The aftermath of the Yom Kippur war dominated practically all aspects of life in Israel during 1974. The sporadic fighting that continued across the uneasy cease-fire lines was brought to an end by agreements on the disengagement and separation of forces, with Egypt in January, but with Syria not until the end of May. Reserves mobilized in October 1973 went back to their normal occupations, after spending unprecedented periods of often six to seven months in uniform. Terrorist outrages against towns and villages near the Lebanese border took a heavy toll, especially in the first half of the year, and precautions were intensified all over the country.

After the conclusion of the disengagement agreements, efforts were made to get negotiations going on a further interim agreement with Egypt. Israeli representatives went to Washington for discussions with the United States government; President Richard M. Nixon’s visit to Israel in June was followed by several visits from Secretary of State Henry A. Kissinger. The organization and methods of the Israel Defense Forces (IDF) were reviewed in the light of the lessons of the war and they were reequipped with massive aid from the United States.

After the Labor-Mapam Alignment’s electoral losses, Prime Minister Golda Meir had considerable difficulty in reforming her cabinet, and it collapsed after a few weeks as the result of widespread demands for Defense Minister Moshe Dayan’s resignation following the publication of the Agranat Commission’s interim report. The formation of Yitzhak Rabin’s cabinet, more than half of whose members had not held ministerial office before 1974, marked a turning point in Israel’s political history.

The first few months of Rabin’s premiership were overshadowed by serious economic difficulties, which called for painful measures of austerity and retrenchment, and by the impact of several financial scandals that came to light during the period. On the whole, however, the gloom following the shock of Yom Kippur 5735 was gradually giving way to a spirit of sober realism.

**DEFENSE AND DISENGAGEMENT**

The Disengagement Agreements

As 1974 opened, clashes continued between the Israeli forces and the Egyptians in the south and the Syrians in the north across the ill-defined cease-fire lines. (AJYB
1974–75 [Vol. 75], p. 532). Israel protested to UN Secretary-General Kurt Waldheim against frequent Egyptian and Syrian violations. By mid-January 30 Israeli soldiers had been killed and 119 wounded in such incidents.

With the Keneset elections over, the discussions on the disengagement of forces on the southern front (AJYB 1974–75 [Vol. 75], pp. 533–34) were resumed. Defense Minister Moshe Dayan flew to Washington at the beginning of January to present Israel's views to Henry Kissinger, and reported on his return that a measure of understanding had been reached.

On January 9 the Egyptian-Israeli military working group at Geneva adjourned and Kissinger came to the Middle East for a remarkable campaign of personal diplomacy. After general discussions with President Anwar al-Sadat in Aswan, starting the next day, he flew to Israel for intensive consultations with Mrs. Meir, Dayan, and Deputy Prime Minister Yigal Allon. He continued to shuttle back and forth three times more between Jerusalem and Aswan until, on January 17, an agreement was announced. It was signed on the following day at Kilometer 101 on the Suez-Cairo highway by Lieutenant General David Elazar, chief of staff of IDF, and his Egyptian counterpart, General Mohammed Abd al-Ghani Gamasy, under the chairmanship of Major General Enzio Siilasvuo of Finland, chief of staff of the UN Emergency Force (UNEF). On the same day, Mrs. Meir and Sadat countersigned identical letters from President Nixon setting out the details of the troop reductions in the Canal Zone to be undertaken by both sides. To ensure that both sides adhered to the disengagement terms, the United States also signed separate secret agreements regarding aid with Israel and with Egypt.

The published agreement provided for scrupulous observance by Egypt and Israel of the cease-fire on land, at sea, and in the air. There were to be three parallel zones, each about six miles wide, east of the Suez Canal, with the center strip as a buffer zone occupied by UNEF with about 7,000 men. In the two outer zones each side would be limited to 7,000–8,000 men and 30–40 tanks, all heavy equipment being pulled back several miles west of the Canal on one side, and several miles east of the Mitla and Gidi passes on the other. Egypt thus regained control of all her territory west of the Canal and the whole of its east bank, while Israel was able to build a new line on the Mitla and Gidi passes. The disengagement was to be completed within 40 days. Actually the last Israeli troops completed their withdrawal on March 3, a day ahead of time. The agreement was regarded only as a first step towards "a final, just and durable peace," in keeping with the provisions of Security Council Resolution 338 and within the framework of the Geneva Conference. According to unpublished agreements, Egypt would prepare the Suez Canal for reopening and restore civilian and commercial life in the Canal Zone cities. It was also understood that when the Canal was reopened, cargoes to and from Israel, though not Israeli ships, would be allowed to pass through it.

In a TV interview the following night, Dayan said the agreement was an indication that "this time the Egyptians really wanted peace," and Prime Minister Meir told the Keneset on January 22: "There is no alternative to this agreement but the
renewal of war." Menachem Begin, leader of Likud, bitterly attacked the agreement as "a unilateral withdrawal" and a betrayal of Israel's security. Lieutenant General (Reserves) Ariel Sharon, who had led the Israeli forces that crossed the Canal, told a protest meeting: "Our victorious army is pulling back under the leadership of a defeated and defeatist government from an area for which we paid thousands of lives and for which we got nothing."

