

**Review
of
the
Year**

OTHER COUNTRIES

Israel and the Middle East

Israel

THE YEAR MARKED A TURNING POINT, possibly a decisive one, in dealing with the Palestinian intifada, the ongoing violence that erupted in late September 2000, after the failure of the Camp David talks between Israel and the Palestinian Authority, mediated by the U.S., and Ariel Sharon's provocative walk on the Temple Mount.

The number of Israelis killed dropped dramatically from 451 in 2002 to 213 in 2003, though it remained slightly above the 2001 level of 208. Israel attributed the change to its targeted killings of terrorist kingpins, construction of a protective fence (only partially completed), and improved use of intelligence to disrupt and prevent planned violence before it could happen.

Politically as well, there were signs of improvement. Winning reelection by a wide margin at the beginning of 2003, Prime Minister Sharon solidified his positive relationship with the U.S. administration by accepting, albeit with reservations, the "road map" to a two-state solution. By year's end he was advocating a policy of unilateral withdrawal, whereby Israel would pull out of some Palestinian areas and turn them over to the PA with no reciprocal steps by the other side. But this angered elements of Sharon's right-wing constituency, and it was doubtful whether the government coalition, given its current composition, would endorse such a pullout.

For their part, the Palestinians, with prodding from the Americans, moved in a democratic direction. Chairman Yasir Arafat appointed the first Palestinian prime minister (quickly followed by the second). But the continuing presence of Arafat on the scene made any further progress toward Western-style democracy highly problematic.

The Israeli economy showed signs of revival, due both to the improved security situation and to the government's new free-market policies. Yet many of the poor and elderly suffered considerably, as their "safety net" showed signs of fraying.

POLITICAL DEVELOPMENTS*Elections*

On January 28, Israel held elections for the 16th Knesset, the country's 120-member unicameral parliament. Abandoning the two-ballot system, one for prime minister and the other for Knesset, that had been introduced in 1996 and used again only in 1999 (in 2001, the election was for prime minister only), Israel returned to its original procedure of voting only for a Knesset party list, with the leader of the largest party forming a government.

This election became necessary when Labor withdrew from the national-unity coalition in November 2002, ostensibly due to disputes over the budget (see AJYB 2003, pp. 255–56). Turnout was the lowest in history for a Knesset election, 68.5 percent, as compared to over 78 percent in 1999, the previous general election. In the end, dissolution of the national-unity government boomeranged against Labor as Ariel Sharon and his Likud Party won a smashing victory.

In fact, the major test for the Likud during the campaign came not from the opposition but from within. Through December 2002 and into January 2003, allegations circulated about vote-buying and other illicit deals in the Likud Central Committee's primaries, which, on December 8, selected candidates to the party's list for the Knesset election, and similar goings-on within local Likud branches (see AJYB 2003, pp. 258–59). The charges caused a sharp dip in Likud's showing in the preelection polls, those released in the first few days of January showing the Likud winning as few as 31 seats in the Knesset. While this was far higher than the 19 it currently held, it was well below the 41 that polls in early December had given the party.

The Likud was especially hurt by stories that Mussa Alperon, a convicted racketeer, had managed to gain control of 40 percent of the membership of the party branch in Givat Shmuel, outside Tel Aviv, and that Shlomi Oz, who had served time for extortion, had effectively taken over the Likud's Ramat Gan branch. (Oz, who was close to Prime Minister Sharon's son Omri, resigned from both the Central Committee and the Ramat Gan branch after revelations that a security company with which he was affiliated won a contract to provide guard services at Israeli airport terminals even though it had failed to meet the bidding criteria.)

Also, Sharon felt it necessary to dismiss MK Naomi Blumenthal from her position as deputy infrastructure minister after she refused to coop-

erate with a police investigation into reports of vote-buying in the primaries. Sharon explained that Blumenthal's noncooperation left him no choice but to fire her. Nevertheless, Blumenthal retained the ninth spot on the party's Knesset list. (On December 1, Blumenthal, waiving her parliamentary immunity, would be indicted for bribery and obstruction of justice.)

A few days later came revelations that police were investigating a \$1.5-million payment that Sharon's family had allegedly received from Cyril Kern, a South African-domiciled British businessman. The money was supposedly a loan to the Sharons so that they could cover an earlier loan made to pay back illegal contributions to his 1999 campaign for the Likud leadership, which Benjamin Netanyahu had vacated after the Likud lost the Knesset elections to Labor and Ehud Barak (see below, pp. 153–55). A poll conducted by *Ha'arets* on January 8, after the loan allegation surfaced, showed that the Likud was now down to 27 seats.

To stop the bleeding, Sharon called a press conference for January 9, announcing that he would respond "with documents and facts" about the Kern loan. But no documents or facts were produced. In his opening statement, Sharon attacked Labor, charging that it had conspired to topple the government. This statement was in clear violation of the election law, which specifically forbade the electronic media from broadcasting election propaganda—other than messages designated for airtime apportioned to the parties—in the 60 days before an election. Justice Mishael Cheshin of the Supreme Court, acting in his capacity as chairman of the Central Elections Committee (CEC), ordered the media airing the press conference—TV channels One, Two, and Ten, Army Radio, and Israel Radio—to stop their live coverage immediately. "The prime minister uttered pure election propaganda knowingly and deliberately, and had I not stopped him I would have betrayed my duty to uphold the law," Cheshin explained. "As far as I understand," the respected judge said, "Sharon planned it in advance, and even read from notes that he had made."

Whether or not Sharon deliberately provoked Cheshin to cut him off, the incident proved a turning point in the campaign, enabling Sharon and his supporters to divert attention away from the accusations against the prime minister and his party. Jerusalem mayor Ehud Olmert, chosen earlier by Sharon to head the Likud campaign, called the judge's action an effort to "gag the prime minister." Sharon, he said, "has been tainted and smeared for ten days. Labor calls him a Mafioso and the head of organized crime in Israel." Olmert excoriated the press as well, but expressed

certainty that “gagging” Sharon would only enhance his public support. “The more the press deals with this, the more it will strengthen the Likud.”

Sharon, for his part, declared that he would no longer respond to questions from the media about the Kern affair and similar matters. “They can shut my mouth, but the public will give its answer,” Sharon declared. “I don’t intend to face a media tribunal. I assume every day a new affair will break out. I have nothing to hide. If the authorities ask me, I’ll testify and give all the documents.” The blackout was total: Sharon instructed his aides and campaign workers not to answer questions about the allegations.

The judicial system was also called upon to rule on the eligibility of certain Knesset candidates. On January 9, it overturned a CEC ruling that would have banned Arab MK Azmi Bishara and his party, Balad, as well as another Arab MK, Ahmad Tibi, a sometime adviser to Yasir Arafat, from running, on the grounds that they denied the legitimacy of the State of Israel. At the same time, the courts upheld the CEC’s decision not to allow Defense Minister Shaul Mofaz and Moshe Feiglin, leader of an extremist faction within the party, to run on the Likud list. The court eliminated Mofaz’s candidacy because election day came within the six-month “cooling-off period” since his date of retirement from the army, during which time a former officer was not eligible to run for office. Feiglin’s statements about Arabs were considered incendiary enough to bar him as an inciter of racism, although the court allowed Baruch Marzel, a former leader of the banned Kach movement of the late Rabbi Meir Kahane, to stand as a candidate on the Herut list, which, as it turned out, would not win any Knesset seats.

Ironically, even though Sharon attacked Labor for conspiring against him, much of the Likud campaign was based on the idea that, after the election, it would form another broad-based government of national unity, and therefore supporting Likud meant backing a national consensus. However, Amram Mitzna, the Labor Party leader, denied this on January 14, stating: “The time has come to say the truth. We will not be part of a government led by Ariel Sharon. Whoever does not vote Labor will de facto vote for Sharon.”

Labor leaders publicly backed Mitzna’s either-or stance, but privately called it a “desperate political move.” They would have preferred the unity-government option, so as to preserve some influence for their party after the election, which they were sure they would lose.

Mitzna based his campaign on a call to resume negotiations with the

current Palestinian leadership, and if that proved unavailing, to withdraw unilaterally from Gaza by the end of 2003 (a policy that Sharon, once re-elected, would eventually appropriate, though with a longer timetable).

With Labor's campaign in the doldrums in the last few weeks before election day, there was talk of replacing Mitzna with Shimon Peres at the head of the party list. According to some polls, Peres as leader would give the party 29–30 seats in the Knesset, about ten more than the forecasts under Mitzna. Several Labor politicians openly called on Mitzna to step down, but Peres himself claimed that he never made decisions based on surveys. "Labor has an elected party chairman, and he is leading the party in the upcoming elections," said Peres on January 20. And Mitzna refused to yield. "I came to win," he said on January 26, two days before his crushing defeat, explaining that he had "a feeling the floating voters are beginning to come home."

The results were a foregone conclusion. Likud captured 38 seats, double its representation in the previous Knesset. Labor won 19, a loss of seven. Shinui, the anticlerical party that had come out of nowhere in the 1999 election to achieve six seats, now became the third largest party, winning 15. The Sephardi Orthodox party, Shas, declined from 17 to 11; the right-wing National Union maintained its seven seats; the left-of-center Meretz, losing many voters to Shinui, dropped from ten to six; the National Religious Party, representing settler interests, gained one MK for a total of six; and the Ashkenazi-*haredi* United Torah Judaism kept its five mandates. Am Ehad, affiliated with the Histadrut Labor Union, garnered three seats, and three Arab parties a total of eight. Natan Sharansky's Yisrael Ba'Aliya, which found its fortunes drastically reduced from six to two MKs, went out of existence soon after the election, merging with the Likud. Fourteen other lists did not attract enough votes to meet the legal threshold for representation in the Knesset.

The New Government

After the election, Sharon reaffirmed his plan to form a broad-based government. In his victory speech, the prime minister declared such a coalition necessary to deal with the challenges ahead, including not only the continuing confrontation with the Palestinians, but also the economic crisis and possible fallout from the imminent U.S. war against Iraq.

In his first comment following the election, PA chairman Yasir Arafat said he was ready to meet immediately with Sharon and resume negotiations. Asked by Israel's Channel Ten TV news when he would be ready

to see Sharon, Arafat responded: "Tonight! If he's ready, I'm ready." Arafat added that he was willing to call for a general cease-fire in order to return peace to "the land of peace."

The Prime Minister's Office responded with a statement charging that Arafat continued to "fund, initiate, operate, and dispatch terrorism, and will not be a negotiating partner. Within the framework of Israel's efforts to further a diplomatic process and bring about quiet and finally peace," the statement continued, "Israel will be willing to talk only with Palestinians who are not involved with terror in any shape or form."

Arafat adviser Bassam Abu Sharif told reporters that while the PA did not want to interfere in Israel's internal politics, he believed that Sharon needed both Labor and Arafat to fulfill President George Bush's vision of an independent Palestinian state by 2005. Therefore, he hoped Labor could be persuaded to join in a national-unity government with Likud and Shinui, easing the way toward peace negotiations with the Palestinians. As for the PA, he noted, it was "ready to renew negotiations with any government." Other PA sources, however, expressed doubt that Sharon had any intention of implementing President Bush's "road map" for peace with its two-state scenario, and therefore doubted that a national-unity coalition could accomplish anything. "Labor can only renew itself and offer an alternative by staying in the opposition," one PA source told the English-language *Jerusalem Post*.

The easiest way for Likud to form a government was to bring in the far-right National Union, the settler-backed National Religious Party, and the ultra-Orthodox Shas, thus building a slim but adequate Knesset majority of 62. However, Sharon was fully cognizant of the difficulties, both domestic and international, that such a narrow right-wing and religious-based coalition would portend. He therefore sought to include the major secular groupings, Labor and Shinui, the second- and third-largest parties in the incoming Knesset. And indeed, though Mitzna had strongly opposed the national-unity idea during the election campaign, he seemed to soften afterward.

Mitzna met with Shinui leader Yosef (Tommy) Lapid, the former journalist and TV personality who had become the driving force and public symbol of his party's anticlerical position. After their conversation, a Shinui spokesman said that he believed Labor would join a "secular" coalition under certain circumstances. Mitzna himself told a TV interviewer: "If Sharon says he wants to begin evacuating settlements in Gaza, to seriously and swiftly finish building the [West Bank security] fence, transfer funds from settlements to socioeconomic problems, I am a part-

ner Most of the public supports getting out of Gaza. If Sharon truly listens to the public . . . then please, sit with us, sit with me. We will reach common language over the principles, we will work out the details later in the course of negotiations.”

Mitzna met with Sharon in early February. Although the Prime Minister’s Office, reporting on the meeting, said that Sharon told Mitzna that a unity government was “vital to the people of Israel, especially in the face of the challenges on our doorstep,” a Labor spokeswoman announced that her party was not joining the coalition. “Labor will lead from the opposition, as it intended to do,” she declared.

Sharon effectively foreclosed the unity-government option on February 23, when he signed a coalition agreement with the hard-line National Religious Party. NRP leader Effi Eitam reported that his party had been promised a continuation of settlement-building. The following day, Likud secured a deal with Shinui, the secular party making its peace with having the Orthodox NRP in the cabinet. In the end, Sharon also brought in the strongly nationalist National Union, led by Avigdor Lieberman, the former director general of the Prime Minister’s Office in the Netanyahu government, and Benny Elon, a right-wing rabbi from the party’s Moledet faction. Together with the two seats of Sharansky’s defunct party, which were now in Likud’s corner, the coalition had a substantial Knesset majority of 68 seats.

In the wake of Labor’s decisive defeat and exclusion from the new coalition, Amram Mitzna resigned as party chairman. The Labor Central Committee, meeting on June 20, elected former prime minister Shimon Peres, nearly 80 years old, to the chairmanship on an interim basis, with the understanding that a new election for the post would be held in 2004. Peres, Labor’s elder statesman, garnered the support of less than a majority of the committee members, but easily outdistanced the other candidates.

THE CABINET

Prime Minister: Ariel Sharon (Likud)

Foreign Minister and Deputy Prime Minister: Silvan Shalom (Likud)

Defense Minister: Shaul Mofaz (Likud, but not an MK)

Finance Minister: Benjamin Netanyahu (Likud)

Industry and Trade Minister and Deputy Prime Minister: Ehud Olmert (Likud)

- Public Security Minister: Tzachi Hanegbi (Likud)
 Justice Minister and Deputy Prime Minister: Yosef (Tommy) Lapid (Shinui)
 Interior Minister: Avraham Poraz (Shinui)
 Infrastructure Minister: Yosef Paritsky (Shinui)
 Education Minister: Limor Livnat (Likud)
 Housing and Construction Minister: Effi Eitam (NRP)
 Social Affairs Minister: Zvulun Orlev (NRP)
 Agriculture Minister: Yisrael Katz (Likud)
 Immigration and Absorption Minister: Tzipi Livni (Likud)
 Health Minister: Danny Naveh (Likud)
 Transport Minister: Avigdor Lieberman (National Union)
 Tourism Minister: Benny Elon (National Union)
 Science and Technology Minister: Eliezer Zandberg (Shinui)
 Environment Minister: Yehudit Naot (Shinui)
 Minister without portfolio responsible for Diaspora affairs: Natan Sharansky (Likud)
 Ministers without portfolio: Gideon Ezra, Uzi Landau, and Meir Sheerit (all Likud)

The cabinet included some surprises. Sharon had to provide a top post for Silvan Shalom, a powerful figure in the Likud, whose wife, Judy, came from the family that owned *Yediot Aharonot*, the country's largest-circulation newspaper. Shalom, generally conceded not to have been a great success at the Ministry of Finance, which he headed during the first Sharon administration, was given Foreign Affairs. Benjamin Netanyahu, the previous foreign minister, moved over to Finance.

Ehud Olmert, the former mayor of Jerusalem who fully expected to be finance minister, had to settle for Industry and Trade. (Sharon sweetened the pill, however, "enriching" his portfolio by moving labor affairs, the important Israel Lands Authority, and the Israel Broadcasting Authority into his ministry.) In another significant change, the militantly secular Shinui was given the Interior portfolio, which the Sephardi-Orthodox Shas, now in the opposition, had turned into its own fiefdom over the previous two decades.

The Taint of Scandal

Although the corruption charges that surfaced against Ariel Sharon in January did not hurt him at the polls, they picked up steam as time went

on. By the end of 2003, two major police investigations were under way regarding the prime minister and members of his family. One was the so-called Greek Island Affair, for which contractor David Appel, charged with transferring money to the Sharons, was indicted. The other involved an alleged “loan” made to the Sharons by South African-domiciled British businessman Cyril Kern, the investigation of which was still going on at the end of the year.

In the Greek Island Affair, Appel was charged with making indirect payments of hundreds of thousands of dollars to Sharon in the late 1990s via the latter’s younger son, Gilad, who managed both the family’s business affairs and its Sycamore Farm (Havat Shikmim) in the northern Negev. The purpose of these payments, according to the indictment, was to get Sharon, at the time foreign minister in the Netanyahu administration, to use his influence to push forward a deal that Appel wanted—to develop a certain Greek island as a vacation and gambling resort—that required approval from the government of Greece. Similar suspicions about taking money from Appel had been raised at the time against Ehud Olmert, then mayor of Jerusalem.

Part of the evidence against the Sharons was found on videotapes recorded by private investigator David Spector, hired as a security consultant by the Sharons during the 1999 campaign, of his conversations with Gilad Sharon. On one tape, Spector warns Gilad Sharon against ties with Appel, and Sharon responds by describing the “work” he had done to earn \$650,000 from Appel: collecting information, principally from the Internet, on the tourism habits and preferences of European retirees.

The criminal indictment against Appel, issued at the end of 2003, accused him of bribery, but did not mention the recipient of the alleged bribe. Early in 2004, however, the indictment was amended to state that Ariel Sharon was the intended recipient, albeit indirectly, through his son. At the same time, government investigators were also looking into allegations of possible assistance that Ariel Sharon gave Appel involving rezoning in the town of Lod.

The Kern affair grew out of Sharon’s successful campaign for the Likud leadership in 1999 to succeed Benjamin Netanyahu. Netanyahu had resigned immediately after Likud lost the June 1999 Knesset election to Ehud Barak and the Labor Party (see AJYB 2000, pp. 438–39).

Law enforcement authorities suspected that a group around Ariel Sharon had created a complex web of shell companies to act as conduits for money—including illegal donations from foreigners—to be funneled into the Likud leadership primary. Among those thought to be involved

were not only Ariel and Gilad Sharon, but also Sharon's older son, Omri (who won a seat in the Knesset in 2003), Sharon's long-time aide and confidant Uri Shani, and Dov Weisglass, Sharon's personal attorney who, in 2003, was appointed the prime minister's bureau chief and became his informal envoy to the U.S. administration.

The affair first came to light in a report issued by State Comptroller Eliezer Goldberg in October 2001, and the police's National Fraud Squad launched an investigation. Before charges could be brought, Ariel Sharon paid back the donors with money acquired through a bank loan. Sharon claimed ignorance of the source of the donations, saying that campaign financing had been handled by his sons (see AJYB 2002, p. 589).

