

IN 1971, for the first time since the six-day war of June 1967, the cease-fire was generally observed on Israel's borders throughout the whole year. There was only one brief outbreak of air hostilities over the Suez Canal. The Palestinian terrorist organizations, crushed by King Hussein of Jordan, started to regroup in South Lebanon, but carried out few serious operations. Severe measures to eradicate terrorism in the Gaza Strip, coupled with considerable improvements in the living standard of the local population and the refugees in the camps, were beginning to show good results.

However, there was no progress toward a solution of the Middle East conflict. Israel's Arab neighbors still refused to negotiate with her; the Jarring mission bogged down when the UN Secretary-General's special representative presented terms for a settlement with Egypt that Israel could not accept; and United States efforts to promote an interim arrangement for the reopening of the Suez Canal were unsuccessful.

Prime Minister Golda Meir's talks with United States President Richard M. Nixon in December strengthened the friendship between the two countries and produced a high degree of agreement, particularly on Israel's needs for modern jet aircraft and other military equipment.

But relaxation on the external front was accompanied by a rise in domestic tensions. Tax burdens, largely due to great defense expenditure, weighed heavily on the ordinary citizen. There was general welcome for the unprecedented immigration from the Soviet Union; at the same time, the grievances of the poorer segments of the population and young couples, who could not meet the high cost of housing, urgently demanded attention.

The Israeli pound was devalued after President Nixon's economic measures in August, with a consequent rise in Israeli exports; but there was still a heavy adverse balance of payments. It became clearer and clearer during the year that far-reaching, perhaps drastic, measures would have to be taken to tackle Israel's domestic and social problems.

FOREIGN AFFAIRS

The Jarring Mission

The indirect talks between Israel and Egypt under the auspices of UN Special Envoy Gunnar V. Jarring (AJYB, 1971 [Vol. 72], pp. 433-5) appeared to make a promising start at the beginning of 1971, but were dead-

locked in February, when Jarring asked Israel to withdraw its forces from the whole of the Sinai peninsula.

Jarring came to Jerusalem at Israel's invitation, on January 9, and met Prime Minister Golda Meir and Foreign Minister Abba Eban, who submitted proposals for peace negotiations to be passed on to Egypt and Jordan. On his departure, Jarring described the talks as "useful" and "valuable for the future."

However, according to an Israeli cabinet communique, on January 24, Egypt and Jordan failed to respond to major clauses in the Israeli proposals. Mrs. Meir told the Knesset on February 9: "We asked one question to which we have not received a simple answer: Are you prepared, if we come to an agreement on all outstanding problems, to sign a peace agreement with us and to put an end to belligerency?" She emphasized that undertakings to respect the independence and territorial integrity of "all the states of the region" were not enough.

On February 8, Dr. Jarring presented to Israel and Egypt his views on "necessary steps" to achieve a settlement. He asked Israel to agree to withdraw to the former Egyptian-British Mandate boundary and Egypt to commit itself to enter into a peace agreement with Israel.

In a reply, dated February 16, Egypt expressed readiness to "enter into a peace agreement with Israel" provided Israel gave a commitment covering, *inter alia*:

. . . withdrawal of its armed forces from Sinai and the Gaza Strip [the latter was not mentioned in Jarring's letter]; achievement of a just settlement of the refugee problem in accordance with United Nations resolutions; . . . the establishment of demilitarized zones astride the borders in equal distances; the establishment of a United Nations peace-keeping force in which the four permanent members of the Security Council would participate; . . . withdrawal . . . from all the territories occupied.

In its reply, conveyed to Jarring ten days later, the Israel government said it "views favorably the expression by the UAR of its readiness to enter into a peace agreement with Israel, and reiterates that it is prepared for meaningful negotiations on all subjects relevant to a peace agreement between them." Israel was prepared to agree to the "withdrawal of Israel armed forces from the Israel-UAR cease-fire line to the secure, recognized and agreed boundaries to be established in the peace agreement," but not to the pre-June 5, 1967, lines. As for the refugees, Israel was willing to negotiate on "compensation for abandoned lands and property" and "participation in the planning of the rehabilitation of the refugees in the region." The statement concluded by calling for further negotiations "without prior conditions so as to cover all the points listed [in the Egyptian and Israeli documents] with a view to concluding a peace agreement."

At a press conference, on March 7, Eban denied UN Secretary General U Thant's charge that Israel had failed to "respond favorably" to Jarring's proposals, although it had endorsed neither the Egyptian nor the Jarring

formulations. While the Egyptians were asking for "unconditional surrender," he declared, Israel was calling for "unconditional talks." There was no justification in the Security Council resolution of November 1967 for the Egyptian demand that Israel withdraw from all occupied territories. "Our central position," he said in a radio talk the same day, "is that a peace settlement must be negotiated in all its parts, and that it cannot be imposed from the outside or dictated by one of the parties to the other."

