day strike in protest against Netanyahu's plan to privatize the government-run ports, and to separate the ports of Ashdod, Haifa, and Eilat into three separate companies. The workers came under intense public pressure to go back to work, since the strike did damage to the economy as a whole by holding up exports and endangering agreements between Israeli exporters and their overseas customers. The strike ended with the workers withdrawing their demand for an indefinite postponement of the reform, a lien on the ports' assets in their favor, and the perpetuation, for now, of the Israel Ports Authority's monopoly over the ports.

The Histadrut called off a national strike on September 22, just hours after it had started, when an agreement was reached that would allow many local governments to pay workers, some of whom had not received salaries for long periods (see above, p. 274). The National Labor Court achieved a settlement by calling simultaneously for the payments and for the Histadrut to cooperate with the localities in working out recovery plans. And on December 11, the Finance Ministry and the Histadrut reached an agreement that averted a walkout of all public-sector workers by agreeing to cancel plans for the imposition of new taxes on "advanced training funds" that were part of government workers' wage package, on severance pay, and on shift work. In exchange, the Histadrut agreed to postpone a cost-of-living increment for public-sector employees to 2006, and not to go on strike.

Religion and State

CONVERSION

Israel's Law of Return granting automatic Israeli citizenship to Jews immigrating to Israel had been construed, over the years, to include people converted to Judaism abroad before their aliyah, whatever the denominational affiliation of the rabbi performing the conversion. But

conversions in Israel were recognized only if the officiating rabbi was Orthodox, a situation that Reform and Conservative Jews decried as discriminatory. And Orthodox insistence on converting only those willing to maintain a basic level of Jewish religious observance created a situation in which large numbers of newcomers to Israel, many of them from the former Soviet Union, were not recognized by the rabbinate as Jews. An attempt to hammer out a compromise, based on the so-called Ne'eman Committee recommendations of 1998, whereby rabbis of all streams could teach conversion candidates in Israel but the ceremony itself would be done by an Orthodox religious court, was never accepted by the Orthodox establishment.

On May 31, 2004, Israel's High Court of Justice ruled on petitions brought by 15 foreigners who had studied for Reform or Conservative conversion while in Israel and then returned home for the actual ceremony, so that Israel would recognize them as Jews when they came back. In a 7-4 decision, the court sided with the converts. "It is hard to understand why a person who visited legally and even studied for a conversion in Israel and then converted abroad would not be seen as an immigrant under the Law of Return after he converted and asked to live in Israel permanently," a summary of the ruling said. Interior Minister Avraham Poraz, in a letter to the attorney general, announced his intention of granting immediate citizenship to 11 of the petitioners in the case. And, he continued, since the Israeli Reform and Conservative movements had promised to accept in their conversion programs only people who were already legal residents of Israel, and so the procedure would not enable non-Israelis to obtain "quickie" Israeli citizenship, Poraz would accept these conversions from now on.

Reform and Conservative leaders called the decision a breakthrough. "There are no longer any excuses to limit Conservative and Reform conversions in Israel, and if the Ministry of Interior tries to do so, they won't have legal ground, only political ground," said Nicole Maor, director of legal aid for new immigrants at the Israel Religious Action Center. But the court, in fact, had not ruled on the recognition of non-Orthodox conversions performed in Israel. Instead, it gave the government 45 days (the deadline would later be postponed) to present arguments about whether to maintain the status quo or to break the Orthodox monopoly on conversions in Israel. Minister Poraz said that he wanted to deal with the question in a way that "allows a large population in Israel to convert to Judaism."

But Prime Minister Sharon had other ideas. He ordered the government

to respond to the court that, for the purpose of citizenship under the Law of Return, conversions performed in Israel were only valid if they were Orthodox. However the prime minister would not, as requested by the Orthodox parties, seek to amend the Law of Return so as to block those converted abroad by Reform or Conservative rabbis from Israeli citizenship. Sharon instructed Attorney General Mazuz to suggest to the court once again the solution proposed by the Ne'eman Committee, leaving the actual conversion in Orthodox hands but creating an interdenominational body to prepare the candidates. At the cabinet meeting where this was discussed, Poraz objected, saying it would "give no solution to tens of thousands of immigrants from the former Soviet Union, who came to Israel by virtue of the Law of Return but are not considered Jews by Halakhah."

