Israel and the Middle East

Israel

The year was full of surprises for the people of Israel. Prime Minister Ariel Sharon, who had created the new centrist party Kadima and removed Israeli settlers from Gaza and the northern West Bank in 2005, seemed poised to continue a policy of unilateral withdrawal from the territories, but was felled by a stroke. His successor, Ehud Olmert, won the Knesset elections in the spring. His plans to carry on Sharon's program, however, could not be implemented as the Palestinian Authority, which came under Hamas control in elections held in January, refused even to recognize Israel, Qassam rockets began falling on the western Negev with some regularity, and an Israeli soldier was kidnapped in June.

The kidnapping of two more Israeli soldiers on July 12, this time near the northern border with Lebanon, precipitated a bloody war against the Iranian-backed Hezbollah, which controlled southern Lebanon. The 34-day conflict cost both sides dearly, and in the end, while an international force would be stationed in southern Lebanon and thus remove, at least temporarily, the immediate threat to northern Israel, the Israelis did not achieve their goals—return of the hostages and the infliction of a debilitating defeat on Hezbollah.

There were other surprises as well. While Israel had, over the years, become used to charges of misdeeds directed against high officials, what happened in 2006—the prospect of the president of the nation being tried for sexual misdeeds—came as a shock. One pleasant surprise was the resilience of the Israeli economy, which continued to grow despite the effects of the war.
Sharon Leaves the Scene

Prime Minister Ariel Sharon briefly lost consciousness on December 18, 2005, when he suffered a form of stroke called paradoxical embolism caused by a small hole in his heart. On January 4, 2006, one day before he was due to undergo a catheterization procedure to correct that birth defect, Sharon complained of weakness and chest pains, and was rushed to Hadassah Medical Center in Ein Kerem, Jerusalem, by car from his ranch in the northern Negev. Apparently unconscious by the time he reached the hospital, Sharon was diagnosed as having suffered a massive cerebral hemorrhage. Bleeding in his brain was brought under control in two separate operations, and he was placed on a respirator. Doctors induced a coma to ease his treatment, and Sharon’s duties were assumed by Vice Prime Minister Ehud Olmert, who took on the role of acting prime minister.

The doctors at first expressed optimism. On January 7, the neurosurgeon who had performed the operations deemed that the patient’s chances of survival very high, and said: “He will not continue as prime minister, but maybe he will be able to understand and speak.” But when the precautionary sedation was eased and then stopped a few days later, Sharon showed no sign of improvement. On January 25, Ha’aretz quoted expert opinion that Sharon’s state was vegetative, and that while it was still possible that he might wake up, it might take weeks or months. The prime minister had another emergency operation for serious damage to the digestive system caused by a small blood clot. Fifty centimeters (about 20 inches) of intestine were removed.

On April 11, more than three months after the stroke, the cabinet formally declared Sharon incapacitated. Three days later Sharon’s term as prime minister was officially terminated and Olmert’s status changed from “acting” to “interim” prime minister. The fact that previously scheduled elections had already taken place on March 28 (see below) and that Olmert, as head of the leading party, was negotiating to form the new government, obviated the need for the formation of an interim cabinet.

Hadassah Medical Center strongly denied an April 21 report on Channel 2 TV that doctors had admitted they made a major mistake when they gave Sharon large doses of blood thinners after the first, mild stroke in December. Hadassah claimed that the doctors, when debriefed, said “the elements leading to the decisions and treatment were correct, and they
would repeat them if needed.” In late May, Sharon was moved to Sheba Medical Center at Tel Hashomer, near Tel Aviv. Doctors said they hoped at least to wean the former prime minister off his respirator so that he could eventually be taken to his Negev ranch. At Sheba, he was temporarily moved into the intensive care unit when he contracted double pneumonia, but then returned to the respiratory ward, where he remained through the rest of the year.

Palestinian Elections

On January 25, three months before Israelis went to the polls, elections were held for the Palestinian parliament, the Legislative Council. These had originally been scheduled for July 2005, but Palestinian Authority president Mahmoud Abbas, the head of the governing Fatah party, postponed them for “technical reasons.” Nine days before the election, the Israeli cabinet decided to allow Palestinian residents of East Jerusalem and 27 surrounding localities—areas considered part of Israel—to vote. Although Change and Reform, the Hamas electoral list, had five candidates running, members of Hamas and other terrorist groups were not allowed to enter Jerusalem to campaign. Quoting government sources, Ha’aretz said that wanted Hamas members who showed up in East Jerusalem on election day would be arrested.

Acting prime minister Olmert had originally insisted that East Jerusalem Palestinians vote outside the municipal borders of the city. But the PA responded that it would not submit to such a restriction, and threatened to postpone the elections once again. The U.S., eager for the elections to take place, exerted pressure on Olmert to allow voting in East Jerusalem. Aware of the political damage that could follow should Israel be blamed for another postponement, Olmert acquiesced.

President Abbas, speaking to reporters in Nablus on January 18, said he would resign if the new parliament blocked his efforts to make peace with Israel. However he said he would not mind if Hamas won some representation in the Legislative Council. “I won’t say if Hamas joins I will withdraw. There is a political program . . . and if I feel I can’t implement it, then staying in my chair is not the ultimate goal,” he said. Abbas raised the possibility that Hamas might moderate its views. “Maybe it will change its policy, no one knows,” he said. “Maybe it will say it will accept negotiations.”

The next day, 20 people were wounded—miraculously, none were killed—in a suicide-bomb attack at the Rosh Ha’ir schwarma stand near
Tel Aviv's Old Central Bus Station. Defense Minister Shaul Mofaz said there was "clear evidence" of Iranian and Syrian involvement in the attack, and that Israel would tighten security around Nablus, hometown of the Islamic Jihad attacker, Sami Abdel Hafez Antar. Abbas, speaking in Nablus, said the attack had been an attempt to sabotage the elections and undermine Palestinian security, but Ra'anan Gissin, a senior spokesman for incapacitated Ariel Sharon, blamed inaction by Abbas's own PA security forces, charging that militant groups had "moved into the void."

Hamas won a great victory on election day, capturing 76 seats in the 132-member Palestinian parliament. Fatah, which had dominated PA politics since its founding in 1994, gained only 43 seats, with independents winning the remainder. The sweep gave Hamas an absolute majority in parliament and the consequent ability to form a new cabinet on its own. As information about the size of the Hamas victory circulated in the PA, Prime Minister Ahmed Qurei of Fatah resigned. "It is the choice of the people," he said, and "should be respected."

But any new cabinet and prime minister heading it would have to cooperate with PA president Abbas, who had been elected in 2005, shortly after the death of Yasir Arafat, for a four-year term. Abbas retained broad power to create national policy and control the security services, although he would need parliamentary approval for his budget and legislative proposals. And as head of the Palestine Liberation Organization, which did not include Hamas, he would also be in charge of negotiations with Israel.

Shortly after the ballots were counted, international donors expressed reservations about dealing with or providing financial aid to a Hamas government that embraced the use of terror and refused to accept Israel's right to exist. Speaking on January 26, U.S. president George W. Bush called the returns "a wake-up call." Later, after a meeting of his cabinet, Bush said that so long as Hamas did not recognize Israel, "we will not support a Palestinian government made up of Hamas." Bush said Hamas would have to get rid of its arms and disavow terrorism. "I don't see how you can be a partner in peace if you advocate the destruction of a country as part of your platform. And I know you can't be a partner in peace if you have a — if your party has got an armed wing," he said. Bush made the same point in an Oval Office interview with the Wall Street Journal. "A political party, in order to be viable, is one that professes peace, in my judgment, in order that it will keep the peace," he said.

In Brussels, European Union foreign ministers jointly urged Hamas to
recognize the State of Israel, renounce violence, and accept previous PA agreements with Israel, and threatened to cut off financial assistance if the demands were ignored. UN secretary general Kofi Annan also said that future aid for the PA would depend on the willingness of the Hamas-led government to renounce violence and recognize Israel.

There were predictions that though Western and Arab states would not let the Palestinians starve, international aid to the new PA government would fall far below previous levels. “Money is going to be the weapon and a very effective one,” analyst Mustafa Allani of the Gulf Strategic Studies Center told AP. “If Hamas wants to deliver basic requirements for the Palestinians, basic services, they’re going to need money, and this is going to be the point of pressure. I think Hamas is going to have to consider a major shift in political ideology.” Ephraim Kam, deputy director of Tel Aviv University’s Jaffee Center for Strategic Studies, said Iran could provide several million dollars in extra aid if the West turned off the taps, a development that would only increase Iran’s popularity in the region. But at the start of the year the PA needed much more: two-thirds of its $1.6-billion operating budget came from international donors, including Western governments and aid agencies. There was a dilemma, Kam said: “The West doesn’t want to give money to Hamas, but it doesn’t want the PA to collapse either,” because of “the deepened human misery that would bring.”

Violence rose in the PA in the aftermath of the Hamas victory. With many of the Fatah-linked police fearful of losing their jobs, firefights broke out between members of Hamas and police in Khan Younis in the southern Gaza Strip. Ismail Haniyeh, the Hamas leader expected to become prime minister, tried to assuage fears and assert control. Weapons, he said, “should be turned only against Israel. Our battle is not against our own people.”

The battle was indeed directed across the border. A seven-month-old Israeli infant suffered a serious head wound and three other family members were moderately injured when a Qassam rocket hit a mobile home in Kibbutz Karmia, a few kilometers north of the Gaza Strip, on February 3. The baby’s grandfather, a Magen David Adom paramedic summoned to the site of the attack, said the Palestinian rocket “landed in the mobile home’s bedroom and blew the husband, the baby and the mother in the air.” Two days later, a Palestinian terrorist carrying a knife killed one woman and wounded five others during a stabbing spree on a minibus traveling from Petah Tikva to Tel Aviv. Eyewitnesses said an angry crowd beat the man before police arrived.
pacitated, Olmert promised to “carry out the wishes” of Sharon in leading the country. He said that if Sharon were able to speak, the prime minister would tell the nation to get back to dealing with pressing social, economic, and security issues. “This we will continue to do,” he declared. Netanyahu, who had anticipated challenging Sharon in the upcoming elections, also praised the fallen prime minister. “History will judge him as the great leader that he is,” said Netanyahu, who had resigned as Sharon’s finance minister the previous summer in what he said was a protest against the Gaza disengagement. “I don’t think time will judge Sharon harshly in the larger perspective of his contributions to Israel’s security.”

As Sharon showed no signs of emerging from his coma, the centrist party he had created, Kadima, began to close ranks behind Olmert. Shimon Peres, the former Labor leader who had joined Kadima in 2005, said on January 8 that he would support Olmert for party’s top spot, adding that he would probably join the party’s list for the Knesset. Olmert met with Peres and Tzipi Livni, the former justice minister who now took over the Foreign Ministry, on January 12, and an agreement was reached whereby Peres would have the second position on the Kadima list and Livni would be third. Since Kadima still did not exist as a grassroots political party, the rest of its slate of candidates was chosen by the leadership, not through a primary election.

Likud held its party primary on January 12, and taking the second spot, after Netanyahu, was the relative unknown Moshe Kahlon, a backbench Knesset member. He was followed by two other relatively young backbenchers, Gilad Erdan and Gideon Sa’ar, and only then by older, veteran MKs.

Labor’s list, chosen in primaries on January 18, included a number of new faces such as Avishay Braverman, the former president of Ben-Gurion University in Beersheba and, before that, a top-level economist at the World Bank; Ami Ayalon, who had headed both the Shin Bet security service and the Israeli Navy; and Sheli Yechimowitz, a sharp-tongued journalist on Channel 2 TV. Five ex-generals, including former party leader Binyamin (Fuad) Ben-Eliezer and former chief of Army Intelligence and cabinet minister Ephraim Sneh, were among the top 15 candidates.

Olmert’s first press conference as acting prime minister, on January 18, was also the opening gun in Kadima’s election campaign. Olmert, assuming that Fatah would win the upcoming Palestinian elections, said he hoped to begin negotiations with PA president Abbas about “a perma-
nent peace agreement between us and the Palestinians.” These talks, he continued, should be based on the internationally backed “road map” peace plan, which called for the creation of a Palestinian state and outlined steps, so far unrealized, for the two sides to abandon the conflict.

On January 25, the day of the Palestinian elections, Olmert once again spoke of his plans in a major policy address at the Herzliya Conference on Security, an annual event at which Sharon had presented his disengagement plan two years earlier. Olmert said, “The choice between allowing Jews to live in all parts of the land of Israel and living in a state with a Jewish majority mandates giving up parts of the Land of Israel.” Olmert declared that Israel “will keep security zones, main settlement blocs, and places important to the Jewish people, first of all, Jerusalem, united under Israeli control. There can be no Jewish state without Jerusalem under Israeli sovereignty.” He called implementation of his program “a turning point for the State of Israel.”