In view of Egypt's refusal—backed, in effect, by the United Nations envoy—to continue the discussions without prior Israeli commitment and Israel's refusal to give a prior commitment in advance of negotiations, the Jarring mission was deadlocked.

In an interview with the London *Times*, published on March 12, Mrs. Meir outlined proposals for new frontiers which, she believed, could prevent another war. The proposals, which were based on the Labor party's election platform, could be the subject of negotiations with the Arabs, she said, but she would not accept dictation. The main points were: Sinai must be demilitarized; there could be a mixed force to guarantee demilitarization, which must include Israeli troops and could include also Egyptians. Israel must continue to hold Sharm el-Sheikh, which dominated the Straits of Tiran. Egypt could not return to the Gaza Strip. Jerusalem would remain united and a part of Israel. Israel would not evacuate the Golan Heights, which dominated the Hula Valley. The West Bank border must be negotiated, but the River Jordan must not be open for Arab troops to cross. As for Judea and Samaria, she did not want another 600,000 Arabs, she said; Israel must be a Jewish state, though having its Arab minority. She was opposed to an independent Palestine on the West Bank, which would be too small to be viable, but big enough to wage war on Israel. Both Jews and Arabs must have access to holy places in the other's territory, and Jordan would have access to Gaza or Haifa port.

Israel was disturbed by the contents of a "working paper" (known as the Schumann Plan) drafted by foreign ministry officials of the six European Economic Community (EEC; Common Market) countries, which was reported to call for total Israeli withdrawal from occupied territories as a precondition of peace. Foreign Minister Eban said in a radio interview on June 2 that there had been a French-inspired intention to induce the other five governments to adopt a common Middle East doctrine unfavorable to Israel, but that the countries concerned had made it clear, as a result of Israeli representations, that the document did not have governmental approval. This was confirmed, on July 8, by West German Foreign Minister Walter Scheel when he visited Jerusalem. Scheel also made it clear that neither Bonn's new *ostpolitik*, nor a rapprochement between the Federal Republic and the Arab countries, would be at Israel's expense. The foreign ministers of Belgium, and Italy also visited Israel during the year.

Toward the end of the year, a delegation from the Organization for African Unity (OAU) made an effort to break the deadlock. On November 2,

four African heads of state, Presidents Leopold Senghor of Senegal, Ahmadou Ahidjo of Cameroun, Joseph Mobutu of Zaire (Congo-Kinshasa) and Yakubu Gowon of Nigeria, came to Israel on behalf of a Committee of Ten appointed by OAU to examine the Middle East situation. Their aim, according to Senghor, was, "through a dialogue with both parties, to help people of goodwill to find peace." He said he could understand Israel's desire for a dialogue with its Arab neighbors, since it could not rely on international guarantees for its security, and referred to Zionism as a parallel movement to the liberation movements of the peoples of black Africa.

After a visit to Egypt, the delegation returned to Israel on November 24 and presented a memorandum designed to pave the way to a renewal of the Jarring talks. The memorandum, it was noted, ignored the OAU resolution of June calling for total Israeli withdrawal, and did not make any attempt to state peace terms. Israel's reply, on November 29, accepted the African leaders' proposals, which, it was felt, could "unfreeze" the Jarring mission.

Israel objected to a UN General Assembly resolution of December 13 expressing "appreciation for the positive reply given by Egypt" to Jarring's memorandum of February 8 and calling on Israel "to respond favorably" to the memorandum. A Senegalese amendment, which was defeated, described both the Egyptian and Israel replies to the Committee of Ten's memorandum as "sufficiently positive to make possible the resumption of the Jarring mission."

Suez Canal Arrangement

Meanwhile, exchanges were taking place to clarify the feasibility of an interim arrangement for the reopening of the Suez Canal as a first step to peace. The idea had been mooted toward the end of 1970 by Defense Minister Moshe Dayan, who suggested that, in order to facilitate the reopening of the Canal and the relaxation of tension, there might be a thinning out of forces on both sides of the waterway.

In a speech, on February 4, UAR President Anwar al-Sadat said:

We demand that, within the period when we shall refrain from opening fire, a partial withdrawal be effected by the Israeli forces on the eastern bank of the Suez Canal, as the first stage toward a timetable to be determined thereafter for the implementation of the remaining clauses of the Security Council resolution . . . If this is realized during the period, we shall be ready to begin at once with the clearing of the bed of the Suez Canal and its reopening to international navigation and the service of the world economy."

While criticizing the terms of Sadat's statement, Mrs. Meir declared in the Knesset, on February 9: "I must make it unequivocally clear that Israel is wholeheartedly prepared to lend its support to opening the Canal to free international shipping of all States, including Israel."