On the Golan Heights tension continued unabated, with frequent artillery exchanges and air clashes culminating in an air battle on April 19 in which two Syrian Migs and two Israeli Phantoms were shot down. There was also heavy infantry fighting on April 12–14, the first since the war, for the peak of Mount Hermon, which had been reoccupied by the Syrians. Israeli casualties between the cease-fire and the conclusion of the disengagement agreement totaled 54 killed and 126 wounded.

The most serious obstacle to negotiations with Syria was its refusal to release a list of POWs or to allow them to be visited by the Red Cross, and on January 13 the Israeli cabinet announced that Syria must comply with the Geneva Conventions before talks could begin. There was also strong sentiment in Israel against giving up any part of the Golan Heights, whose importance for Israel's security had been underlined by the Syrian advance in the first few days of the Yom Kippur war. In February Golda Meir told a delegation of settlers from the area that she regarded the Golan Heights as an inseparable part of Israel and could not conceive of any withdrawal from the 1967 cease-fire lines there. It took over four months to overcome these obstacles.

Attempts through diplomatic channels to get agreement on conditions for opening the talks led to charges by the Likud that the government was retreating from its stand by engaging in indirect negotiations before the POW question had been settled. Begin declared in the Knesset on February 13 that there should be no talks until the prisoners were actually freed.

After preliminary discussions with the Egyptian and Saudi Arabian foreign ministers in Washington, Dr. Kissinger went to Damascus on February 26, and came to Jerusalem the next day with the list of Israeli POWs in Syria and an assurance that the International Red Cross would be allowed to visit them. The list contained only 65 names; 18 soldiers believed to have been in Syrian hands were not included. On February 28, after talks with President Sadat in Cairo, Kissinger returned to Jerusalem for the Israeli ideas on the disengagement agreement, which he submitted to President Hafez al-Assad in Damascus the next day. At the time, the first Red Cross visits for the Israeli prisoners took place.

The situation, however, remained extremely tense. Soviet Foreign Minister Andrei Gromyko held a series of talks with Assad and Sadat between February 27 and March 2, and an ensuing joint Soviet-Syrian communique stated that Syria was entitled to use any means to restore the Israel-occupied territory; that Israel's refusal to withdraw from all occupied territories might threaten peace in the Middle East and in the entire world.
At an extraordinary cabinet meeting on the evening of March 5, the chiefs of staff and intelligence reported distinct indications that Syria might be intending to start hostilities on a large scale. More information along the same lines was received during the meeting and on the following day, and the Defense Forces took precautionary measures.

On March 11 Foreign Minister Abba Eban went to the United States to present the Israeli proposals, which were based on a withdrawal to the post-six-day war cease-fire line (known in Israel as the "purple line"). This was rejected by the Syrians, and Dayan flew to Washington on March 29 with proposals described by Dr. Kissinger as a useful basis for talks. But no further progress was made until Kissinger himself went to the Middle East at the end of April. His mission began with meetings with Gromyko in Geneva, President Houari Boumedienne in Algiers, and President Sadat in Alexandria. For the next four weeks, after meeting the Israelis on May 2 and the Syrians the following day, he was almost constantly on the move between Jerusalem and Damascus, with visits in between to other Arab capitals and, on May 7, a talk in Nicosia with Gromyko, who twice went to Damascus that month. Throughout this period, the Syrians continued artillery, air, and other attacks, at times making Kissinger's mission appear hopeless.

Meanwhile Likud launched a national campaign, actively supported by Golan Heights settlers, to oppose any withdrawal from the Purple Line. During the last days of the negotiations, Kissinger was booed by demonstrators on his arrival at the prime minister's office.

The major last-minute differences centered on the Syrian demand for the return of the town of Quneitra and Israeli insistence that three strategically important hills west of the town be retained. Finally, the disengagement agreement was signed by Israel and Syrian military representatives at Geneva on May 31, within the framework of the Egyptian-Israeli military working group set up at the beginning of the Geneva Conference; the Syrians, who had not taken part in the conference, nominally formed part of the Egyptian delegation. The agreement provided for the withdrawal of the Israeli forces to the Purple Line, except for the area of Quneitra, where they would hold the hills west of the town. A narrow buffer zone east of the Israeli lines, under Syrian civilian administration, would be held by a United Nations Disengagement Observer Force (UNDOF) of 1,250 men. On each side of this zone, the Israeli and Syrian forces would be thinned out in three parallel zones, with limitations on the number of troops and the quality of armaments permitted in each zone. All wounded prisoners of war were to be exchanged within 24 hours of signature and the rest immediately after agreement on the details (which was concluded on June 5).

**Terrorism Continues**

Palestinian Arab terrorists, together with other terrorist groups, were involved in a number of outrages abroad, such as the abortive raid on an oil refinery at Singapore
on January 31, the occupation of the Japanese embassy in Kuwait on February 6, and the hijacking of a British airliner on March 3.

Two particularly brutal massacres by Palestinian terrorists took place in towns near the Lebanese border, populated mainly by new immigrants. In both cases, the groups claiming responsibility declared their aim was to frustrate efforts toward a Middle East settlement. On April 11 three terrorists broke into an apartment building at Kiryat Shemona and killed 18 people, including 8 children and 5 women, before being killed by Israeli troops who stormed the room in which they were barricaded. Ahmad Jabril's Popular Front for the Liberation of Palestine General Command said it carried out the act.