After the surprising Hamas victory, at ceremonies honoring the anniversary of the Knesset’s founding on February 13, Olmert elaborated. Should negotiations with the PA fail, he said, there would be further unilateral withdrawal from some parts of the West Bank. The next Knesset, he said, would “be faced with a series of historic missions,” the first of which was “the determination of the final borders of the State of Israel.” Three weeks later, speaking in Tel Aviv, Olmert favored reducing spending on settlements in the West Bank and diverting the funds to underdeveloped areas in Israel itself. Billions of dollars would be spent on three regions—Jerusalem, the Negev, and the Galilee. And on March 6, speaking via satellite link to the annual conference of AIPAC (American Israel Public Affairs Committee), the main pro-Israel lobbying group in the U.S., Olmert repeated that Israel “will take the initiative if we find out that the Palestinians are not ready, are not prepared or are not mature enough to be able to take the necessary adjustments within themselves,” and decide its own borders.

In subsequent newspaper interviews, Olmert made his intentions even clearer. Setting a four-year horizon for securing permanent borders either through negotiation or unilateral action, he sketched an outline of the projected map. Ma’ale Adumim, the “Jerusalem satellite city,” would be part of the Jewish state, as would Gush Etzion and Ariel on the West Bank. Residents of isolated settlements would be evacuated and moved into these major blocs. Jerusalem and its environs as well as the Jordan Valley on the frontier with Jordan would fall within Israel. PA president Abbas seemed willing to go along, telling the Italian paper Corriere della
"We’ll respect the will of the Israeli people . . . . I hope Olmert wins. I know him well. I believe that with him we could work in a productive way."

Shortly before Sharon’s stroke polls had shown his party, Kadima, winning 42 of the 120 Knesset seats in a general election, compared to Labor’s 19 and Likud’s 14. In the immediate aftermath of Olmert’s assumption of power, the surveys continued to show strong support for Kadima. But the party began to slip in the polls as time went on. Five days before the election, a Dahaf poll for Yedioth Aharonot had Kadima winning 36 seats and a Ma’ariv survey had it at 37. Unfazed, Olmert told Yedioth that he would include in his government only parties willing to support his “consolidation” program. “I presented a political plan at the center of which is determining Israel’s final borders during my term in office. In the framework of the plan, settlements in Judea and Samaria will be consolidated into settlement blocs,” Olmert said.

The big surprise of the pre-election polls was the performance of Yisrael Beitenu, the rightist party led by Avigdor Lieberman, who came from the part of the former Soviet Union that was now the independent country of Moldova. Lieberman, 48, served as director general of Likud during Netanyahu’s successful 1996 race for prime minister and later as director general of the Prime Minister’s Office before breaking with Likud to form his own party. Supported largely by Russian immigrants, it had only two seats in the outgoing Knesset, but was expected to do much better in 2006. He hoped to win votes outside the immigrant community by adding several native Israelis to his list.

When final returns were tabulated, Kadima won a disappointing 29 Knesset seats, but remained the largest party. It was followed by Labor, with 19. Likud and Shas, the Sephardi Orthodox party, each had 12; Yisrael Beitenu 11; the National Union-National Religious Party alliance 9; the Pensioner’s Party 7; the ultra-Orthodox United Torah Judaism 6; the left-wing Meretz 5; and Ra’am-Ta’al, Hadash, and Balad, the three Arab parties, a combined total of 10. Shinui, the anticlerical party that had come in a surprising third with 15 seats in the previous election but then splintered into factions, won none in 2006.

While Yisrael Beitenu’s exceptional performance had been foreseen by the pollsters, the strong showing of the Pensioners Party had not. In the last few days before the election it went from being a marginal party that might just barely win the minimum percentage necessary to win Knesset representation, to being a major force, winning seven seats. Paradoxically, the party was led by oldsters and represented the interests of senior cit-
izens, but its support came largely from younger voters; instead of voicing their protest against "the system" by supporting the pro-marijuana Green Leaf party, which many of them were expected to do, or not voting at all, they cast ballots for the Pensioners. "It's like voting for your grandparents," said one student at Tel Aviv University.

After the results were in, Western leaders voiced support for Olmert. President Bush had a brief congratulatory phone conversation with him. EU external relations commissioner Benita Ferrero-Waldner said her 25-nation group looked forward to working with the Israeli leadership and hoped that both new governments, the one in Israel and the other in the PA, could move together to bring peace to the region.

Olmert, in a victory speech, reiterated his plans for the future: "In the coming period, we will move to set the final borders of the State of Israel, a Jewish state with a Jewish majority. We will try to achieve this in an agreement with the Palestinians." Addressing Palestinian leader Abbas, Olmert said: "We are prepared to compromise, give up parts of our beloved land of Israel, remove, painfully, Jews who live there, to allow you the conditions to achieve your hopes and to live in a state in peace and quiet." He went on, "The time has come for the Palestinians . . . to relate to the existence of the State of Israel, to accept only part of their dream, to stop terror, to accept democracy and accept compromise and peace with us. We are prepared for this. We want this." But Olmert would not wait indefinitely. "It is time for the Palestinians to change their ethos, to accept compromise as soon as possible. If they manage to do this soon, we will sit and work out a plan. If not, Israel will take control of its own fate, and in consensus among our people and with the agreement of the world and U.S. president George Bush, we will act. The time has come to act."

The New Israeli Government

President Moshe Katzav formally asked Olmert to form a government on April 7. Olmert responded that he hoped to put together a coalition and cabinet "which will have the broadest possible support, as quickly as possible." He soon indicated that a coalition with Labor was his first choice. The two parties basically agreed on the major foreign-policy issue, seeking a peace deal without recognition of the Hamas-led PA, although Labor tended to be more insistent on enabling international humanitarian aid to get through to the Palestinians. The key stumbling block to a coalition was the desire of Labor leader Amir Peretz to hold the Finance
Ministry, seeing it as a springboard for realizing the party's social agenda. Though he recognized that Labor had to be given a senior portfolio, Olmert felt obliged to give Foreign Affairs to Tzipi Livni, who had taken over that portfolio after the Likud ministers resigned in January, and Finance to Avraham Hirschson, a longtime close associate. That left only Defense, where the other leading candidate was Shaul Mofaz, the incumbent, who had come over to Kadima from Likud in 2005.

There were indications that Shas and the Pensioners would also joint the new coalition. Indeed, Peretz and MK Eli Yishai, the Shas leader, met in early April to agree on a "social package" to present to Olmert during coalition negotiations. It focused on three primary points: legislation ensuring pensions for every citizen; increases in the size of old-age pensions; and a rise in the minimum wage. When the meeting at Labor headquarters in Tel Aviv's Hatikva Quarter ended, Yishai told reporters, "We have much in common with the Labor Party, as well as between us and the Pensioners. The people of Israel spoke its part regarding social issues. We were invited for a meeting and we came to hear Labor's positions."

On April 4, Olmert and Peretz appeared at a joint press conference, amid smiles and embraces, to announce their impending partnership. Peretz would become defense minister, the first civilian to hold the post in decades. Meanwhile, rumor had it that Peretz had secretly tried, after the election, to form his own coalition out of an odd mix of leftist, religious, and right-wing parties. Sources close to Peretz described this as a sincere effort to bring together disparate movements that agreed on social issues, while postponing diplomatic progress with the Palestinians for two years. Critics called the exercise a clumsy, naked power grab that would thwart the plain will of the voters and betray the interests of Peretz's own dovish electoral base.

Labor officially rejected Kadima's idea of bringing Yisrael Beiteinu into the government as a third major element of the coalition. But sources in Yisrael Beteinu said they did not believe this was "the end of the story." Ha'aretz quoted a senior figure in the party as saying that "Peretz said many things recently that he took back . . . We have no reason to think this time he will be consistent. From our point of view, nothing is final yet."

Olmert completed his coalition on May 1 by adding Shas with its 12 seats after the party's rabbinical council approved the deal. Kadima pledged to increase child allowances—a key issue for Shas's supporters, many of whom were poor and had many children. And as a gesture towards the hawkish Shas electorate, the party did not have to obligate itself to back a unilateral pullback in the West Bank: according to the coalition agree-
ment, once an evacuation plan was placed on the government’s agenda, Shas could decide whether or not to support it. (Earlier, during the campaign, Olmert had insisted that his coalition partners would have to accept the plan.) The government now encompassed 67 seats—29 from Kadima, 19 from Labor, 12 from Shas, and seven from the Pensioners.

On May 4, Olmert’s new cabinet was approved by the Knesset:

- Tzipi Livni (Kadima): Vice Prime Minister, Minister of Foreign Affairs
- Shimon Peres (Kadima): Vice Prime Minister, Minister for the Development of the Negev and Galilee
- Amir Peretz (Labor): Deputy Prime Minister, Minister of Defense
- Eli Yishai (Shas): Deputy Prime Minister, Minister of Industry, Trade and Labor
- Shaul Mofaz (Kadima): Deputy Prime Minister, Minister of Transportation and Road Safety
- Avraham Hirschson (Kadima): Minister of Finance
- Ariel Attias (Shas): Minister of Communications
- Avi Dichter (Kadima): Minister of Public Security
- Ronnie Bar-On (Kadima): Minister of Interior
- Yuli Tamir (Labor): Minister of Education
- Haim Ramon (Kadima): Minister of Justice
- Isaac Herzog (Labor): Minister of Tourism
- Yacov Ben Yizri (Pensioners): Minister of Health
- Benjamin Ben-Eliezer (Labor): Minister of National Infrastructure
- Ze’ev Boim (Kadima): Minister of Immigrant Absorption
- Rafi Eitan (Pensioners): Minister of Pensioner Affairs
- Gideon Ezra (Kadima): Minister of Environmental Protection
- Meir Sheetrit (Kadima): Minister of Housing
- Shalom Simhon (Labor): Minister of Agriculture
- Yitzhak Cohen (Shas): Minister without portfolio responsible for the religious councils
- Eitan Cabel (Labor): Minister without portfolio responsible for the Israel Broadcasting Authority
- Ya’akov Edri (Kadima): Minister without portfolio responsible for Knesset liaison and Jerusalem affairs
- Meshulam Nahari (Shas): Minister in the Finance Ministry

Bush acted quickly to show his support for the new government, inviting Olmert to visit Washington in late May. On May 23, Olmert became one of fewer than a dozen foreign leaders ever to address a joint session of Congress.
Speaking to an audience that also included Jewish leaders and the family of Weston, Florida, teenager Daniel Woltz, who had died of injuries suffered in a Tel Aviv terror attack, Olmert recalled his long relationship with the U.S., expressed admiration for the country’s bipartisan support for the State of Israel, stressed the values that the two nations shared, declared that Israel and the U.S. were allies in fighting international terrorism, and invoked the memory of Ariel Sharon. Olmert made it clear that the “realignment” policy (a new term replacing “consolidation”) was still very much on his agenda. “We have to relinquish part of our dream to leave room for the dreams of others, so that all of us can enjoy a better future,” he told the packed chamber of the House of Representatives. Noting that he preferred a negotiated arrangement with the Palestinians, he warned once again, “We cannot wait forever.”

He received an enthusiastic reception from Congress, but this, Israeli sources reported, was only the icing on the cake. Olmert's greater achievement, according to the Jerusalem Post, was the warm reception Bush gave him. In a joint press conference at the end of their White House meeting, the president pledged that the U.S. would defend Israel against any Iranian attack. Olmert said he was “very, very pleased from the content of the talks I had with the president.”

The Katzav Affair

For years, the presidency of the State of Israel was a largely ceremonial office. The only substantive power possessed by the head of state was that of pardoning convicted criminals. But in July 2006, a heavy cloud settled over the office and over Beit Hanassi, the official residence of the president, on Jabotinsky Street in Jerusalem’s Talbieh neighborhood. The threat of criminal charges, including rape, hung over President Moshe Katzav.

The affair came to light after the president himself called in Attorney General Menahem Mazuz to report that a former employee in his office, later to be identified only by her initial, Aleph, had sought to extort large sums of money from him in exchange for her silence on alleged offenses he had committed, including sexual assault on her and accepting payments from “pardon contractors” to “fix” presidential pardons. On July 11, Mazuz ordered a preliminary investigation both of Katzav’s charges of extortion and Aleph’s reports of sexual impropriety.