She referred to a statement to this effect made by Foreign Minister Abba Eban on July 31, 1967 (AJYB, 1968 [Vol. 69], p. 126) and expressed

readiness to discuss arrangement for opening the Canal, even as an issue apart from peace talks.

Foreign Minister Eban told press correspondents a day later that "the ball is now in the Egyptian court." No immediate steps were taken to pursue the matter further, but in an April 11 television interview, Dayan, while rejecting the Egyptian demand for withdrawal from the Canal as a stage in a general withdrawal, stressed his support for negotiations based on ending the state of belligerency between the two countries, preventing the crossing of the Canal by the Egyptian forces, and providing an apparatus for supervising such a settlement.

On May 6 United States Secretary of State William P. Rogers, accompanied by Assistant Secretary of State Joseph Sisco, came to Israel after visits to Cairo and other Middle East capitals to review progress toward an over-all settlement and to exchange ideas on the question of an interim Suez agreement. After the talks, Rogers said there had been some narrowing of the gap between Israel and Egypt, though there were still considerable areas of disagreement.

Mrs. Meir told the Knesset, on June 9, that Washington had been informed of Israel's readiness to consider some "pullback" of its forces from the waterline, if some "special agreement not linked to the course of the Jarring talks" was concluded, providing that:

. . . the fighting would not be renewed; Egypt would clear and operate the Suez Canal; no Egyptian and/or other armed forces would cross to the eastern side of the Canal; there would be free passage for shipping on the Canal, including Israel ships and cargoes; effective and agreed supervision procedures would be established; means of deterrence against the violation of the agreement would be assured; removal of IDF forces from the waterline would not be a stage leading to a further withdrawal before peace; the permanent boundary between Israel and Egypt would be determined in the peace treaty . . . and Israel would withdraw to it.

Sisco again came to Israel, on July 28, and spent over a week in talks with Israeli leaders in an effort to achieve a practical basis for continuing the negotiations. Although there was no breakthrough, Sisco maintained before his departure that, "Despite the differences that remain to be solved between the two sides, we believe that progress on an interim settlement for the opening of the Suez Canal can be achieved."

One of the subjects discussed with Sisco was Washington's delay in replying to Israel's long-standing request for more Phantom jets. Concern had been expressed on the subject in July by Dayan and by Eban, who described it in the Knesset on July 14 as "a matter of top urgency," especially in view of the accelerated supply of Soviet aircraft to Egypt and Syria.

This question was one of the obstacles to Israeli acceptance of an American proposal, in October, for "close proximity" talks on an interim settlement under United States auspices, with representatives of the two sides sitting in separate rooms, or on separate floors, in the same hotel and exchanging

proposals through an American intermediary. On October 16, Mrs. Meir informed the Knesset that for several months the United States had not met Israeli requests for aircraft, and added that Egypt might well interpret this as acceptance of its demands for withholding United States arms supplies to Israel. "Israel vigorously rejects an attitude which makes the supply of her essential security needs conditional on any other matter," she said.

Mrs. Meir also expressed concern about a six-point statement on the interim arrangement by Secretary Rogers to the UN General Assembly. In Israel's view, Rogers' speech implied that the ceasefire would only be renewed for a limited period, that Egyptian troops would cross the Canal, and that the Canal agreement would merely be a step towards a complete Israeli withdrawal to the pre-1967 frontier with Egypt. In all contacts with the State Department, Mrs. Meir said, Israel had emphasized that the United States should refrain from making proposals of its own, so that its role in offering good offices would not be affected.

At a November 2 meeting with United States Ambassador Walworth Barbour, Mrs. Meir asked for clarification on these points before giving Israel's reply to the American proposals for proximity talks.

Israeli spokesmen rejected American statements in November that Soviet arms shipments to Egypt had not disturbed the military balance in the Middle East. "Several dozen additional planes could stand between war and peace in the Middle East," Eban said in Tel Aviv on November 20. Israel, therefore, continued to press the United States for Phantom jets.

Toward the end of the year, considerable progress in settling the differences between Israel and the United States was made in talks between Mrs. Meir and President Nixon. She met the president on December 2 during a two-week visit to the United States (November 30 to December 13). Speaking on television on December 5, Mrs. Meir said she had come with a twin purpose: to make it clear that Israel wanted a fair chance, politically and militarily, to negotiate a peace—which meant that Israel's friends should not take a public position on what had to be negotiated—and to prevent Israel from becoming weaker in relation to its neighbors. She told a meeting in New York on December 11: "I believe there is a greater understanding now than there was before." Negotiations continued through diplomatic channels, and agreement between Israel and the United States was reached early in 1972.

Jerusalem

On September 25, in response to a Jordanian initiative, the UN Security Council passed a resolution calling upon Israel "to rescind all previous measures and actions and to take no further steps in the occupied sector of Jerusalem which may purport to change the status of the city, or which would prejudice the rights of the inhabitants and the interests of the international community, or a just and lasting peace."