The position of the government in support of the status quo was presented to the court in late November. While representatives of the Conservative and Reform movements expressed chagrin, other observers noted that Sharon had no other choice, since he was, at the time, seeking to push the anticlerical party Shinui (of which Poraz was a member) out of the coalition and to replace it not only with Labor, but also United Torah Judaism, and perhaps the Sephardi Orthodox party Shas as well (see above, p. 224).

CHIEF RABBI PROBE

In October, Channel Two TV carried a report that Rabbi Yonah Metzger, the Ashkenazi chief rabbi, had spent the previous Passover at the David Citadel Hotel in Jerusalem without paying for rooms or food, free services worth tens of thousands of shekels. On December 15, Attorney General Mazuz ordered a preliminary police investigation. Since Metzger was a technically a public employee, receipt of such benefits from private parties could well be construed as unlawful. However a spokesman for the rabbi said that Metzger "acted according to the conventions established long ago."

In the past, Metzger's name had come up in relation to other scandals, including alleged sexual harassment, threatening another rabbi, and charges of forging signatures on a marriage contract. When he was named chief rabbi in 2003, there were calls for him to turn the job down because he was not a trained rabbinical judge. But the appointment went through when Elyakim Rubinstein, the attorney general at the time, declined to intervene (see AJYB 2004, pp. 210–11).

Other Domestic Matters

CRIME

Concern about a rise in violent crime, especially organized crime, continued to plague the country in 2004. The most shocking incident occurred on the night of July 19, when Judge Adi Azar of the Tel Aviv District Court was shot dead at point-blank range outside his Ramat Hasharon home, the first murder of a judge in Israeli history. Four months later, police announced they had cracked the case and had arrested five suspects. Underworld figure Yitzhak Zuziashvili was accused of ordering the assassination from his jail cell. Imprisoned since 1996 for the murder of his former business partner, Zuziashvili had over the years repeatedly petitioned the courts for a retrial, to no avail. Police suspected that after making no progress in cutting short his sentence, Zuziashvili decided to order the murder of a randomly chosen judge to shake up the judicial system and possibly get his sentence shortened. Apparently he and a confederate compiled a hit list of eight judges, including Azar, whom they had never met nor heard of before.

Zuziashvili's lawyer, David Weiner, 46, a deputy public defender, shot himself in the head on December 31, leaving behind a suicide note linking his action to his representation of Zuziashvili. Authorities said that Weiner, who died on January 1, 2005, did not know of Zuziashvili's involvement in the Azar murder until shortly before the case against his client was made public.

Four Israelis and four men from Belarus were charged on April 6 with attempting to murder three gangland figures, brothers Nissim and Yaakov Alperon, and businessman-restaurateur Ezra (Shuni) Gavrieli, father of Likud MK Inbal Gavrieli, who admitted to police that he ran an Internet gambling operation. The Belarus men were allegedly setting up a bomb-making factory in their Kfar Saba apartment where they were arrested. Police said they had a video showing that a bomb found in the underground parking lot of the Azrieli Towers shopping and office complex in central Tel Aviv had fallen off the car of Gavrieli.

After an investigation that lasted three years and spanned several countries, police arrested reputed underworld boss Ze'ev Rosenstein on November 6, on an international warrant for smuggling drugs from the EU to the U.S. The arrest warrant called for his extradition to the U.S., a process that could take months. U.S. federal documents released in Miami accused Rosenstein of trying to export 700,000 Ecstasy tablets to New

York. "I imagine he will sit behind bars for many years and we are very happy to have him do so in America," said a spokesman for the Israeli police. "The main thing is that he will be in prison." Rosenstein, 50, had long been accused of being one of Israel's top mob leaders, but, aside from a brief stint in prison for armed robbery in the 1970s, he had no prior convictions.