Katzav consistently denied the charges and said he would neither suspend himself from office nor resign. "I am glad that the attorney general
decided to investigate this issue. I believe that the investigation will clear away the fog and bring the true picture to light,” he said. But as police began their investigation, several other women came forward with stories of how Katzav had sexually harassed them and coerced them to have sex with him, either during his more than six years as president, or previously, when he served as a government minister. Ha'aretz reported it had testimony from five different women formerly employed by the president who described the difficulties they had working with him as well as various inappropriate comments he made to them. And Yediot Aharonot described how Aleph, before she left the Beit Hanassi staff, had spent an hour in Katzav’s office with him each afternoon, with the door locked. There were also published reports of how, after leaving Katzav’s staff, Aleph had sent him sexually explicit letters from New York.

On August 22, a day before Katzav was to be interrogated by police for the first time—at Beit Hanassi rather than at police headquarters—officers swooped down on the presidential residence and seized documents and computers. After the interrogation, which lasted five hours, Katzav attorney Tzion Amir said that the president “never broke any law and didn’t sexually harass anyone.”

Given the delicacy of dealing with possible criminal charges against the head of state, it was clear even in the early stages that the Katzav investigation would take a long time, possibly until the end of his term in July 2007. Indeed, there was speculation that his attorneys would attempt to drag the probe out in the hope that, if Katzav were no longer president, the embarrassing matter would be allowed to “disappear” rather than end up in a criminal trial.

Katzav’s legal team demanded that the police give the media access to a tape the president had made of his conversation with Aleph in which she allegedly sought to extort money, saying it would prove that the extortion attempt had nothing to do with sexual harassment. The lawyers also wanted Attorney General Mazuz to investigate “the source of the numerous and tendentious leaks from the police investigation,” and objected to the description of the police visit to Beit Hanassi as a “raid.”

On September 7, police said they had an evidentiary basis for an indictment. A week later, after first refusing to do so, Katzav relented to demands that he not officiate at the swearing-in of Justice Dorit Beinisch as the new president of the Supreme Court, and the president absented himself from the state ceremony.

In a September 18 television interview, Mazuz said that the president had “a long line of women who complained against him, and therefore
the chances that he has been made a victim of a libel against him are slim.” A few days later there were reports that yet another woman had come forward to say Katzav had sexually molested her while he was a government minister. Lawyer Amir called it “a shocking story bordering on fantasy,” adding: “The evidence that we have in our hands completely disproves this woman’s testimony . . . she was fired from her job and swore to seek revenge.” By the end of the investigation, ten women had filed complaints against Katzav.

The police issued their recommendation on October 15—that rape and sexual harassment charges by five of the women against Katzav should be pursued in an indictment. The complaints by the other five could not be followed up due to the statute of limitations. Police also said they had evidence of illegal wiretapping at Beit Hanassi, as well as witness tampering. Yohanan Danino, head of the police’s Investigation and Intelligence Department, and Brig.-Gen. Yoav Segalovitch, head of the investigation team, met with Mazuz and State Attorney Eran Shendar, and recommended that the president be put on trial.

Under Israeli law, the president is immune from criminal prosecution while in office unless he voluntarily waives his immunity or it is lifted by the Knesset. In late October, Katzav turned down advice from Mazuz that he step down and suspend himself from office for as long as his indictment was under consideration. Mazuz had not yet decided what course to take as the year ended. It remained possible that the attorney general might offer Katzav the possibility of a hearing on the evidence, called shimua in Hebrew, before formally issuing an indictment.

SECURITY AND DIPLOMACY

Israel and the Palestinians

Security Concerns

On March 14, after a daylong siege of the Jericho prison in which they were being held, Popular Front for the Liberation of Palestine head Ahmed Saadat and four other PFLP members surrendered to Israeli troops. They were being held for the October 2001 murder of then tourism minister Rechavam Zeevy in Jerusalem’s Hyatt Regency Hotel (see AJYB 2002, p. 554). Also in that jail was Fuad Shubeiki, a long-time Palestin-
ian financial operative and Arafat confidant who had been responsible for financing the purchase of 50 tons of arms captured on the *Karine A* weapons ship in 2002 (see AJYB 2003, p. 184). All six were transferred to an Israeli prison. The Israeli action was prompted by PA president Abbas's statement a week earlier that he was prepared to free Saadat, who had been taken to the jail and kept under foreign custody in a compromise deal reached after Israeli troops besieged him in Yasser Arafat's Muqa'ata complex in Ramallah.

Police foiled an attempted suicide bombing on March 22, apprehending the would-be perpetrator with his 7-kg (15 lb.) bomb after a high-speed chase along one of Israel's busiest highways in mid-afternoon. Nine of the van's ten passengers were Palestinians working illegally in Israel, which was the reason the driver had fled police. The tenth, an Islamic Jihad member, was carrying the bomb.

In an interview published on Ynet, the Web site of the *Yedioi Aharonot* news organization, Defense Minister Shaul Mofaz charged that Iran had given the Islamic Jihad group $1.8 million to kill Israelis. The Iranian-born former chief of staff said that Hezbollah also sent money and messages to Islamic Jihad in Gaza via Iran.

Israel opened the Kerem Shalom crossing into the Gaza Strip on March 22 to allow emergency food shipments from Egypt to enter the impoverished Palestinian area. Egypt sent 7,000 tons of supplies, mostly wheat, rice and sugar, through Kerem Shalom. Earlier, Israel had temporarily opened the Karni crossing in northern Gaza for the same purpose. The shipments offered only a brief respite from the growing food crisis in Gaza, as entry points from Israel into the Strip had been closed off most of the time since the start of the year. On April 11, John Ging, director of Gaza Operations for the UN Relief and Works Agency (UNRWA), on which 765,000 refugees depended for basic items, said: "The clock is now ticking and distribution will have to be shut down entirely for the second time in less than a month if the crossing does not open immediately." He noted that UNRWA faced a bill of almost $900,000 in penalties for port and other charges arising from the Karni closure.

An Israeli Bedouin and his son were killed near the Gaza Strip on March 28, when they attempted to salvage an unexploded Qassam rocket for scrap metal. And three days later, four Israelis—a married couple and two hitchhikers—were killed when a terrorist disguised as an ultra-Orthodox Jewish hitchhiker blew himself up in the couple's car near the settlement of Kedumim, in the West Bank not far from Nablus. The bomber was a 24-year-old man from a village near Hebron. This was the
first suicide attack since February 2005 that was not perpetrated by Islamic Jihad.

Early April saw Israeli warplanes and helicopters striking targets in Gaza, in an attempt to stop the Qassam attacks on Sderot and other Israeli communities adjacent to the Gaza Strip. On April 4, three missiles were fired into the Ansar 2 compound, a largely unused PA base about 100 meters from Abbas's office. At the time, the PA leader was in the West Bank. His spokesman said, "This escalation will lead the area to more violence and instability." On April 7, five Palestinians, including a Hamas bomb maker and his five-year-old son, were killed by a rocket strike on the car in which they were riding in Rafiah, at the southern end of the Strip. Nine more were killed in an airborne attack on a terrorist training camp the next day.

Eleven people were killed (nine died immediately and two later on) in an April 17 suicide bombing in the Rosh Ha'ir shwarma stand in the area of Tel Aviv's Old Central Bus Station, the same place where 20 people had been injured in a similar bombing on January 19 (see above, pp. 211-12). The next day Israeli troops raided the village of Arakeh, near Jenin in the northern West Bank, and arrested the father of the bomber, 21-year-old Samer Hamad. According to his mother, Samer had been working as a waiter. "I thought he really went to work," she said, asserting that she only found out about her son's involvement in the bombing, and with Islamic Jihad, through the media.

Attempting to ward off a food crisis in Gaza that appeared imminent in light of the world's cutoff of aid to the Hamas government, PA president Abbas demanded on April 23 that Hamas recognize Israel. If it did not, he told CNN, "The constitution gives me clear and definite authority to remove a government from power." Hamas immediately rejected the demand and threatened to end the 15-month informal cease-fire that had greatly lowered the level of violence after five years of bloodshed.

Five Palestinian security officers were injured in a firefight on April 26 with Palestinian terrorists, who tried to ram a car filled with explosives into the Karni checkpoint, a main crossing between Israel and northern Gaza. After the incident, which took place on the Palestinian side of the crossing, Israel closed the Karni facility.

At its April 30 session, the Israeli cabinet modified the route of the still incomplete 760-km security fence. The change would put 30,000 Palestinians who lived in the area around the settlement city of Ariel, in the northern West Bank, on the Palestinian side of the enclosure instead of on the Israeli side, as envisioned in the original plan. In addition, it voted
to put up temporary fencing in areas of Jerusalem where the barrier was not yet built. Olmert said the decision “will allow us to complete the construction of the fence very quickly in critical areas, and therefore improve our ability to thwart attempted [terror] attacks.” Palestinian geographer Khalil Tafakji, interviewed by the AP, took a different view, charging that the Jerusalem fencing plan was a way of “keeping Palestinians outside the city in an effort to create facts on the ground and preempt a final agreement between the sides.”

On May 1, a 41-year-old Palestinian woman, Etaf Zalat, was killed during the siege of a house near Tul Karm, in the West Bank, where an Islamic Jihad terrorist had taken refuge. Her two daughters were wounded. The army opened an investigation. According to an AP report that quoted army sources, Israeli troops had spent more than an hour trying to convince the wanted man to surrender before a bulldozer was brought in to level the structure. During the demolition, troops fired into the house, apparently hitting Zalat and her daughters.

James Wolfensohn, the former World Bank head, announced that he was resigning as the Quartet’s special envoy for Israeli-Palestinian mediation on May 3. U.S. secretary of state Rice said he would not be replaced.

Gaza: Rockets and a Kidnapping

The persistent rocket fire from Gaza, which Israel had evacuated the year before, prompted debate within the Israeli security establishment over what steps to take. Maj.-Gen. Yoav Galant, head of the army’s Southern Command, told Ma’ariv on April 21: “If the price we have to pay becomes unreasonable as a result of increased attacks, then we shall have to take all steps, including occupying the Gaza Strip. It could be anything from a partial occupation . . . to a full occupation.” Asked by Ha’aretz at the beginning of May what he thought, Chief of Staff Dan Halutz disagreed, saying, “I am not pushing for the occupation of Gaza. I am pushing in the opposite direction . . . . I can’t recall that in all the years of fighting when we were there that we succeeded in reducing the firing of Qassams to zero.” Public Security Minister Avi Dichter, a former chief of the Shin Bet security services, advocated escalating Israeli pressure against the area in the northern Strip from which the Palestinian-made rockets were fired. “Beit Hanoun should be turned into a ghost town,” he said.

On May 9, Israel announced that a few days earlier its navy had thwarted an attempt to smuggle arms into Gaza by sea, intercepting
Egyptian and Palestinian boats in the act of transferring about half a ton of military-grade explosives along the Gaza Strip’s maritime border with Egypt. Once aware that the Israeli patrol boats had spotted them, the would-be smugglers dumped the bags of explosives into the sea and tried to flee. The Egyptians escaped, but five Palestinians were detained. Israeli divers retrieved 11 bags from the sea floor at a depth of 30 meters. The source and the exact destination of the explosives were not known.

Several Katyusha rockets fired from Lebanon by the Popular Front for the Liberation of Palestine-General Command terror group hit northern Israel on May 28, lightly wounding one soldier. In response, Israel sent warplanes to rocket and bomb PFLP-GC targets, including a base at Sultan Yacoub, in eastern Lebanon not far from the Syrian border, and on bases in the hills 20 km south of Beirut.

Eight Palestinian civilians were killed in a June 9 blast on the crowded beach at Beit Lahiya in the northern Gaza. Among the dead were three children; their sister, who was swimming, survived. Television footage showed a woman and a child dead on the sand, and another child screaming in agony while a lifeless man was carried away by an ambulance crew. Abbas called the killings “a bloody massacre against our civilians, without discrimination,” but an Israeli inquiry found that all shells fired that day hit their intended targets, and so Israel could not have been responsible. Olmert expressed confidence in the inquiry and dismissed calls for an international probe. But Marc Garlasco, a former U.S. battle-damage assessment officer with experience in Bosnia and Iraq, studied the shrapnel and the wounds of the victims and concluded, “this was from an Israeli shell.” Garlasco was in Gaza at the time, working for Human Rights Watch.

June 10, the day after the explosion on the beach, Hamas announced it was ending the 16-month official cease-fire—which had not, in any case, prevented the firing of some Qassam rockets into Israel during that period. Shortly after Hamas fired its first rocket barrage on targets just across the Israeli border, PA prime minister Haniyeh rejected a call by President Abbas for a referendum on the establishment of a Palestinian state alongside Israel. The idea for a referendum had come from the so-called “Prisoners’ Document” formulated by jailed Fatah leader Marwan Barghouti and other security prisoners in Israeli jails as a way to end Israeli pressure against the Palestinians, which had mounted since the election of Hamas in January.