Several hours later, Israeli troops raided six villages in southern Lebanon suspected of harboring terrorists. Defense Minister Dayon declared: "If Kiryat Shemona cannot live in peace, then the whole of southern Lebanon will not live in peace." On April 25 the UN Security Council condemned the Israeli raid, as well as "all acts of violence, especially those which result in the tragic loss of innocent lives," but without specific reference to the Kiryat Shemona massacre. Israeli representative Yosef Tekoah described the resolution as "a gross miscarriage of justice."

On May 15, three Arab terrorists broke into a house at Ma'alot, three miles from the Lebanese border, and shot a man and wife and their child. They then seized a school where over one hundred Safed children on a school trip were asleep, and held them and some of their teachers as hostages. They threatened to blow up the school and kill all the children unless their demand for the release of 26 terrorists held in Israel was met by 6 PM. After meeting in emergency session, the Israeli cabinet announced the terrorists would be released to save the lives of the children.

However, the Arabs refused to negotiate with the Israeli authorities until the arrival of a code word from Damascus. Shortly before the deadline, Israeli troops stormed the school in a last minute attempt to save the children; the terrorists opened fire, killing 20 children and wounding 70. Responsibility for the massacre was claimed by Na'if Hawatmeh's Popular Democratic Front for the Liberation of Palestine. Dayan declared the government had no choice but to storm the building. The only way to deal with the terrorists, he said, was "to make it quite clear that they will be killed."

Public opinion was deeply shocked at the massacre. President Ephraim Katzir and Deputy Prime Minister Yigal Allon were mobbed at the funeral of the victims. There were widespread calls for the death penalty for convicted terrorists, partly as a deterrent and partly to forestall demands for the release of imprisoned terrorists. Great uneasiness was felt about the efficiency of the security arrangements, and the general agreement was that the civilian population must play a larger part in the defense of their communities. Much disquiet was voiced at the action of four adults accompanying the school children, who had made their escape and left their charges behind.

A committee to conduct a public inquiry was appointed by Prime Minister Meir. Its report, submitted on July 10, criticized the security arrangements and the han-
dling of the negotiations by the full cabinet. Prime Minister Rabin, who had taken office in the meantime, told the Keneset that the functions of the army and the police in combating terrorism would be more clearly delineated and the standing orders concerning young people's excursions would be overhauled.

The terrorist organizations continued to send small groups into Israel for indiscriminate killing. Many of these were intercepted by soldiers and killed or captured before they could do damage; but in several instances they succeeded in killing civilians before they were detected by local civilian defense forces, who summoned help from the army. In no case were there negotiations with the terrorists. The main incidents were:

Naharyia, July 24: Three terrorists arrived by sea, stole into the town, and were intercepted by a Civil Guard patrol; but they broke into a house, killed a woman and her two children, and wounded the husband before being killed by the army. They were members of al-Assifa, the military wing of al-Fatah.

Beit Shean, November 19: Three terrorists of the Hawatmeh group broke into an apartment house and killed two women and two men. Two civilians fired at them until the security forces came and killed them. Several local men broke into the room and threw the bodies of the terrorists to the angry crowd, which began to set fire to them before the police could intervene. The act was severely criticized by government representatives, members of the rabbinate, and the press.

Rihaniya (a Circassian village), November 30: Two terrorists broke into a house and killed a man and wounded a woman. The house was surrounded by armed villagers and the terrorists, who belonged to al-Fatah, surrendered to the army.

Throughout the year, Israeli forces crossed the border into southern Lebanon to strike at terrorists bases. Operations were sometimes stepped up after particular outrages; but Israeli spokesmen made it clear that the army would not restrict itself to reprisals, that it would take any necessary action to combat the continuing terrorist war against Israeli towns and villages.

There also were a number of attempts to plant bombs in urban areas, especially in Jerusalem. Due to greater public vigilance, most of them were found and dismantled. The increased terrorist activity, however, was a heavy burden because of the need to step up army patrols, strengthen border fences, and organize a volunteer Civil Guard all over the country. Legislation was also enacted requiring teachers and parents to take turns at school guard duty. Even at Yom Kippur services at least one armed member of each congregation stood guard. Civilian casualty figures on the Lebanese border indicated that these efforts were effective: 43 killed and 84 wounded between the cease-fire and May 31, 1974, compared with 7 killed and 5 wounded from June 1, 1974 to February 1, 1975.

A sensation was created by the arrest, on August 8, of Archbishop Hilarion Capucci, since 1965 head of the Greek Catholic Church in Jerusalem, on charges of exploiting his immunity from customs examinations to smuggle arms and explosives into Israel for al-Fatah. At his trial, which opened in September, he was defended by the Arab lawyer Aziz Shehadah, with the French lawyer Roland
Dumas as consultant. The court rejected claims based on diplomatic immunity and the special status of East Jerusalem, and, in December, sentenced him to 12 years imprisonment.

Negotiations Continue

Satisfaction at the conclusion of the agreement with Syria, two days after the Rabin government took office (p. 411), and the return of the Israeli prisoners of war was marred by POW reports of systematic maltreatment and torture while in prison. Still, Israel adhered to the agreement, completing the withdrawal and redeployment of its forces on June 25.

In presenting his cabinet to the Keneset on June 3 (p. 410), Prime Minister Rabin said that Israel would continue to strive for true peace. It would seek to advance toward peace through separate, partial agreements with Egypt, Syria, Jordan, and Lebanon to ensure pacification by thinning out the forces, reducing the danger of a flare-up or a surprise attack. No "further element" (such as the Palestine Liberation Organization), he stated, could be a party to the negotiations. Rabin repeated Golda Meir's pledge that should the question of territorial concessions in Judea and Samaria arise in negotiations for an agreement with Jordan, the nation would be given the opportunity to express its views in a general election before such an agreement was signed.