ADOPTION CASE

A complicated legal dispute over the custody of a baby dragged on through most of the year and drew considerable media attention. A mother who had given up her baby for adoption when it was ten days old without telling the father about its birth later changed her mind, informed the father, and sought to get her baby back. However, the six-month probationary period for adoptions had already passed.

A three-judge panel of the Tel Aviv District Court finally resolved the case on December 28, when the baby was 19 months old. The two-judge majority ruled for the natural parents, arguing that since the adoptive father suffered from a terminal kidney disease that could end his life within seven years, it would be best for the child to be raised by his biological parents. But presiding judge Saviona Roth-Levy favored the adoptive parents (she called them the "psychological parents"), who had developed a strong bond with the baby. The majority decision came despite a strong recommendation in favor of the adoptive parents by two court-appointed psychologists, who said that separating the child from people who had raised him would result in a sense of loss that might be irreparable, and that the biological parents were not sufficiently mature to meet the "well above average parental conditions" that the baby would require under the circumstances.

POLLUTION

The second annual "Environmental Poverty Report," issued on December 19 by Adam Teva V'Din, the Union for Environmental Defense, charged that polluters were punished infrequently and not very harshly. In fact, according to the report, several serial polluters got public money from the Industry and Trade Ministry's Investment Promotion Center, and from the government's Office of the Chief Scientist.

The government did take steps to deal with a particularly blatant pollution problem at the Ramat Hovav dump for hazardous wastes in the

Negev. But it did so only after the local government there petitioned the High Court of Justice, and the court, in turn, ordered the government to present it with a clean-up plan. On November 28, the cabinet decided that factories in the Ramat Hovav industrial zone would be required to curb excessive emissions and to treat the sewage they created rather than dumping it. A deadline of 2010 was set for a total clean-up, with air pollution targeted for elimination by 2007.

JEWISH EXTREMISTS

Brothers-in-law Yitzhak Pas of Hebron and Matiyahu Shvu of the Ma'on outpost were sentenced to 15 months in prison for weapons-related offenses by a Jerusalem District Court on January 29, after a plea-bargain deal. Pas's infant daughter, Shalhevet, was killed by a Palestinian sniper in Hebron in March 2001.

Four men suspected of membership in a Jewish terror cell were arrested in early March. They were Eliran Golan, 22, his father Meir, 54, and Alex Rabinovitch, 20, all of Haifa, and Yevgeny Grossman, 22, of Ashdod. Eliran Golan was suspected of nine attacks against Arabs and left-wing Jews over the previous three years. Weapons and explosive devices were found in the Golan home. On March 22, Eliran Golan was charged with the attempted murder of Arab MK Issam Makhoul and at least three other people in the Haifa area.

On April 4, Tzuriel Amior, from the Adei Ad outpost in the West Bank, was acquitted by a Jerusalem District Court of charges that he belonged to the Bat Ayin Jewish terror cell. The court ruled that Amior's fingerprints, found on a bomb planted at a Palestinian girls' school in the East Jerusalem A-Tur neighborhood in April 2000, were not sufficient evidence to warrant convicting him. Three other members of the cell were convicted in September 2003 of planting the bomb.

Yigal Amir, the imprisoned assassin of Yitzhak Rabin, and a woman, Larissa Trimbobler, sought to marry, raising the question of whether a criminal guilty of such an act had the "right" to be married. In early September, members of the Amir family said that the marriage had taken place over the telephone in mid-August, claimed that it was valid under Jewish law, and demanded the convict's right to have conjugal visits.

LAND DECISION

The Israel Lands Authority in early May acceded to a 2000 High Court of Justice decision granting an Israeli Arab, Adel Ka'adan, 49, a surgi-

cal nurse in Hadera's Hillel Yaffe Hospital, the right to purchase property in the Jewish community of Katzir, in northern Israel. The Ka'adans had applied to live there in 1995, and after being rejected, they petitioned the court, which ruled that the state could not discriminate in the allocation of state lands. The Katzir admissions committee then rejected them on grounds of social incompatibility, and the Ka'adans again petitioned the High Court in September 2003. Katzir residents still had the option of appealing.