Tzachi Hanegbi, chairman of the Knesset Foreign Affairs and Defense Committee and a confidant of Prime Minister Olmert, told Israel
Radio on June 12 that Prime Minister Haniyeh was himself a possible target for assassination. If Haniyeh planned attacks against Israel, Hanegbi said, he could face the same fate as Hamas spiritual leader Sheikh Ahmed Yassin and his successor, Dr. Abdel Aziz Rantisi, both killed in targeted missile strikes in 2004. Earlier, Defense Minister Peretz spoke in a similar vein, saying that no one involved in attacks on Israel could claim immunity from retaliatory action.

On June 14, Israel expressed regret after eight civilians were killed in a Gaza air strike that also netted two terrorists, one of them Hamad Wadiye, a top Islamic Jihad rocket expert. Israel said it had fired two missiles at terrorists transporting a Grad or Katyusha long-range rocket towards a launch site. The first hit the van containing the terrorists and the second hit shortly thereafter, as civilians, including two children who were killed, crowded around the burning vehicle.

Hamas and Popular Resistance Committee terrorists used a previously dug tunnel under the border fence near the Kerem Shalom crossing in the southern Gaza Strip to attack Israeli units stationed there on June 25. Two soldiers and two terrorists were killed, and IDF Cpl. Gilad Shalit was captured and taken into Gaza. Though Hamas claimed the attack was in response to the killings on the Beit Lahiya beach two weeks earlier, Israeli experts said that digging the tunnel must have taken between three and six months. Shalit’s captors, including Hamas’s Izz al-Din al-Qassam military wing, issued a series of statements demanding the release of all female Palestinian prisoners and all prisoners under the age of 18.

Egypt immediately deployed an additional 2,500 troops along its border with Gaza to prevent the smuggling of captive Shalit into its territory. Palestinian forces, meanwhile, blockaded roads into Gaza in preparation for a major Israeli thrust. Egyptian security czar Omar Suleiman phoned Hamas leader Khaled Mashaal, who was living in Damascus, to ask for his help in obtaining Shalit’s release.

Operation Summer Rain began on June 28, when Israeli forces searching for Shalit entered the southern Gaza town of Khan Younis, and four Israeli jets buzzed the summer home of Syrian president Bashar al-Assad near Latakia, a move reflecting Syria’s sponsorship of terrorism and the fact that it allowed Mashaal to reside and maintain a headquarters in Damascus. Israeli forces also hit a power station supplying electricity to about two-thirds of Gaza’s population, attacked Hamas training and administrative sites, and took over the Gaza International Airport at Dahaniya, in the southern part of the Strip. At day’s end, after massing
troops on Gaza’s borders, Israel said it would put a hold on ground operations there to give Shalit’s captors a chance to free him.

Prime Minister Olmert emphasized that the objective of the thrust was to gain Shalit’s freedom. “We do not intend to reoccupy Gaza. We do not intend to stay there. We have one objective, and that is to bring Gilad home,” he said. But Osama Hamdan, a close associate of Mashaal, told AP that if Israel did not negotiate for Shalit’s release, his organization would conclude that it should “kill soldiers even if they have the opportunity to capture them.” In Jordan, the Muslim Brotherhood said Israel had launched its offensive into Gaza “for the sake of one soldier, while Arabs, Muslims and the free world remain silent on the arrest of 10,000 Palestinians, including women and children.” And Abdel-Bari Atwan, editor in chief of the London-based Al-Quds Al-Arabi newspaper, called the Israeli incursion an “unprecedented blackmailing threat.” Noting that thousands of Gazans were left without electricity after the power plant was hit, he asked in an editorial, “Is the life of the captive soldier worth the suffering of all of those people?”

In sweeps across the West Bank on June 29, Israel arrested 64 Hamas officials, including Finance Minister Abed Razak; Labor Minister Muhammad Garghouti; Muhammad Abu Tier, a parliament member who was number two on the Hamas electoral list in the January election; and Religious Affairs Minister Naef Rajoub, brother of Jibril Rajoub, former chief of Fatah’s West Bank preventive security forces. At least a third of the PA cabinet was arrested and other important Hamas figures went into hiding. Israel said the anti-Hamas operation had been planned for several weeks.

Foreign ministers from the major industrialized nations, meeting in Moscow in advance of the G-8 summit scheduled for July, called on Israel and the Palestinians to do everything possible to calm the crisis. “With restraint, perhaps we can get back to a place where there can be hope for a peaceful resolution,” commented U.S. secretary of state Rice, adding that “reasonable Palestinians” were involved in efforts to gain Shalit’s freedom.

Meanwhile, Israel’s offensive continued. When its planes bombed the office of the Palestinian prime minister in Gaza on July 2, a statement allegedly coming from Shalit’s captors announced that Israel had less than 24 hours to free 1,500 Palestinian prisoners “or bear the consequences.” Israel ignored it. Egypt’s Al-Hayat newspaper reported on July 4 that Egyptian officials had visited with the captured Shalit and that he was
being treated by a Palestinian doctor for three bullet wounds, but this was not confirmed by other Cairo sources.

Efforts to obtain the release of Shalit, often coupled with rumors about the possible creation of a Palestinian unity government involving both Hamas and Fatah, continued throughout the year. On several occasions it seemed that a deal was about to be struck involving a prisoner exchange, but nothing happened by year’s end. And despite periodic reports that Shalit was alive and well, nothing about his condition could be verified.

As humanitarian distress in Gaza mounted, Israel, which had closed the Gaza border crossings for security reasons and to prevent Shalit from being smuggled out of the Strip, opened the Karni cargo terminal at the northern end of the Strip on July 2 to allow the entry of 50 trucks with food, medical supplies, and fuel into Gaza. Other trucks entered via the Nahal Oz checkpoint. But Israel abruptly stopped cross-border traffic for what it said were security reasons. With the Strip hermetically shut off, Palestinians blew a hole in the wall on the Egyptian border about two weeks later, allowing hundreds to cross the frontier in both directions. Karni was partially reopened on July 24, and the Rafiah crossing at the southern end of the Strip was allowed to open for one day on August 25.

Israel’s security cabinet approved a deepening of the military incursion into the Gaza Strip on July 5, after the southern Israeli city of Ashkelon suffered its first Qassam hit, which Olmert called “a major escalation.” The rocket, fired from Gaza, struck a schoolyard in the city about seven miles north of the frontier. No one was injured. Ze’ev Schiff, the influential and well-connected commentator for Ha’aretz, called the hit on Ashkelon “an unequivocal invitation to war.” Extensive ground and air operations continued in the ensuing days, and Qassam rocket fire fell intermittently on Sderot and other areas adjacent to the Gaza border.

The U.S. vetoed a Qatar-sponsored UN Security Council resolution on July 13 that demanded an end to the Israeli offensive in Gaza, along with the release of Shalit and the Palestinian leaders that Israel took into custody after his abduction. Ten nations voted for the proposal and four abstained. John Bolton, the American ambassador to the UN, explained his country’s veto by saying that “in light of the fluid events on the ground,” his government felt the resolution would have only inflamed regional passions. According to the Al Jazeera TV and Internet news network, the Arab League’s secretary general, Amr Musa, said he was “surprised and disappointed” by the veto, which, he said “can be used to protect Israeli actions against civilians.”
Five Palestinians, including a terrorist, a mother, and two children, were killed when the house of Hamas activist Muhammad Harara was hit by an IDF tank shell on July 21. The army said that two gunmen tried to fire an antitank weapon from the home's balcony. Five days later, Israeli forces began a two-day sweep of northern Gaza in which they killed 29 Palestinians. According to Palestinian sources, the dead included a 75-year-old woman and a 12-year-old boy who was shot as he stood on a roof in Gaza's Jebalya refugee camp.

The burned body of Dr. Daniel Yaacobi, 60, reported missing from his home in Yakir in the northern West Bank, was discovered stuffed in the trunk of a car near the Palestinian village of Haja east of Qalqilya on July 28. He was last seen on the way to a car repair shop in a Palestinian village near his home. That evening, three officers were wounded when a terrorist, who was killed in the exchange of fire, shot at Border Police at the Israeli Armon Hanatziv checkpoint in southern Jerusalem.

Two Palestinians were killed and four more wounded when an Israeli air strike completely destroyed a house in Khan Younis, in the southern Gaza Strip, on August 15. The army said the house, which belonged to local Al-Aqsa Martyrs Brigades leader Hassan Shaath, was used as a weapons storehouse.

On August 20, Israeli soldiers burst into the home of Palestinian deputy prime minister Nasser Shaer in Ramallah. Four days later, Younis Abu Daka, a local Hamas leader and a lecturer at Islamic University in Gaza City, was taken prisoner in the Gaza Strip in an operation in which Abu Daka's brother, Yousef, was killed.

AP reported on August 30 that Israeli troops engaged in antiterror actions in Gaza, and particularly in Gaza City's Shijaiyeh neighborhood, had killed 15 Palestinians, including several terrorists and a four-year-old boy. The next day, Fadi Khafisha, reputedly the chief "engineer" for Fatah's Al-Aqsa Martyrs Brigades who had been involved in preparing suicide bombings, was shot dead in fighting in Nablus.

According to an AP report, Hussam Jaradat, the West Bank leader of Islamic Jihad's militant wing, died in Jordan on August 30 of wounds suffered on August 23, when, according to Palestinian sources, he was shot in the head by undercover Israeli soldiers in the Jenin refugee camp. Islamic Jihad said that Jaradat, 43, had been hunted by Israel for two years and had survived five attempts on his life. The IDF, however, said it did not know of any troops operating in the Jenin area at the time Jaradat was shot.

On September 5, Palestinian security officers demanding back pay
from the cash-strapped Hamas-led government attacked the parliament building in Gaza City. In the West Bank, meanwhile, a work stoppage by teachers and civil servants escalated into a full-scale general strike as shop owners closed their stores. In one town, gunmen from the opposition Fatah shot weapons in the air after some businesses tried to open.

Israel continued its offensive against terror suspects. On September 6, Israeli aircraft struck three times in southern Gaza, killing five militants. Eighteen bystanders were wounded in the attacks, which the army said were aimed at Hamas. In exchanges of fire near the Kissufim crossing into Gaza, an Israeli soldier was killed on September 12.

Israeli air strikes on the house of a weapons dealer in the southern Gaza Strip town of Rafah early on September 27 reportedly killed a 14-year-old girl and wounded ten others. The building was leveled in a first strike, but there were no casualties because Israel had warned that the attack was coming. A few minutes later, however, children who had gathered to look at the rubble were hit in a second strike. Two members of the Al-Aqsa Martyrs Brigades were killed and three bystanders, including a six-year-old boy, were wounded in a missile attack in the southern Gaza Strip on October 1. It came not long after one Israeli was wounded by a Qassam in Sderot.

**Diplomatic Efforts**

Meanwhile, diplomatic activity continued. Meeting in Washington on September 15, Livni and Rice agreed that both their countries would maintain contact with PA president Abbas. The move was attributed to a growing American conviction that in order to maintain a solid coalition against international terrorism and Iranian nuclear ambitions, progress would have to be shown on the Israeli-Palestinian peace track. In this spirit, President Bush, speaking before the UN General Assembly, said that creating “a Palestinian state that has territorial integrity” was “one of the great objectives” of his presidency, and that Rice would “lead a diplomatic effort to engage moderate leaders across the region” to help Abbas and Olmert “in their efforts to come together to resolve their differences.”

When Rice visited the area again and scheduled a meeting with Abbas for October 5, a group calling itself Al Qaeda in Palestine posted a five-minute Web video. It contained previously aired clips of Osama bin Laden and slain Iraqi Al Qaeda leader Abu Musab al-Zarqawi, as well as footage of a masked man sitting alongside an automatic weapon and
a rocket-propelled grenade launcher. "My speech is directed against... those who announce blasphemy against Islam and who are allied with... enemies of God and religion, and work in the service of the Jews and the... Christians," the masked man said. That same day IDF soldiers killed three... Islamic Jihad militants—one while he was trying to break through the... Gaza perimeter fence into Israel, and the two others in an air strike.

On October 11, Israeli troops killed a terrorist carrying an explosive... belt who had just made his way into Israel south of the Karni crossing... between Israel and the northern Gaza Strip. According to a report in... Ma'ariv, Palestinians had begun calling the Gaza perimeter fence "the... wall of death" because of the large number of militants killed while trying to infiltrate through it into Israel.