Efforts to achieve further progress started with a visit to Jerusalem by UN Secretary General Kurt Waldheim, on June 5, and a state visit by United States President Nixon, on June 16-17. Nixon asked Israel's leaders to choose "the right way" of statesmanship and to recognize that "continuous war was not a solution for Israel's survival." At the same time he assured them that United States efforts to improve relations with the Arab world would not lessen American friendship and support for Israel.

A joint statement issued at the end of the visit underlined the "unique" relationship between the two countries and American readiness to conclude long-term arrangements for aid to Israel (reportedly, some $1.5 billion a year in arms and $1.2 billion in economic assistance until the end of the decade). America also offered to help Israel build a nuclear power station.

The United States offer to supply a similar nuclear reactor to Egypt was widely criticized on the ground that it might enable Egypt one day to produce nuclear weapons. Foreign Minister Allon said there was no need for panic in view of United States assurances and the fact that the operation of an Egyptian reactor would be internationally supervised. On June 19 a vote of no confidence in protest against Allon's attempt to minimize the danger, submitted by Likud and the NRP (National Religious party), was defeated in the Keneset, by a vote of 60 to 50.

When Defense Minister Shimon Peres visited Washington in June to discuss arms supplies, America agreed to sell Israel more advanced planes as answer to the Mig 23s that Russia was supplying to Syria, and to write off $500 million more of the
arms aid given during the Yom Kippur war as a grant, so that Israel owed altogether
$1.5 billion out of the $2.2 billion in arms supplied. According to Peres, the agree-
ment was not conditional on further concessions or withdrawals.

Foreign Minister Allon stated on July 5 that Israel was ready for "substantial
territorial compromises" to achieve peace, but would not return to the pre-1967
borders, a move which would be "an invitation to disaster." Before his return to the
United States for a discussion of the next move, the Israel cabinet devoted a full
session, on July 21, to the problem of the Palestinian Arabs. It reiterated that Israel
was ready to work for a peace agreement with Jordan along the lines of the Align-
ment's election platform (AJYB 1974–75 [Vol. 75], p. 535), and the government's
Basic Principles, i.e., the existence of only two states, Israel and to the east, an Arab
state, which would express the identity of the Jordanian and Palestinian Arabs (i.e.,
satisfy their national aspirations) and live in peace and good neighborliness with
Israel. While Israel continued to prefer talks for another partial settlement with
Egypt, it was ready to talk with Jordan too, if circumstances permitted.

Commentators pointed out that in a recent joint statement President Sadat and
King Hussein, while recognizing the Palestine Liberation Organization as the repre-
sentative group of all Palestinians, excluded "those residing in the Hashemite King-
dom of Jordan," although there was ambiguity as to whether the latter included the
Arabs of the West Bank.

There was some controversy over a July 12 statement by Information Minister
Aharon Yariv that Israel might negotiate with the PLO "if the PLO announced that
its 1968 Palestine Covenant was no longer valid, declared its readiness to start
negotiations acknowledging the existence of a Jewish state here in Israel, and
announced the cessation of all hostile actions against Israel." Two days later Prime
Minister Rabin declared that Israel did not intend to recognize a "Palestinian
entity" or to negotiate with terror groups who wanted to liquidate Israel.

There were reports of a Jordanian proposal for a disengagement agreement based
on a 10-kilometer withdrawal by Israeli forces from the River Jordan and the return
of Jericho to Jordan. This was unacceptable to Israel, particularly since no peace
settlement was involved and the government had committed itself to holding a
general election before agreeing to withdraw from any part of Judea and Samaria.
One of the ideas canvassed was said to be the return of much of the West Bank to
Jordanian civil administration, without a withdrawal of Israeli forces.

Allon, when he was in Washington on July 28 for talks with Kissinger on the next
steps in the negotiations, stated that Israel did not ignore the problems of "Pales-
tinian identity" and would insist that it be solved "as part and parcel of an over-all
peace agreement between us and the Arab countries, particularly Jordan." Israel,
he indicated, would be prepared to compromise on territory in Judea and Samaria,
in spite of Jewish historical rights, in order to achieve peace.

The resignation of President Nixon brought no apparent change in American
relations with Israel. On August 10, shortly after taking office, President Gerald
Ford wrote to Rabin promising "to meet all the commitments undertaken by the
United States toward Israel” and stressing “the continuation of long-range Ameri-
can support in all matters pertaining to Israel’s defense and economic well-being.”
Rabin was reassured regarding arms supply, which he discussed with Ford person-
ally on August 10. After his return from Washington, Rabin stated that, while Israel
was ready to advance toward peace by gradual steps if the Arab states announced
a policy of nonbelligerency, it would make no further withdrawals “unless we get
substantive political, diplomatic and economic concessions from them.”

President Sadat rejected the idea of a declaration of nonbelligerency in an inter-
view televised on August 22. He declared that he would sign a peace agreement with
Israel only together with the Syrians, Jordanians, and Palestinians, and only after
Israel had returned all “occupied land” including Jerusalem and the Palestinian
question had been settled. He had asked the Palestinians to join the Geneva Confer-
ence, he added.