But in early January 2003, before the Knesset elections, the public learned that Sharon had paid off that bank loan with another loan, this time from long-time friend Cyril Kern, who had served with him in the Israeli army during the 1948 War of Independence. The Kern loan story was leaked to *Ha'aretz* by Liora Glatt-Berkowitz, an attorney in the State Prosecutor's Office, who gave the paper copies of the request that the Israeli police submitted to their South African counterparts for permission to question Kern about the matter. Subsequently, the police's International Crimes Department discovered that millions of dollars had been transferred from a bank in Austria to accounts controlled by Gilad Sharon.

Police theorized that Kern may not have been the source of the money for the loan, but rather a middleman for its transfer. A group of businessmen were suspected of providing the cash (the names of Arye Genger, an Israeli with business interests there and in New York, and Martin Schlaf, an Austrian who operated casinos, were mentioned in the press, but neither was formally accused), perhaps \$3 million, that ended up in the possession of Gilad Sharon. He, in turn—according to police sources—disbursed half of it to cover the bank loan used to repay the illegal 1999 campaign donors. To complicate matters even further, some or all of those donors may have been the same people who lent the Sharons the money to pay themselves back.

Gilad Sharon turned down police requests for documents, including bank records, in the Kern case. Austria also denied a police request to interview bank officials in Vienna about the matter. Police first attempted, but then backed down from, a raid on Gilad Sharon's house, a structure separate from his father's on the Sycamore Ranch.

An appeals court ruled that Gilad Sharon was justified in contending that he had the right to remain silent to avoid self-incrimination, and that

that right extended to restricting access to documents in his possession. The decision was overturned by the Supreme Court, but at year's end Gilad Sharon had not yet released the documents.

In late October, police questioned Ariel Sharon for several hours, and Sharon reportedly referred the investigators to his sons.

DIPLOMACY AND SECURITY

The Intifada Continues

The year began with a diplomatic initiative by British prime minister Tony Blair, who called together a conference in London to discuss the building of an effective and transparent Palestinian administration. But the plan was jeopardized on January 5 by a double suicide bombing near Tel Aviv's old central bus station, a run-down area now home to many foreign workers. The attack, carried out jointly by the Al-Aqsa Martyrs Brigades and Islamic Jihad, killed 22 people. Another 120 were wounded, though exact numbers were difficult to come by; many foreign workers who were in the country illegally feared to seek medical aid, since it might expose them to expulsion.

In response to the bombing, Israel banned Palestinian representatives from traveling to Britain for the conference. When British foreign secretary Jack Straw objected, Israeli foreign minister Benjamin Netanyahu responded: "The Palestinian leadership does not need to meet abroad in order to close suicide kindergarten camps, to stop incitement and to fight terrorism." Yasir Arafat, he said, could simply tell terror groups "to stop murdering innocent people . . . he doesn't have to go to London for it." The conference convened on January 14, with the Palestinians participating by telephone. The head of the non-attending Palestinian delegation, Information Minister Yasir Abd Rabbo, blamed Israel for preventing the Palestinians from carrying out reforms. But he added, on a conciliatory note: "The suicide bombings will not bring us peace, and they will not bring you [Israelis] security. Let us together reject extremism in all its forms. Let us together choose the path of peaceful negotiations."

The persistence of hard-line sentiments on the Jewish side received expression on January 19, at the long-delayed funeral for Netanel Ozeri, a supporter of the banned Kach movement founded by the late Meir Kahane, who was killed by Palestinians at his home in an illegal outpost near Hebron on January 12. Ozeri had been one of the editors of *Baruch*

Hagever, a book praising Dr. Baruch Goldstein, who killed 29 Palestinians at the Tomb of the Patriarchs in 1994 (see AJYB 1996, pp. 370–71). The week's delay in burying Ozeri was due to a controversy over whether the body should rest in the spot where Ozeri's friends said he wanted to be buried, or in the ancient Jewish cemetery in Hebron, where the Jewish victims of the 1929 Palestinian massacre of Hebron Jews are interred. In the end, the latter was chosen. Eulogizing Ozeri, far-right activist Michael Ben-Horin called on settler youth: "Rise up, you mountain lion cubs, and avenge Netanel creatively, with vengeance against your enemies, and God will be with us." He faulted assassinated prime minister Yitzhak Rabin for giving weapons to the Palestinian Authority as part of the Oslo agreements, and railed against "the leftist Sharon government."

Israel continued to exert pressure on suspected sources of terrorism, on the assumption that its policy of targeted strikes against the leaders of the rejectionist Palestinian organizations was working. This optimistic strategic analysis, attributed to unnamed senior army sources in the January 26 issue of *Ha'aretz*, assumed that the conflict between Israel and the Palestinians had already peaked, even though terror attacks and other serious security concerns would continue. The intifada, said the sources, would keep going beyond 2003, since Arafat was not interested in an end to the violence, but war in Iraq, which was imminent, and the expected U.S. victory provided a framework for achieving ultimate calm.

Israel Cracks Down

On February 17, Israeli undercover troops entered Gaza City in an attempt to capture Riyad Abu Zaked, a Hamas bomb-maker, and killed him in the encounter. On February 18, Israeli attack helicopters and tanks attacked terror targets in Gaza City and the northern Gaza Strip. According to Palestinian sources, ten people were killed in the raids. The next day, armored columns enter both the Gaza area and the northern West Bank, killing 12, according to the Palestinians. Another five Palestinians reportedly lost their lives on February 23, when IDF troops enter the Beit Hanoun area near the northern border of the Gaza Strip. The operation was in response to the firing of Palestinian-made Qassam rockets from this area on Israeli targets, including the town of Sderot not far away.

Incursions into nominally Palestinian-controlled areas of the West Bank and Gaza continued. On March 3, nine Palestinians were reported

killed and 30 wounded in two raids, one in the al-Burej refugee camp of Gaza and the other in Nablus, on the West Bank. On March 6, Israeli troops raided the Jabalya refugee camp in Gaza; Palestinians reported 11 dead and 140 wounded.

An Israeli helicopter attack killed Ibrahim al-Makadme, a top Hamas operative, on March 8. The army released a lengthy statement, almost amounting to a dossier, on Makadme, calling him “a dominant figure” in the military wing of Hamas for two decades who “orchestrated, approved and expedited” Gaza-based terrorist activities. His influence had grown especially since the founding of the Palestinian Authority in 1994. Israeli security forces had arrested him in 1983, and he spent eight years in jail for possession of weapons, intent to purchase weapons, and founding a terrorist organization. The PA arrested him in 1996, but released him a year later. Subsequently, along with Salah Shehade and Muhammed Deif, he determined and supervised Hamas policy. Following Israel’s killing of Shehade and injuring of Deif, Makadme became one of the top commanders of Izz al-Din al-Qassam, the “armed wing” of Hamas.

Makadme’s funeral was a major event in Gaza. Thousands of mourners, firing assault rifles into the air and shouting *Allahu akhbar* (God is great), packed the streets of Gaza City. Loudspeakers blared out threats against Israel, among them: “The Qassam brigades will cut off 100 heads in return for the death of our martyr. Our words will soon be translated into action.” Abdel Azziz Rantisi, another Hamas kingpin, declared that the killing raised the organization’s battle to a new stage, and he threatened, “All Israeli leaders will be open targets for Hamas.”

On March 16, Rachel Corrie, a student at Evergreen College in Olympia, Washington, and a member of the International Solidarity Movement (ISM), was killed while trying to block Israeli bulldozers from demolishing Palestinian homes in the Gaza Strip. The ISM described itself as a nonviolent protest group in the tradition of Mahatma Gandhi and Martin Luther King, Jr. Founded in 2001 just before the outbreak of the intifada, it sought to raise international awareness of the situation in the territories by inserting itself into volatile situations, thereby garnering attention in the international media. Foreign volunteers like Corrie would come to participate for limited periods of time.

The ISM attributed Corrie’s death to the Israeli army, which, it asserted, often overreacted to the presence of protesters. “Rachel was alone in front of the house as we were trying to get them to stop,” Greg Schna-

bel, another ISM demonstrator, told the *Christian Science Monitor*. “She waved at the bulldozer to stop. She fell down and the bulldozer ran over her.” An army spokesman, quoted by the paper, said: “This is a very regrettable incident. We’re dealing with a group of protesters who are acting irresponsibly, putting the Palestinians themselves and our forces in danger by intentionally placing themselves in a combat zone.”

Security forces uncovered an Islamic bomb factory in Jaljulia, an Israeli Arab town in the north of the country, on March 31, and arrested three Israeli Arabs suspected of running it. And on April 2, Israeli forces moved into Tul Karm and Hebron to pick up terror suspects; according to some reports, as many as 1,000 Palestinian men were detained in the sweep and held in a local schoolyard. Some were arrested and others released but told not to return to their homes until the search operation was completed. On April 3, thousands of Palestinians marched in Jenin to mark the first anniversary of Operation Defensive Shield, the major Israeli offensive into the territories that followed the Passover eve seder bombing at Netanya’s Park Hotel (see AJYB 2003, pp. 198–203). On April 8, a Hamas commander was one of six Palestinians killed by a missile fired from an IDF helicopter; 47 Palestinians were wounded.

A second ISM activist became a casualty of the fighting on April 12. That was when Tom Hurndall, a 22-year-old British volunteer, was shot in the head by Israeli troops in Khan Yunis, in the southern Gaza Strip. In a coma, Hundall was treated in an Israeli hospital and some time later was returned, still unconscious, to Great Britain, where he died in early 2004. (Another Briton, freelance cameraman James Miller, was killed on May 2 while filming a documentary on the effect of violence on Palestinian children in Rafah, at the southern end of the Gaza Strip.)

The violence, which had now dragged on for some two-and-a-half years, drew worldwide attention to the economic condition of the Palestinians. On February 11, UNWRA (United Nations Works and Relief Agency) reported that 1.1 million Palestinians suffered from levels of malnutrition comparable to those in the Congo. Palestinian officials asked for massive aid: on February 17, they told donor states that they needed \$1.5 billion by April 2004 to put their economy back on its feet. Terje Roed-Larson, the UN Middle East envoy, described the situation in Palestinian areas as a “man-made humanitarian crisis.” But European donors remained reluctant to allocate more money to the PA, complaining that it was difficult to trace where the funds already disbursed had gone. There were widespread charges of corruption within the PA, and Israel claimed that some of the money financed terrorism.

Pursuing the "Road Map"

Toward the end of 2003, the "Quartet"—the U.S., the UN, the European Union, and Russia—had developed the so-called "road map" toward a final Israeli-Palestinian peace agreement, but delayed implementation until after the Israeli election (see AJYB 2003, pp. 229–30). On February 14, with the election over, Yasir Arafat agreed in principle to one key demand of the Quartet, the appointment of a Palestinian prime minister, a move that many hoped would start a process of broad-based reform within the Palestinian Authority.

Palestinian and Israeli officials met with the Quartet's representatives in London on February 18. Two days later, the Quartet issued a statement saying that its envoys "expressed very serious concern at the continuing acts of violence and terror planned and directed against Israelis, and at Israeli military operations over the past several days in the West Bank and Gaza which led to Palestinian civilian fatalities." The group reaffirmed its call for an immediate, comprehensive cease-fire. "All Palestinian individuals and groups must end all acts of terror against Israelis, in any location," the statement said. It also encouraged Palestinian reform, "the process of preparing a constitution that would form the basis for a strong parliamentary democracy."

Speaking at a dinner of the politically conservative American Enterprise Institute in Washington on February 26, President Bush tied the "road map" to his policy in Iraq. He pledged his "personal commitment" to Israeli-Palestinian peace once there was a new government in Iraq. "The passing of Saddam Hussein's regime will deprive terrorist networks of a wealthy patron that pays for terrorist training, and offers rewards to families of suicide bombers. And other regimes will be given a clear warning that support for terror will not be tolerated," the chief executive said. "Without this outside support for terrorism, Palestinians who are working for reform and long for democracy will be in a better position to choose new leaders. True leaders who strive for peace; true leaders who faithfully serve the people." The president continued: "Old patterns of conflict in the Middle East can be broken, if all concerned will let go of bitterness, hatred, and violence, and get on with the serious work of economic development, political reform, and reconciliation. America will seize every opportunity in pursuit of peace. And the end of the present regime in Iraq would create such an opportunity."

On March 13, as if to buttress Bush's point, Saddam Hussein, still president of Iraq, sent checks totaling \$245,000 to 23 Palestinian families—

one the kin of a suicide bomber, the other 22 related to men killed fighting Israel.

Foreign Minister Shalom met with President Bush, Vice President Cheney, and Secretary of State Powell in Washington on March 31. In subsequent interviews, Shalom revealed that he had requested changes in the "road map," specifically insisting that Israel would make no moves to resume negotiations until the Palestinians ended terrorism.

Prime Minister Sharon ignited a furor in an April 13 interview in which he indicated, for the first time, a willingness to give up settlements if the Palestinians showed they were serious about reaching a peace agreement. "If it turns out we have someone to talk to," he said, "we will have to take steps that are painful for every Jew and painful for me personally. . . . Our whole history is bound up with these places, Bethlehem, Shilo, Beit El [all on the West Bank]. And I know that we will have to part with some of these places." But the prime minister denied any immediate plan to move out of settlements. This sensitive issue, he noted, would be raised only in the final stage of negotiations. "We don't have to deal with it now."

Abbas Tries His Hand

After considerable pressure from the international community, Yasir Arafat finally appointed a Palestinian prime minister on April 19. Arafat's choice was his longtime associate, Mahmoud Abbas, better known by his nom de guerre, Abu Mazen. Abbas was known to be more receptive than Arafat to Israel's demand for a crackdown on terror activities, and Israeli officials familiar with his plans believed that he indeed intended to clamp down on violence, reform the PA security forces, root out corruption, and attempt to neutralize links between the Palestinian militant organizations and their branches abroad, especially in Syria. Skeptics, however, suspected that the Abbas appointment was nothing more than a tactical move by Arafat in response to foreign opinion, and that the PA chairman had no intention of giving the new prime minister significant power.

Abbas officially accepted Arafat's invitation to become prime minister on April 23. But he ran into a major roadblock immediately, as Arafat, seeking to maintain control of the security forces in his own hands, resisted Abbas's choice of Muhammad Dahlan, head of the PA's Preventive Security Force in Gaza, as interior minister. In the end, a compromise was reached to name Dahlan minister for state security affairs, while Abbas himself took the interior portfolio.

Abbas was sworn in on April 30. Aside from Dahlan, other major cabinet appointees were Salam Fayad, an independent financial expert, finance minister; Nabil Shaath, foreign minister; Yasir Abd Rabbo, cabinet affairs minister; and Intisar al-Wazir (Umm Jihad, widow of assassinated PLO leader Abu Jihad), social affairs minister.

In his initial speech before the Palestinian Legislative Council, Prime Minister Abbas pledged to control terror and the terror organizations. "There is no room for weapons except in the hands of the government," he said. "The armed chaos must end." Addressing the Israelis, he declared: "We extend our hand to you in peace, we reiterate that peace cannot be possible with the continuation of settlement activity. The choice is yours: peace without settlements, or a continuation of the occupation, subjugation, hatred, and conflict." And he added: "The path of negotiations is our choice. We denounce terrorism by any party and in all its shapes and forms, both because of our religious and moral traditions and because we are convinced that such methods do not lend support to a just cause like ours, but rather destroy it. There is no military solution to our conflict."

But that same day, three people were killed and about 60 wounded when a suicide bomber, identified as Asif Hanif, a British Muslim, blew himself up at Mike's Place, a popular pub and site of musical performances on the Tel Aviv seafront. An accomplice, also a British Muslim, Omar Sharif, was not found. Fearing that he was being hidden by local Arabs, Israeli authorities launched a manhunt throughout the Tel Aviv area. But such fears proved unfounded, as Sharif's body washed up on the Tel Aviv beach on May 14.

Investigators discovered that the two British nationals had been prepared for the attack in Gaza by Hamas, and then entered Israel posing as members of the International Solidarity Movement. The Prime Minister's Office commented: "The dispatching of foreign Muslims by Hamas to perpetrate attacks against Israel constitutes a dramatic and strategic turning point from Hamas's point of view. Such a step means that Hamas is, in effect, ideologically toeing the line with global jihad organizations, led by Al Qaeda, which have declared total war on whoever is not a Muslim and even against those Muslims who cooperate with the West." On May 9, Israeli troops raided the ISM offices in Beit Sahur, near Ramallah, and arrested three people on suspicion of helping transfer money and instructions from terror centers abroad to the West Bank and Gaza. Two of the suspects, American Muslims, were deported. The IDF also instituted a requirement that all foreigners entering Gaza sign

a waiver absolving the army of responsibility should they be injured or killed.

Within hours after Abbas was sworn in, the U.S. officially released the “road map,” its goal “a final and comprehensive settlement of the Israeli-Palestinian conflict [including] an independent, democratic, and viable Palestinian state living side by side in peace and security with Israel and its other neighbors.” The plan called for a three-stage process. Stage One required an “unconditional cessation of violence,” a Palestinian constitution and elections, and, on Israel’s part, a settlement freeze. Stage Two would follow, the convening of an international conference leading to the “possible creation” of an independent Palestinian state with provisional borders by the end of 2003. Stage Three — predicated on effective Palestinian performance on security and internal reform — would entail Israeli-Palestinian final-status negotiations with a target date of 2005.

Bush cautioned that “implementing the road map will be dependent upon the good-faith efforts and contributions of both sides. The pace of progress will depend strictly on the performance of the parties.” Predictably, Hamas and Islamic Jihad rejected it categorically, vowing to continue their armed struggle.

In an affirmative gesture toward the “road map” and the new Palestinian leadership, the Israeli army dismantled Adurayim, an unpopulated West Bank outpost, on April 27. The evacuation had previously been delayed by a petition to the High Court of Justice. Reportedly, the Defense Ministry had a list of other outposts for dismantling, but kept it secret so as to prevent settlers from organizing resistance at particular points. On April 29, Chief of Staff Moshe Ya’alon, in a meeting with MKs, said there was a contingency plan for immediate redeployment of Israeli forces if the Palestinians really did fight terror. Shimon Peres, the leader of Labor, Israel’s major opposition party, was forthright in his praise of the Palestinian government, calling Abbas “the best man available.” Peres believed that Abbas and Dahlan were “sincerely interested in bringing an end to the intifada.” “We shouldn’t look on them as collaborators with Israel,” he advised, “but really as representatives of the Palestinians to pave a way for their own future.”

Sidelining Arafat

William Burns, U.S. assistant secretary of state for Near Eastern affairs, visited the area in early May, seeking to create momentum for “road

map” implementation. His agenda included meetings with both prime ministers, Sharon and Abbas, but he pointedly avoided Arafat. The Burns trip was followed by a visit from Secretary of State Colin Powell, who called on both sides to “get down to work,” and met separately with Sharon and Abbas on May 11.

At a press conference after the Sharon meeting, Powell confirmed the American policy of ignoring Arafat. “We recognize that Arafat is still there, but the United States will not be dealing with him,” he said, adding that Washington believed that Abbas “and some of the people he has assembled in his cabinet . . . do give us a new leadership to work with, and we will do everything we can to enhance his authority and ability to get the job done.” Sharon, for his part, insisted that “the time of promises and declarations is behind us” and that the next step had to be positive action against the terror groups. After the press conference, Sharon ordered the lifting of closures on the Palestinian territories, and allowed goods to move between the West Bank and the Gaza Strip.