Israeli soldiers killed an additional seven Palestinian gunmen in air... strikes in the Gaza Strip on October 14. And at dawn that day, IDF... troops and tanks took over a swath of the Gaza-Egypt border, including... the Rafah terminal. Troops carried out house-to-house searches and bulldozers leveled agricultural land near the border. An IDF spokesman said the continuing operation was aimed at uncovering tunnels used by... Palestinian militants to smuggle weapons into Gaza from Egypt.

When Prime Minister Olmert arrived in Moscow on October 19 for... talks with Russian officials, the Israeli-Palestinian situation was high on the... agenda. Russian foreign minister Sergei Lavrov told Olmert that Russia's contacts with Hamas did not mean that Moscow agreed with the policies of the Islamic fundamentalist movement. According to the... Jerusalem Post, Lavrov told Olmert that since the visit of Khaled Mashaal... and a Hamas delegation in March (see above, p. 215) the two sides had remained in touch, but had held no high-level talks. The Russian said he felt that these contacts could be used to press Hamas to renounce terror, recognize Israel, and accept previous agreements of the... PA government, the three stipulations that the West required before recognizing the new... PA regime.

More than 40,000 people crowded into Gaza City's Yarmouk sports... stadium on October 23 to hear Prime Minister Haniyeh mark the start of the Id al-Fitr feast ending the holy month of Ramadan by imploring patience from Palestinians hard-pressed to make ends meet. Referring to the fact that the international financial boycott since the election of the... Hamas government in January had meant that about 165,000 civil servants had not been paid their salaries, he said: "I know there are many homes living in pain, and some people shed tears last night because they had no money to give in charity, and could not find food for their chil-
And he added, “If any other people had faced the siege, hardship and destruction you faced, they would have raised the white flag.”

On November 6–7, Israeli troops moved out of Beit Hanoun after a six-day operation dubbed Autumn Clouds. Britain’s Guardian newspaper reported that one Israeli soldier and at least 50 Palestinians, including two women civilians, had been killed, and nine Qassam-firing cells had been hit by the Israelis. But on November 18, Israeli artillery shells aimed at a Qassam launching site instead hit a house, killing 18 Palestinian civilians, including 13 members of one family. The EU expressed “profound shock,” and Defense Minister Peretz ordered an investigation. PA prime minister Haniyeh called the incident “an awful massacre” and said talks on forming a Palestinian unity government would be suspended. The PA announced three days of national mourning.

Tens of thousands of Palestinians converged on Yasir Arafat’s gravesite on November 11 to commemorate the second anniversary of his death. The occasion also appeared aimed at reinvigorating Fatah, his faltering party. Fatah bused in Palestinians from across the West Bank for the event, dropping many of them in the center of Ramallah, the Palestinians’ de facto capital. They then marched through the city carrying Palestinian flags, Fatah banners, and pictures of Arafat to the Muqa’ata compound in the city center, which had served as Arafat’s headquarters.

Two Hamas legislators crossed into Gaza from Egypt on November 15 carrying $4.2 million in their luggage for the cash-strapped Hamas-run government. PA Legislative Council member Mushir al-Masri said the $2 million he carried in would be registered with the Palestinian Finance Ministry. Ahmed Bahr, deputy speaker of the Assembly, brought in $2.2 million.

Despite Israeli pressure against the Qassam crews, Fatima Slutsker, 57, was killed, and one of the bodyguards of Defense Minister Peretz lost both legs in a November 15 Qassam hit on Sderot. With Qassams continuing to fall, parents of the Sderot and Shaar Hanegev school districts kept their children out of school as a form of protest against the lack of fortified rooms in the school buildings.

Internal Security Minister Avi Dichter reportedly angered Prime Minister Olmert at the November 19 cabinet meeting with severe criticism of the way the Qassam threat was being handled. Dichter later told Yedirot Aharonot, “It’s time to tell ourselves the truth: we need to stop the Qassams today, because I don’t suggest waiting for a time when the Palestinians have better rockets. As a government, we can do much more. We
can't allow ourselves to be dragged into a war of attrition . . . .” On the same day, Israel called off an air strike on the home of a Popular Resistance Committee rocket-unit commander in Gaza because a large crowd of Palestinian civilians had gathered around the home, forming a human shield.

A Qassam rocket landed in a chicken-processing factory in the Sderot industrial zone on November 22, killing Ya’akov Yaakobov, 43, a forklift operator at the plant who had immigrated from the Caucasus area of the former Soviet Union 12 years earlier. Also that day, the Red Cross suspended its activities in the Gaza Strip after Palestinian gunmen kidnapped two of its workers, capping a wave of abductions of foreigners. The two, both Italians, were released the next day.

The Israeli-Palestinian conflict recorded a first on November 24: Fatma Najar, 57, became the first grandmother to play the role of suicide bomber. Najar blew herself up near IDF soldiers operating in the Jabalya area in north Gaza, wounding three of the troops. Her family said she had nine children and nearly 30 grandchildren. “I am very proud of what she did,” one of her sons told Reuters.

Israeli and Palestinian leaders reached an agreement to end the five months of fighting in Gaza on November 26. The deal ostensibly pledged an end to rocket fire from the Strip into Israel in exchange for a withdrawal of Israeli troops, but by the following morning nine more Palestinian-made Qassams had been launched into southern Israel, even as IDF soldiers were pulling out of Gaza.

AP reported on November 28 that Israel had agreed in principle to let Jordanian-based Palestine Liberation Organization forces loyal to Abbas enter the Gaza Strip to help shore up the two-day-old truce. The next day, in a meeting with EU ambassadors, Olmert said Israel was “a little disappointed by the continued Qassam firings in the south by the Palestinians.” Quoting sources in the Prime Minister’s Office, the Yediot news organization reported that Israel would continue its policy of restraint in the hope that the PA “will contain the terrorists who are attempting to sabotage the cease-fire.”

On December 7, Prime Minister Olmert rejected the report of the Iraq Study Group, released the day before in Washington. Chaired by former secretary of state James Baker and former U.S. representative Lee Hamilton, the group concluded that a concerted effort to resolve Israel’s conflict with its neighbors would help stabilize the situation in Iraq. The report therefore called for direct talks between Israel and Syria, Lebanon,
and the Palestinians. Olmert, while asserting that Israelis wanted “with all our might” to resume peace talks with the Palestinians, denied that there was any connection between Israel’s situation and the war in Iraq. He added that “to the best of my knowledge, President Bush, throughout the recent years, also had a different view on this,” and noted that on his recent visit to Washington he had received no indication that Bush would push Israel to start talks with Syria. White House officials said that Bush would study the Hamilton-Baker document. Palestinian negotiator Saeb Erekat, however, said he hoped the U.S. “will translate it into deeds. The region needs peace, the region needs dialogue, and we have always stuck to dialogue toward a comprehensive peace.”

Intra-Palestinian tensions mounted after the funerals of three children of Baha Ballousheh, a senior Fatah security official, who were murdered on December 11. As security men protested at main Gaza intersections, calling for vengeance and firing shots in the air, PA prime minister Haniyeh said “the government will do whatever it takes to locate the children’s murderers and prosecute them.” Fatah security officers said that “there cannot be a situation in which children are murdered and no one is held accountable.”

Haniyeh’s car was fired on and his son, Abed, was injured in an apparent assassination attempt on December 15, after Israel stopped Haniyeh from bringing $35 million in cash from Egypt to aid the financially strapped PA. The shooting came as Hamas gunmen seized control of the Gaza Strip’s border crossing with Egypt in a ferocious gun battle with Fatah-allied border guards. PA president Abbas expressed regret for the shooting.

On December 27, after two 14-year-old Sderot boys were wounded by one Qassam and a “strategic facility” in Ashkelon was hit but not severely damaged by another, the Prime Minister’s Office issued a statement saying that Israel would respond to Qassams with limited, pin-point attacks, but still “continue to preserve the cease-fire.” Ten Qassams landed harmlessly in Israel on December 29, bringing to about 70 the number of Palestinian-made rockets launched at Israel in the month since the informal cease-fire was declared.

At year’s end, Olmert spokeswoman Miri Eisen declined to comment on a Yediot Aharonot report that Olmert was prepared to hold back-channel negotiations with Abbas on the final borders of a Palestinian state, the status of Jerusalem, and the Palestinian refugee problem. Abbas said he had proposed such talks.
War in Lebanon

The 34-day summer war in Lebanon took a heavy toll on all those involved. It also triggered a political and moral crisis in Israel, and arguably altered the balance of power between Israel and its enemies.

Kidnappings, Rocks, Bombs

The war started at about 9 a.m. on July 12, when—under cover of diversionary rocket attacks along Israel's northern border—Hezbollah ground forces crossed into Israel near Zar’it, in the east, where they ambushed an Israeli patrol, killing three and kidnapping two Israeli soldiers, Eldad Regev and Ehud Goldwasser, both reservists. Five more Israeli soldiers were killed in unsuccessful attempts to rescue them.

Prime Minister Olmert called the kidnap raid an act of war and said that Lebanon would “bear the consequences of its action,” since the raid was carried out from its territory by its citizens. The Lebanese cabinet, convened in emergency session by Prime Minister Fouad Siniora, condemned the attack and denied any knowledge of or involvement in its planning.

Sheikh Hassan Nasrallah, the Hezbollah leader who masterminded the action, claimed it as “our natural, only and logical right,” and said that Goldwasser and Regev had been taken “far, far away,” to be held until Israel released three Lebanese it was holding, including Samir Kuntar, the perpetrator of a 1979 seaborne terror attack on the Israeli coastal city of Nahariya in which three members of the Haran family were killed. Gideon Meir, a spokesman in the Israeli Foreign Ministry, ruled out talks, saying Israel wanted the soldiers back “immediately without any precondition.” If the prisoners were not returned, CNN quoted Chief of Staff Dan Halutz as saying, “we will turn Lebanon’s clock back 20 years.”

In the hours after the attack, Israel launched more than 100 air strikes against key Hezbollah installations and facilities, such as roads and bridges, which the Shi’ite terrorists might use to transport the captive soldiers. In addition, it would later emerge that during those first hours of the war, Israel Air Force planes struck the launchers of long-range Syrian- and Iranian-made Fajr and Raad missiles in the Hezbollah arsenal, severely limiting Nasrallah’s ability to launch rocket strikes deep into Israel, while leaving over 10,000 shorter-range, less deadly 122mm Katyusha rockets virtually intact. Hezbollah proceeded to fire about 120
Katyushas into Israel that day, mostly on targets near the border with Lebanon.

On July 13 Israel broadened its attacks, hitting civilian and infrastructure targets inside Lebanon, including the main Damascus-Beirut highway, the route over which Hezbollah-bound shipments of materiel moved into Lebanon. Israel also struck the runways of Beirut International Airport, closing the facility and causing diversion of flights to Cyprus. Hezbollah responded with barrages of Katyushas, hitting Nahariya, just south of the Lebanese border, the mountain town of Safed, and Kiryat Shmona. Two Israelis were killed, one in Nahariya and one in Safed, and 29 were wounded.

Israel imposed an air and sea blockade on Lebanon with the express purpose of preventing the massive resupply of Hezbollah arms stores. And on July 14, responding to massive Katyusha rocket fire on northern Israel, Israeli air and seaborne attacks hit a-Dahiya, the fortified south Beirut neighborhood that had become Hezbollah's stronghold; a major fuel installation at the Jiyheh power station south of Beirut; and bridges and roads.

That night, Hezbollah gunners firing a C-802 Iranian-made Chinese-developed Silkworm-type missile hit the Ahi-Hanit, an Israeli Saar-5 class missile-firing corvette, killing four crewmen. The crippled ship, which had suffered damage to its steering section, was towed back to Haifa port in plain view of the Lebanese shoreline. A later inquiry disclosed that missile-detecting systems had been turned off on the mistaken assumption that there was no danger from shore-to-sea missiles, an assumption based on ignorance of the fact that Hezbollah possessed Silkworm missiles. A second C-802 hit and sank an Egyptian civilian vessel sailing off the Lebanese coast.

Nasrallah magnified the attack on the Israeli ship for propaganda purposes. Speaking from hiding on the Hezbollah al-Manar TV station, he boasted: "Look at the warship that has attacked Beirut, while it burns and sinks before your very eyes." Nasrallah also threatened Israel, saying, "You wanted open war and we are ready for an open war." He predicted that Haifa would come under attack, "and believe me, even beyond Haifa... Our homes will not be the only ones to be destroyed, our children will not be the only ones to die." Indeed, that weekend Hezbollah rockets slammed into Haifa, killing two Israelis.

One of the heaviest hits on Haifa took place on Sunday morning, July 16: eight workers were killed when a Fajr rocket went through the
flimsy sheet-metal roof of an Israel Railways maintenance workshop not far from the port. The rocket, more powerful than the conventional 120-mm Katyusha, was part of a barrage of ten heavy weapons fired on the city. Civil defense officials warned Israelis in the north of the country to stay close to home or near a place where they could take shelter. At about the same time, the Home Front Command told residents of areas farther south to be on the alert for a possible attack.