In mid-October Kissinger made another effort to start the negotiations, with visits
to Egypt, Jordan, and Israel, and announced a later return to the Middle East to
work out a “concrete and definite” groundwork for further negotiations. When he
came back on November 5–8, he suggested as the next step further discussions on
a second-stage settlement between Israel and Egypt.

The PLO was advanced to center stage, at the expense of Jordan, when a summit
conference of Egypt, Syria, Jordan, and the PLO held at Rabat, Morocco, on
October 30 affirmed “the right of the Palestinian people to set up an independent
national authority under the leadership of the PLO in its capacity as the sole
legitimate representative of the Palestinian people, on any liberated Palestinian
land.”

On November 5 Rabin again told the Keneset that Israel would not negotiate with
terrorist organizations whose declared aim was its destruction, and that the Pales-
tinian question must find its solution within the framework of Jordan. A new interim
arrangement with Egypt, he stated, must establish “a continuing situation of nonbel-
ligerency with political and economic overtones involving mutual commitments.”

The Israeli press and public were indignant when, on November 13, Arafat was
given a reception worthy of a head of state by the UN General Assembly. Although
Arafat’s speech to the delegates left no doubt that the PLO aimed at the disappear-
ance of Israel, the November 24 General Assembly resolution granted observer
status to the PLO and recognized “the right of the Palestinian people to regain its
rights by all means” in line with the UN Charter.

In the meantime tension was rising on the Syrian border owing to continued
massive Russian arms supplies and Syrian threats to oppose the extension of
UNDOF’s mandate at the end of the month. In view of the danger of a military
flareup, the Israeli Defense Forces on November 15 carried out a partial mobiliza-
tion in the north; the Syrians then agreed to the extension of the UN Force’s
mandate, which was approved by the Security Council on November 29. Summing
up the situation on the same day, Prime Minister Rabin said that a failure of
Kissinger's step-by-step method (which involved negotiations between Israel and each Arab state separately) would bring enormous pressure for the resumption of the Geneva Conference, which was likely to end in deadlock because of Arab demands for the participation of the PLO and the extremist positions usually adopted whenever several Arab states were represented at the same time.

On December 8 Allon again went to Washington to discuss prospects for a settlement with Egypt. According to press reports, a 50-kilometer pullback of Israel forces in Sinai was envisaged, a key question being whether the Giddi and Mitla passes and the Abu-Rudeis oilfields were to be included. On his return four days later, Allon said Israel was waiting for Cairo's response to the Israeli proposals.

On December 15 Egyptian Foreign Minister Ismail Fahmy dropped a bombshell when he declared there would be no peace unless Israel suspended Jewish immigration for 50 years and agreed to the borders specified in the UN partition plan of 1947, or agreed to be absorbed in the PLO's "secular Palestinian state." Allon condemned the proposals as "absurd from beginning to end," and Israel's public opinion unanimously treated them as unworthy of serious consideration. The Likud called for the abandonment of the "illusions spread by government spokesmen" that peace could be reached by stages and called for no more withdrawals without peace treaties with the Arab states. At the end of the year, however, hopes for further negotiations with Egypt were reawakened by the cancellation of Brezhnev's scheduled visit to Egypt, Syria, and Iraq.

DOMESTIC AFFAIRS

Domestic Discontent

The results of the general elections did not put an end to the widespread feelings of malaise that followed the shock of the Yom Kippur war (AJYB 1974-75 [Vol. 75], p. 534). As demobilization of the reserves went on, a number of nonparty protest movements, led by citizens who had fought in the war, sprang up. They had no positive programs, but called for a rethinking of military, political, and social policies, concentrating on the demand for the resignation of Defense Minister Dayan. A new political movement, Shinvi (Change), was formed under the leadership of Professor Amnon Rubenstein, a prominent radio and TV commentator.

The shock to public confidence in the Israel Defense Forces was reinforced by the "War of the Generals," which focused mainly on the personality of Major General Ariel Sharon, who had returned to civilian life as a leader of the Liberal party. Major General Shmuel Gonen, commander of the southern front at the beginning of the war, charged Sharon with disobeying his orders during the fighting; Sharon attacked Chief-of-Staff Lieutenant General David Elazar and his predecessor, General Haim Bar-Lev, now minister of commerce and industry. Deputy Chief-of-Staff Major General Israel Tal resigned on March 19 after 32 years of service because, he said,
he now had only advisory functions and had received no assurance of future promotion.

**Golda Meir's Last Cabinet**

The results of the Keneset election of December 31, 1973, placed serious difficulties in Mrs. Golda Meir's way when she tried to reconstitute the government coalition.

<table>
<thead>
<tr>
<th>Party</th>
<th>Number of Seats</th>
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<tbody>
<tr>
<td><strong>8th Keneset</strong></td>
<td><strong>7th Keneset</strong></td>
</tr>
<tr>
<td>Labor-Mapam Alignment</td>
<td>51</td>
</tr>
<tr>
<td>Arab lists affiliated to Alignment</td>
<td>3</td>
</tr>
<tr>
<td>Likud (Herut, Liberals, etc.)</td>
<td>39</td>
</tr>
<tr>
<td>National Religious Party</td>
<td>10</td>
</tr>
<tr>
<td>Torah Religious Front (Agudat Israel)</td>
<td>5</td>
</tr>
<tr>
<td>Independent Liberals</td>
<td>4</td>
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<tr>
<td>New Communists (Rakah)</td>
<td>4</td>
</tr>
<tr>
<td>Civil Rights Movement</td>
<td>3</td>
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<tr>
<td>Moked (New Left and Communists)</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
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*26 Gahal (Herut-Liberal Bloc), 3 State list, and 2 Free Center.