In reply, Foreign Minister Eban declared that the restoration of the "status" existing before June 5, 1967, "would involve rescinding the unity, peace and security of Jerusalem today, in order to restore the divisions, conflicts and sacrilege which made the period 1947-1967 [during which East Jerusalem was occupied by Jordan] one of the darkest ages in Jerusalem's long history."

Eban categorically denied that the rights of the inhabitants of Jerusalem had been adversely affected by anything done or planned by Israel. He pointed out that there had been no significant change since 1967 in the proportion between Jewish, Muslim, and Christian citizens, and that holy places of all religions were now protected by law. Israel did not wish "to exercise unilateral jurisdiction or exclusive responsibility in the holy places of Christianity and Islam," and was willing, "in consultation with the religious interests traditionally concerned, to give due expression to that principle."

Miscellaneous

The visit to Israel in mid-June, "for reasons of health," of Victor Louis, a Soviet journalist believed to be associated with Soviet intelligence, led to speculation that there might be some attempt at contact between Israel and the USSR. Louis met with Simha Dinitz, political adviser to the prime minister, as well as with several acquaintances who had served in the Israel embassy in Moscow; but it was officially stated that the conversations did not bear the character of negotiations.

President Idi Amin of Uganda visited Israel in July to discuss Israel's extensive training and development programs in his country, which started in 1963. After a stay in London, he again stopped in Israel on his way home several days later. During his first visit, agreement was reached in principle on expanding Israel's military training program for the Ugandan army and air force. On his second visit, he announced a decision to open an Ugandan embassy in Jerusalem.

Israel's international cooperation program covered 71 developing countries during the year: 31 in Africa, 13 in Asia, 5 in the Middle East, and 22 in Latin America. Under the program, over 400 Israeli experts were sent abroad as advisers and administrators, and 76 courses and seminars were held, 49 of them in Israel. There were 1,750 students from the developing countries in Israel and 1,611 attended the Israeli courses abroad. In addition, 99 Israelis served in various UN agencies, and some 400 were employed in developing countries by commercial institutions.

Defense

There was almost unbroken quiet along the Suez Canal and the Jordan River during the year. The Palestinian terrorist organizations were engaged mainly in a struggle for power with King Hussein, which ended in September in their crushing defeat; in fact, a few score of their members crossed the

river to seek refuge and surrendered to the Israel Defense Forces. Attempts by al-Fatah and other armed organizations to continue operations from Lebanon were checked at the beginning of 1971. The main focus of trouble was the Gaza Strip, where gunmen found shelter, especially in the refugee camps, and terrorized those inclined to cooperate with the authorities.

The Canal Zone

Egypt's agreement to a renewal of the cease-fire on the Suez Canal expired at the beginning of February, after a month's extension, but the Egyptians did not start shooting. However, President Sadat threatened military action to regain the lost territories, if Israel did not voluntarily withdraw, and repeatedly declared that 1971 would be "the year of decision." Israeli leaders cautioned that these threats should be taken seriously, drawing attention to the continual strengthening of the Soviet-built missile system on the Canal's west bank and overflights of its east bank by Egyptian aircraft.

There was only one outbreak of hostilities, after an Egyptian Suchoi 7 fighter-bomber was shot down on September 11 when it flew very low over Israeli positions. On September 17 an Israeli Stratocruiser transport plane was shot down by Egyptian missiles 14 miles inside Israeli-held territory. Defense Minister Dayan called the incident "a serious provocation and an act of war," and several Egyptian missile batteries were hit next day by Israeli air-to-ground Shrike missiles. In a September 24 broadcast interview, Chief of Staff Haim Bar-Lev indicated that Israel's reaction meant it would not overlook infractions of the cease-fire and was prepared, if it had no choice, to resume the fighting. "The Egyptian missile system will not prevent us from continuing to hold the east bank of the Canal," he declared, "nor from creating such military pressure on the Egyptians as will induce them to stop shooting."

Lebanon

An al-Fatah base on the coast eight miles south of Sidon was raided by Israeli forces on January 14, after interrogation of five frogmen captured near Nahariya had revealed a plan to conduct extensive sabotage operations in northern Israel. After ten serious attacks by Arab terrorists on Israeli troops and villages during the last three weeks of January, Israeli forces raided two al-Fatah bases near Metulla on January 31. Only minor incidents were reported on this front for the rest of the year.

The Gaza Strip

Israeli public opinion was shocked when, on January 2, a grenade attack on a car passing through the Gaza Strip killed two children and severely

injured their mother. Security measures in the area were stepped up and the army and border police reinforced.