Prime Minister Olmert declared that Israel would not give in to Nasrallah’s threats. “Our enemies are trying to disturb daily life. They will fail,” he said. Israel warned noncombatant residents of south Lebanon of possible danger. “We recommend that they leave their villages and homes and go to the north of the country,” Maj.-Gen. Udi Adam, head of Israel’s Northern Command, said at a news conference, explaining that IAF planes had dropped leaflets on south Lebanon warning of an attack.

There were also international efforts to end hostilities. At a meeting of the UN Security Council, Israeli ambassador Dan Gillerman declared that by capturing two Israeli soldiers, Hezbollah had “taken the whole of Lebanon hostage.” Saying that Israel’s goal was a free, prosperous, and democratic Lebanon, Gillerman pointed across the room at Lebanon’s UN envoy and said, “You know we are doing the right thing, and if we succeed, Lebanon will be the beneficiary.”

Javier Solana, the European Union’s foreign policy chief, traveled to Beirut for talks. Lebanese Prime Minister Siniora called for a UN-backed cease-fire so that his government might reestablish its authority in the country’s south. Israeli transport minister Shaul Mofaz, a former defense minister and chief of staff, told reporters: “I understand Siniora will put his army in the south. Nobody is blocking his way. He should do so and without conditions.” Siniora asked the White House to pressure Israel to stop fighting. Spokesman Tony Snow responded, “The president is not going to make military decisions for Israel,” but noted that President Bush had urged Israel to limit civilian casualties. Secretary of State Rice told a television interviewer that she was ready to travel to the region to encourage negotiations “when I believe that I can make a difference,” but “simply going in and shuttling back and forth, if you don’t know where you’re trying to go, is not going to help.”

With Katyushas still falling on the northern part of the country, Israel continued its air attacks on July 17, hitting a Lebanese army barracks in Tripoli; Hezbollah bases in Baalbeck, in the Bek’a valley of eastern Lebanon; and the Beirut area. Missiles fired from the sea killed nine Lebanese in the southern city of Tyre, according to the New York Times.
The next day Israeli planes bombed four civilian trucks believed to be carrying rockets on the Damascus-Beirut highway, and over 150 Hezbollah rockets fell on Israel’s north. Much of the rocket fire came from civilian areas, according to a senior intelligence officer quoted by Ha’aretz, who noted that “the firing was from built-up areas, from towns and the outskirts of villages.”

On July 19 about 120 rockets were fired into Israel, hitting Haifa, Kiryat Shmona, Karmiel, and Tiberias. Two Israeli Arab brothers, aged three and nine, were killed as they played outside their home in Nazareth. “A Katyusha that is fired does not discriminate,” local Arab leader Shawki al-Khatib told an Israeli TV news reporter, while complaining that the town did not have air-raid sirens like those in most Jewish communities. The following day, Nasrallah, in an interview with Al-Jazeera, apologized for killing the boys and called them “martyrs for Palestine.” The Hezbollah chief also denied an Israeli estimate that its air attacks—including the dropping of 23 tons of bombs on a bunker housing senior Hezbollah operatives in Beirut’s a-Dahiya neighborhood—had destroyed half of Hezbollah’s military assets. “They are unable, up until this moment, to do anything to harm us, and I assure you of that,” he said.

**The Ground War**

Reserve units called up by Israel began massing along the Lebanese border in what seemed to be preparation for a major ground offensive. Actions along the thin border strip, where Hezbollah had established a line of fortified positions, intensified on July 20: three Israeli soldiers were killed in clashes just inside Lebanon north of the Israeli village of Avivim, and two more killed opposite Zar’it, in the west. The day was marked by a sharp decrease in the number of Katyusha hits on Israel, only 40, leading to brief hopes that the air campaign against rocket launchers was showing its effectiveness. But heavy fire resumed in ensuing days, including a massive barrage of about 50 rockets aimed at the Haifa area. Secretary of State Rice announced plans to travel to the region on July 23, but said she would not push for an early halt to the fighting since “an immediate cease-fire without political conditions does not make sense.”

The first major ground engagement of the war occurred at Maroun al-Ras, opposite the eastern edge of the central sector. After soldiers of the elite Maglan unit tried to clear the village and destroy rocket-launching positions, the army began pouring in forces from other infantry units and tanks. Fighting in the town, according to a report in the Jerusalem Post.
was “fierce, often at very short-range, with the soldiers advancing from bunker to bunker.” Some fortifications were blown up “with the Hezbollah men inside them.” In four days of fighting, Israel claimed to have destroyed an underground complex of bunkers at the cost of seven soldiers killed.

The press reported criticism inside the army of what was seen as a too-hasty entry into the village during daylight that exposed troops and tanks to missiles and buried bombs. And the claim, reported July 22 by Maj.-Gen. Benny Gantz, head of the IDF’s Ground Forces Command, that control of the Maroun al-Ras area had “more or less” been completed turned out to be untrue. On July 26 the IDF encountered additional resistance from dug-in Hezbollah fighters who had remained hidden in underground bunkers after the Israeli withdrawal. A similar situation persisted in another fortified town, Ait al-Shaab, which Israeli forces thought they controlled on July 23. As soon as the Israelis left, Hezbollah fighters, many of whom were concealed in underground bunkers all along, reemerged. Intermittent fighting persisted there until the mid-August cease-fire.

With the fighting accelerating and threatening to move farther north, hundreds of thousands of people who lived in south Lebanon fled. More than 200,000 found their way across the border into Syria, some 35,000 crammed into the seaside town of Sidon near the Litani River, and those who could afford it or who had foreign passports—including 7,500 Lebanese Americans—headed abroad.

On July 24 the main battlefield moved to the outskirts of Bint Jbail, a large Shi’ite town north of Maroun al-Ras and about two miles from the Israeli border. Soldiers from the Golani Brigade entered the town early the next morning and almost immediately encountered Hezbollah forces stationed on the upper floors of buildings, with a commanding view of the battlefield. In the ensuing firefight, the Israelis suffered heavy casualties, with almost 50 percent of the force hit. Only hours later, under heavy fire, did Israel manage to land Blackhawk helicopters to evacuate the wounded; the bodies of the dead were taken out by other Golani soldiers under cover of darkness.

The attempt to capture Bint Jbali, initially planned to take 48-72 hours, dragged on much longer, and it was not until July 29 that Israeli troops pulled out—only temporarily, as it turned out—claiming that heavy casualties had been inflicted on Hezbollah and confirming that ten of their own soldiers were dead. Miri Eisen, a government spokesperson, said Israel would not fall into a trap set by Hezbollah. “Israel is going to do it at our own pace, at our own time, to make sure that when we go in,
we go in carefully, and that we don’t walk into their booby traps,” Eisner said. “They have booby-trapped the entire area.”

In his fourth speech since the outbreak of fighting 18 days earlier, Nasrallah took a different view, telling viewers on Al-Manar TV (and simultaneously on Israel’s Channel 2, which broadcast a translation in real time) that Israel had suffered a “serious defeat” at Bint Jbail. He went on to say that his fighters were actually winning, and that Israel had not registered a “single military accomplishment” in its Lebanon offensive. Fighting began again in Bint Jbail on August 6, continuing until the cease-fire. Journalists who visited the town afterward said that “Hezbollah’s fighters were as elusive . . . as they were deadly,” and that there was now “no sign” of them.

The heavy toll of Israeli casualties in Bint Jbail prompted Justice Minister Ramon to suggest the use of heavier firepower to minimize losses. Before Israeli troops moved in, he suggested, villages should be almost flattened by the air force. But some human rights organizations were already charging that Israeli attacks on roads in order to prevent the transport of weapons to Hezbollah had hit civilian convoys, some of which were flying white flags. In a report covering 20 Israeli air attacks released on August 3, Human Rights Watch concluded that “in many cases, Israeli forces struck an area with no apparent military target. In some instances, Israeli forces appear to have deliberately targeted civilians”—a claim tantamount to a war-crimes accusation.

Foreign ministers and other senior officials from 15 European nations and the U.S., as well as UN secretary general Annan, met in Rome on July 26 to seek ways of resolving the conflict. The Europeans generally pushed for an immediate cease-fire, while the U.S. wanted to give Israel more time to deal with Hezbollah. There was a broad consensus, however, on the need for a multinational force to keep the peace once the shooting stopped, and for major relief efforts in Lebanon.

A July 30 Israeli air strike on a residential building in the Lebanese town of Qana, under which a Hezbollah rocket-launching team spotted from the air had apparently taken refuge, triggered an international uproar when the building collapsed. According to initial reports, 60 bodies were pulled from the rubble, 37 of them those of children. A subsequent official Lebanese report said that 54 people had been killed. A Human Rights Watch report, however, released August 3, lowered the number to 28 confirmed dead, including 16 children, and provided their names and ages. Another 13 people were missing, possibly still buried under the rubble. Human Rights Watch said that its researchers, who visited Qana on
July 31, did not find destroyed military equipment in or near the site, nor did rescue workers recover any “bodies of apparent Hezbollah fighters from inside or near the building.”

Convened in emergency session shortly after the incident, the UN Security Council unanimously adopted a statement condemning the attack, and asked Secretary General Annan to report within a week “on the circumstances of this tragic incident.” Annan had originally wanted a call for “an immediate cessation of hostilities” in the resolution, but after U.S. objections the language was softened to requesting an end to the conflict and warning that continued fighting could have “grave consequences for the humanitarian situation.” Israel insisted that Hezbollah was to blame because its rocket teams were taking shelter among civilians and effectively using them as human shields against Israeli efforts to root them out. Nevertheless, in the wake of the international uproar, Israel agreed to a 48-hour halt in its air campaign, while reserving the right to take immediate action against targets preparing to attack it.

Secretary of State Rice—who was in the region as part of an eight-day effort at shuttle diplomacy—canceled a planned visit to the Beirut area, but continued work on a draft document that would establish an international peacekeeping force in south Lebanon. Speaking to reporters in Israel before departing for Washington, she said she would push for a cease-fire and a lasting settlement. “I am convinced that only by achieving both will the Lebanese people be able to control their country and their future, and the people of Israel finally be able to live free of attack from terrorist groups in Lebanon,” she said. A few days later, speaking on the “Larry King Live” TV program, Rice appeared to be moving toward the European position favoring an immediate cease-fire. “We need to end the hostilities in a way that points forward a direction for a sustainable peace,” Rice said.

Hezbollah fired more than 200 Katyushas into Israel on August 2, the heaviest barrage so far. As ground fighting continued in and around fortified Hezbollah villages along the border, an Israeli elite unit launched a commando raid on Baalbek, a Hezbollah stronghold in the Bek’a Valley of eastern Lebanon, the deepest penetration of Israeli ground troops into Lebanon since the 1994 kidnapping of Hezbollah leader Mustafa Dirani. The main target now was the Dar al-Hikma Hospital, a Hezbollah-run facility believed to be sheltering senior commanders of the group. According to Ha’aretz, only a few low-ranking operatives were captured.

Israel severed the last road link between Lebanon and the outside world on August 4. Then, at about 9 p.m. that night, rockets hit near
Hadera, south of Haifa, the deepest penetration of rockets so far. There were no injuries and little panic. Loud blasts were reported over a wide area; Hezbollah later that night identified the missiles as Khaibar-1, which carried large explosive charges and made a lot of noise. A version of the Iranian Fajr-13 and Fajr-5 rocket, the Khaibar-1 carried an explosive charge of about 100 kg and had a range of 75 km. It had previously been fired on Afula, in the Jezreel Valley.

Hezbollah said it had fired three rockets at Hadera in response to what it called the “vicious crime” of an IAF bombing in the Bek'a Valley that allegedly killed 28 noncombatant farm workers. Home Front Command reminded Israelis living south of Haifa that while they did not need to stay in shelters or fortified rooms, they should know where to locate them, and take into account that a warning siren would give residents about one minute to seek shelter.

Fadia Jamaa, 60, and her two daughters, Samira, 33, and Sultana, 31, were immediately killed on August 5 when a Katyusha hit the yard of their home in the Israeli Bedouin village of Arab al-Aramshe, near the northern town of Shlomi and only a few kilometers from the Lebanese border. The women were sitting in the yard, which was located next to a fortified structure. The village was too close to the Lebanese border for residents to be warned in time of incoming rockets. The next day, 12 Israeli reservists in a staging area at the entrance to the Kfar Giladi kibbutz in the Upper Galilee were killed by a direct Katyusha hit.