*Israel Community Party (Maki), which joined Moked in 1973.

*Uri Avneri (Meri--Radicals), Shalom Cohen (Israel Democrats) and Avner Sciaky (ex-NRP).

The Alignment's 54 seats and the Independent Liberal party's four did not constitute a majority in the Keneset, and the National Religious party (NRP), with 10 seats, presented the following conditions for rejoining the coalition: 1) formation of a national unity government, including the Likud; 2) no withdrawal from any part of Judea and Samaria and the Gaza Strip; 3) an amendment to the Law of Return recognizing only conversions conducted according to the _halakhah_ (AJYB, 1971 [Vol. 72], pp. 437–38). The support of Shulamit Aloni's Civil Rights Movement, with three seats, would have produced a bare majority, but Mrs. Meir was not expected, for personal reasons, to seek Mrs. Aloni's cooperation. NRP's veteran leaders were inclined to compromise, but in the face of vehement opposition from its young guard, the party asked the Chief Rabbis to rule on the possibility of compromise on the question of "Who is a Jew." The Chief Rabbinate Council ruled that NRP was not to join the coalition if its demands for amending the Law of Return were rejected.

Another crucial issue was the question of Moshe Dayan's future. Demands for his removal as defense minister came from left-wing and "dovish" circles, as well as from popular protest movements that accused him of responsibility for Israel's unpreparedness at the beginning of the Yom Kippur war. A campaign against
Dayan, started by a 33-year-old reserves officer, Motti Ashkenazi, was supported by a crowd of some 4,000 who on February 17 demonstrated across the road from the prime minister's office. Opposition to him voiced at meetings of the Labor party's governing bodies prompted Dayan to declare on February 19 that he could not serve in the next cabinet in view of the feeling within the party. Shimon Peres was expected to follow his example.

The controversy within the Labor party came to a head on March 3 when Mrs. Meir submitted to a meeting of party leaders proposals for a minority government, with Yitzhak Rabin as new minister of defense and three portfolios to be given to NRP. After a heated debate, Mrs. Meir said she would resign, but in response to further appeals agreed to continue to form a government.

The turning point came late on March 5, after the cabinet had heard of the Syrian threat in the north (p. 000). Dayan and Peres agreed to remain in the cabinet in view of the imminent danger, and NRP came to a similar decision the following day. Mrs. Meir presented her government to the Knesset on March 10 and received a vote of confidence—62 to 46 votes, with 9 abstentions. There was no change in the key cabinet posts, but seven of the 21 cabinet members were new.

New Cabinet Takes Over

Mrs. Golda Meir's cabinet proved to be shortlived. From the beginning there was unrest in NRP. The young members continued to campaign against participation in the coalition, and on March 30 Social Welfare Minister Michael Chazani announced his resignation. The following day a new crisis was sparked by the publication of the interim report of the Agranat Commission (AJYB 1974-75 [Vol. 75], p. 534), which dealt with developments leading up to the outbreak of the Yom Kippur war. The commission cleared Prime Minister Meir and Defense Minister Dayan of blame. Failure to foresee the imminence of the Egyptian and Syrian attacks, despite unmistakable signs on the ground, it found, was due to the IDF Military Intelligence Department's overconfidence that its appraisal of Arab intentions and strategy was correct and the fact that the civilian authorities had no other sources of information.

The commission blamed Elazar for incorrect assessment of intelligence information and inadequate preparedness of the armed forces, and recommended that he relinquish his post. It further recommended that Chief of Military Intelligence Eliahu Ze'ira and three other senior intelligence officers be transferred to other posts, and that Major General Gonen be relieved of active duty pending the completion of the inquiry into his role.

The commission proposed, to ensure independent evaluation, the appointment of a special advisor to the prime minister on intelligence matters; the expansion of the foreign ministry's research department; and establishment of a research department for the counterintelligence organization. It also suggested the clarification of division of authority among the prime minister, defense minister, and chief of staff and the formation of a small cabinet committee on defense. Elazar resigned under protest; he was succeeded by Major General Mordecai Gur.
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* New ministers
* Also Development
† Held pro tem by Prime Minister
‡ Coopted on October 31
§ Resigned November 5
The Agranat Commission's exoneration of Dayan met with widespread, fierce criticism in which some Labor Alignment circles joined. The Ahдут Ha'avodah and Mapam factions, supported by the editor of the Histadrut organ Davar, called for Dayan's resignation in keeping with the principle of ministerial responsibility. The ex-Rafi group, on the other hand, insisted that if Dayan went the entire cabinet should resign. Faced with the possibility of a serious split, Mrs. Meir on April 11 submitted her resignation.

It was clear that Finance Minister Sapir would be unopposed if he sought the Labor party's nomination for the premiership, but he refused to do so, or even join the new cabinet, and backed Yitzhak Rabin for the post. For the first time in the party's history, two candidates were proposed: Rabin and Information Minister Peres. On April 22 the Central Council elected Rabin in a secret ballot by a vote of 298 against the unexpectedly high vote of 254 for Peres, whose status was much enhanced by the obvious extensive support from outside the ex-Rafi faction. Rabin's nomination signalled the transfer of power to what he called "the sons of the founding generation," who were either sabras or had spent most of their life in Israel. Shulamit Aloni (CRM) resigned in protest against the adhesion of NRP.