However, complaints of undue severity by the security forces led to the radical reorganization of the structure of Israeli rule in the Strip in April: Tat-Aluf (Brigadier) Isaac Pundak was appointed military governor in charge of all civilian affairs, and security activities were subordinated directly to the O.C. Southern Command. The military government concentrated on developing the economy and improving services, while the army followed an active policy of search and destroy, taking the initiative against the terrorists, who could no longer find shelter and had to hide in underground bunkers, or attempt to escape. Thanks to good intelligence and familiarity with the terrain, 104 terrorists were killed and almost a thousand captured during the year.

In December al-Fatah radio called on its members to lie low and cease operations. As a result of the suppression of the terrorists, the local population was no longer afraid to collaborate with the Israeli authorities, as indicated by the large turnout of local notables when Labor Minister Yosef Almogi and Transport Minister Shimon Peres visited Gaza toward year's end.

Bab el-Mandeb Incident

On June 11 the Liberian tanker *Coral Sea* bound for Eilat was hit by seven bazooka shells fired from an unidentified speedboat in the Bab el-Mandeb Straits at the entrance to the Gulf of Eilat. It was the first attempt to interfere with Israel-bound shipping since the 1956 Sinai campaign. Defense Minister Dayan declared three days later that Israel would take whatever measures were necessary to ensure that tankers and oil reached its ports.

DOMESTIC AFFAIRS

Population and Immigration

The population of Israel passed the 3-million mark on January 11, with the arrival of an immigrant family from the Soviet Union; the unprecedented immigration from the Soviet Union was one of the year's outstanding features.

At the end of 1971, the population was estimated at 3,090,000: about 2,632,500 Jews, 342,000 Muslims, 78,000 Christians, and 37,500 Druses and others. During the year, the Jewish population grew by 71,000 (3 per cent) of which 44,500 (63 per cent) represented natural increase and 26,600 (37 per cent) the migration balance (not counting temporary residents registered as potential immigrants). The non-Jewish population grew by 17,500 (4 per cent), entirely through natural increase.

Immigration in 1971 totaled some 42,000, compared with 36,800 in the previous year. Of those who came, 26,200 were registered immigrants and 15,800 temporary residents. Some 5,700 of them were university graduates.

The curve rose during the last quarter of the year, when 12,100 persons arrived, as compared with 9,700 in the corresponding period of 1970. An important factor in this trend was the growing immigration from the USSR.

The struggle for unhampered Jewish emigration from the Soviet Union was prominently featured in the press throughout the year and supported by government statements and Keneset resolutions, particularly in connection with trials of Soviet Jews claiming the right to leave. At the same time the Israel government expressed strong opposition to "resort to acts of terrorism in this struggle, such as those carried out recently in the United States and elsewhere" (official communique of January 17). Particularly strong feeling was aroused by the second Leningrad trials, which opened on May 11. Delegations from all over the country, headed by President Zalman Shazar and members of the Keneset, came to the Western Wall to express solidarity with a group of Soviet immigrants keeping vigil in protest against the trial. On May 17 the Keneset unanimously adopted a motion submitted by Menahem Begin, leader of Gahal, the largest opposition party, demanding the release of the prisoners and the recognition of "the natural right of every Jew to emigrate to his historic homeland."

Almost 13,000 Jews from the USSR arrived in Israel in 1971, as compared to 5,675 in the preceding four years (3,038 in 1969 alone), and the growing pace toward the end of the year led to an upward revision of the 1972 immigration estimate to 65,000, about 20,000 more than originally expected.

There were some difficulties in the absorption of newcomers from Soviet Georgia, almost all of whom were Orthodox and wanted to live in compact communities of their own, although suitable concentrations of housing were not available. The religious parties, in particular, charged the Ministry of Immigrant Absorption, headed by Nathan Peled (Mapam), with failing to provide for the special needs of these immigrants.

Labor Party

The first elected convention of the Israel Labor party (*Mifletet Ha'avodah*) was held in April, with over 3,000 delegates representing 300,000 members. The elections were held on a personal basis, but it was estimated that the ex-Mapai faction had increased its strength at the expense of ex-Rafi. The convention endorsed the defense policies of Prime Minister Meir and Defense Minister Dayan, including the optional "oral doctrine" on Israel's territorial claims adopted at the 1969 convention. Arie Eliav was elected secretary-general, but resigned a few months later and was succeeded by Israel Yeshayahu, a veteran party leader of Yemenite origin.

Ombudsman Appointed

An innovation in public administration was the appointment, under the State Controller Law 1971 (Amendment No. 5) of a commissioner of com-

plaints (ombudsman) to consider and report on complaints from members of the public of injury or injustice arising out of the activities of governmental or public bodies, or their officials. The commissioner was appointed by the State Controller and acted under his authority.

Economic Situation

The year was marked by considerable economic expansion, full employment, and increased exports, but also by inflationary pressure, a still high foreign-payments deficit, and a large increase in the national debt.