Powell traveled from Jerusalem to Jericho to meet with Abbas. He asked the Palestinians to take “rapid, decisive steps” to carry the peace process forward. Abbas responded that the Palestinians had already taken many such steps, but Israel had not taken any. Abbas called on Israel unequivocally to accept the “road map,” free Palestinians it held in custody, end assassinations and settlement activity, and allow Yasir Arafat freedom of movement.

The “road map” was not the only card in Bush’s deck. On May 9, the president unveiled a plan for establishing a Middle East free-trade zone within a decade, using U.S. “influence and idealism to replace old hatreds with new hopes across the Middle East.” Speaking at the University of South Carolina, where he had gone to accept an honorary degree, the president expressed his determination to increase trade, which he called “an engine of economic development.” And he added that the U.S. would also sponsor, together with the government of Bahrain, a regional initiative for judicial reform.

Israelis, Palestinians, Jordanians, and Egyptians met in Denmark on May 8–9 to discuss the peace process. These were academics, politicians, businesspeople, and former military officers who constituted the International Alliance for Arab-Israeli Peace, better known as the Copenhagen Group, who had been meeting intermittently since 1997. One of the Israelis, David Kimchi, former top Mossad official and former director general of the Foreign Ministry, said that “most Israelis would give

up the occupied territories to have peace, and we are showing them that there are Egyptians, Jordanians and Palestinians who feel the same way." Addressing the meeting, Danish foreign minister Per Stig Moller estimated that there was a six-month window of opportunity for serious pursuit of the "road map," since the Bush administration would begin to focus on the presidential election in 2004.

Israeli impatience with the new Palestinian government became evident rather quickly. In an Israel Independence Day interview with *Ha'aretz*, Chief of Staff Moshe (Bogie) Ya'alon warned that so far the new Palestinian leadership "has done nothing" about the terrorist groups. "We hear talk about intentions, but the leadership must get organized, reshuffle the security services, and disarm Hamas and Islamic Jihad . . . Now the PA must not make do with words, it must start to demonstrate intention, effort and results," he said.

Sharon hosted a meeting with Abbas in Jerusalem on May 17. A communiqué Israel issued afterwards stated: "The parties agreed that a cessation of terrorism is a first and vital step to any progress, and the Palestinians promised to make a true and genuine effort to put a stop to terrorism." But according to press reports, the Palestinian leader reportedly said that he could not move ahead on security until Israel announced unconditional acceptance of the "road map."

The very participation of Abbas in this meeting triggered controversy within the PA leadership, because neither Nabil Shaath, his foreign minister, nor Yasir Abd Rabbo, the cabinet affairs minister, was invited. Arafat loyalist Sa'eb Erakat resigned as minister for negotiating affairs, complaining that Abbas had ignored his advice not to attend.

The statement issued after the Abbas-Sharon session of May 17 announced that the two men had agreed to meet again "soon after" Sharon's return from a planned visit to Washington, but the next day Sharon announced a postponement of his U.S. trip because of a renewed outbreak of violence. Between May 17 and 19, five suicide-bomb attacks took place: a man and his pregnant wife were killed in Hebron; three people were killed in Afula; three soldiers were wounded by a bomber on a bicycle in the Gaza Strip; seven were killed in a bus bombing in northern Jerusalem; and another suicide bomber blew himself up on the outskirts of the capital. Israel responded by imposing total closure on the West Bank and the Gaza Strip.

In lieu of a face-to-face meeting with the American president, Sharon spoke by phone with Bush on May 20. According to Israeli sources, Bush told Sharon that he was determined to move forward on his vision of two

states for two peoples living side by side in peace and security, and added that the Palestinians would have to mount a serious assault on terror in order to make progress possible. Bush publicly denounced the latest spate of bombings and reaffirmed that “the road map still stands. We’re still on the road to peace, it’s just going to be a bumpy road, and I’m not going to get off the road till we achieve the vision,” the president said.

Israel Approves

On May 23, Sharon announced that he was submitting the “road map” to his cabinet for approval. Two days later, the cabinet accepted it by a vote of 12-7, with four abstentions. Under pressure from right-wing elements, however, including some members of his own party, the cabinet’s acceptance was hedged with 14 reservations:

1. There must be an end to terror, the dismantling of all terror organizations—including confiscation of their weapons—and a complete reshaping of the Palestinian security forces so that they will genuinely combat terror.

2. Movement from one phase to the next of the “road map” must be performance-based, each successive stage beginning only following the full implementation of the preceding one. Timelines shall not constitute a schedule.

3. The PA must hold elections and form a new government.

4. Reform of the internal workings of the PA must be managed professionally and monitored by the U.S.

5. The provisional Palestinian state must be fully demilitarized, meaning no army and only a limited security force. Israel must maintain full control over entry to and exit from the territory of the Palestinian state, including airspace.

6. In any final agreement, the Palestinians must recognize Israel’s right to exist as a Jewish state and waive any “right of return” for Palestinian refugees to Israel.

7. The final agreement must constitute an end to all claims between the two parties.

8. Negotiations between the parties must be direct, not through a third party.

9. Until the final stage of the “road map,” there shall be no reference to final-status issues, including arrangements for Jerusalem.

10. A settlement based on the “road map” would be autonomous, independent of other documents or agreements.

11. Reform of the PA must include the adoption of a transitional Palestinian constitution and the establishment of a Palestinian legal infrastructure.

12. Israeli withdrawal to the lines of September 2000, before the start of the current intifada, could only take place after an absolute cessation of violence.

13. Subject to security considerations, Israel would work to restore Palestinian life to normal by encouraging economic activity, cultivating commercial connections, and encouraging and assisting the work of recognized humanitarian agencies.

14. There shall be no linkage between the Israeli-Palestinian talks and Israel's other negotiating tracks, specifically those with Syria and Lebanon.

The White House called Israel's action "an important step forward." Indeed, despite all the reservations, the Likud government's acceptance of the idea of a Palestinian state west of the Jordan River was nothing short of historic. Sharon defended the move at a meeting of his party on May 26. "To keep 3.5 million people under occupation is bad for us and for them," he said.

Sharon and Abbas met again in Jerusalem on May 29. Sharon promised to order an immediate redeployment of security forces from inside the major Palestinian cities so that the PA's security forces might take control. But, Sharon warned, Israel "would not hesitate" to move back into these areas should there be attacks or imminent threats against Israelis in or from them, or if the PA security forces were perceived as unwilling or unable to prevent attacks.

With the Palestinians and the Israelis both committed to the "road map," the American administration made a major push to advance it. Secretary of State Powell and National Security Adviser Condoleezza Rice arrived in the region on June 2, and met with both Sharon and Abbas that day and the next in Aqaba, Jordan. Speaking to the press after the sessions, Powell reported that "a degree of trust was built up." Rice agreed, saying that the Israeli and Palestinian leaders left her believing "that we have gotten off to a good start in this new process, and they're looking forward to working with each other, and that's a tremendous achievement of these couple of days."

Reinforcing the sense that progress was finally being made was Israel's announcement, on June 3, that it was partially lifting its closure over the West Bank and Gaza so as to allow a number of Palestinian workers to come to their jobs in Israel, relaxing some restrictions on the flow of

goods between Israel and the PA areas, and allowing Palestinian public transport to renew travel on eight routes.

Challenges to the "Road Map"

President Bush arrived in the Middle East that same day and met with Egyptian president Hosni Mubarak, Jordan's King Abdullah II, Sheikh Hamid bin Issa al-Khalifa, the ruler of Bahrain, Crown Prince Abdullah of Saudi Arabia, and Palestinian prime minister Abbas to discuss the peace process and the "road map."

The following day, June 4, Bush attended a summit with Abbas and Sharon, both of whom took a conciliatory tone. Sharon promised to improve living conditions for ordinary Palestinians, said he would order removal of unauthorized outposts in the West Bank, and reaffirmed support for the creation of "a democratic Palestinian state, fully at peace with Israel." Abbas, for his part, denounced violence against Israelis wherever they may be, and stated that he "does not ignore the suffering of Jews throughout history." Afterwards, to make sure that both sides "keep their promises," Bush announced that he had asked Powell and Rice to "make this cause a matter of the highest priority." Rice would act as his personal representative, but there would also be a U.S. negotiating team headed by John Wolf, assistant secretary of state for nonproliferation.

Palestinian militants challenged the accord immediately. On June 6, Hamas announced that it was breaking off the cease-fire negotiations it had been conducting with Abbas's government, since, in its view, the prime minister had sold out the Palestinian people at the Aqaba summit by calling for an end to the armed intifada and expressing compassion for Jewish suffering. Dr. Abdel Aziz Rantisi, a senior Hamas spokesman in Gaza, insisted that the Palestinians "will never cede an inch of their land." Demonstrating its intransigence, Hamas launched an attack at the entrance to the Erez industrial zone at the northern end of the Gaza Strip, killing four Israeli soldiers. Another Israeli soldier was shot dead in Hebron.

In response, Abbas reiterated on June 9 that he was committed to ending attacks against Israel and that his statements at the Aqaba meetings had been "fully coordinated" with Arafat in advance. At the same time, however, he disappointed those who wanted him to crack down on and disarm Hamas and Islamic Jihad, saying he would use dialogue, not force, to deal with the militants.

Israel took action instead, attempting a "targeted elimination" of

Rantisi the next day. A helicopter fired a missile at Rantisi's car in the Gaza Strip, killing two of his bodyguards and a bystander. The target, however, was only lightly wounded. He issued a statement from his hospital bed saying that Hamas would continue its "holy war and resistance until every last criminal Zionist is evicted from this land." White House spokesman Ari Fleischer said that President Bush was "deeply troubled" by the Israeli strike, fearing that it would "undermine efforts by Palestinian authorities and others to bring an end to terrorist attacks." Israel responded that it felt "compelled to protect its citizens." Later that day, Hamas fired locally made Qassam rockets at Sderot, an Israeli development town just across the border from the northern Gaza Strip.

On June 11 there was a suicide bombing on a bus just outside the Clal Center on Jaffa Road in central Jerusalem. Hamas claimed responsibility, calling it the beginning of a new series of revenge attacks. Bush condemned the bombing, as did Yasir Arafat, who used the word "terrorist" in describing it, and took the opportunity to call for "an immediate cease-fire and a halt to all military attacks and shootings." Israel responded with helicopter attacks in Gaza City targeting Hamas leaders and members of the Izz al-Din al-Qassam "military wing," though innocent civilians were also injured, including people trying to drag the dead and injured from burning cars.

Efforts were mounted to achieve a cease-fire, with Muhammad Dahlan representing the PA in talks with Israeli security officials led by Maj. Gen. Amos Gilad. Dahlan argued that if Israel halted its "selective elimination" policies and gave the PA complete control of the Gaza Strip, the radical Palestinian groups could be persuaded to cease terror attacks. On June 15, an Egyptian team arrived to try to influence Hamas, following up on an earlier trip by Omar Suleiman, Cairo's security chief. On June 17, Abbas held talks with the leaders of several terror groups, including Hamas, Islamic Jihad, the Popular Front for the Liberation of Palestine, and the Democratic Front for the Liberation of Palestine. Another attendee was Dr. Haider Abd al-Shafi of Gaza, a senior Palestinian statesman, who joined Abbas in urging a *hudna* (Arabic for cease-fire). Meanwhile, John Wolf arrived in Jerusalem at the head of the U.S. team.

In Israel, opposition MKs forced a special session of the Knesset on June 16 to argue that the Sharon government's attacks in Gaza were weakening Abbas's authority and endangering the peace process. Sharon responded that there could be no deal with the Palestinians before violence came to an end, and vowed to continue the strikes against terrorists so long as the new Palestinian government took no steps in that direction. The Knesset voted 57-42 to support government policy.

Dov Weisglass, Sharon's bureau chief in the Prime Minister's Office and his frequent personal envoy to the U.S., visited Washington on June 17. In their discussions, National Security Adviser Rice asked that Israel "be more sensitive and think twice" about targeted eliminations or other major operations in PA territory as long as cease-fire talks were going on. But the Israeli stressed that his country had the right to defend itself even in areas where security control was officially in PA hands, if the PA showed itself incapable of stopping terror on its own. However, Weisglass reportedly agreed that Israel would show restraint if Palestinian militants reached a *hudna* agreement, to give Abbas a chance to succeed.

On June 19, a Palestinian suicide bomber blew himself up in a grocery store in Sde Trumot, in the Jordan Valley just north of the northern border of the West Bank, killing himself and the grocer. Police suspected that the bomber set off his deadly package prematurely, and that he had originally intended to board a bus on the main line between Jerusalem and Tiberias.

Israel, meanwhile, sought to deal with its own rejectionists. In line with its commitment to the "road map," Israel drew up a list of 17 isolated settlement outposts in the West Bank that were to be evacuated. On June 19, troops removed Mitzpe Yizhar, south of the West Bank city of Nablus, which was home to ten people. Hundreds of settlers from elsewhere gathered there and clashed with the army.

In succeeding days, Israeli newspapers carried reports of a plan floated by Infrastructure Minister Yosef Paritzky of Shinui to relocate settlers from the territories back within the Green Line. It turned out that Paritzky had written to regional authorities asking them to investigate the possibility of facilitating such a move, asserting: "I believe that the Negev and the Galilee present an attractive destination for those requesting to settle in an excellent environment with a high standard of living and surrounded by much greenery." Paritzky went on: "I will thank you if you start preparing, as soon as possible, a settlement program, both within current towns and establishing new ones, for those uprooted from Judea, Samaria, and Gaza."

Sharon, however, had other plans. At the weekly cabinet meeting on June 22, the prime minister called for continuing construction in the territories, but quietly. Israel, he said, "should not celebrate the construction, just build," adding, "People should not talk about it and dance around every time a building permit is given. They should build without talking."

Secretary of State Powell arrived on June 20, once again holding separate meetings with Abbas and Sharon. Afterward, he told reporters that

the talks focused on steps toward a handover of security responsibilities in the Gaza Strip and Bethlehem, in the West Bank, to the Palestinians. Powell then left for Aqaba on the Jordanian side of the Dead Sea to consult with Quartet officials—including UN secretary general Kofi Annan, EU foreign policy chief Javier Solana, and Russian foreign minister Igor Ivanov—and Powell reiterated his hope that Israel would hand over security control of parts of the Gaza Strip and Bethlehem “in the near future.” The Quartet leaders were joined by others in Aqaba for a meeting of the World Economic Forum (WEF). The Israeli delegation, headed by Deputy Prime Minister Ehud Olmert, sensed a warming of the diplomatic atmosphere, largely due to the end of the Iraq war.

On June 21, Israeli troops shot and killed Abdallah Qawasme, a senior Hamas figure, in Hebron. According to Israel, Qawasme was killed in a gun battle resisting its efforts to arrest him, but the Palestinians described it as an “assassination.”

Meeting with EU president Romano Prodi in Washington on June 25, President Bush urged Europe to cut off all support for Hamas. “There are the terrorists, like Hamas, who do not want a peaceful state, and they’re willing to use serious means to destroy it,” said Bush at a press conference after the session. “In order for there to be peace, Hamas must be dismantled.” He urged European and world leaders “to take swift, decisive action against terror groups such as Hamas, to cut off their funding and support, as the United States has done.”

Progress and Problems

Muhammad Dahlan and Amos Gilad, the chief Palestinian and Israeli negotiators, announced a breakthrough on June 27. With Hamas spiritual leader Sheikh Ahmed Yassin agreeing to a halt on all attacks against Israeli targets for an unspecified period, the two sides reached an agreement in principle for Israeli forces to begin withdrawing from the Gaza Strip. (Underlining the difficulties in the way of a deal, four Palestinians and an Israeli soldier were killed in an Israeli army operation in central Gaza that very day.) Adding diplomatic significance to the understanding was the personal involvement of the U.S. national security adviser, Condoleezza Rice.

Two days later, the three main Palestinian militant factions—Hamas, Islamic Jihad, and Fatah—announced a three-month *hudna* with Israel. Hamas and Islamic Jihad, however, insisted that their observance of the cease-fire was conditional upon Israel ending its policy of targeted as-

sassination, releasing all Palestinian prisoners held in Israeli prisons, and lifting restrictions on Arafat's movements. While Israel did not actually sign onto the *hudna* agreement, it agreed informally to remove checkpoints from the main road through the Gaza Strip and ease restrictions on Palestinians working inside Israel. But Israel continued to demand that the PA prevent attacks on Israeli targets and crack down on terror groups.

In the course of two days of negotiations with the Israelis and Palestinians on the "road map," National Security Adviser Rice raised concerns about the so-called separation fence that Israel was building to prevent terror attacks emanating from the West Bank (see below, pp. 195–97). She also discussed a possible U.S. aid package, the first ever, to the PA; previous American assistance had been sent via the UN or non-governmental organizations. According to a report carried in *Yediot Aharonot*, the sum of \$1 billion was mentioned. In raising the possibility of such aid, the administration was expressing confidence that the new Abbas administration would handle the money honestly and effectively. "The circumstances of who we are dealing with in the Palestinian Authority have changed from night to day," said White House spokesman Ari Fleischer.

In accordance with the understandings that had been reached, Israel pulled out troops from parts of Gaza in late June and from Bethlehem on July 1–2, allowing Palestinian police to assume responsibility for security within that city, which was holy to Christians but which for years had had a Muslim majority. Israel, however, did not abandon Bethlehem completely, setting up new barricades on some access roads, and tightening its net of security around the city.

The diplomatic picture continued to look rosy. Sharon and Abbas met again on July 1, and both made positive statements about the peace process. Sharon said that Israel was prepared to pay a "painful price" to achieve peace, although it would not compromise with terror. He asked Abbas to disarm the terror groups and to put an end to anti-Israel incitement in Palestinian school books and the media. Abbas, saying that the conflict between the two peoples "is a political conflict and we will end it through political means," requested the release of at least some of the Palestinian prisoners in Israeli hands. This, he argued, would strengthen his position in the eyes of the Palestinian public and help him survive as prime minister.

On July 3, Abbas denounced the firing of antitank missiles on the settlement of Kfar Darom, in the southern Gaza Strip, as "an act of sabotage which we will not accept." Palestinian police later arrested four men

for the attack. Three days later, the Israeli cabinet voted to free 300 or more Palestinian prisoners, but none with “blood on their hands,” that is, those guilty of killing Israelis. Palestinian and Israeli ministers discussed prisoners and other issues on July 7, but Abbas, under fire from Palestinian hardliners—and, indirectly, from Arafat—for his conciliatory approach, canceled a scheduled meeting with Sharon the next day to protest the smaller-than-anticipated number of prisoners Israel agreed to release.

Abbas vs. Arafat

When Abbas canceled his meeting with Sharon, Daniel Kurtzer, the U.S. ambassador to Israel, saw trouble ahead. According to a report in the daily *Ha'aretz*, Kurtzer told an audience of about 150 American rabbis and Jewish lay leaders in Jerusalem that he doubted Abbas's ability to disarm the terror groups. He called the Palestinian prime minister “a relatively weak man” who tended to “run away from problems rather than trying to solve them.” Kurtzer explained: “Our objective was not to empower an individual called Abu Mazen [Abbas], but to disempower an individual named Arafat.” The American government's ultimate goal, he added, was promulgating “a serious Palestinian constitution that will outlive its incumbent.”