In his attempt to form a new government, Rabin immediately ran into difficulties with NRP, which renewed its demand for the Law of Return amendment. Efforts at compromise failed, and on May 19 the Central Committee authorized Rabin to form a government with the narrow majority of 61 members: 54 Alignment, four Independent Liberal party, and three Civil Rights Movement.

In Rabin's cabinet Peres (ex-Rafi) took over the defense portfolio, Yigal Allon (ex-Ahдут Ha'avodah) replaced Eban as foreign minister, and Joshua Rabinowitz, former mayor of Tel Aviv, was minister of finance. There were five new ministers, making 12 out of 21 who had not held office at the beginning of the year. Three posts were held open for NRP. The new government was severely criticized by Dayan, who objected to its "dovish" character, and by Eban, who resented being replaced. The ex-Mapai group was disturbed at being excluded from the three top foreign and defense policy-making positions (Rabin himself did not belong to any faction). On June 3 the Keneset gave the government a vote of confidence, by a vote of 61 to 51.

Toward the end of August, the majority factions in the National Religious party began to move toward rejoining the coalition. The negotiations were lengthy; agreement was finally reached with conditions almost identical with those on which NRP had joined the Meir government. The cooption of Yosef Burg as minister of interior, Yitzhak Raphael as minister of religious affairs, and Michael Chazani as minister of social welfare, was approved by the Keneset on October 31 by a vote of 59 to 52.

Economic Difficulties

Israel had economic problems, although there was no unemployment or serious dislocation. On January 28 the government reduced subsidies on basic foodstuffs,
whose cost had risen from I£ 250 million in 1970-71 to an estimated I£ 1.8 billion in the 1974-75 fiscal year as a result of the rise in world prices. To compensate for this move, the cost-of-living allowance and allowances to large families and dependents of soldiers were increased.

Reservists who had served for at least 75 days received job security, priority in housing and university admittance, free vocational training and, if self-employed, loans to ease their return to business. In the main, these arrangements worked well, and there were no widespread complaints of difficulties in returning to civilian life.

On January 28 Finance Minister Sapir introduced a supplementary budget totaling I£ 11.323 billion, an increase of the original estimates by over one half, to cover the cost of the war and price increases. Defense now accounted for 50 per cent of the total budget and 40 per cent of the GNP.

The budget for 1974-75, presented in the Keneset on March 15, totaled I£ 35.35 billion, over 75 per cent more than the original estimates for the previous year. The largest item was I£ 15 billion for defense—a cut of some I£ 5 billion in the original estimate. Allocations for social services were also increased: housing by 64 per cent, education by 54 per cent, health by 43 per cent, and social welfare by more than 100 per cent.

Rabin's new government was almost immediately compelled to impose further severe economic measures to counteract a growth of almost I£ 4.5 billion in expenditure and a total rise of 21 per cent in prices within five months. The new austerity program announced on July 2 included a levy on imports, a tax on property, higher purchase taxes on luxuries, and an increase in the compulsory defense loan. Almost I£ 1 billion was cut from the budget allocations to the ministries. The Histadrut, led by Yeruham Meshel, who had been elected Secretary-General in March, refused to agree to the withholding of part of the cost-of-living allowance increase due in July; the government imposed instead an additional compulsory loan on incomes. Allowances to the lower-income groups were raised again to compensate for expected price increases. It appeared at first that these measures were having a salutary effect: during the next four months prices rose by only about 1 per cent monthly.

A second major economic problem came to the fore, however: the widening of the trade gap (the expected deficit for 1974 was $3.3 billion, more than three times that in 1972) and the impoverishment of foreign currency reserves—largely because of the rise in the cost of arms imports from $700 million in 1972 to $2,350 million in 1974, and the continuing increase in world fuel and commodity prices.

Further drastic measures were therefore announced on November 10. The Israeli pound was devalued by 43 per cent, from I£ 4.20 to I£ 6 to the dollar. Subsidies were cut on petroleum products and staple foodstuffs, trebling the price of sugar, doubling that of margarine, and raising the cost of bread by 80 per cent, of dairy products by 60-70 per cent, and of eggs by 60 per cent. The government cut its expenditures by another I£ 1 billion during the remainder of the fiscal year. A six-month ban was imposed on the import of automobiles and other expensive
consumer goods. Taxes on travel, capital gains, and land improvement were raised. As before, old-age pensions, welfare payments, and children's allowances were increased, while the cost-of-living allowance was raised beginning in December. The Histadrut agreed to extend existing labor contracts for another six-month period.

The announcement of the new austerity program called forth an angry response from some sectors of labor: there were riots in the Hatikva slum quarter of Tel Aviv and demonstrations at Histadrut headquarters. But the uproar quickly died down.

There was wide agreement on the need for fundamental reforms in the tax system and the wages structure. The high income tax undermined incentive to hard work and penalized honest reporting of income. Widespread attempts had been made to circumvent high taxes by increasing the proportion of wages being paid in the form of tax-free allowances for professional literature, travel costs and others, so that nominal wages were a very poor reflection of the real situation. A campaign was launched by the government, Histadrut, and employers to make 1975 a “productivity year.”