The Gross National Product grew during the year by 7 per cent—4 per cent per capita—at fixed prices, about the same as in 1970, and investments by 17.5 per cent (9 per cent in 1970). Industrial and agricultural output rose by about 12 per cent each. Industrial manpower grew by 4 per cent and output per head by 6 to 7 per cent. Some 650,000 tourists, an increase of 50 per cent over 1970, arrived, producing foreign currency income of \$181 million, an increase of \$75 million.

Exports of goods increased by 25 per cent, to about \$915 million (having almost doubled within four years): \$265 million (31 per cent up) from net diamond exports; \$495 million from other industry, and \$155 million from agriculture. Export of goods and services totaled \$1.8 billion—a 32 per cent increase over 1970 and almost twice as much as in 1967—as against \$3 billion imports; the deficit on current account was \$1.2 billion, slightly less than in 1970.

The national debt grew from \$2.8 billion at the end of 1970 to \$3.5 billion at the end of 1971, with the government being responsible for \$2.3 billion. Foreign-currency balances, however, rose from \$361 million to \$576 million during the year, owing to increased capital imports. A considerable part of the external debt was owed to the United States government and holders of State of Israel bonds, and was repayable on easy terms over a long period of time.

Personal consumption was almost unchanged, as was public consumption (by the government, national institutions, and local authorities), which had risen by 26 per cent in 1970. This was largely due to a decline in defense expenditure because of the cease-fire. Means of payment, however, grew by 27 per cent, and the consumer price index rose by 12 per cent.

Gross domestic investment rose by almost 20 per cent, largely because of the investment of I£675 million in planes and ships (more than three times as much as in 1970) and increases of 4.5 per cent in housing investments and 18 per cent in machinery and equipment—all at fixed prices.

DEVALUATION

On August 22, after the announcement by the United States of its new policy to protect its balance of payments, the Israel pound was devalued

by 20 per cent, the rate of exchange being fixed at I£4.20 instead of I£3.50 per dollar. Finance Minister Pinhas Sapir explained that the American import surcharge affected one-fifth of Israel's exports and would sharpen international competition elsewhere. In response to public pressure, especially from the Histadrut, low-income groups were compensated for the increased prices caused by devaluation by an increase in allowances for children, pensions, and social welfare payments.

BUDGET

The state budget for the fiscal year 1971/72, presented on January 4, totaled I£13.2 billion, an increase of I£2.2 billion over the previous year. A supplementary budget of I£1.6 billion submitted after the August devaluation to allow for the changed value of the currency brought the total up to I£14.8 billion without altering revenue and expenditure in real terms.

Forty per cent of the budget was allocated to defense, 13 per cent to social services, 11 per cent to export incentives and other economic services, 16 per cent to development (including housing), and 8 per cent to debt services. Of the revenue, 81 per cent came from domestic sources (including 52 per cent from taxes, 15 per cent from domestic loans, and 5 per cent from the issue of additional currency), and 19 per cent from foreign loans and grants.

The defense budget of I£5.2 billion, four times that in 1966/67, constituted 24 per cent of the GNP. Of the I£785 million allocated for housing, I£500 million was for meeting immigrant needs.

Social Tensions

The economic boom and the rise in living standards were accompanied by social tensions among the disadvantaged sectors of the community. In Jerusalem, a group of youths, mainly sons of North African immigrants, formed an organization called "the Black Panthers," which clashed with the police after street demonstrations. There was a recrudescence of charges of discrimination against the Oriental communities. Also, the rising cost of housing led young couples to protest that, without private resources, they often found it impossible to buy apartments, while new immigrants were housed on arrival at public expense. The unrest was widely attributed, in part, to the slackening in morale resulting from the more relaxed security situation.

Some action was taken to alleviate these tensions by increased government allocations for housing and social welfare; but it was generally recognized that more attention would have to be given to social problems, despite the continuing burdens of defense, development, and immigrant absorption.

Criticism of social conditions was aggravated by alleged irregularities in the management of a government company; heavy losses by a public corporation in which the government had a share, and the bankruptcy of an auto manufacturing firm, which had received large government loans.

David Neev, a geologist, charged Mordecai Friedman, manager of the Netivei Neft Company, which was set up to operate the former Italian oil wells at Abu Rodeis on the west coast of Sinai, with serious irregularities. After inconclusive reports by two investigators appointed in succession by Justice Minister Ya'acov S. Shapiro, there was widespread public criticism of the handling of the affair. In November the government appointed an inquiry commission to investigate the allegations, consisting of Supreme Court Justice Alfred Witkon, industrialist Abraham Kalir and Army Reserve General Meir Zorea. (In April 1972 the commission submitted its report clearing Friedman of the major charges against him, but pointing to various flaws in his conduct. The chairman and Kalir recommended that no action be taken, but Zorea called for the manager's dismissal. Friedman submitted his resignation before the government came to a decision.)