Friction between Arafat and Abbas continued unabated. On July 8, Abbas offered to resign both as prime minister and from the central committee of Fatah (Arafat's core PLO group) if his positions were unacceptable to Arafat. The offer was rejected, but Arafat proceeded to undermine Abbas by offering Jibril Rajoub, the former head of the PA's West Bank Preventive Security and a rival of Dahlan, broad powers in a new position of responsibility over West Bank mayors. Arafat's allies attacked Dahlan more directly, demanding that some of his authority over security revert to the PA National Security Council, established by Arafat only after Abbas became prime minister.

Speaking to UN Middle East envoy Terje Roed-Larsen on July 12, Arafat accused Abbas of “betraying the interests of the Palestinian people.” Abbas, declared the chairman, “is behaving like a novice who doesn't know what he is doing. How does he dare to stand next to an Israeli flag and next to Sharon, and act friendly with a man whose history is known to all the world?”

Arafat's loyalists also hurled vitriol upon Abbas, accusing him of misconduct in negotiations with Israel, mishandling the sensitive issue of prisoner releases, serving Israeli and American interests, and conspiring with Israel to keep Arafat under siege in Ramallah.

At another Abbas-Arafat meeting on July 14, the two appeared to have settled their differences, working out a power-sharing agreement that enshrined Arafat's influence over negotiations with Israel and over the PA security forces. "The dispute is over and things are all right," Abbas told reporters. This came just two days after he had pointedly refused to attend a lunch Arafat hosted for visiting Russian foreign minister Igor Ivanov. Reports emerging from the reconciliation meeting, however, indicated that the session was stormy. Sa'eb Erakat, the former chief PA negotiator with Israel and a longtime Arafat confidant, said that Abbas had challenged Arafat to "back me or sack me."

At this time, Sharon was in Europe, engaged in a series of talks with EU leaders. On July 14, at a dinner at 10 Downing Street with Britain's prime minister, Tony Blair, Sharon called the EU's stance on the Israeli-Palestinian dispute "one-sided" and said that it could not play a productive role in the peace process until that changed. Two days later, in Norway, Sharon pointedly stayed away from the capital, Oslo, because that was where the Oslo agreements were formulated. Sharon asked Prime Minister Kjell Magne Bondevik to join Israel in isolating Arafat diplomatically, but the Norwegian leader turned him down.

On July 20, after Sharon's return, Abbas met with him at Sharon's official Jerusalem residence; the talks were described as "difficult" by both sides. Prisoner release was the main topic. According to some reports, Sharon handed Abbas a list of Palestinian prisoners Israel planned to release, but Abbas refused to accept it, arguing that the Palestinians should be consulted beforehand on the names, not handed a list as a *fait accompli*. Sharon told Abbas that he would not order additional pullbacks from positions on the West Bank until the PA dismantled the terror organizations, although he did concede that incidents of terror and incitement had diminished. The Israeli prime minister also mentioned his concern that the terrorists were taking advantage of the lull in hostilities to rearm and reorganize for possible future action. Muhammad Dahlan, who was present, was so disheartened by the meeting that he called on Washington to rescue the "road map." He charged that Israel was dictating to the Palestinians, "and we totally reject this."

The Knesset, on July 21, approved by 47-27 a government declaration that Israel would remove "unauthorized outposts." But Sharon emphasized that formal, legally established settlements would not be touched, and that there would be no discussion of their disposition until final-stage negotiations.

A document prepared by the planning branch of the IDF and presented to John Wolf, head of the U.S. "road map" monitoring team, es-

estimated that there were some 50,000 “illegal” (not permitted under the Oslo Accords) weapons in the hands of Palestinians in the territories. In addition, there were 24 bomb-making plants, the army said, and 20 distinct weapons-smuggling operations, including some that used tunnels under the Israeli-Egyptian border opposite Rafiah at the southern end of the Gaza Strip. The highest priority for the IDF was the dismantling of heavy arms, including Palestinian-made Qassam rockets, mortars, and landmines, but if that were not possible, Israel wanted the registration and monitoring of arms in the hands of Palestinian groups. But according to a report in *Ha'aretz*, the main motivation for Palestinians holding unauthorized weapons was Israel's practice of making arrests in the West Bank. Before putting down their arms, wanted Fatah members insisted on Israeli guarantees that they would not be arrested.

In Jenin—which shared with Nablus the unhappy distinction of being the most lawless place in the West Bank—the local PA governor, Haidez Irshid, was abducted and beaten by militants who accused him of collaborating with Israel. Irshid was released several hours later, after the kidnappers received a phone call from Arafat's office.

An Israeli soldier, Corporal Oleg Shaichat, disappeared while hitchhiking to his family's home in Upper Nazareth on July 22. Large-scale search efforts were initially unsuccessful, but in a second scouring of areas the searchers had already swept, his body was found buried in an olive grove outside the Israeli Arab village of Kafr Kana, within sight of Shaichat's home. Three men from Kafr Kana were taken into custody in August for the crime, but their arrest was not made public until late October, when they were charged with murder. According to police, the trio kidnapped and killed Shaichat for his M-16 army-issue rifle. Unconfirmed reports had it that the group was also suspected of kidnapping Tiberias teenager Danna Bennett, who vanished on her way home from work about a week after Shaichat's disappearance.

Prime Minister Abbas journeyed to Washington to meet with President Bush on July 25. The U.S. leader praised Abbas as a man of “vision, courage and determination,” and called the Israeli security fence a “problem.” Before heading to Washington, Abbas stopped in Cairo for meetings with Egyptian leaders. According to reports in the American press, he did not repeat his pledge of a tough policy against terror organizations. Instead, after a meeting with Arab League secretary general (and former Egyptian foreign minister) Amr Moussa, Abbas said that “cracking down on Hamas, Islamic Jihad, and the Palestinian organizations is not an option at all.”

Sharon, meanwhile, came in for some unexpected praise from President Hosni Mubarak of Egypt. Speaking to a gathering of students in the Mediterranean coastal city of Alexandria, Mubarak said that Sharon was the only Israeli figure with the political courage needed to move the peace process forward. He recalled Sharon's actions in 1982, when, as Menachem Begin's defense minister, he supervised the dismantling of settlements at Yamit and the Rafiah Salient in northeastern Sinai as part of the peace treaty with Egypt. "We must not forget that Sharon was the one who dismantled the Israeli settlements in Sinai, when Begin was building them," Mubarak noted.

The long-discussed release of Palestinian prisoners—not including those with "blood on their hands"—was finally agreed to by the Israeli cabinet on July 27 as a confidence-building measure to reinforce the authority of Abbas. In addition, Israel dismantled roadblocks outside Ramallah, and promised 2,000 new permits for travel between Jerusalem and Bethlehem.

Having manifested these signs of moderation, Sharon left for Washington to meet with President Bush on July 29. This was Sharon's eighth visit to the White House in his two-and-a-half years as prime minister. Sharon told the president that Israel would continue to build the security fence while making "every effort to minimize the infringement on the daily life of the Palestinian population." Bush, for his part, told a Rose Garden press conference afterwards that he was encouraged by the steps that Israel had taken. "Prime Minister Sharon is now meeting regularly with Prime Minister Abbas, and that's positive," said Bush. "Israeli and Palestinian cabinet and security officials are meeting, as well." The president reiterated that "the Palestinian Authority must undertake sustained, targeted and effective operations to confront those engaged in terror, and to dismantle terrorist capabilities and infrastructure. We're determined to help Prime Minister Abbas as he works to end terror, and establish the rule of law that will protect Israelis and Palestinians alike."

Tottering Truce

But it was common knowledge, by the end of July, that the peace process was fragile indeed, since it depended on the voluntary restraint of Palestinian factions that had not been disarmed. The majority leader of the U.S. House of Representatives, Tom DeLay, acknowledged this in a speech before the Knesset on July 30. DeLay said that the Palestinian *hudna* was only "paper-thin." And the next day Prime Minister Sharon,

speaking at the commencement ceremonies of Israel's National Security College, stressed that Israel's biggest mistake over the course of the current intifada had been its restraint in responding to Palestinian violations of previous agreements, for which Israel "has paid a heavy price." Israel, he warned, "will insist on the fulfillment of every obligation included in the 'road map' . . . because only insisting that agreements be honored will bring the longed-for peace."

A telling reminder of what Palestinian terror meant came on July 30, when Al-Aqsa Martyrs Brigades leader Ahmed Barghouti, the former driver and bodyguard of his cousin, Fatah Tanzim boss Marwan Barghouti, was sentenced to 13 consecutive life sentences for his role in terror activities and the murder of 12 Israelis. After his conviction, Barghouti told reporters that had he not been caught, he would have continued to orchestrate more attacks.

On August 2, the *New York Times* reported that American authorities no longer expected the PA to take immediate action against terror because its security forces were too weak. Two days later, after a shooting attack near Bethlehem in which a woman and three children were wounded, Israel halted the return of West Bank towns to Palestinian rule, and Defense Minister Mofaz said Israel would wait to see what action Palestinian security forces would take before handing over more territory. Direct talks between the two sides had stalled as PA security forces refused Israel's demand that 17 wanted men holed up in the Muq'ata, Arafat's compound in Ramallah, be moved to Jericho.

On August 4, Israel published a list of some 350 Palestinian prisoners to be freed soon as a confidence-building measure. But Palestinians complained about the small number and said that most of those on the list had been convicted of relatively minor offenses such as incitement or throwing stones. Abbas, under fire from his own constituency for not demanding more from the Israelis, canceled a scheduled August 5 meeting with Sharon. Despite this, on August 6 Israel freed 336 prisoners at Tarmquia, near Hebron, and at three other checkpoints between Israel and the West Bank.

After about five weeks of relative quiet, violence flared up again on August 8. In Nablus, one Israeli soldier and two Hamas members were killed in a firefight, and Israeli troops entered Jenin. There were two suicide bombings on August 12, the first since early July, one in a supermarket in Rosh Ha'ayin, northeast of Tel Aviv, and one near the city of Ariel in the northern West Bank. In response, Israel suspended a second prisoner release scheduled for August 13.

There was also violence on the northern border. On August 8, terror-

ists of the Shi'ite Hezbollah organization attacked Israeli troops in the disputed Shebba farms area along the slopes of Mt. Hermon, in an area also called Har Dov by Israelis. (After it pulled out of Lebanon in May 2000, Israel, with UN help, demarcated the international border; Hezbollah refused to accept that marking, insisting that the Shebba farms was Lebanese, rather than Syrian territory occupied by Israel; see AJYB 2001, p. 483.) Israel retaliated by shelling Hezbollah positions. On August 10, Hezbollah fired anti-aircraft weapons in a flat trajectory at the town of Shlomi, near the border; 16-year-old Haviv Dadon was hit in the chest by shrapnel and died of his wounds.

On August 14, Israeli troops killed Mohammed Sidr, the leader of Islamic Jihad in Hebron, during a six-hour gun battle. Sidr, 25, was said to be responsible for operations that had killed 19 Israelis and injured 82. Israeli forces had tried to kill him back in December 2001 by firing missiles from a helicopter at a car in Hebron, wounding him and killing two Palestinian boys, aged 3 and 13.

Israel carried out the second stage of prisoner releases on August 15, freeing 73 Palestinians, but the PA charged once again that most of them had been jailed for petty crimes, not militant activity. Two days later, acting on information that the PA was doing more to curb terror, Israel said it planned to hand control of four West Bank cities to the PA over the next few weeks—Jericho, Qalqilya, Tul Karm, and Ramallah. Israeli forces would remain just outside these cities, however, ready to reenter if the security situation deteriorated. It did, even before the pullout could be carried out.

The Process Stalls

On August 19, the *hudna* came to an end as a suicide bomber blew up an Egged no. 2 bus on Shmuel Hanavi Street just outside Me'ah She'arim in Jerusalem. The toll was heavy: 23 killed and over 130 wounded. The bus, on its way from the Western Wall, was filled with ultra-Orthodox families, including small children. The bomber was identified as Raed Misk, a friend of Mohammed Sidr, the Islamic Jihad leader killed by Israeli forces five days earlier. Rescue workers accustomed to dealing with terror victims said the scene was appalling. Yehuda Meshi-Zahav of the ultra-Orthodox Zaka organization, one of the first on the scene, found a live baby just a few months old crying, lying among the dead. The baby was hospitalized, and after a nightlong search, rescue workers found the parents alive in another hospital.

White House press secretary Scott McClellan denounced the bombing,

saying that such attacks “bring to light in a vivid way that terrorists are the enemies of the civilized world.” According to one report, Palestinian security prisoners in an Israeli jail broke out in applause when hearing of the bombing, and passed out candies.

Israel not only suspended the transfer of the cities but also told the PA to use an “iron fist” against those behind the Jerusalem bombing or face the collapse of the entire peace process. A total closure was declared on the West Bank and Gaza Strip. Israeli helicopters fired missiles into the car of Ismail Abu Shanab, a founder of Hamas and one of its top political leaders, in Gaza City on August 21. Abu Shanab, considered a leading Hamas “moderate” and *hudna* supporter, was killed along with two of his bodyguards; 17 people, including bystanders, were wounded. Hamas and Islamic Jihad declared the *hudna* over, and tens of thousands attended Abu Shanab’s funeral. Palestinian Qassam rockets were fired at settlements in Gush Katif, in the southern Gaza Strip, and across the northern border of the strip. Israel moved into Jenin and Nablus in search of Hamas and Islamic Jihad militants.

One Qassam strike in particular aroused Israeli concern. A rocket fired from Gaza on August 21 hit near Ashkelon; this was the deepest into Israel that a Qassam had ever reached, and evoked fears that the Palestinians had developed an advanced version of the locally made rocket, with a greater range.

On August 22, the U.S. announced a freeze on all assets of the top leaders and key European fund-raisers of Hamas.

Arafat sparked a crisis with Abbas on August 23 by announcing the appointment of Brig.-Gen. Nasser Yousef to the post of interior minister—a post Abbas had held. The appointment of Yousef also threatened the position of Abbas’s key ally, Muhammad Dahlan, the minister for security affairs. It came as no surprise, however, since Arafat had consistently refused to hand over control of key security units to Abbas and Dahlan since the appointment of the Abbas cabinet in April. Arafat’s appointment of Yousef received the backing of the PLO’s executive committee. Two days later, the PA crisis deepened as Arafat appointed Jibril Rajoub, former head of West Bank Preventive Security and a major rival of Dahlan, as national security adviser. (Arafat had dismissed Rajoub in July 2002; see AJYB 2003, p. 216.)

At the same time, the PA made a move to crack down on terror groups: on August 26–27, it froze 36 bank accounts of Islamist organizations. Some Palestinians complained that this would hurt poor Palestinians because many of the groups distributed welfare funds. But Dore Gold, a government spokesman and former Israeli ambassador to the UN, wel-

came the freeze, saying that any move cutting off funds to Hamas was a "positive development."

Israel continued its targeted killings of militant leaders in September, with a missile attack that killed Khader al-Husari, a senior operative in the Hamas military wing, and wounded 25 other people in the Gaza Strip. This was the sixth helicopter attack in two weeks, and Israel vowed to continue unless the PA disarmed and dismantled terror groups.

On September 5, Israeli commandos moved into Nablus to arrest a Hamas bomb-maker. The next day, Israeli warplanes bombed a Gaza City apartment used by Sheikh Ahmed Yassin, the founder and spiritual leader of Hamas. Yassin was not injured in the attack, but 15 others were wounded. As thousands of well-wishers crowded the streets outside his home on September 7, the blind, paralyzed sheikh said that all the Palestinian factions would coordinate their retaliation. He warned Israelis: "You will pay the price for this crime." Izz al-Din al-Qassam, Hamas's military wing, issued a statement threatening "to attack Israeli targets anywhere it is seen fit."

The operation to eliminate Yassin, according to a report in *Ha'aretz*, was planned at the last minute. On the morning of the attack, the Shin Bet learned that top Hamas leaders were scheduled to meet in the Gaza building. After a series of consultations involving both Sharon and Defense Minister Mofaz, the "go" order was issued to the F-16 aircraft. But the targeting was inaccurate, partly because intelligence said the meeting was to take place in an apartment on the third floor of the building, while it actually was held on the first. Yassin, for his part, denied there was any such meeting.

Reflecting the reservations about their government's aggressive policy harbored by many Israelis, 27 air force pilots declared that they would refuse to fly targeted killing missions against terrorists that might endanger innocent civilians in the West Bank and Gaza. The group, consisting of pilots on active duty as well as reservists, expressed their views in a letter to the commander of the air force, Maj.-Gen. Dan Halutz. One of the pilots told a TV interviewer: "We, veteran pilots and active pilots alike . . . are opposed to carrying out illegal and immoral attacks, of the type carried out by Israel in the territories."

Abbas Out, Qurei In

The Abbas-Arafat crisis was finally resolved on September 6 with the resignation of Abbas, and the next day Arafat named Ahmad Qurei, also known as Abu Ala, to replace him as prime minister. Qurei, who was

speaker of the PA Parliament at the time, had been the PLO's chief negotiator for the Oslo Accords in 1993. He formally assumed the premiership on September 10, acknowledging that he faced a "very serious, very dangerous crisis." He conditioned his acceptance of the post on Israel improving its treatment of the Palestinians, under U.S. and EU pressure if need be.

But White House spokesman Scott McClellan put the onus on the PA, saying that the new government "needs to state clearly its opposition to all forms of terrorism, demand that all acts of terrorism cease, and insist that terrorist and military organizations not under the control of the Palestinian Authority be outlawed and dismantled."

The violence continued. Two separate terror attacks on September 9 claimed 13 lives, seven of them in a suicide bombing at a bus stop near the Tzrifin military base in central Israel, just west of the town of Ramla, and the six others an hour later in a blast at Café Hillel on Emek Refa'im Street in Jerusalem's trendy German Colony neighborhood. Hamas claimed credit for both attacks.

Prime Minister Sharon cut short a state visit to India—the first by an Israeli prime minister since the two states established relations in 1992—and headed home. Sharon's security cabinet agreed "in principle" on September 11 to expel Arafat from the Palestinian territories, but left the timing open. It described Arafat as an "obstacle to any process of reconciliation between Israel and the Palestinians," and therefore declared that Israel would "work to remove this obstacle in a manner, and a time, of its choosing." Israeli forces took up positions in buildings overlooking the Muq'ata in Ramallah, where Arafat had been confined under Israeli siege since early 2002. Qurei said Israel had taken "an adventurous and grave decision that finishes off any attempt by me to form a new cabinet"; Arafat's removal, he went on, "would not only blow up the Palestinian territories but also the entire region."

In fact, Israel's move seemed to revive the prestige of Arafat, whose political fortunes had been flagging, and to restore him to center stage. The PA chairman emerged from his encircled compound on the evening of September 11 vowing defiance before thousands of chanting supporters. He said: "This is my homeland. This is the *terra sancta*. No one can kick me out." In subsequent days, a succession of Palestinian delegations flocked to the Muq'ata to declare their backing for Arafat.

He also received support, of a sort, from the Quartet, which on September 12 issued a statement opposing Arafat's ouster from the region. Colin Powell expressed similar sentiments in a phone conversation with

Foreign Minister Silvan Shalom. Nevertheless, Deputy Prime Minister Ehud Olmert said on September 14 that Arafat could “no longer be a factor in what happens here,” and revealed that one option being actively considered was assassination. The next day, Shalom denied that Israel planned to kill Arafat.