On December 11 agreement was reached between Israel and the European Economic Community (EEC) for a customs union: Beginning in 1976, Israeli industrial goods were to be admitted to the EEC countries without tariffs, while their industrial exports to Israel would be duty-free for a period of 15 years. Israel's infant industries could receive tariff protection for a further five years.

A number of financial scandals aroused considerable controversy and public uneasiness. On July 9 the Bank of Israel seized the Israel-British Bank, which was in danger of not being able to meet its liabilities. The insolvent bank’s manager, Joshua Bension, was convicted on January 8, 1975, of stealing $47 million of the bank's funds and transferring them to other companies belonging to its owners. Moshe Sanbar, governor of the Bank of Israel, was criticized for having deposited $30 million of its assets with the Israel-British Bank's foreign associate and for having failed to deal with the IBB's irregularities in time.

Toward the end of September it became known that the Israel Corporation, formed for investment in Israel by European Jewish financiers headed by Baron Edmond de Rothschild, was involved in the concerns of Tibor Rosenbaum, a Swiss Zionist leader and banker whose International Credit Bank was in serious difficulties. Michael Tzur, managing director of the Israel Corporation, was dismissed for investing without authority $23 million of the funds of the corporation and its Israeli subsidiaries in some of Rosenbaum's companies registered in Vaduz, Lichtenstein. Zvi Rechter, managing director of Solel Boneh, the Histadrut construction company, was also accused of irregular transactions with Rosenbaum and charged, on January 22, 1975, with fraud and breach of foreign exchange regulations.

Ze'ev Kariv, managing director of Mekorot, the national water corporation, was charged on October 20 with falsifying the balance sheets of Vered, a Mekorot subsidiary for water research and development abroad (AJYB, 1972 [Vol. 73], p. 571). Israel Shubinsky, former managing director of Autocars Ltd. which was
investigated by the Keneset Committee on Economic Affairs, was acquitted of charges of bribing public officials (AJYB 1972 [Vol. 73], p. 571); other charges against him were dropped for lack of evidence.

Population and Immigration

The population of Israel at the end of 1974 was estimated at 3,402,000: of whom 2,888,000 were Jews and 514,000 non-Jews including 368,000 Muslims, 85,000 Christians and 41,000 Druses and others, compared with 2,834,500 Jews and 497,000 non-Jews (corrected estimates) at the end of 1973. Of the growth in the Jewish population, 87 per cent was due to natural increase.

There was a considerable drop in immigration: from 54,676 in 1973 to 32,700 (about the level of 1969–71) including 8,700 temporary residents, in 1974. The largest decline was in the number of arrivals from the Soviet Union: from 33,000 to 17,000. The percentage of Soviet Jewish emigrants arriving at the transit center in Vienna who opted to go on to places other than Israel grew from 8 per cent at the beginning of 1974 to 36 per cent at the end of the year. There was also a decrease in the number of immigrants from the United States: from 4,440 in 1973 to some 3,000 in 1974. Immigration from the United Kingdom went up from 740 to 830. Estimates of the number of yordim (emigrants from Israel) during the year ranged from 8,000 to 17,000.

Personalia

Giora Lotan, sociologist and administrator, first director of the National Insurance Institute, died in Jerusalem on January 1, at the age of 71. Joseph Serlin, Liberal party leader and former minister of health, died in Tel Aviv on January 13, at the age of 67. (Note: included by error in 1973 review.) Siegfried Moses, first state comptroller, died in Tel Aviv on January 15, at the age of 86. Umberto Nahon, Jewish Agency official and leading member of the Italian Jewish community in Israel, died in Jerusalem on January 15, at the age of 67. Karel Salomon, composer and broadcasting pioneer, died in Jerusalem on January 15, at the age of 76. Meir Margalit, veteran actor, died in Tel Aviv on January 29, at the age of 68. Abd el-Aziz Zuabi, deputy minister of health and leading member of Mapam, died in Nazareth on February 14, at the age of 48. Major-General Kalman Magen, divisional commander on the Egyptian front, died in Tel Aviv on March 10, at the age of 45. Professor Victor Gottheiner, noted cardiologist, died in Tel Aviv on March 31, at the age of 75. Rabbi Isaac Arieli, talmudic scholar, awarded the Israel Prize in 1966, died in Jerusalem on April 25, at the age of 84. Phinehas Schneersohn, veteran pioneer, one of the defenders of Tel Hai, died in Tel Aviv on May 27, at the age of 81. Ted Lurie, editor of The Jerusalem Post, died in Tokyo on June 1, at the age of 64. Abraham Moses Fuchs, Yiddish writer, died in Tel Aviv on May 29, at the age of 83. Raphael Eliaz, Hebrew poet, died in Holon on June 9, at the age of 69. Rabbi Amram Blau, leader of the Neṭure Karta, died in Jerusalem on July 5, at the
age of 74. Benjamin Eliav, journalist and writer, died in Tel Aviv on July 27, at the age of 65. Ludwig Blum, landscape artist, died in Jerusalem on July 27, at the age of 83. Reuven Rubin, artist, died in Tel Aviv on October 30, at the age of 81. Erich Sternberg, composer, died in Tel Aviv on December 17, at the age of 86. Jacob Geri, industrialist, former minister of commerce and industry, died in Tel Aviv on December 19, at the age of 73.