Vered, a subsidiary of Mekorot, jointly owned by the government, the Histadrut, and the Jewish Agency, incurred heavy losses, mainly because of bad debts for public works carried out abroad, and it was evident that it would require a large injection of public funds to keep it afloat.

The bankruptcy of the Autocars Company, which had received large government loans, was the subject of a lengthy public inquiry by the Keneset Committee on Economic Affairs, a rare procedure in Israel. Thus far, there has been no indication of the findings.

Israel-Controlled Areas

It was announced on November 6 that municipal elections would be held in the towns of Judea and Samaria, for the first time since 1963; the terms of the incumbent councils had been extended after the six-day war until further notice. In keeping with the Geneva Convention, the elections were to be held in accordance with Jordanian law.

Unemployment in the controlled areas dropped to a new low of 3.8 per cent toward the end of the year. Over 30,000 workers from the areas were employed in pre-1967 Israel. (For the situation in the Gaza Strip, see p. 566.)

Israel and World Jewry

REORGANIZATION OF THE JEWISH AGENCY

A basic reorganization of the Jewish Agency and the World Zionist Organization was implemented during the year (pp. 178-193). The Agency was

enlarged, in 1929, to include non-Zionists, but the two bodies had been identical for all practical purposes since the beginning of World War II.

The Jewish Agency was now reconstituted, half of its governing bodies representing the World Zionist Organization and the other half major Jewish fund-raising and other organizations. The Agency was to control immigration and land settlement, as well as helping in housing, health, education and other social services. The WZO would concentrate on ideological activities, Jewish education in the diaspora, and work among Jewish youth.

The first assembly of the Reconstituted Jewish Agency, held in Jerusalem on June 21, elected a ten-man executive and a board of 40 governors, with Max M. Fischer, chairman of the United Israel Appeal in the United States, as chairman of the board of governors, and Louis Pincus, chairman of the World Zionist Organization, as chairman of the executive. The assembly approved a budget of \$387 million for 1971-72. Leon Dulzin, treasurer of the Jewish Agency, said the budget covered the cost of 68 per cent of Israel's welfare services, 59 per cent of the health services, 24 per cent of education, 98 per cent of higher education, and 84 per cent of immigrant housing.

ZIONIST MEMBERSHIP CAMPAIGN

In preparation for the 28th Zionist Congress, to be held in Jerusalem in 1972, a membership campaign, based on acceptance of the 1968 Jerusalem Program, was conducted. Some 900,000 members were registered, and elections to the Congress (instead of nominations by inter-party agreement) were held in most diaspora countries for the first time in many years.

JEWS IN ARAB COUNTRIES

The plight of Jews in Arab countries continued to agitate public opinion, and was raised on several occasions in the Keneset. On February 3, the second anniversary of the public hangings of Jews in Baghdad, Foreign Minister Eban declared that Jews in Arab countries were subject to persecution, oppression, and discrimination. The position of the 4,000 Jews in Syria was the gravest: they lived "in ghettos, subject to curfew, restrictions on movement outside their place of residence, and arbitrary arrests accompanied by torture." He called upon "all nations in the world, the United Nations and other organizations, religious leaders and public figures" to join in the demand for their liberation.

On April 13, Eban drew attention to the imprisonment and impending trials of men, women, and children in Iraq. On November 1 he paid tribute to public protests in many parts of the world against the persecution of the Syrian Jews, calling for the intensification of these efforts (AJYB 1971 [Vol. 72], p. 443).

Education and Culture

SCHOOL SYSTEM

Of 966,000 Israeli children and young people between the ages of three and 17, over 800,000 (85 per cent) were receiving an education. In addition to compulsory free schooling between the ages of five and 14, 38 per cent of three-year-olds and 67 per cent of four-year-olds attended kindergarten, two-thirds of them with government assistance, and about three-quarters of those aged 14 to 17 received one form or another of post-primary education.

Progress was made in making school attendance compulsory until the age of 15, which was expected to be completed in 1972, and in reforming the structure of the school system by changing it from eight years of primary and four years of post-primary education to six years of primary (ages 6 to 11), three years of intermediate (12 to 14), and three years of secondary (15 to 17) schools. One of the main aims of the reform was to provide an integrated, comprehensive education for children of all social levels and communal origins.

HIGHER EDUCATION

Israel's seven institutions of higher learning had a combined enrollment of over 45,000 students: 16,000 at the Hebrew University in Jerusalem, 5,500 at the Technion, Haifa; 500 at the graduate school of the Weizmann Institute of Science, Rehovot; 12,000 at Tel Aviv University; 6,000 at Bar-Ilan University, Ramat Gan; 5,000 at the University of Haifa, and 1,800 at the University of the Negev, Beersheba. Of the total, about 7,000 came from abroad and 1,000 were Arabs.