Syria sponsored a UN Security Council resolution instructing Israel neither to harm nor threaten Arafat. Despite American misgivings about Israeli threats against Arafat, the U.S. vetoed the resolution on September 16. Eleven countries voted for it, with the U.K., Germany, and Bulgaria abstaining. John Negroponte, the U.S. permanent representative to the UN, explained the veto by saying that the resolution was unbalanced, since it neither explicitly condemned the Palestinian terror organizations nor called for dismantling the infrastructure supporting them.

The international pro-Arafat bloc did much better at the UN General Assembly, which on September 19 voted 133-4, with 15 abstentions, that Israel must drop its threat to expel or harm Arafat. Only the U.S., Israel, Micronesia, and the Marshall Islands voted nay. In fact, Israel did not act against Arafat, and Sharon explained, in a September 26 interview with *Yediot Aharonot*, that it would be very difficult to seize Arafat without physically harming him, something that the U.S. would object to strenuously.

At about the same time, on September 18, Bush expressed doubts about the progress of the “road map,” saying it had “stalled.” He blamed Arafat, and suggested that until the Palestinians found a new leader committed to fighting terrorism, there was little hope for peace. A meeting of the Quartet in New York on September 26 called on the Palestinians to take “immediate, decisive steps” against terrorist groups and to consolidate security services “under the clear control of an empowered prime minister and interior minister.” The group asked Israel to exert “maximum” efforts to avoid civilian casualties when defending itself, and to “take no action undermining trust, including deportations, confiscation or demolition of Palestinian property and destruction of Palestinian institutions.” The Quartet also criticized the eastern route planned for Israel’s security fence in the West Bank. After the meeting, Javier Solana, the EU representative, told reporters that the issue of Arafat had not been specifically addressed.

On September 29, Marwan Barghouti, chief of the Fatah-aligned Tanzim militias on the West Bank, made his final declaration to the judges in Tel Aviv District Court, where he faced 26 murder charges. Barghouti, one of the most popular leaders in the territories and a for-

mer supporter of the peace process, had been captured by Israel during Operation Defensive Shield in 2002 and put on trial April 6, 2003. Barghouti argued that his trial was a political event, not a criminal case. He said: "I am proud of the intifada. I am proud of the resistance to Israeli occupation. To die is better than living under occupation. I am standing here because I resisted Israeli occupation." Barghouti insisted that force could not bring an end to the Israeli-Palestinian conflict, and predicted that if "an occupation does not end unilaterally or through negotiations then there is only one solution, one state for two people. How can the Jews who suffered and survived the Holocaust allow themselves to resort to such insufferable and unacceptable means against another people?" The transcript of a Shin Bet interrogation of Barghouti, presented at his trial, included a statement by him that Arafat had never directly ordered attacks against Jews. "When Arafat wanted a cease-fire, he would say so, and when he remained silent it was understood as a green light to continue terror attacks," the transcript read.

Twenty-one people were killed, including three children and a baby girl, and 60 wounded in an October 4 suicide bombing carried out by a female terrorist in a popular restaurant, Maxim, in Haifa. The Islamic Jihad bomber, Hanadi Jaradat, a 29-year-old lawyer from Jenin, managed to get past Maxim's security guard before blowing herself up in the middle of the restaurant. The security guard was killed in the attack, along with three other Maxim employees, all Israeli Arabs. The blast devastated the restaurant, owned jointly by Jewish and Arab partners, near the southern entrance to the coastal city. The dead included reserve admiral Ze'ev Almog, 71, his wife Ruth, 70, and their son and two grandsons, and five members of the Zer-Aviv family from Kibbutz Bruria. Another grandson, 11-year-old Oren Almog, was sent to the Callahan Eye Foundation Hospital in Birmingham, Alabama, for surgery to save at least part of his eyesight. Fearing an intense Israeli response to the horrific bombing, Arafat declared a state of emergency in the Palestinian territories and approved the formation of an emergency cabinet by Qurei.

President Bush called the attack "despicable" and said it "underscores once again the responsibility of Palestinian authorities to fight terror, which remains the foremost obstacle to achieving the vision of two states living side by side in peace and security. The new Palestinian cabinet must dedicate itself to dismantling the infrastructure of terror and preventing the kind of murderous actions that we witnessed today."

Early on the morning of October 5, Israel responded by bombing a terrorist training camp at Ein Saheb, north of Damascus. The camp be-

longed to Ahmed Jibril's Popular Front for the Liberation of Palestine-General Command, and, according to some reports, had been used by Hamas and Islamic Jihad. The strike, carried out by Israeli F-16 warplanes, caused heavy damage but no casualties, since the camp was largely unoccupied. After the raid, Syrian foreign minister Farouq a-Shara accused Israel of aggression and warned that Syria was capable of a "detering balance to force Israel to review" its actions. The Arab League, meeting in Cairo, said the "aggression represents a serious escalation that threatens regional and international security and peace and exposes the deteriorating situation in the region to uncontrollable consequences, which could drag the whole region into a violent whirlpool."

Sharon, for his part, hinted that this might not be the final Israeli attack on Syria. "If they don't understand the message," he said, "Israel will defend itself whenever it is convinced that Syria is assisting the Palestinian terrorist organizations." Speaking to a special session of the Security Council requested by Syria that same day, Dan Gillerman, Israel's ambassador to the UN, called on council members "to come to the aid of the victims of terrorism, not their sponsors. Syria deserves no support for its complicity in murder and the council would commit an unforgivable act of moral blindness were it to act otherwise." The envoy said that Syria's request for the Security Council session was like Osama bin Laden calling for a meeting of that body "after 9/11."

The Situation Deteriorates

In early October, the PA showed signs of increasing disarray. Prime Minister Qurei threatened to resign over his ongoing dispute with Arafat about the appointment of a security chief. Arafat himself was reported to be suffering from a mysterious illness, perhaps a mild heart attack, but no details were made available, possibly to avoid creating panic among the Palestinians.

Israel continued its strikes in Gaza. Between October 9 and 12, the army moved into Rafah hoping to identify and destroy the tunnels dug between Egyptian Sinai and the southern Gaza area for the smuggling of arms and people. These tunnels were located in the sandy soil directly beneath the security zone Israel maintained at the end of the Gaza Strip. The Israelis found and eliminated three tunnels, but also, according to Palestinian and foreign accounts, destroyed about 100 homes, leaving more than 1,000 Palestinians homeless.

Three U.S. security guards lost their lives on October 15, when a diplo-

matic convoy carrying representatives to interview candidates for Fulbright scholarships was hit by a roadside bomb just south of the Erez checkpoint at the entrance to the Gaza Strip. President Bush blamed the PA, saying that its unwillingness to create a serious security force to fight terror "continues to cost lives." People claiming to speak for the Popular Resistance Committees, a group of former PA security personnel and Fatah operatives, claimed responsibility for the attack. Six suspects were arrested a few days later, and Palestinian and U.S. investigators found evidence that the bomb was detonated by someone who watched the passage of the American convoy from a nearby hiding place. A wire found in the road after the blast was attached to a remote-control device in a nearby shack. According to a report in *Ha'aretz*, Palestinian officials had earlier warned the U.S. about the dangers of traveling in convoys of GMC vehicles with diplomatic plates, and it was not difficult for terrorists to obtain the Americans' travel plans, which were routinely phoned or faxed to the PA in advance.

Before the end of the month there were two more serious terror attacks: an October 19 ambush of a patrol in the West Bank village of Ein Yabrud in which three soldiers were killed, and an October 24 infiltration into the army base at Netzarim, a settlement at the edge of Gaza City, in which another three soldiers, two women and a man, lost their lives. Both incidents raised a public commotion. Parents of the Ein Yabrud victims claimed their sons were improperly supported for their mission and thus became "sitting ducks" for their killers. And it turned out that the two women at Netzarim, a front-line base in every respect, were inexplicably unarmed at the time of the infiltration.

On October 19, missiles fired from Israeli helicopters killed 12 people, including innocent civilians, and wounded about 100 in Gaza's Nuseirat refugee camp, leading Arafat to issue a call for international help to stop what he termed Israel's "military madness." The action began in pursuit of a vehicle the Israelis suspected of carrying terrorists to perpetrate an attack.

At first Israel claimed that the Palestinians were vastly exaggerating the number of casualties. Indeed, a video shown at a briefing for the media a few days later seemed to support the army's claim that only two missiles were fired at the targeted car, and that bystanders were not gathered around it when the firing took place. The Palestinians, however, claimed that there were three missiles, the third fired as rescuers tried to help those wounded by the initial attack. But in late November, after Meretz MK Yossi Sarid disclosed that he had been given different information, the

army admitted that its original account was inaccurate and that it had knowingly obscured the truth for what it called “security reasons.” The army also acknowledged that a number of previous claims to have successfully conducted “pinpoint operations” against Palestinian targets had been knowingly misrepresented as well.

Some Israelis Reconsider

Terror acts seemed to tail off during November, Israeli sources attributing the decline to successful security measures and the interception of several potential suicide bombers. The shooting of two soldiers by a Palestinian gunman at a checkpoint near Bethlehem on November 18 was, in fact, the first killing of Israelis in nearly a month, since the October 24 Netzarim attack.

But Israeli policies came under question within the country’s defense establishment. On October 29, Chief of Staff Ya’alon shocked the Israeli public when he told journalists that Israel’s continuing military pressure had become counterproductive by fueling Palestinian “hatred,” and that Israel must offer positive signals to the other side to ease tensions. Ya’alon went on to say that Israel’s “stinginess” toward Abbas, the former Palestinian prime minister, had contributed to his failure, and warned that Israel seemed to be repeating the same mistake with Abbas’s successor, Ahmed Qurei. He also criticized the route of the security fence, saying that its deviations from the Green Line made it longer, and therefore more difficult to patrol.

Ya’alon made his comments in an off-the-record briefing to political analysts from Israel’s three major newspapers, which identified him as a “senior military official.” But his identity became known within hours after publication, prompting a furious response from his superiors. Sharon reportedly demanded that he apologize or resign, but Ya’alon did neither, and prevailed. A day after the apologize-or-resign report, the Prime Minister’s Office announced that the chief of staff’s clarifications to Defense Minister Mofaz were sufficient, and the matter was closed. Ya’alon’s motives were subject to considerable speculation. According to *Ha’aretz*, Ya’alon had no idea that his remarks would generate such a heated response from the political echelon.

Once again, on November 14, Israeli policy came in for criticism from some people who had formulated and implemented it. That day, *Yediot Aharonot* published an interview with four former chiefs of the Shin Bet internal security service. All of them agreed that Israeli policies in deal-

ing with the intifada had gravely damaged the country and its people. The four—Avraham Shalom, Ami Ayalon, Yaakov Peri, and Carmi Gillon—felt that their government should realize that no peace agreement was possible so long as Yasir Arafat was kept out of the process. And they criticized the way Israel treated the Palestinians. “We must once and for all admit that there is another side, that it has feelings and that it is suffering, and that we are behaving disgracefully,” said Shalom. “Yes, there is no other word for it: disgracefully.”

The men agreed to the two-hour interview—the first time the four had ever sat down together—out of “serious concern,” said Gillon. Ayalon described Israeli policies as “sure and measured steps to a point where the State of Israel will no longer be a democracy and a home for the Jewish people.” (Ayalon was, together with Palestinian leader Sari Nusseibeh, coauthor of a peace petition signed by tens of thousands of Israelis and Palestinians; see below, pp. 192–93). The former Shin Bet leaders responded to a question about the contradiction between their current opinions and their previous actions as security chiefs with the explanation that it was precisely their experience at the highest echelons of policymaking that made them realize the futility of Israel’s current direction.

But there was no denying that, at least in the short run, one of the government’s policies, the protective fence, had enhanced the security of ordinary Israelis. Avi Dichter, the Shin Bet chief, told the cabinet on November 23 that the fence had already paid for itself “with interest.” Over the previous six weeks, he revealed, 14 suicide bombing attempts had been foiled. He likened the public air of calm to a water polo match; seen from above, it looks elegant, but underneath the water there is a great deal of kicking and thrashing. Dichter noted that the terrorist operative who dispatched suicide bomber Hanadi Jaradat to blow up the Maxim restaurant in Haifa in early October told his Shin Bet interrogators that the presence of the security fence made it much more difficult to penetrate into Israel, and terrorists were therefore forced to move southward to where the fence did not yet reach.

During this period of relative quiet, Egypt sought to get the Palestinian militants to revive the *hudna*, broken off after the August 19 attack on the Egged bus in Jerusalem. A team led by Cairo’s intelligence chief, Omar Suleiman, visited the Gaza Strip and met with representatives of Hamas, Islamic Jihad, and the Fatah-affiliated Al-Aqsa Martyrs Brigades; follow-up talks were later held in Cairo. Reportedly, the Egyptian also conferred with Shin Bet chief Avi Dichter. On November 17, Suleiman went to Ramallah for talks with Qurei and Arafat at the

Muq'ata. "God willing, there will be a truce and a dialogue," he said afterwards. But Nabil Abu Rudeinah, a senior Arafat aide, declared that the Americans "must press Israel to stop assassinations and all forms of attacks so the new truce can survive." The *hudna* negotiations would break down on December 7: while the militants were willing to halt attacks against Israelis within the Green Line, they would not bar violence against Israeli soldiers or settlers in the territories.

On November 12, Qurei's new cabinet was approved by the PA Parliament. The major new appointment, former cabinet secretary Hakam Balawi as interior minister, represented a major victory for Arafat, who also obtained Qurei's agreement that Balawi would head the National Security Council, and that Arafat himself would be consulted at every step of any new negotiations with Israel. Qurei had tried for several weeks, in vain, to have his own candidate, Gen. Nasser Yusef, appointed interior minister.

The U.S. State Department's official response to the new cabinet was that it would be judged by what it accomplished. "Whatever the structure, good or bad, the only criterion that matters is dismantling the terrorist groups," said department spokesman Richard Boucher. "The policy on Arafat hasn't changed at all. We think he is a failed leader."

The UN Security Council passed a resolution endorsing the "road map" on November 19. Passage had been delayed for weeks because of a disagreement between the U.S. and Russia, both permanent members. Washington had sought the inclusion of strong language against terror groups, while Moscow wanted the resolution to deal only with the "road map" and avoid reference to terror groups. The final resolution included compromise language that condemned "all acts of terrorism."

That same day, Bush, in London, emphasized the importance of isolating Arafat. He urged the Europeans to "withdraw all favor and support from any Palestinian leader who fails his people and betrays his cause," an unmistakable reference to the PA chairman.

Unveiling the Unilateral Option

Sharon caught everyone by surprise at a cabinet meeting on November 23, when he spoke of not waiting for the Palestinians to make peace, but rather taking "unilateral steps, not as concessions, but for the good of the State of Israel." In floating this trial balloon, the prime minister was partially appropriating the program of Amram Mitzna, his challenger in the election, who had called for unilateral Israeli withdrawal

from territory should a new round of negotiations with the Palestinians fail to bring peace. Sharon did not give specifics, and Arafat promptly denounced the idea as nothing more than a stratagem to escape the implementation of the “road map.”

An even angrier reaction came from inside the prime minister’s own party. The next day Sharon faced a hail of criticism at a meeting of Likud Knesset members. Yehiel Hazan, head of the settlers’ lobby in the Knesset, demanded that Sharon deny reports that he intended to evacuate settlements. Sharon refused to do so (he had, in fact, spoken about evacuation back on April 13; see above, p. 160). Another MK, Gilad Erdan, accused Sharon of renegeing on his pledge to air all new policy initiatives with Likud MKs before presenting them to the cabinet. “This is an essential change in the Likud’s policy, not a formality,” Erdan said. And he hinted at a possible split in the party, saying: “Perhaps our place is not here, or perhaps someone else’s place is not here.” Sharon downplayed the significance of the matter, commenting, “There is no need to be upset by reports of journalists who write more than they know. I said one phrase—that I don’t rule out unilateral moves. No need to get excited. Nothing has happened yet.”

The next expression of the unilateral option, and considerably more explicit than Sharon’s, came two weeks later, when Deputy Prime Minister and Trade Minister Olmert called for Israel’s withdrawal from large areas of Palestinian-populated territory, including parts of Jerusalem, with no mention of any corresponding demands upon the Palestinians. Olmert’s views had to be taken seriously; he was not only a major government figure and a former mayor of Jerusalem, but also a Likud “prince,” whose late father had served as an MK for Herut, the party’s predecessor movement. Clearly, Olmert was speaking as a surrogate for Sharon, and in doing so, he appropriated one of the key arguments of the political left—the demographic threat that continuing control of the territories posed to Israel’s future as a democratic Jewish state.

Olmert broached the idea in a December 7 speech at the grave of David Ben-Gurion, Israel’s first prime minister, on the anniversary of his death. The deputy prime minister, called to fill in for Sharon who said he could not make it to the annual event, quoted Ben-Gurion on the demographic difficulty of establishing the Jewish state in all the territory west of the Jordan River. “Suppose we would have conquered all of western Israel,” Ben-Gurion said shortly after Israel’s War of Independence in 1948. “Then what? We would create a single state. But that state would want to be democratic. There would be general elections and we would be a mi-

nority. Faced with the choice of the whole land without a Jewish state or a Jewish state without the whole land, we chose a Jewish state.”

Olmert amplified his statement afterward in an interview with journalist Nahum Barnea of *Yediot Aharonot*. Olmert said that time was running out: Israel had to separate from the Palestinians before the latter started calling for a single binational state in which Arabs would soon become the majority. (Calls for such a state were already being raised; see above, pp. 79–80).

As there was little chance of a deal with the Palestinians any time soon, Olmert argued, Israel should move unilaterally, and the sooner the better, since a democratic binational state meant the end of Israel. “The day we come to that, we will lose everything” he declared. “Even when they carry out terror, it’s hard for us to convince the world of the justice of our cause . . . How much more so when all they ask for is one man, one vote? I shudder to think that the same liberal Jews who led the struggle against apartheid in South Africa will be at the forefront of the struggle against us.” Olmert explained that what stimulated his thinking was the collapse of Abbas’s PA cabinet in September, which signaled an end, he thought, to any possibility of a near-term peace agreement.

More talk of unilateral withdrawal triggered fierce ideological debate within the Likud, as hardliners, sure that Olmert was a stalking horse for Sharon, accused both of selling out party principles and giving in to terrorism. Likud MK Hazan went so far as to propose a law stipulating that dismantling any settlement would require a two-thirds Knesset majority, a virtual impossibility.

On December 15, Sharon provided a more detailed outline for unilateral disengagement. The occasion was his speech at the closing session of the annual Herzliya conference on security sponsored by the Interdisciplinary Center of the Institute for Policy and Strategy. Sharon discussed withdrawal from some territory and the removal or relocation of some settlements if it became evident that the PA was not carrying out its commitments under the “road map.” The goal of the plan, he said, was to effect “maximum security with minimum friction” between Israel and the Palestinians. “This reduction of friction will require the extremely difficult step of changing the deployment of some of the settlements,” Sharon said, but those settlements evacuated would be isolated ones, which were in any case unlikely to come under Israeli jurisdiction in a future peace agreement. While emphasizing, perhaps disingenuously, that the proposal was a security plan and not a political one, Sharon announced that even as it withdrew from some areas, Israel would enhance

its control over “those parts of the Land of Israel that will be an inseparable part of the State of Israel in any future settlement.”