SPORTS

Israel won the first Olympic gold medal in the country's 56-year history in August, when 29-year-old Gal Fridman took first place in the Mistral windsurfing competition at the Athens games. As Israel had spent considerable time, effort, and money to send its 36-member delegation to Athens, Fridman's medal took on great significance, and Limor Livnat, the minister for education, culture, and sport, flew specially to the Greek capital to attend the prize ceremony. But, as *Ha'aretz* sports columnist Ron Koffman pointed out, the glitter of the gold was something of an illusion. Other countries with similar sized populations, including Norway, Slovakia, the Czech Republic, Kazakhstan, Estonia, and Slovenia, all garnered larger medal hauls.

There were a few other notable Israeli achievements in Athens. The nation won another medal when Arik Zeevi captured the bronze in the men's judo competition. Haile Satayiin, a 49-year-old immigrant from Ethiopia, took 20th place in the marathon, and gymnast Pavel Gofman provided a major surprise when he reached the finals in the men's all-around competition. And Marina Kravchenko reached the third round of the women's table tennis tourney, a notable achievement in a sport that has little following in Israel. There were also some major disappointments. Michael Kolganov, a medalist at the 2000 Sydney Games, failed to place in the kayak competition in Athens, and Gotcha Tsitsiashvili, the world champion in the 84 kg Graeco-Roman wrestling class, failed to make it past the first round, and announced his retirement. Another failure of sorts came from Alexander Averbukh, one of the favorites in the pole vault and the 2002 European gold medalist in the event, who reached the Athens finals but failed to win a medal, finishing eighth. Four other highly regarded Israeli entrants, in the 470-class sailing competitions, did not do even that well—both the women's pair of Vered Buskila and Nika Kornitzky, and the men's pair, Udi Gal and Gidi Klieger, ended up out of the top ten in their respective events.

Another important sports story was the effort by Livnat, Foreign Minister Shalom, and Finance Minister Netanyahu to prevent a decision to move the Euroleague's Final Four, Europe's premier basketball event, away from Tel Aviv on April 29–May 1 due to fears of terrorist retaliation after Sheikh Yassin's assassination. Citing similar concerns, the Spanish club Valencia forfeited a March 25 qualifying game with Maccabi Tel Aviv. In the end, Maccabi won the title by routing Skipper Bologna 118-74 before a packed audience in Tel Aviv's Nokia hall, formerly called Yad Eliyahu.

On May 6, Maccabi trounced Hapoel Jerusalem 108-85 to take the State Cup competition for the 34th time, and Maccabi made it a triple by sweeping crosstown rival Hapoel Tel Aviv in the Premier League playoff final. Hapoel Jerusalem won Europe's second most prestigious basketball title, the ULEB Cup, on March 13, defeating favored Real Madrid of Spain 83-72 before 6,500 fans in Charleroi, Belgium.

Like basketball, Israeli soccer was dogged by the fear of terrorism. In March 2002, after an attack on a restaurant frequented by Tel Aviv Hapoel soccer players left three dead, UEFA, European soccer's governing body, issued a ban on international matches being played in Israel. But the ban was lifted on April 22, 2004, reflecting the return of relative security in the country.

Personalia

AWARDS AND HONORS

The 2004 Nobel Prize in Chemistry went to two professors at the Technion, Avraham Hershko, 66, and Aharon Ciechanover, 56, together with Irwin Rose of the University of California at Irvine, for their discovery of a method by which cells destroy unwanted proteins, which may aid the development of anticancer drugs.