A Final Push and a Cease-Fire

Since early in the war Prime Minister Olmert had resisted calls to have the army push northward to the Litani River line—in some places 20 miles north of the border—in order to prevent the firing of short-range missiles from there into Israel. On August 7, however, Olmert hinted that he was reconsidering. On a tour of the northern border area with Amir Peretz and senior army commanders a day after 160 rockets were fired into Israel, he said he had given an order “that if within the coming days the diplomatic process does not reach a conclusion, Israeli forces will carry out the operations necessary to take control of rocket-launching sites wherever they are.”

With more of their troops massing on the border, Israeli forces moved into the key south Lebanese town of Al-Khiam for the first time on August 10. Also, leaflets dropped on Shi’ite neighborhoods in southern Beirut told residents to leave their homes. The next day Olmert and Peretz
authorized a major ground offensive into southern Lebanon, and infantry and armored forces, kept on hold for days, surged north.

The decision to authorize the offensive—which would later come under harsh criticism for gaining nothing and piling up heavy Israeli casualties—was made after compromises on the wording of a draft Security Council resolution appeared unacceptable to Israel. But there were reports of ongoing diplomatic efforts at the UN to satisfy Israel’s requirements on the mandate and powers of an international force; indeed, as intensive negotiations among key Security Council members continued, Olmert was quoted as saying a new proposal being drafted “has positive significance that may bring the war to an end.” Thus the authorization of the offensive might have been little more than a negotiating tactic.

Later that day the Security Council adopted Resolution 1701, to take effect on the morning of August 14. It called for the “full cessation” of fighting, including Israeli offensive operations and Hezbollah attacks; expanding UNIFIL, the existing UN Interim Force in Lebanon, from 2,000 to as many as 15,000 troops to help coordinate the deployment of 15,000 Lebanese troops and the withdrawal of Israeli forces; mandating a series of steps toward a permanent cease-fire and lasting political solution, including disarmament of all armed groups in Lebanon and respect by both parties for the “Blue Line,” the UN-demarcated border separating Israel and Lebanon; supporting the principle that Lebanon’s government should be the only armed force in the country, thus barring Hezbollah militias from retaining weapons; requesting the international community to extend immediate financial and humanitarian assistance to the Lebanese people, including funds needed to help the tens of thousands of displaced Lebanese to return; and making all parties responsible for ensuring that no action would be taken that would endanger humanitarian efforts, including safe passage for convoys to distribute food and medical supplies.

In a televised speech on August 12, Sheikh Nasrallah said Hezbollah would “not be an obstacle” to a Lebanese government decision accepting the UN cease-fire resolution, but he added, “our ministers will express reservations about articles that we consider unjust and unfair,” and rocket strikes on northern Israel would end only when Israel stopped its air strikes and other attacks on Lebanese civilians. CNN reported that two Hezbollah ministers in the Lebanese cabinet expressed reservations about the resolution’s demand for their organization to disarm in the south.

On August 13, Israeli forces pushed forward to positions near the
Litani River, while Hezbollah fired about 250 rockets into northern Israel and launched two pilotless aircraft that were shot down by Israeli planes. That same day, the Israeli cabinet conducted a stormy debate about the conduct of the war—Culture and Sports Minister Ophir Pines-Paz of Labor, for example, criticized the decision to launch the ground offensive when a cease-fire appeared imminent. Nevertheless, the cabinet voted 24-0 to accept the cease-fire. There was one abstention—Transport Minister Shaul Mofaz, a former chief of staff and defense minister. Prime Minister Olmert told Army Radio that as a result of the decision, “Hezbollah won’t continue to exist as a state within a state . . . . The Lebanese government is our address for every problem or violation of the agreement.”

The next day, as the shaky cease-fire took hold in south Lebanon, Olmert addressed the Knesset. Urging Israelis not to bicker about “blame and guilt” for the war, the prime minister said the military campaign had “hurt the murderous organization [Hezbollah] to a degree that is not yet known to the public,” and taunted Nasrallah and the rest of the Shi’ite leadership for fleeing into hiding places as soon as fighting began. “We will hunt them down at every time and in every place, and we won’t ask permission from anyone,” he pledged.

Lebanese troops begin deploying south of the Litani River on August 17, and, in coordination with UN forces, gradually began taking over territory from which Israeli forces withdrew. “The process of transferring authority has begun,” an IDF statement said, adding that an agreement had been reached after a three-way meeting between Israeli and Lebanese officers and a representative of UNIFIL. UN secretary general Annan demanded on August 29 that Israel lift its air and sea blockade of Lebanon, but Israel said it would do so only when it was assured that forces deployed on Lebanon’s borders could stop new weapons shipments to Hezbollah. The blockade was lifted on September 9.

**The Balance-Sheet and Some Second Thoughts**

On the Israeli side, 119 soldiers were killed and hundreds more wounded, in addition to 43 civilians killed and about 1,350 wounded. The number of Lebanese dead due to the war was estimated at 1,100–1,200, with almost 4,500 wounded. Hezbollah at first claimed that only 70 of its fighters were killed, but later raised the figure to 250. Other estimates were at least double that, AP claiming 565 and the IDF 600–700.

All of northern Israel was paralyzed for more than a month, as a mil-
lion citizens lived under threat of attack from thousands of Kattusha and other rockets. Israeli losses were estimated at several billion dollars, including hundreds of millions of dollars in property damage, the near total shut-down of the multibillion-dollar tourism industry, and significant business and commercial losses. The conflict left much of Lebanon's civilian infrastructure in ruins; experts believed that it would take at least a decade to recover. According to a UN survey, about 35,000 homes and businesses in Lebanon were destroyed in the conflict, and a quarter of the country's road, bridges, and overpasses were damaged. The total cost to Lebanon was at least $15 billion.

In separate reports, two nongovernmental organizations (NGOs), Amnesty International and Human Rights Watch, criticized both sides for attacking civilian targets. Amnesty condemned Israel's use of white phosphorus and suggested that the harm done to the civilian infrastructure of Lebanon was not just collateral damage, but part of a deliberate strategy. It called for "the immediate establishment of a comprehensive, independent and impartial inquiry into violations of international humanitarian law" by Israel and Hezballah. Human Rights Watch said that Israel's systematic failure to distinguish between combatants and non-combatants might constitute a war crime. It raised the possibility that Hezballah had also committed war crimes by directing rockets at civilian population centers in Israel and by packing the warheads of its rockets with ball-bearings and other small bits of metal, which suggested "a desire to maximize harm to civilians."

The Association for Civil Rights in Israel (ACRI) charged Israel with putting Lebanese civilians in harm's way by preventing them from leaving the war zone during its attacks on Lebanese infrastructure. The IDF, however, maintained that Hezballah had blocked the exits to villages and used civilian houses as firing posts, and that Israel had, whenever possible, tried to distinguish between protected persons and combatants.

There was no consensus either inside Israel or in the international community on who had won the war and who had lost. Israeli chief of staff Dan Halutz said that although Israel had not landed a knockout blow, it won "on points.” Undeniably, Israel's efforts had broken Hezballah's hold on south Lebanon and secured its replacement by UNIFIL. Others, however, noted that the failure to score a decisive victory severely damaged Israel's military deterrent against possible future attacks from Hezballah and Iran, for which it had acted as a proxy, and possibly Syria—which had, at the very least, allowed itself to be used as a conduit, and perhaps even directly supplied arms for use against Israeli forces.
Some foreign observers both in the Arab world and the West gave considerable credit to Sheikh Nasrallah and his Hezballah fighters. By surviving an asymmetrical conflict with Israel, the argument went, Hezballah had emerged as the military and political victor. Israel had been forced to end the fighting without achieving its two main objectives, the release of kidnapped soldiers Goldwasser and Regev, and the destruction of Hezballah as a fighting force. Hezballah also seemed to be making political gains after the war: with money presumably supplied by Iran, it distributed cash in Lebanon for the repair of homes and businesses damaged in the conflict.

On August 27, Nasrallah stated publicly that he had not intended to start a war. Apologizing to the Lebanese people, he said: "Had we known that the kidnapping of the soldiers would have led to this, we would definitely not have done it." Nevertheless, speaking to close to a million supporters at a "victory" rally in Beirut on September 22, Nasrallah said his organization was celebrating a "divine and strategic victory."

Most Israelis were highly critical of the outcome, and as the days passed, criticism of those who had managed the war mounted. There were calls for the removal of both the political and military leadership, the latter gaining special impetus from the revelation that Dan Halutz, the chief of staff, had ordered his bank to sell his entire portfolio of stocks on the morning the fighting began. On August 21, demobilized reservists claiming 2,000 supporters set up a protest tent near the Knesset and the Prime Minister's Office in the Givat Ram complex in Jerusalem. The Movement for Quality Government, a voluntary watchdog group that had existed for years, joined in the protest movement, as did families of soldiers killed and wounded and displaced residents of northern Israel. By August 25, 63 percent of the participants in one survey thought Prime Minister Olmert should resign. Complaints about management of the war soon expanded into a broader critique of the lack of accountability in Israeli society.

Olmert continued to balk at one of the protesters' key demands, the establishment of a formal state commission of inquiry headed by a retired Supreme Court justice. Instead, he announced on August 28 that there would be two internal inquiries, one to investigate the performance of the political echelon and the other to examine that of the IDF. He also raised the possibility of a third commission to look into the management of the home front. Since these would have more limited mandates than a state commission of inquiry, they were denounced by the critics as providing the recipe for a whitewash. The makeup of the first of the internal panels, that probing the political leadership, was announced in
September. Its chairman was retired judge Eliyahu Winograd, and the other members were two professors—Yehezkel Dror, a political scientist, and Ruth Gavison, a legal scholar—and two retired generals, Menahem Eilon and Haim Nadel.

Backbiting among army officers grew especially intense. In early October, after Maj.-Gen. Yiftah Ron-Tal, a former commander of the ground forces who had earlier attacked the 2005 disengagement from the Gaza Strip, called for Halutz and Olmert to resign over their conduct of the war, Halutz dismissed him from the army. In a letter to Ron-Tal, Halutz said he was terminating the general’s stay in the military because “Israeli soldiers are forbidden to deal with political subjects and make public comments on political and diplomatic issues, and all the more so, it is forbidden for soldiers to publicly criticize the government.”

Another top officer who left the army was Brig.-Gen. Gal Hirsch, commander of the Galilee Division during the war. Hirsch resigned on November 12, shortly before a report by former general Doron Almog into the July 12 incident in which Eldad Regev and Ehud Goldwasser were kidnapped and eight soldiers killed. The Almog report pointed out inadequacies in the conduct of the soldiers in the field and also drew personal conclusions against the commander himself, Hirsch. In his letter of resignation, Hirsch charged that he had received no backing from the very beginning of the war, and had been subjected to a constant barrage of unjustified criticism.

The Syrian Conundrum

Syria’s shadowy role in aiding Hezbollah during the Lebanese conflict could easily have escalated the war into a regional conflict, and Israel took steps to minimize that possibility. Though Israel maintained that Syrian-made equipment was being used by the Hezbollah fighters and that Syria was resupplying its allies with rockets and other weapons, Prime Minister Olmert reportedly vetoed plans to deploy reserve forces on the Golan Heights after intelligence reports claimed that Damascus had placed its troops on high alert.

But Israel did use air power to attack convoys from Syria, which Damascus insisted were carrying civilian aid rather than military materiel. In late July, for example, the official Syrian news agency termed “totally baseless and unfounded” Israeli allegations that a convoy of trucks hit by Israel was of a military nature. In fact, the Syrians asserted, the vehicles carried medical aid donated by the United Arab Emirates to
Lebanese war victims, and were accompanied by ambulances. The UAE Red Crescent—the Arab equivalent of the Red Cross—subsequently condemned the air raid, saying it violated “all international charters, the Geneva Conventions, and international humanitarian laws.”

In mid-August, Israel appeared interested in renewed talks with Syria. Shortly after the cease-fire in Lebanon went into effect, Defense Minister Peretz said that “every war creates opportunities for an extensive diplomatic process,” and that it was necessary to “lay the groundwork for negotiations with Syria.” Foreign Minister Livni also expressed the hope that the cease-fire would pave the way for a better Middle East, specifically referring to Syria and the “change it has to make in order to be accepted by the international community and play a more positive role.”

But Israel changed its tune after Syrian president Bashar Assad’s speech on August 15 to the Syrian Journalists Association, in which he claimed credit for what he termed Hezbollah’s “victory” in the just-ended Lebanon war, supported “resistance” to Israel, and called for the removal of the incumbent Lebanese government. Praising Hezbollah’s actions, the Syrian president spoke of “turning the military victory into a political victory.” He also deemed Security Council Resolution 1701, which brought about the cease-fire, unacceptable, because it held Hezbollah accountable for starting the war. Assad did not lay all the responsibility on Israel. He said the conflict was “an Israeli aggression in tools, but an American aggression in decision.” And, hinting at the possibility of going to war, Assad warned that a peace deal with Israel was not the only way to achieve Syrian goals, meaning the return of the Golan Heights.