The prime minister called on the Palestinians to negotiate, since his disengagement plan would leave them with “much less” than what they could get via direct negotiations on the basis of the “road map.” “We will not wait for them indefinitely,” he warned. Implementation could begin in a few months, and some elements of the plan might begin even sooner, including accelerated construction of the security fence in the West Bank and around Jerusalem.

After Sharon’s address, right-wing criticism of unilateral withdrawal escalated sharply. National Religious Party leader Effi Eitam said his party could not stay in a government that uprooted Jewish settlements and thus defamed the entire Zionist enterprise. “The NRP will evaluate Sharon based on his action,” Eitam said. “Sharon’s threat to disengage unilaterally signifies an Israeli declaration of surrender to the war being waged against us by Arafat.” Pinhas Wallerstein, a veteran settler leader, warned that the disengagement Sharon proposed would bring about “a siege on the Jewish settlements,” while another settler spokesman, Yehoshua Mor-Yosef, declared: “The dismantling of settlements and expulsion of Jews from their homes will only increase the appetite of the murderers and will bring about the destruction of Zionism.”

From the opposite side of the political spectrum, Labor Party leader Shimon Peres expressed disappointment with the much-heralded speech, noting: “Instead of a decision, we were handed another delay, and a delay that is not necessarily in our favor . . . Sharon is turning Israel into a hostage to Palestinian demography. If we continue to follow this policy, our situation will get increasingly worse.”

The responses of Palestinian leaders were uniformly negative. Qurei, the PA prime minister, expressed regret at what he saw as Sharon’s threat to disengage from the bilateral peace process and implement unilateral measures, and insisted that the Palestinians were committed to the “road map.” Sheikh Ahmed Yassin, the Hamas spiritual leader, called the Sharon plan a device designed to fool the world. Sharon did not want peace, he said, since an Israeli leader interested in peace would end the occupation of the Palestinian people. Muhammad al-Hindi of Islamic Jihad called Sharon’s initiative a “recipe for more violence.”

A far more positive evaluation came from the American administration. “We were very pleased with the overall speech,” said White House spokesman McClellan. He noted that Sharon had made “some important pledges” about immediate Israeli actions, including the elimination of

unauthorized outposts on the West Bank and improving Palestinian life by reducing curfews, roadblocks, checkpoints, and closures, and thus easing freedom of movement. At the same time, he expressed reservations about unilateral action. "We believe that the 'road map' is the way to get to the president's two-state vision" of a democratic Palestinian state existing alongside Israel. "The United States believes that a settlement must be negotiated and we would oppose any Israeli effort to impose a settlement," he said.

But there were those in Washington who would have preferred concrete action from Sharon. According to a report in the *Forward* newspaper, some anonymous officials in the State Department feared that since Sharon's approach could in fact derail the "road map," it was not wise for the administration to praise it.

On December 28, apparently eager to demonstrate that it was in earnest about unilateral withdrawal, Israel ordered the removal of four outposts that had been set up by settlers to extend the boundaries of their communities (there were, in all, about 100 such outposts). Settler rabbis responded by calling upon supporters to physically prevent the dismantling, and upon army officers not to order their soldiers to carry out government directions. The major focus of conflict was Migron, in the West Bank. Settler leader Pinhas Wallerstein said he would first try to stop the outpost's removal through the courts, but he could also envision passive resistance if masses of sympathizers came to Migron to impede the work of the police and the army. "If we have 7,000 to 10,000 people here it will not be possible to evacuate us," he declared. Adi Mintz denied that Migron was unauthorized. He claimed that "eight different government ministries have invested in Migron over the past three years. So much money has been spent, there are over 40 families there—does anyone really think that all this was done on the sly?!"

NRP leader Eitam, however, said his party would accept the removal of the four outposts if no legal way could be found to authorize them. The NRP, he pointed out, "is part of the government, part of the rule of law in the State of Israel. If, in the end, after every avenue has been pursued, these outposts cannot be authorized, then we will not be able to support anything that is not legal," Eitam told Galei Tzahal, the army radio.

Meanwhile, Israeli action against suspected terrorists continued. On December 23, security forces announced the arrest of 22 Palestinians believed to be involved in a Ramallah-area Hamas cell, reportedly funded from Damascus, that planned to ambush soldiers on patrol near that West Bank city, cut off their heads, and negotiate an exchange of their

corpses for Palestinians held in Israeli jails. Cell members, according to the army and the Shin Bet, had planned to bury the soldiers' heads in previously prepared pits, because they did not know if they would have time to escape while carrying their entire bodies. This cell was said to be responsible for a series of shootings that had killed ten Israelis and wounded 12 in the Ramallah area over the previous two years. Most of those arrested men had previously done time in Israeli jails.

On December 25, four Israelis were killed by a suicide bomb detonated at a bus stop near the Geva junction between the Tel Aviv-area towns of Ramat Gan and Petah Tikvah. It later turned out that an Israeli cab driver who lived in a West Bank settlement transported the bomber and another Palestinian to the place; he said he did so without knowing what the men were up to. Israel reacted by imposing a full closure on the West Bank and Gaza. But Chief of Staff Ya'alon, in an interview published in *Yediot Aharonot*, reminded Israelis that the level of violence had declined. "The Palestinian-Israeli conflict will be with us for many years to come, but I believe we have now passed the peak of the violent struggle," Ya'alon said.

"The People's Voice" and Geneva

While the Quartet's "road map" and Prime Minister Sharon's disengagement initiative occupied center stage, they were not the only efforts during the year to move away from the violent confrontation that had characterized Israeli-Palestinian relations since late 2000. Over the course of the year, two new initiatives were launched. Both were informal and lacking government endorsement or even encouragement, and came from the left side of the Israeli political spectrum.

First to get off the ground was "The People's Voice," a joint project of former Shin Bet security service head Ami Ayalon (also an ex-commander of the Israeli navy) and Dr. Sari Nusseibeh, scion of a prominent Palestinian political family, the senior Palestinian representative in Jerusalem, and president of Al-Quds University. The effort, initiated in 2002, was formally launched in September 2003.

The goal was to bypass the leaders and get grassroots Israelis and Palestinians to endorse a peace formula based upon the parameters laid out by former U.S. president Bill Clinton in late 2000 and early 2001, at the time of the unsuccessful Taba talks that sought to revive the peace process after the start of the intifada. By the end of 2003, more than

100,000 Israelis and 70,000 Palestinians had signed petitions formally endorsing the one-page "People's Voice" formula.

According to the plan, both sides would agree to two states, one Palestinian (demilitarized) and the other Israeli. Permanent borders would be negotiated on the basis of the lines of June 4, 1967, UN resolutions, and the Arab peace initiative—known as the Saudi plan—of 2002 (see AJYB 2003, pp. 195–98). Any border modifications would entail one-to-one territorial compensation, taking into account both sides' security and demographic priorities and need for territorial contiguity. Once the borders were set, no Israeli settlers would remain in the Palestinian state. Jerusalem was to be an open city, the capital of two states, with freedom of religion and full access to holy sites guaranteed. Palestinian refugees could return to the Palestinian state but not to Israel; an international fund would compensate those refugees willing to remain in their present country of residence or wishing to relocate to other countries.

In October, the world learned of the Geneva accords, a much more detailed plan that came with greater publicity and generated even more support. It had been hammered out over the course of two-and-a-half years by teams headed, on the Palestinian side, by Yasir Abd Rabbo, who had once served as PA information minister, and, on the Israeli side, by Yossi Beilin—the former justice minister and Oslo Agreement architect who had left the Labor Party. Other Israelis involved in formulating and promoting the plan included former Labor Party leader Amram Mitzna; Amnon Lipkin-Shahak, the ex-chief of staff and minister for the now-defunct Center Party in the Barak government; former Jewish Agency head and Knesset speaker Avraham Burg; Haim (Jumas) Oron, a Peace Now founder and longtime Knesset member representing, first, Mapam and then Meretz (when the parties merged); former Labor minister Yuli Tamir, and several former generals, including Shlomo Brom, Gideon Sheffer, and Giora Inbar.

The Geneva accords—so named because the Swiss Foreign Ministry and particularly Foreign Minister Micheline Calmy-Rey provided funding and support for the back-channel negotiations—envisaged a two-state solution, with Jerusalem as the capital of both the Israeli and Palestinian states. Almost all Jewish settlements in the territories would be evacuated and about 98 percent of the West Bank ceded to a demilitarized Palestinian state that would include the Arab neighborhoods of East Jerusalem, as well as all of Gaza. The territory Israel retained in the West Bank would house roughly 300,000 settlers, including all the

post-1967 Jewish settlements in the Arab part of Jerusalem; in exchange, the Palestinians would receive equivalent territorial compensation from Israel. Security for the Temple Mount/Haram al-Sharif would be overseen by a permanent international force, while the site's non-security aspects would come under Palestinian control; Jews would have guaranteed access.

The plan's treatment of the Palestinian refugee issue created confusion. It provided for some compensation for those made refugees in 1948 and provided for resettlement in the new Palestinian state or elsewhere, but left it up to the sole discretion of Israel to decide how many refugees might return to their homes in Israel. According to the Israeli participants in the negotiations, the absence of any reference to a "right of return" signified that the Palestinians had given it up, marking a massive concession on their part, but more skeptical Israelis insisted on an explicit denial of the right.

Indeed, the Palestinian negotiators, subjected to withering criticism from their own people for failing to insist on the "right of return," denied that they had surrendered it. They attributed their failure to demand its explicit inclusion to the great urgency that impelled them to reach an agreement, an urgency that the Israelis involved in the Geneva talks shared. Time was running out, both sides felt, since soon there might well be nothing substantial left to negotiate, given Israel's continued settlement of the territories and construction of the security fence extending inside the West Bank. Furthermore, the Palestinian public, like its Israeli counterpart, was coming increasingly to feel that no negotiating partner existed on the other side, and this had to be countered by a timely framework for a workable compromise.

The Geneva agreement achieved wide acceptance in the Israeli population, with support levels in some polls of more than 50 percent. But the political establishment dismissed it out of hand, both on substantive and procedural grounds. The territorial concessions it made to the Palestinians and the vagueness about "right of return" were anathema to much of the Israeli right, and it was negotiated and agreed to by private parties, with no government sanction. "Geneva is an attempt to do something only a government can do. Only a government can conduct political negotiations and sign an agreement," Sharon said in late November, a few days before the formal signing ceremony in Switzerland. "It is damaging and embarrassing for Israel, it's a mistake to put on such a show and at the same time jeopardize a program [i.e., the "road map"] which is the only one that can bring a solution," he argued.

By year's end, both extragovernmental schemes had been largely eclipsed by events, particularly Sharon's unilateral withdrawal plan as expressed in his Herzliya speech of December 15. Nevertheless, substantial elements of the Israeli left continued to express a preference for the Geneva plan, because it held out the promise of a bilateral agreement.

The Fence

Like the concept of unilateral withdrawal, the idea of constructing a security fence to protect Israelis from West Bank terrorists was originally proposed by the left and bitterly opposed by the right, only to be adopted, with modifications, by the Sharon government.

Interest in such a fence stemmed from the success of the long-standing security barrier around the Gaza Strip in preventing attacks. Of the more than 100 suicide bombings carried out against Israel in recent years, all but one was launched from the unfenced West Bank (the sole exception was the attack on Mike's Place, a Tel Aviv bar, on April 30, 2003, carried out by British nationals who had earlier passed through the Gaza Strip; see above, p. 000).

The concept of a fence initially hailed by Israeli leftists and a number of prominent former generals—including former national security adviser and one-time deputy chief of staff Uzi Dayan—roughly followed the Green Line, Israel's pre-1967 border with the West Bank. Its advocates viewed it as a way for independent Israeli and Palestinian states to coexist, but Israeli settlers, who foresaw themselves situated on the wrong side of the barrier, denounced it as surrender to Palestinian violence.

Construction began in late 2002, and in 2003 the route took increasingly large bites eastward into West Bank territory that contained Jewish settlements but that Arabs envisaged as part of their future state. PA officials led by Arafat called the fence nothing more than a justification for Israeli land grabs and a reversal of the Oslo agreements, ensnaring Palestinians within islands of Israeli control and cutting many off from their livelihoods and land.

Palestinians enraged Israelis by using Nazi imagery to condemn the fence, comparing it to the Warsaw Ghetto, where hopelessly outgunned Jews, penned up in preparation for shipment to extermination camps, made a courageous but doomed last stand against their German occupiers. A successful Palestinian campaign to paint the barrier as "an apartheid wall" convinced the UN General Assembly to send the case of the fence to the International Court of Justice in The Hague.

The projected route of the barrier also marred relations between Israel and the U.S., its closest ally. The Americans particularly objected to a bulge that would have taken the barrier's course far from the 1967 border, simultaneously embracing the city-settlement of Ariel in the northern West Bank and effectively annexing large tracts of Palestinian land, and including many Palestinians. President Bush publicly referred to the barrier as "a problem," and in November Washington announced that it would deduct the cost of building those sections of the fence far inside the Green Line from the \$9 billion in loan guarantees it had granted Israel. This amounted to a reduction of \$289.5 million for the year 2004.

The separation fence also divided Israeli public opinion in complex ways. In the early days of the intifada, polls showed that Palestinian terror on both sides of the Green Line had encouraged a sense of shared concerns among settlers and residents of Israel proper. But arguments over the fence drove a wedge between the two groups, as well as between residents of those settlements slated to be included within the Israeli side of the barrier and those slated to be left on the Palestinian side.

Leaders of the more far-flung settlements acknowledged the risk they took of antagonizing the Israeli public by appearing to stand in the way of a project aimed at keeping suicide bombers from reaching Israel's major cities. But they and their constituents—who had absorbed a disproportionately large percentage of casualties during the first three years of the intifada—insisted that walling them into West Bank ghettos on the far side of the fence would make them even more vulnerable to terror. Supporters of the settlements in the Knesset, unconvinced by Sharon's repeated assurances that the path of the fence would not demarcate a future border, intermittently held up funds for construction.

The female perpetrator of the October 4 suicide bombing at Haifa's Maxim restaurant (see above, p. 182), went around the then-uncompleted fence near Jenin, in the West Bank. Proponents of the fence cited this as proof of the urgent need to complete the project.

Others were not so sure that the fence was a panacea. Shortly after the Haifa bombing, State Comptroller Eliezer Goldberg issued a report pointing to some of its weaknesses. The barricades serving as passageways were largely manned by untrained soldiers rather than qualified security personnel, he wrote, and many of the barriers did not even have metal detectors. The examination of cars with Israeli license plates, Goldberg charged, amounted to a "shalom" greeting by the soldiers, hoping to trace an Arab accent in the driver's reply. And since Israeli Arabs often

drove back and forth to the West Bank, not every car was carefully checked.

War in Iraq

During the period building up to the war in Iraq, Israeli officials insisted that the Jewish state was “not part of the game” there. Although this was true in a military sense, Israel did supply the Americans with intelligence information and assessments of Iraqi capabilities (later found to be as erroneous as the Americans’ own intelligence). Also, according to an April 1 *New York Times* story, the U.S. military studied Israel’s use of large armored D-9 bulldozers, helicopters, and tanks in refugee camps, as part of their preparations for war. The Americans reportedly learned how to blast through walls without collapsing the buildings by analyzing the way Israel had used explosives in the 2002 battle in the Jenin refugee camp during Operation Defensive Shield.

The first American liaison team arrived in January to help coordinate Israeli defense activities. Three batteries of U.S. Patriot missiles—and their American crews—were deployed around the country, supplementing the Israeli-made, U.S.-financed Arrow antimissile system that Israel had already deployed. The Patriot, designed primarily as an anti-aircraft weapon, had been used against Iraqi Scuds in 1991 with limited success; indeed, analysis after that war indicated that more damage was inflicted by falling parts of the American missiles sent up to intercept Scuds than had been done by the Scuds themselves.

In full awareness that Iraq had fired 39 Scud missiles at Israel during the 1991 Gulf War, the government maintained a state of alert during the 2003 war, with Israelis required to carry gas masks and to keep a sealed room in their homes. The state of alert was not suspended until April 13, when security analysts determined that western Iraq, the area within missile range of Israel, no longer could be used as a base for attack.

The country had remained on alert well after the successful U.S. attack on Baghdad, and despite U.S. assurances even earlier in the campaign that coalition forces had made special efforts to neutralize any Iraqi missile-launch capability into Israel. Defense Minister Mofaz, who made the decisions to initiate and then end the alert, received some criticism for maintaining the high state of readiness for so long after coalition forces were effectively in control of Iraq.

Ordinary Israelis did not seem to take the threat of missile attacks very seriously. Even during the alert most Israelis—to the dismay of planners

in the Defense Ministry—did not carry their gas-mask kits with them at all times, as they had been instructed to do. According to the Home Front Command, the Israeli public was far more concerned about suicide bombings than Scud attacks. A survey by the Dialogue polling firm, conducted for *Ha'aretz* by Prof. Camil Fuchs, supported this conclusion: only 12.4 percent of respondents said that Scuds were their major worry, compared to 43.4 percent who cited suicide bombers. Another 11.1 percent said their greatest fear was a Hezbollah rocket attack along the northern border.

In early April, Jerusalem received a message from the U.S. saying that once the situation in Iraq was stabilized, the Americans would go on to deal with other radical regimes in the Middle East, so as to spread democracy in the region and fight terrorism. The U.S. stressed that such operations would be to Israel's benefit, although they would cause heightened tensions between the U.S. and the Arab world. Israel, the Americans urged, should do what it could to ease those tensions by showing restraint on settlement activity in the territories.

Syrian Overtures

Beginning in April, Syria gave a number of indications that it might be ready to resume peace negotiations with Israel, but the continuing use of Syrian-controlled southern Lebanon by terrorist groups and the occasional outbreak of fighting on Israel's northern border were obstacles to negotiations. Analysts tended to attribute President Bashar al-Assad's peace feelers to the American presence in Iraq, and Syrian fears of being labeled the next "rogue state" to be overrun and occupied. Stalled for years, Israeli-Syrian talks had resumed briefly for a few months from December 1999 into 2000, but deadlocked again over Syria's demand that Israel return land along the shore of Lake Kinneret, Israel's main water reservoir.

On December 1, the *New York Times* carried an interview with Assad in which he expressed willingness to resume negotiations with Israel over the Golan Heights, which Israel had captured in the 1967 Six-Day War, without preconditions. But Assad seemed to belie his own claim that there were no preconditions by saying that "negotiations should be resumed from the point at which they had stopped simply because we have achieved a great deal in these negotiations." Such an understanding could lock Israel into concessions made by earlier governments.

An Israeli source told CNN that he doubted Assad's seriousness about

going forward independently of the Palestinians. Along the same lines, State Department spokesman Richard Boucher said that the U.S. would take a good look at what Assad said in the *Times* interview, but that Syria had, in the past, put off negotiations with Israel until the Israeli-Palestinian conflict was resolved. Furthermore, Boucher noted, "We find it hard to understand how Syria can talk peace at a time when Syria continues to support groups that are violently opposed to the peace process, that are violently opposed to the Palestinian government and the building of a Palestinian state."