Seventy per cent of the 1970-71 development budgets of the institutions were met by the Jewish Agency and the government, which subsidized them to the extent of I£289 million and I£35 million, respectively.

Recent main developments have been: the increased number of students from abroad, many of them subsidized by the Ministry of Immigrant Absorption, and of Arab students; the further expansion of the Hebrew University's old campus on Mount Scopus, rebuilt since the six-day war, and the recognition of the universities at Haifa and Beersheba as independent institutions.

SCIENCE AND RESEARCH

Noteworthy scientific advances reported during the year included: the successful synthesis of a transfer ribonucleic acid molecule, which was expected to help in understanding the nature of the genetic code in the living cell, by a team headed by Professor Uriel Z. Littauer of the Weizmann Institute of Science; an integrated pest control program developed at the

Hebrew University's faculty of agriculture, under Professor Isaac Harpaz; an electronically operated irrigation system, developed by Dr. Baruch Gornat of the Hebrew University's faculty of agriculture, and tested at Yotvata *kibbutz* in the Negev, to save water and improve yields, as well as to avoid security risks.

New institutions opened during the year included the Candeotti Institute of Science Teaching at the Weizmann Institute of Science; a World Health Organization Center for Advanced Training in Immunology at the Weizmann Institute, the first to be opened outside the World Health Organization (WHO) headquarters in Switzerland, which was to receive students for advanced training from WHO centers in Mexico City, Ibadan, São Paulo, Singapore, and New Delhi and the Florence and George Wise Astronomical Observatory near Mizpeh Ramon in the Negev.

It was estimated that some 20,000 scientists came from abroad to attend some 30 scientific conferences held in Israel in 1971.

ARCHEOLOGY

The most important site of archeological research was Jerusalem, where Hebrew University teams continued their excavations around the Temple Mount and on the site of the Old City's Jewish Quarter.

In January, Professor Benjamin Mazar announced the discovery of a large parapet stone from the southwest corner of the Temple Mount, the first one from the Temple complex to bear a Hebrew inscription, which reads, *le-veit ha-tekiyah* ("belonging to the trumpet-blowing place"). This confirms Josephus' statement (in *The Jewish War*, book 4, chapter 9) that a trumpet was sounded by a priest atop the Temple Wall every Sabbath to signal the approach and the close of the holy day. Professor Mazar's team also uncovered a monumental staircase which led from the direction of the City of David to the Hulda Gates, at the approximate sites of the sealed Double and Triple Gates now visible in the southern wall of the Temple Mount.

Professor Nahman Avigad of the Hebrew University found in the Jewish Quarter a First-Temple inscription on a sherd, a Herodian mosaic floor—the first uncovered in Jerusalem—and the remains of a monumental pre-Herodian building.

Other interesting finds were the well-preserved mosaic floor of a 4th-century synagogue at Khirbet Susia, about 12 miles southeast of Hebron, and another synagogue of the Talmudic era (200–600 C.E.) at Qasrin in the Golan Heights.

MISCELLANEOUS

The new Tel Aviv Museum was inaugurated in April, and the new Jerusalem Theater, described as the most modern in the Middle East, in October.

Israel won the 13th Asian youth soccer championship in Tokyo in May by defeating South Korea 1-0. Israeli teams had won the championship three times and had been co-champions twice.

Personalia

Isaac Zedaka, acting High Priest of the Samaritan community, died on Mount Grizim, near Nablus, at the age of 75. Peretz Bernstein, former leader of the Liberal and General Zionist parties, died in Jerusalem on March 21, at the age of 81. Rabbi Israel Ben-Meir, a leader of the National Religious party, died in Jerusalem on April 4, at the age of 60. Professor Joseph Joel Rivlin, Orientalist and one of the first teachers at the Hebrew University, died in Jerusalem on April 14, at the age of 81. Shlomo Dror, artist, founder of the Natanya Art School, and former mayor of Avichail, died in Avichail on May 14, at the age of 82. Dr. Hayim Sheba, Director of the Tel Hashomer Hospital and a former director-general of the Ministry of Health, died in Tel Aviv on June 10, at the age of 63. Isaac Tabenkin, pioneer of Kibbutz Me'uhad and leading ideologist of the Ahdut Ha'avodah party, died in Ein Harod on July 6, at the age of 84. Shmuel Fisher, prominent actor, died in Tel Aviv on July 18, at the age of 54. Rabbi Isaac Meir Levin, leader of Agudat Israel, died in Jerusalem on August 7 at the age of 77. Charles Pressman, veteran leader of philanthropic agencies, died in Gedera on December 13, at the age of 83. Rabbi Shlomo Kook, chief rabbi of Rehovot, died near Hulda on December 15, at the age of 42. Alexander Dothan, Israel ambassador to the Dominican Republic, died in Santa Domingo on December 25, at the age of 58.

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