The Israel Prizes, awarded on Independence Day, went to Prof. Sara Japhet, Hebrew University, biblical research; Prof. Zvia Amishai-Maisels, Hebrew University, art history; Prof. Esther Samuel-Cahn, Hebrew University, statistics; Prof. Abraham Doron, Hebrew University, social work; Russian-born Prof. Yosef Bernstein, Tel Aviv University, mathematics; Romanian-born Lia Van Leer, founder of the Jerusalem Cinemathèque, cinema; actress Gila Almagor; composer Gil Aldema; singer-actor Yehoram Gaon; sculptor Yigael Tumarkin; Prof. Aharon Razin, Hebrew Uni-

versity, biochemistry; Rabbi Yitzchak Dovid Grossman, founder of the Migdal Ohr school network for underprivileged children and new immigrants; Profs. Menachem Brinker and Dov Noy, Hebrew University, Hebrew and general literature; British-born Dr. David Harel, Weizmann Institute of Science and cofounder of I-Logic, a leading software firm, computer science (Harel's father won the Israel Prize for literature in 2002); and Moshe Schnitzer, founder of the Israel Diamond Exchange and its longtime president, lifetime achievement.

The Wolf Prizes, established by the German-born, Cuban-naturalized, Israeli resident Dr. Bernardo Wolf, who died in 1981: medicine—Robert Weinberg, MIT, for his discovery of the behavior of mutant genes in cancer cells, and Roger Tsien, University of California, San Diego, for work with fluorescent photolabile molecules; chemistry—Harry Gray, Cal-Tech, for pioneering work in inorganic chemistry; arts—cellist-conductor Mstislav Rostropovich and pianist-conductor Daniel Barenboim; agriculture—Yuan Longping, Hunan Province, China, and Steven Tanksely, Cornell University, for innovative development of hybrid rice; physics—Robert Brout and François Englert, Université Libre de Bruxelles, and Peter Higgs, Edinburgh.

APPOINTMENTS

Former attorney general Elyakim Rubinstein, former state attorney Edna Arbel, Salim Jubran, and Esther Hayut were sworn in as justices of the High Court of Justice, Israel's supreme court, on May 24. Jubran, a former district court judge, became the first Israeli Arab member of the tribunal.

Moshe Karadi, who had been serving as police commander of the Southern District, took over as national police chief on August 1, succeeding Shlomo Aharonishki. Karadi, 44, a surprise choice, was given the position over more experienced candidates.

Zvi Hefetz was confirmed as Israel's new ambassador to the United Kingdom on January 18. Some British Jews who had objected to the political appointment of the Russian-born lawyer-businessman, who represented Russian media magnate Vladimir Gusinsky as vice chairman of the *Ma'ariv* newspaper board, claimed that he did not speak English (see below, p. 320).

Brig. Gen. Eliezer Shkedy, 47, took over as commander of the Air Force on April 4, succeeding Maj. Gen. Dan Halutz, who became deputy chief of staff.

DEATHS

Nissim Ezekiel, 79, the leading Indian poet writing in English and one-time representative of the JDC in Bombay, on January 9; Yossi Ginosar, 58, businessman, Israeli-Palestinian go-between, and former senior Shin Bet official, on January 12; philanthropist Gita Sherover, 87, whose projects included the Center for the Performing Arts and the Sherover Promenade in Jerusalem, and Beit Gabi at Lake Kinneret, on June 11; singer-actor Arik Lavi, 77, on June 29; author and political activist Moshe Shamir, 83, on August 20; Shaul Amor, 64, three-term Knesset member, minister without portfolio in Benjamin Netanyahu's cabinet, for 20 years mayor of the town of Migdal Haemek, and former ambassador to Belgium, on October 2; singer-songwriter Uzi Hitman, 52, on October 16; Arab-affairs expert Victor Nahmias, 71, a journalist who also served as a diplomat in Israel's embassy in Jordan, on October 29; national women's basketball star Nili Natho, 23, a Circassian from Kafr Kana, together with her sister Diana, 19, and Raja Talash, 24, a cousin, in a traffic accident, on November 6; Yitzhak Hershkowitz, 58, Public Works Department engineer, by his own hand, on November 20, after a TV broadcast of an investigative report on alleged department negligence in maintenance that led to several road accidents, including a 1999 bus crash near Golani junction in the North in which 17 people died; Rafael (Rafal) Eitan, 75, IDF chief of staff during the 1982 Lebanese war, cabinet minister, and founder of the right-wing Tsomet party, drowned at Ashdod port on November 23; Yehudit Naot, 60, who stepped down as environment minister earlier in the year due to throat cancer, on December 16.

HANAN SHER