Israeli foreign minister Shalom attended the annual Euro-Mediterranean conference, held December 2–3 in Naples. There he told Jordanian foreign minister Marwan Muasher that Syria's offer to revive peace talks was encouraging but insufficient. He said: "We are looking forward to seeing that the Syrians are taking an active role to move towards peace by putting an end to the terrorism and violence that is coming from its territory."

In fact, Assad's remarks about renewing talks induced the Israeli government to harden its stand. In its final meeting of the year on December 31, the Israeli cabinet approved a proposal by Agriculture Minister Yisrael Katz to double the number of settlements on the Golan Heights. Katz explained to *Yediot Aharonot*: "The government resolution is a response to the initiative posed by Syria, which on one hand announces that it is interested in peace, and on the other hand openly supports Palestinian terror. There is no provocation here. The Golan is ours and we do not intend to give it up. It is time to put the Golan on the map as part of Jewish settlement in the land of Israel." Syrian deputy foreign minister Isa Daweesh responded, telling Reuters: "Israel is deluded that it can achieve something by relying on power and occupation. Conflicts are not resolved through power; they should be resolved under international law."

The Emerging Indian Relationship

Ties between India and Israel grew warmer in 2003. Not only did trade between the two countries flourish (see below, p. 207), but so did a degree of military cooperation. In early October, 2003, Israel sold three Phalcon airborne early-warning radar systems to the Indian air force. The deal, worth \$1 billion, was formally signed in January 2004. India planned to mount the advanced AWACS-type radar and communications systems on Russian IL-76 cargo aircraft purchased from Uzbekistan and refitted with new, high-powered engines. "After the structural modifica-

tions, those aircraft will go to Israel which shall mount state-of-the-art avionics, and the complete aircraft on the mounted AWACS will be delivered to India," said a source in the Indian Defense Ministry.

The deal was signed after a month of negotiations, during a visit to New Delhi by Prime Minister Sharon to fine-tune the sale. It had been agreed to in principle in 2001, but the U.S. at the time did not want Israel to sell Phalcons to India for fear of alarming Pakistan, India's rival, which warned it could trigger an arms race in South Asia. Indeed, in 2000 Washington had pressured then-prime minister Ehud Barak to cancel a similar deal with China on the grounds that possession of the long-range sophisticated command-and-control systems would alter the balance of power in the China Straits. The U.S. gave Israel the green light for the India deal in May 2003, on the condition that no American equipment would be included in the package.

But even before the deal, Israel — with which New Delhi established relations only in 1992 — was India's second-largest defense supplier, after Russia. Indian press sources indicated that sales of armaments from Israel to India reached \$1.25 billion in 2001; Israel said it exported \$400-million worth of defense-related products to India in 2003. Among the items on India's Israeli shopping list were surveillance equipment and assault rifles for its infantry battalions, drones, night-vision devices for its battle tanks and (Israeli) surveillance equipment, and Barak missiles for the Indian navy and Arrow missiles for its air force. India had already bought Israel's Green Pine radar system, which tracks incoming ballistic missiles and locks the Arrow missiles onto targets.

In December, Israel and India signed a separate agreement to launch the Israeli ultraviolet-imaging telescope TAUVEX into space aboard an Indian satellite for scientific purposes.

DOMESTIC DEVELOPMENTS

Israel by the Numbers

Israel's population at the end of 2003 stood at 6.75 million, more than eight times the 806,000 people living there when the state was declared in 1948. About 1.28 million of the 2003 population were Arabs, 282,000 were non-Jews who came from the former Soviet Union, and another 230,000 were foreign workers. Some 230,000 Jewish Israelis lived in the territories, amid 3.5 million Arabs who were not included in the Israeli

total. The population of Israel rose by 116,000 during the year, the smallest increase since 1990. Reflecting the continuing differential between Arab and Jewish birthrates, about a quarter of all Israelis under age 14 were Muslims.

Aliyah hit a 15-year low in 2003, with only 23,000 Jews immigrating to Israel. Most of them—12,588—came from the former Soviet Union. Aliyah from the U.S. and Canada rose from 2,040 in 2002 to 2,400 in 2003, a 20-percent increase. This continued a pattern of rising North American aliyah that began in 2001. These newcomers were disproportionately Orthodox and highly educated. Many of them were recruited by Nefesh B’Nefesh, a privately funded organization that provided financial assistance to the families during their first year in Israel. Acknowledging the importance of this aliyah, Prime Minister Sharon greeted a planeload of 330 Nefesh B’Nefesh immigrants at Ben-Gurion Airport on July 9. The third largest source of Jewish immigration was France, with 2,091. Twenty-three Jews arrived from Iraq.

The Central Bureau of Statistics reported that 1.063 million tourists visited Israel in 2003, 23.3 percent more than the 2002 total of 862,000, reflecting a sense of greater personal safety in the country. In June, for example, the month of the short-lived *hudna*, tourism was 44 percent higher than it was in June 2002. Nevertheless, the 2003 total was still 56 percent lower than the record year of 2000, and 11 percent behind 2001.

Traffic fatalities dropped by 13.5 percent, from 524 in 2002 to 482 in 2003, the lowest number in 20 years.

The ongoing tensions generated by the intifada continued to take a heavy psychic toll. Some 20 percent of all Israelis were believed to be suffering from stress-related illnesses. According to a study done for the American Medical Association, one in six Israelis had witnessed a terror attack over the last three years, and one in ten had post-traumatic stress disorder. Among children the situation was worse: a study conducted by Tel Aviv University found that some 40 percent of Jewish children in Israel suffered from moderate-to-severe symptoms of post-traumatic stress.

Bibi Economics

THE PLAN

For the Israeli economy, 2003 was the year of Benjamin Netanyahu, who served as finance minister beginning in March and instituted a re-

covery plan that he claimed—with some justification—brought the economy back from the brink of collapse. At the same time, he went a long way towards accomplishing a final transformation of the Israeli economy from its socialist-style beginnings into a Western, free-market model, and in the process dismantling what was left of the Israeli welfare state.

The choice of Netanyahu as finance minister in Sharon's new government came as a surprise. The former prime minister was expected to get Foreign Affairs, his portfolio for the previous two years, with former Jerusalem mayor Ehud Olmert penciled in at Finance (Olmert resigned from the mayoralty after being elected to the Knesset). But Sharon was forced to abandon that plan under pressure from Silvan Shalom, who, despite the economy's abysmal performance during his two years at the Treasury, had the political muscle to demand a very senior cabinet post, and got the Foreign Ministry (see above, p. 152).

Within weeks after taking office, Netanyahu unveiled his "economic recovery plan," saying that action had to be taken quickly to avoid a financial crisis and loss of the world's confidence in Israel's economic stability. His ministry issued a statement laying out three objectives: encouraging growth by cutting government expenses and freeing up resources for the private sector; making the public-service sector more efficient; and "protecting the consumer by breaking down monopolies." It was not merely a one-year program, but an initiative that would "plot the course of government policy over the next four years and alter the face of the economy and society of Israel."

The Treasury also laid out the economic theory behind the plan: "Only a free market, one that is competitive and dynamic, with a civil service that is efficient and responsible, is capable of delivering long-term growth, employment, suitable livelihood, readily available services at low prices, and the opportunity of personal development for each and every citizen. Only a competitive market will leave in the hands of the government the resources that are necessary for defense, for education, and for the well-being of all the citizens of the country."

Critics argued that the plan was nothing but a rehashed package of free-market ideas that bureaucrats at the Treasury had been entertaining for years. Others suggested that the basic plan was indeed Netanyahu's, a combination of theories he had learned as a student at MIT in the 1970s. Whatever the source, it featured a 12-billion shekel reduction in government spending in addition to the cut of 9 billion shekels that had been passed in Shalom's original 2003 budget at the end of 2002. Virtually everyone agreed that such a cut was necessary in light of the short-

fall in tax revenues that was already being felt in the first months of the year, and also to prevent deterioration in the value of the shekel and of Israel's credit rating, which had been carefully preserved over years of economic ups and downs. The step was, in fact, in line with the conditions the U.S. had set before it dealt affirmatively with Israel's pending request for \$9 billion in loan guarantees.

But Netanyahu's program was much more sweeping. He took the opportunity of the economic crisis to take other steps to free up the system, reduce government regulation, and relax social-welfare priorities. These included raising the retirement age for men and women to 67 (it was previously 60 for women and 65 for men); downsizing the civil service and instituting major salary cuts for government employees; reshaping the pension funds controlled by the Histadrut labor federation (which were in long-term actuarial difficulty) and reducing the federation's control over their management; accelerating the privatization of government companies, including the national air carrier, El Al—a longstanding Netanyahu priority even during his term as prime minister in 1996–99; and pushing forward a package of tax reforms proposed but only partially enacted by previous administrations that, detractors said, would largely benefit the wealthy.

Sweeping budget reductions affected every government ministry, reducing essential services in such crucial areas as social welfare, education, and health to levels so low that the affected ministers considered them less than the bare minimum. And cuts in transfer payments—including monthly per-child allowances paid to large families, payments to single mothers, and others, affected the lower-income groups and religious voters who traditionally made up the bedrock of the Likud's support on election day. According to Latet, a voluntary group that collected money and foodstuffs for about 100 distribution organizations in Israel, requests for food rose by 46 percent in 2003, after a 37-percent rise in 2002.

Netanyahu certainly did not lack for political courage. The cuts in social welfare, and especially the steps aimed at civil-service workers, brought the new finance minister into head-to-head confrontation with the Histadrut and Amir Peretz, its fiery leader. But with the Likud coalition assured of a Knesset majority for even the most draconian changes, Netanyahu said he was ready to push through his programs by legislation if negotiation did not work. And he announced that the changes would take place even though they might abrogate contracts the government had signed with the unions.

Netanyahu and Meir Sheerit—finance minister under Netanyahu

when the latter was prime minister and now named minister without portfolio in the Treasury, in effect, Bibi's deputy—justified the parallel cuts in social-welfare spending and in taxes for the well-to-do by saying that the goal was “a society based on work, not on transfer payments.”

MIXED RESULTS

The economic recovery plan almost immediately impacted on the capital markets, particularly the Tel Aviv Stock Exchange, where the main indicators rose quickly and maintained their momentum for the rest of the year: the exchange's Tel Aviv 25 rose by 51 percent in 2003, the Tel Aviv 100 by 60.7 percent, and the TelTech, comprised of technology shares, soared a whopping 128 percent. The new program also enhanced the value of Israel's currency: the key shekel-dollar exchange, which had risen to nearly 5 shekels to the dollar in the uncertain months before Netanyahu took over, firmed up considerably, and ended the year below 4.5-1.

Other economic indicators began to improve in the second half of the year, prompting a burst of unwarranted optimism from Netanyahu who, after seeing some very positive third-quarter statistics, proclaimed in November that “there is no doubt that we have emerged from the recession. The Israeli economy, which was teetering on the edge of the precipice, is on the way up and is growing.”

At the same time, the minister of finance also said that during an American trip he had found growing interest on the part of foreign companies and investors. “During our visit to the U.S. we saw that the government's economic policy was very highly thought of. We are nursing the economy back to health, and bringing it back to growth. We are breaking up the monopolies, reducing the government bureaucracy, and dealing with welfare payments. This is the basis for restoring the economy's health and accelerating it forward. This is another indication of growth and confidence in Israel's economy,” he said.

Such optimism was greeted with a firestorm of protest from economists, who pointed out that the positives were still outnumbered by the negatives, including high unemployment (10.7 percent), increasing poverty, and low levels of economic activity. One of the detractors was Nira Shamir, an economic analyst at the Manufacturers Association, who said that most of the 2.7-percent annualized increase in Gross Domestic Product for the third quarter was due to the lull in Palestinian violence, leading to a one-time increase in private consumption, tourism, and venture-capital investment. In fact, she noted, other forms of investment fell during the period—in machinery, equipment, and nonres-

idential construction, all components of any impending recovery—by 13.8 percent, and investment in residential construction by 1.7 percent. Within days, a red-faced Netanyahu was compelled to recant, admitting that it would take another year of progress for ordinary Israelis to feel the impact of his economic program.

By the end of the year there was a new sign that the economy was coming out of the doldrums—GDP for all of 2003 had grown by 1.3 percent, after declining by 3 percent in both 2001 and 2002. To be sure, this was somewhat misleading, as economists were quick to point out, since Israel's level of population growth—about 2 percent annually—meant that per capita GDP was still on the decline. At the end of 2003, it stood at \$16,050, an 18-percent drop, in dollar terms, since 2001. And the picture would have looked even worse had the shekel not appreciated against the dollar. According to statistics published by the *Globes* business daily, in terms of purchasing power, Israel's per capita GDP had eroded by 13.6 percent since the intifada broke out in September 2000. Another less than positive sign was a 1.9-percent fall in the Consumer Price Index, due to the continuing slow pace of economic activity.

For those elements of the population hurt by the slashes in government jobs, payments, and services, the new economic plan did little, at least in the near term. Unemployment rose to 10.9 percent in the last quarter of the year, the highest rate since 1992. Senior citizens, *haredim* (whose political parties were not part of the new coalition), and single parents organized protests against the government, the most visible being the “striking mothers” who demonstrated outside the Knesset in late summer, with encouragement from the Labor opposition. Prime Minister Sharon was furious when American Jewish philanthropic organizations used the plight of these unfortunates in their fund-raising campaigns, since it implied that Israel, unable to provide for its people, needed foreign handouts. Sharon stated publicly that no one went hungry in Israel, a claim that was contradicted by activists for the poor.

An objective evaluation of the Israeli economy would divide 2003 into half—the “bad” first two quarters of the year and the “improving” last two quarters. GDP, for example, rose by an annualized 2.6 percent in the fourth quarter after rising by 2.8 percent in the third quarter, and falling by 1.4 percent in the second. The rise in the second half of the year partly reflected a domestic factor, the annualized 7.3-percent (5.3 percent per capita, the crucial figure) rise in public consumption encouraged by the improved security situation. But there was an external factor at work as well: exports of goods and services rose by an annualized 9.3 percent in the second half, after increases of only 5.1 percent in the first half of 2003

and 3.6 percent in the second half of 2002. On the other hand, investment in fixed assets fell by an annualized 6.1 percent in the second half of 2003, after falling 3.5 percent in the first half and 5.3 percent in the second half of 2002.

In its annual report, the Bank of Israel linked these trends to changes in the direction of economic policy and the way that policy was seen both by the investment community and the Israeli public. "Until March," the report said,

there was considerable uncertainty regarding the government's deficit targets in view of the ongoing economic slowdown, the security-political uncertainty, and expectations of a war in Iraq. This served to prolong the negative trends of the previous two years, among them the steep rise in the public debt—GDP ratio and increases in the statutory tax rate and real interest rates—which, while maintaining financial stability, hampered the recovery of investment. All these were compounded by the moderating effect on domestic demand of government spending cuts which, while necessary in order to avert the risk of a financial crisis with even worse implications for GDP, reduced demand in the short term.

Over the course of the year, in fact, Bank of Israel governor David Klein was the object of criticism from many sources, including much of the business community and the Treasury Ministry, for allegedly keeping interest rates higher than necessary to avoid inflation. This criticism persisted even though Klein reduced rates by 4.3 percent over the course of 2003—from the 9.1-percent basic rate in December 2002 to 4.8 percent in December 2003, the lowest rate in two years.

The central bank attributed the more positive trends in the second half of the year to the government's recovery plan, together with improvement in the world financial markets. According to the bank's report, "the successful economic policy mix"—including, of course, its own interest-rate reductions—"served to change firms' expectations, and this, together with the recovery on global stock markets, led to a sharp rise in the General Share-Price Index during the year. The recovery in the capital market, alongside renewed expectations of future tax cuts, supported the surge in private consumption during the second half."

NUMBERS CRUNCHING

Israel's leading venture capital funds had \$8.99 billion under management in 2003, an increase of only 0.9 percent over 2002, when they had \$8.917 billion. During 2003, according to a Dun & Bradstreet report, only

five Israeli venture capital funds raised money, while several funds scaled back the scope of capital pledges. The report found that aggregate investments by Israel's 26 major venture capital funds grew 31 percent, from \$1.7 billion in 2002 to \$2.3 billion in 2003, bringing disposable capital for investment to \$6.7 billion. The number of companies receiving backing rose by 26 percent, from 995 in 2002 to 1,208 in 2003.

The Israel Venture Capital Research Center said that Israeli high-tech companies raised \$1.011 billion from venture investors in Israel and abroad. This was 11 percent below the \$1.138 billion raised in 2002 and roughly comparable to the \$1.013 billion raised in 1999. On the other hand, IVC Research reported that the number of companies raising money increased slightly, from 352 in 2002 to 372 in 2003; in 1999, 338 technology companies raised venture capital funds.

Gross exports rose 6.6 percent to \$31.1 billion in 2003. North America remained Israel's largest market, rising 2 percent to \$12.75 billion, 41 percent of the total. Aided by the appreciation of the euro against the dollar and shekel, exports to Western Europe grew 15.8 percent to \$9.937 billion in 2003, 31.9 percent of Israel's total exports. India was now a major trading partner. Bilateral trade between the two countries rose by 25.8 percent in 2003, reaching a record \$1.59 billion, as compared to \$1.267 billion in 2002. For the year, Indian exports to Israel, including diamonds that had been sent to the subcontinent for polishing, rose 33.8 percent to \$873 million, while Israeli exports to India rose 17.4 percent to \$720 million. The best evidence of India's increased role was represented by another figure, that country's percentage of Israel's exports for the year: it rose from 2 percent in 2002 to 2.4 percent in 2003.

Housing sales slumped for the fourth straight year in 2003, according to figures provided by the Income Tax Authority. Only 82,230 new and used dwelling units were sold during the year, about 10.6 percent fewer than in 2002, and both years' figures were lower than the approximately 96,000 housing units sold in both 2001 and 2000, and even they were not good years for the industry. The decline came despite cheap loans that the government offered to apartment buyers in the second half of 2003. The biggest decline came in new apartments: 23,100 were sold in 2003, down from almost 38,000 in 2002. For the year, the average home price for all kinds of dwellings declined by 5.9 percent.

The Israel Corp., controlled by international shipping magnates Yuli and Sami Ofer, agreed to purchase the government's remaining 48.9-percent share in the Zim shipping lines for 504 million shekels, about \$115 million at current values. The Israel Corp. already held a controlling interest in Zim.

The Consumer Price Index declined by 0.2 percent in December, bringing total inflation for 2003 to -1.9 percent, the lowest figure in Israel's history. The fall was largely due to the continuing recession affecting Israel since the start of the Palestinian intifada in October 2000; another factor was the continuing weakness of the U.S. dollar in world markets. According to the Central Bureau of Statistics, prices of 59 percent of the products and services comprising the CPI fell in 2003, and 34 percent fell by more than 5 percent.

DEALING WITH THE EU AND SELLING EL AL

Industry and Trade Minister Ehud Olmert came up with a solution to Israel's long-standing dispute with the European Union over the duty-free status of exports originating in the territories. The EU claimed that such goods—amounting to only about \$120 million of Israel's annual \$7.82 billion in exports to the EU—were not eligible for duty-free status under the EU-Israel association agreement because the territories were not part of Israel. In many cases, Israeli firms operating in the territories, particularly in the Barkan industrial zone near Ariel, the Israeli “capital” of the northern West Bank, sought to evade the EU rules by moving their headquarters, or at least some branches, inside the Green Line, into Israel proper, and Israeli customs authorities simply stated that the products originated in Israel.

In 2003, some EU customs officials began challenging the certificates of origin of *all* shipments entering Europe from Israel, and took deposits from European importers for duty that would be charged if the products were determined to have come from beyond the Green Line, and were thus nonexempt. This involved considerable inconvenience to European customers of Israeli firms.

In November, the EU's administrative arm, the Brussels-based European Commission, issued a warning to importers that Israeli shipments might no longer be tax-free. This created a new and potentially ruinous situation for Israeli exporters. On November 24, Olmert offered EU officials a compromise: the name of the locality where the goods were made would be included on the required certificate of origin, but not the political designation. Thus, the customs papers might say, for example, “made in Barkan,” but would not say “made in the West Bank.” In that way, Israel would not be officially differentiating between the territories and Israel proper, but the EU could determine what was produced within the Green Line, and let it through duty-free.

The Foreign Ministry opposed Olmert's proposal, suggesting that itself—and not the Trade Ministry or its head—was responsible for negotiations with the EU. "This shows that the left hand does not know what the right hand is doing," a senior ministry official told the *Jerusalem Post*. Olmert insisted, however, that the move was necessary to ensure the free flow of most of Israel's exports into Europe. "Everyone who is playing politics with this issue is endangering our ability to protect the country's economy," he told a television interviewer. In early December, Sharon threw his support to Olmert. The European Commission, for its part, said it would consider the new proposal.

Arkia Airlines was poised to take control of El Al after the privatization sale of the national air carrier on June 9 on the Tel Aviv Stock Exchange. Arkia, a unit of Knafaim-Arkia Holdings, was much smaller than El Al, flying mostly between domestic locations and to some European destinations. Only 15 percent of El Al shares were sold on the bourse, with the remaining 85 percent sold as options that can be exercised from 2005 through 2007. Knafaim-Arkia CEO Izzy Borovitch held only 5 percent of El Al's actual shares, but purchased enough of the options to give him a 50-percent stake in the airline when the options matured.

Religion and State

The impressive showing of the anticlerical Shinui Party in the January elections and its pivotal place in the new government coalition virtually ensured a challenge to Orthodoxy's ongoing monopoly over Judaism in Israel, and that the "Who is a Jew?" issue would come up once again. In fact, given the large number of immigrants from the former Soviet Union who were not Jewish according to Halakhah and were unwilling to take on the observant lifestyle that Orthodoxy required of converts, the key question was actually "who is a Jewish convert?"

The matter had not been revisited since 1998, when the Ne'eman Commission, led by Ya'akov Ne'eman, then the finance minister, hammered out a procedure whereby Conservative and Reform rabbis might be involved in preparing would-be converts, but the actual conversion ceremonies would be performed by Orthodox rabbis using all possible leniencies. Neither side was happy with the compromise: the Chief Rabbinate never officially endorsed it, and the non-Orthodox streams complained that very few candidates (some 500 over five years) had been accepted as converts.

The new head of the Interior Ministry—which controlled citizenship

and the population registry—was Avraham Poraz of Shinui. He was on record as being in favor of separating religion entirely from citizenship and creating a “secular” category of Israeli identity, and proceeded to grant citizenship to several non-Jews—mostly sports stars—who had made what he considered “special contributions” to Israeli society. In testimony before a Knesset committee in June, Poraz called for the recognition of Conservative and Reform conversions. This was anathema to the Orthodox sector, and Prime Minister Sharon stated the official government position: Jewish identity could only be conferred on those converts approved by the (Orthodox) governmental rabbinical courts, although he wanted the rabbinic judges to make the conversion process as easy as possible. Thus the status quo remained in place.

Shinui did score a major victory in October, when the cabinet voted to dismantle the Ministry for Religious Affairs, a step that party leader Yosef “Tommy” Lapid had long advocated. The ministry, controlled by the Orthodox, had as part of its responsibilities the supervision and funding of local religious councils, bodies that handled the religious needs of the communities. Even the religious parties agreed that the arrangement had led to waste and inefficiency, and the National Religious Party (NRP) had agreed, as part of its agreement to enter the new coalition, to the closing down of the ministry.

According to the new system, local religious services would be under the control of the municipalities, and other functions formerly handled by the defunct ministry would be parceled out to other ministries. The only remaining bone of contention was the projected transfer of responsibility for supervising the rabbinic courts, which had been under the defunct Religious Affairs Ministry, to the Justice Ministry; the prospect of Justice Minister Lapid, a militant secularist, overseeing the adjudication of Jewish law was too much for even the most moderate Orthodox politicians. As the year ended, efforts were underway to craft a compromise giving Justice only administrative control of the rabbinic courts, while leaving substantive matters in the hands of the Chief Rabbinate.

Elections for new Ashkenazi and Sephardi chief rabbis (their terms were for ten years) took place in early April, and the results came as a surprise. In both cases, candidates endorsed by the mainstream religious Zionist NRP were defeated by *haredi*-backed opponents. The selection committee, composed of 150 people (80 rabbis and 70 “public figures”), chose Rabbi Shlomo Amar (Sephardi) and Rabbi Yonah Metzger (Ashkenazi). One key factor in their upset victories was support from committee members affiliated with Labor, who considered the candidates supported by the NRP to be too hard-line on maintaining Israeli control over

the territories. In the case of Metzger—who had no experience either as a rabbinical court judge or as rabbi of a city, and was the object of charges of a personal nature—backing came from *haredi* rabbinic authorities who believed they could control him, and who wished to settle scores with the NRP for entering a coalition that included Shinui.

Twice during the year, amid reports of possible territorial concessions to the Palestinians, hard-line Orthodox rabbis issued provocative pronouncements declaring any such deal contrary to religious law. In June, some 500 rabbis endorsed a denunciation of the U.S.-backed “road map,” since it would entail handing over land in the West Bank and Gaza to a Palestinian state. Labor MK Avraham Burg, recalling the rabbinic rhetoric that set the stage for Prime Minister Yitzhak Rabin’s assassination in 1995, convened a special Knesset committee meeting to discuss how to handle the situation. Then, in November, some 250 rabbis signed a religious ruling declaring that anyone endorsing the Geneva peace plan (see above, pp. 193–94) was a traitor, and should be “brought to justice and declared outside the brotherhood of humanity.” Some Labor MKs called this “incitement,” which was against the law, and demanded a police inquiry. Attorney General Elyakim Rubinstein considered the rabbis’ statement unfortunate and objectionable, but did not view it as incitement, and declined to prosecute.

The 14-year-long dispute regarding the “Women of the Wall,” who wanted the right to hold women’s prayer services—complete with Torah scrolls, prayer shawls, and tefillin—at Jerusalem’s Western Wall, finally reached resolution in April 2003. By a five-to-four vote, the Supreme Court decided against the women, on the grounds that such services offended others and caused public disturbance. Instead, the court instructed the government to prepare an area south of the Wall known as Robinson’s Arch for the women’s prayer group. Should the government fail to do so, the decision stated, the women could pray at the Wall.

In December, services at the Wall made news once again when the existing partition between male and female worshipers was extended back into the plaza area available for mixed-gender activities, including, sometimes, prayer. The Masorti (Conservative) movement in Israel called this a “creeping effort” to expand Orthodox control over the Wall Plaza, but the rabbi in charge of the Wall said it was necessary to accommodate the growing number of worshipers at the site.

Jerusalem got its first *haredi* mayor in 2003. When Mayor Ehud Olmert resigned in February to take his seat in the Knesset, he appointed his deputy, Uri Lupolianski, acting mayor. Lupolianski, leader of the *haredi* bloc in the city council, had been awarded the Israel Prize for founding

Yad Sarah, the biggest voluntary organization in the country, which lent out medical equipment to those in need. In a special election held on June 3, he became mayor in his own right, defeating two contenders. Despite fears that under his direction the city would become increasingly hostile to the interests of its secular residents, Lupolianski was careful not to offend the non-Orthodox, and came in for criticism from certain *haredi* circles for his moderation.

Other Domestic Matters

CRIME

Israelis became increasingly concerned during the year about organized crime, which came out of the “shadows” and emerged as something of a public menace. Perhaps the most outrageous incident took place on December 11, when three people innocently walking down Tel Aviv’s Yehuda Halevy Street were killed by a bomb placed in a money changer’s shop. Investigators found that this was an attempted gangland bid to eliminate gambling kingpin Ze’ev Rosenstein, who was slightly wounded in the incident. About a month earlier, Daniel and Ella Nahshon, a married couple in their 30s, were killed by a hand grenade thrown in another gang dispute at a used-car lot in Hadera, about midway between Tel Aviv and Haifa. The Nahshons had gone to the lot to purchase a car.

Crime of a very different sort was dealt with on September 24, when former Shas leader Arye Deri was convicted on one count, and acquitted on six others, of illegally channeling funds from the Interior Ministry when he headed it. On November 19, he was given a three-month suspended sentence and a fine of 10,000 shekels (about \$2,200). Deri had already served two years of a three-year sentence for taking bribes when he had headed the ministry, and was released in July 2002 (see AJYB 2000, pp. 476–77; 2003, p. 276).

JERUSALEM

In early January, a Jordanian team began repairing a bulge on the southern wall of the Temple Mount. The sudden appearance of the bulge some time earlier raised fears that the wall might collapse, but disagreements between the Israel Antiquities Authority and the Wakf, the Muslim religious trust, prevented either side from carrying out repair work. The Jordanians arrived to do the work after Israel warned that the bulge, which was 190 yards long and protruded, at one point, by about two feet,

was in danger of caving in. Such an eventuality would have endangered parts of the Al-Aqsa Mosque and the mosque built by the Wakf in an area below the Temple Mount known as Solomon's Stables.

In June, permission was given for visits by Jews and other non-Muslims to the Temple Mount in the Old City of Jerusalem for the first time since the start of the intifada in late September 2000.

TEL AVIV HONORED

UNESCO designated Tel Aviv as one of 24 new World Heritage Sites, due to the city's unique New International Style and Bauhaus buildings, constructed in the 1920s. Masada, site of the Dead Sea fortress that was the last stronghold to fall in the Jewish revolt against the Roman Empire, is the country's only other World Heritage Site.

ILLEGAL BROADCASTS

Arutz Sheva (Channel Seven), the pro-settler pirate radio station, was shut down on October 20, after a Jerusalem district court convicted ten of the station's staffers of illegal broadcasting. Moves to legalize the station retroactively had been put forward in the Knesset, but not passed. Though no longer on the air, Arutz Sheva continued to maintain its Web site, providing news and commentary from a right-wing perspective in Hebrew and English. In December, the court sentenced four of its former managers — Yaakov Katz, Yoel Tzur, Rabbi Zalman Melamed, and Yair Meir — to jail sentences ranging from three to six months. The four broke a law forbidding the operation of a radio station without a license, among other offenses. State Attorney Edna Arbel said the prosecution would appeal the sentences, which she considered too light.

VISITORS MAKE NEWS

Of the many foreign dignitaries who visited Israel in 2003, two controversial figures drew particular interest in the national media.

From The Netherlands came Gretta Duisenberg, the controversial pro-Palestinian wife of European Central Bank president Wim Duisenberg; she arrived in early January. After a trip to Jenin, the scene of fierce battles during 2002's Operation Defensive Shield, she told reporters: "I have seen Ground Zero after it had been cleaned up. But Jenin is so much worse. The heart of the city has been wiped out."

In late November, Gianfranco Fini, deputy prime minister of Italy

and leader of his country's far-right National Alliance, arrived. The visit was planned as a symbolic final severing of the party's old ties to fascism. Fini laid a wreath at the Yad Vashem Holocaust Memorial, called on Europe to "uproot the roots of anti-Semitism," and urged his own country to confront and fully repudiate its anti-Jewish record under fascism (see below, p. 342).

RABIN REMEMBERED

The late assassinated prime minister Yitzhak Rabin was memorialized by over 100,000 Israelis on the eighth anniversary of his death, in Tel Aviv's Rabin Square, where he was murdered. On November 6, the Knesset staged its own memorial meeting for Rabin, which was marred when Rabin family members walked out of the hall after MK Shaul Yahalom of the NRP, in a speech from the podium, accused the Israeli left of politicizing the occasion.

NATURE RESERVE CLOSED

The Nature Reserves Authority said in January that it would close Hai-Bar, the wild-animal reserve north of Eilat in the Arava desert, for budgetary reasons. Hai-Bar founded in the late 1960s, was reportedly running up annual losses of 1 million shekels (around \$200,000).

UZI RETIRED

The Uzi submachine gun, named after its inventor, Uzi Gal, was officially retired. The army announced in December that the weapon, in service for 50 years, was being phased out. It would be replaced by the Tavor assault rifle, like the Uzi manufactured by the government-owned Israel Military Industries.

Personalia

AWARDS AND HONORS

The award of the Jerusalem Literary Prize to the 87-year-old American (Jewish) dramatist Arthur Miller set off controversy. Miller was selected, the chairman of the prize committee explained, for "his efforts on behalf of the common good, for standing alongside the small, grey indi-

vidual and placing him in the center of society.” However, Miller was known to be harshly critical of Israel’s policies in the territories, and, according to some accounts, he considered turning down the award. In the end he accepted, but did not appear personally, citing previous commitments. In a video that he prepared for the ceremony at the Jerusalem Book Fair, Miller urged Israel to return to Jewish moral principles so as “to restore its immortal light to the world.”

Other honorees were Ze’ev Schiff, defense commentator for the daily *Ha’aretz*, the Chaim Herzog Prize for contribution to society; Prof. Adi Shamir of the Weizmann Institute of Science, the 2003 Turing Award, called the “Nobel Prize of Computer Science,” for developing a new method of coding data; Amira Haas, a Jewish *Ha’aretz* journalist who covered Palestinian affairs from her home in the West Bank city of Ramallah, the German Blätter Democracy Prize for Journalism (she also received the 2003 Guillermo Cano World Press Freedom Prize); and Mikio Sato of Kyoto University and John Tate of the University of Texas at Austin, the Wolf Prize for Mathematics.

Winners of the Israel Prize: Yisrael Moshe Ta-Shma, Talmud; Avraham Grossman, Jewish history; Shlomit Shahar, history; Yeshayahu (Charles) Liebman, political science; Menahem Amir and Shlomo Giora Shoham, criminology; Aharon Ciechanover, biology; Avinoam Libai, engineering; Zvi Ben-Avraham, earth sciences; Yosef Bar-Yosef and Zaharira Harifai, theater; Yehudit Haendel and Aharon Megged, literature; and Aharon Amir, Hebrew translation. There were three winners of the Israel Prize for “life’s work”: Geula Cohen, former Likud and Tehiya MK and War of Independence fighter, Meir Amit, former head of military intelligence and MK, and Yad Vashem, the Holocaust memorial in Jerusalem.

The theme of the annual opening ceremony for Independence Day at Mt. Herzl in Jerusalem was aliyah, and among the 15 torchbearers lighting the beacons were Clara Beyler, 24, from Tel Aviv, who immigrated from France in 2001 and served as a volunteer at a Magen David Adom station in Tel Aviv; Natali Gaiduk, 18, from Holon, who immigrated from Tajikistan and was a volunteer with a fire-fighting unit; Staff Sergeant Lawrance Gozlan, 20, from Jerusalem, who immigrated from Morocco and was serving in the Border Police; Yehuda Meshi-Zahav from Jerusalem, who established the *haredi* Zaka rescue and recovery organization; and Dr. Stuart Abby Naimer from Gush Katif, a family doctor and manager of the Gaza district clinic.

On September 21, a gathering of international celebrities, including for-

mer Soviet leader Mikhail Gorbachev, former U.S. president Bill Clinton, and film actress Kathleen Turner, honored Labor Party leader and former prime minister Shimon Peres on his 80th birthday at Tel Aviv's Mann Auditorium.

In the world of sports, Lee Korsitz, 19, won the women's world Mistral sailing title at the World Sailing Championships, held in September in Cadiz, Spain. Gal Friedman, who won the men's Mistral championship in 2002, finished third in 2003. The Montevideo-born Andy Ram recorded the best-ever Israeli performance at a Grand Slam tennis championship, finishing second in the mixed doubles at Wimbledon with his pick-up partner, Anastassia Rodionova of Russia. In the final, the Ram-Rodionova pairing lost to the veteran team of Martina Navratilova of the U.S. and Leander Paes of India. In the men's doubles, Ram and his regular partner, Yoni Ehrlich, lost in the semifinal to the eventual winners, Jonas Bjorkman of Sweden and Todd Woodbridge of Australia.

DEATHS

Israel's first astronaut, 48-year-old Ilan Ramon, died along with the rest of the seven-member crew when the *Columbia* space shuttle blew up on February 1, minutes before its scheduled landing. Ramon was payload specialist on the flight, which had taken off on January 16 from Kennedy Space Center in Florida on a 16-day mission.

Ramon, a native of Tel Aviv, served as a fighter pilot in the Israeli air force, rising in the ranks to squadron commander and colonel. He served in the Yom Kippur War of 1973 and was said to have been one of the pilots who raided and destroyed Iraq's nuclear reactor at Osirak in 1981.

Ramon's designation as the country's first astronaut was a source of great pride for Israel, and his death came as a profound shock. Ramon had seen himself as a role model, telling reporters before the flight, "Being the first Israeli astronaut, I feel I am representing all Jews and all Israelis" (see above, p. 48).

Other deaths: Shlomo Argov, 73, former Israeli ambassador to the United Kingdom whose attempted assassination in June 1982, which left him paralyzed, was the trigger for the Lebanon War, in February; Isser Harel, 90, first head of the Mossad, Israel's intelligence agency, and mastermind of the capture of Adolf Eichmann in Argentina, in February; Canadian-born Israeli feminist and sociologist Dafna Izraeli, 65, in February; sociologist and civil-rights activist Eugene Weiner, 67, a U.S.-born Conservative rabbi, in February; abstract painter Moshe Kupferman, 77,

Israel Prize laureate in 2000, in June; David Clayman, 69, longtime Israel representative of the American Jewish Congress, in June; Danny Kesten, 65, chairman of the Israel Basketball Association, in June; Meir Wilner, former leader of the Israeli Communist Party and last surviving signer of the Israeli Declaration of Independence, 84, in June; Motti Hod, 77, commander of Israel's air force during the Six-Day War that destroyed Egypt's air force on the ground, in July; Charles S. Liebman, 2003 Israel Prize laureate and Bar-Ilan University political scientist, 69, in September (see below, pp. 617–18); Emil Fackenheim, 87, eminent German-born rabbi and theologian, who taught for many years in Canada, in October; Simcha Dinitz, 74, ambassador to the U.S., chairman of the Jewish Agency and the World Zionist Organization, in October; Shulamit Hareven, 73, Polish-born author and peace activist, in November; South African native and long-time *Jerusalem Post* journalist Philip (Figgy) Gillon, 90, in November; Ohad Zmora, 70, veteran journalist for the now-defunct *Davar* newspaper and founder of the Zmora Bitan publishing house, in December; Brazilian-born film director and film instructor at Tel Aviv University David Perlov, 73, 1999 Israel Prize laureate for film, in December.

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