Israel’s interpretation of the Syrian leader’s statements was that Damascus had opted to align itself with extremist Islam and could not be considered a partner for peace. An official communiqué issued after the August 20 meeting of the Israeli cabinet said, “Syria, as can be seen from Bashar Assad’s speech praising Hezbollah, has come out clearly, in word and in action, on the side of the axis of opposition to Israel.”

At the same time, Olmert warned that constant talk of a war with Syria might be misunderstood in Damascus. “People do not have to warn us of the Syrian war threat on a daily basis, and on the other hand, to immediately leap forth to negotiate with the country,” he commented during the cabinet meeting, according to the Jerusalem Post. “Every comment of this nature brings forth a feeling that the other side doesn’t necessarily understand us in the way we would strive to be understood. We must be more cautious during this time, despite the fact that we are prepared for anything.”
Yet such mixed signals were delivered the very next day, when Internal Security Minister Dichter said that Israel should resume negotiations with Syria toward a deal in which the Golan Heights, captured in the 1967 Six-Day War, would be exchanged for peace. "What we did with Egypt and Jordan is also legitimate in this case," Dichter said. Vice Prime Minister Shimon Peres, however, also speaking that day, said the time was not right to resume negotiations with Damascus, since Israel was still preoccupied with Lebanon and the Palestinians.

Olmert, visiting northern Israel the following day, August 22, declined to criticize Dichter, a close political associate. But according to Ronny Sofer of Yediot Aharonot, he did express severe reservations about any Syrian initiative. "I have heard voices speaking about our neighbors to the north and the need to speak to them," Olmert said. "Let's remember that a few days ago missiles from that country to our north were killing Israeli civilians. All terror organizations have headquarters in Damascus and enjoy full support from Syria. The kidnappers of Gilad Shalit, too, received their instructions from Damascus... Let's not get sucked in by false hopes, or create illusions that tomorrow we'll blink our eyes and all of a sudden they will be negotiating partners."

Olmert reiterated this view in September, after Assad, in an interview with the German magazine Der Spiegel, said, "We want to make peace—peace with Israel." Olmert told Israel Radio on September 28, "It [Syria] was and remains the main supporter of the Palestinian terror groups who daily try to carry out terrorism against the State of Israel. In my opinion, this is not a foundation on which it is possible to hold peace negotiations." This position was aligned with that of the U.S., which considered Syria part of the network of international terror.

Tensions between Israel and Syria increased in October. After repeated statements from Damascus that it was readying for war, including a claim by Assad that preparations had begun to ward off an impending Israeli attack, Israel visibly beefed up its military presence in the Golan Heights and placed its army on high alert. But Assad sent a contradictory signal on October 21. In an interview with the Spanish newspaper El Pais, Assad repeated his desire for peace negotiations with Israel and expressed the belief that the achievement of an "encompassing and just" agreement would solve the area's recurring problems.

The idea of Syrian-Israeli talks surfaced again in December, when President Assad, in an interview with the Italian newspaper La Repubblica, said his country was ready to hold peace negotiations with Israel,
but was also preparing for the possibility of a war. “I say to Olmert: make an attempt. Call our bluff,” he declared.

Speaking to Yediot Aharonot a few days later, Ami Ayalon, the former chief of Israel’s navy and the Shin Bet security services—who was, at the time, running for the leadership of the Labor Party—said Israel could not reject what seemed to be a Syrian initiative out of hand. Even so, he continued, there should be preconditions for such talks—Syria would have to dissociate itself from terror, distance itself from Iran, and make it clear that an Israeli withdrawal from the Golan Heights need not be immediate, but gradual. He concluded, “Whoever wants to talk needs to be talked to, but in coordination with the Americans.”

Another Israeli view, held by a minority, held that the government should enter into immediate negotiations with Syria. The celebrated Israeli writer Amos Oz, for example, said: “Israel is demanding, as a precondition, that Syria give all that it has to give—even before sitting down at the negotiating table. That is a ludicrous demand.”

But Olmert was not about to make any overtures to Syria in contravention of American wishes. He asked, “At a time when the president of the United States, Israel’s most important ally, with whom we have a network of strategic relations—when he is fighting in every arena, both at home in America, in Iraq and in other places in the world, against all the elements that want to weaken him—is this the time for us to say the opposite?”

The Iranian Threat

Tensions between Israel and Iran increased sharply over the course of 2006, spurred on by President Mahmoud Ahmadinejad’s continued predictions that the Jewish state would be “wiped off the map”; Iranian support for and supply of weapons and training to its client, Hezballah, in Lebanon; and the rising threat of a nuclear Iran.

At a press conference in Tehran on April 24, the Iranian president said Israel could not “continue its existence,” adding that the Middle East conflict could only be settled with a just peace plan. And in an interview with Der Spiegel, the German newsmagazine, in May, Ahmadinejad said there were “two opinions” about the Holocaust. In response to a question on whether the Holocaust was a myth, he said: “I will only accept something as truth if I am actually convinced of it,” adding that if it turned out that there had been no Holocaust, “the Jews have to go back to where they
came from." In an obvious riposte to uncomplimentary caricatures of the Prophet Muhammed in a Danish newspaper (see below, pp. 433–35), the Iranian government sponsored an international contest for Holocaust cartoons. There were 204 entries.

More vitriolic rhetoric came with the outbreak of war in Lebanon. Ahmadinejad said on July 15 that just as Hitler had sought pretexts to conquer other European nations, "the Zionist regime found baseless pretexts to invade Islamic countries, and right now it is justifying its attacks with groundless excuses." In early August, while calling for an immediate cease-fire in Lebanon, the Iranian president said that "the main solution is for the elimination of the Zionist regime," which was "illegitimate" and had "no legal basis for existence."

Speaking shortly after he became acting prime minister in January, Olmert said that "under no circumstances can Israel allow someone with hostile intentions against us to have control over weapons of mass destruction that can endanger our existence." In April, responding to threatening statements by Ahmadinejad, Olmert said that "the Jewish people and the very existence of Israel" were Iran's targets. Israel, he went on, did not take the threat lightly, and "we are powerful and able to defend ourselves." And at a gathering at the Yad Vashem Holocaust memorial in October, the prime minister wondered out loud how Iran could continue to be "a legitimate member of the United Nations."

Throughout the war in Lebanon, Israel insisted that Iran was the source of weapons that flowed through Syria to Hezbollah. In early August, Defense Minister Peretz made clear Israel's view of the Iranian role. "Hezbollah," he said, "is Iran's advance commando unit. In effect, it is the Iranian vanguard."

Writing in the December issue of Foreign Affairs, Ze'ev Schiff, the eminent military analyst for Ha'aretz, stated: "The Iranians may not have been physically present on the front lines in Lebanon, but they were active there nonetheless," and cited specific instances of Iranian involvement discovered by Israeli intelligence. Schiff wrote that Israel was lucky that Iran did not yet have nuclear weapons. "From Iran's perspective," he went on, "the conflict started too soon."

Over the course of the year, Iran stonewalled UN efforts to get it to suspend its uranium-enrichment and reprocessing-related activities and to implement full transparency measures. Ali Larijani, Tehran's chief nuclear negotiator, responded to UN pressure in July by insisting that Iran would expand, not suspend, uranium enrichment. Israel, which understood that it was the primary target of the potential Iranian nuclear threat, warned the world repeatedly of the danger.
Speaking to newspaper editors, Prime Minister Olmert said Israel "cannot remain indifferent to ... serious attempts to develop a capability with which they will be able to advance toward the production of a nonconventional bomb. We will work with our friends, first and foremost with the U.S., in order to prevent this." He seemed to prefer efforts to reach a political solution before using other means. "The way to deal with it, first and foremost, is to see to it that Iran will not have the ability to develop nuclear weapons. This is the goal. The ways are various and manifold. I hope that it will be possible to achieve this via negotiations, as I have said more than once, including through compromise," Olmert said.

The threat to Israel from Iran became increasingly palpable over the course of the year. In January, Iran tested a missile that may have had a range of nearly 2,500 miles, capable of reaching Israel and American forces in the Middle East. During war games in November, Iranian TV carried pictures of missile firings, and reported that Shihab-2 and Shihab-3 missiles with ranges from 300 to 2,000 miles had been used. According to one report, some had been modified to carry cluster warheads capable of delivering over 1,000 individual warheads.

There were signs that Iran was getting close to nuclear bomb-making capacity. In May, UN inspectors found traces of highly enriched uranium near an Iranian military research center, and the uranium, they said, was close to but not quite at the level needed to make nuclear warheads. Israel had its own assessments of the Iranian nuclear timetable. Ha'aretz reported that Gen. Amos Yadlin, head of military intelligence, told the Knesset Foreign Affairs Committee that Iran would have nuclear weapons by 2010, and a similar prediction, quoting unnamed sources in the Israeli defense establishment, was published in the Jerusalem Post. There were reports during the year, all denied, of Israeli plans to hit Iranian nuclear facilities before bomb-making capability became irreversible. In December, after the Security Council passed Resolution 1737 threatening sanctions against Iran, the Israeli cabinet issued an official communiqué saying that the UN decision "makes it clear that there are many more options for action that—correctly used and enforced by the international community—will enable the attainment of better results in blocking Iran's nuclear option."

Ahmadinejad opened a two-day Holocaust-denial conference in Tehran in early December. Rasoul Mousavi, head of the Iranian Foreign Ministry's Institute for Political and International Studies, said it was an opportunity for scholars to discuss the subject "away from Western taboos and the restriction imposed on them in Europe." According to the New
York Times, citing Iranian reports, 67 researchers from 30 countries took part, including former Ku Klux Klan leader David Duke. Also in attendance were seven members of the Neturei Karta anti-Zionist ultra-Orthodox sect. At the same time, Iranian leaders indignantely denied that they were anti-Semitic.

A Nuclear Israel?

On December 10, at the start of an official visit to Germany, Prime Minister Olmert gave an interview to the German N24 news channel in which he appeared to confirm the widespread suspicion that Israel had nuclear weapons. He said: “We have never threatened any nation with annihilation. Iran, openly, explicitly, and publicly threatens to wipe Israel off the map. Can you say that this is the same level, when they are aspiring to have nuclear weapons, as America, France, Israel, Russia?”

His statement might have been a slip of the tongue or, alternatively, a considered comment in response to the growing Iranian nuclear threat. Whatever his intentions, Olmert immediately found himself in political hot water for breaking with the long-standing Israeli policy of “nuclear ambiguity,” whereby Israel said only that it would not be the first country to introduce nuclear weapons into the region.

The Prime Minister’s Office hastened to say that Olmert was only putting Israel “among the list of responsible nations, and not the list of nations that have nuclear weapons.” But Likud MK (and former chairman of the Knesset Foreign Affairs and Defense Committee) Yuval Steinitz said the prime minister should resign. “The terrible statement made in Germany undermines 50 years of Israel’s policy of ambiguity. A prime minister who is unable to control his statements on sensitive matters of security must quit,” said Steinitz, a close ally of Likud leader Benjamin Netanyahu. A similarly strong condemnation came from the left side of the political spectrum. Meretz leader Yossi Beilin said that “the fantastic statement of the prime minister on the nuclear issue raises serious doubts whether this is a person worthy of serving as prime minister.”

Meanwhile, Abdul Rahman al-Attiya, secretary general of the Gulf Cooperation Council, urged the U.S. to take steps against a nuclear Israel. Washington, he argued, “should not apply double standards.” Having called for sanctions against Iran, which had no plans to use nuclear power for war, the Americans should certainly clamp down on Israel, whose prime minister had admitted possessing nuclear weapons, he said.
DOMESTIC DEVELOPMENTS

The Economy

Growth Despite War

The performance of the Israeli economy in 2006 made it seem as though the war never happened. The country’s Gross Domestic Product (GDP), the standard measure of production and thus the key indicator of economic performance, grew by 5.1 percent for the year, lagging behind the super-fast growth of Far Eastern economies like those of China and India, but still 70 percent higher than the 2.9 average growth rate for all 30 developed countries of the Organization for Economic Development (OECD). Beyond that, Israel ranked a respectable 28th in the world in per-capita GDP, at a little more than $18,000 for each Israeli. This was a remarkable figure given the relatively low Israeli rate of participation in the work force, a situation created by the large numbers of ultra-Orthodox men and Arab women who, for reasons of religion and tradition, did not work.

According to revised figures published by the Bank of Israel in March 2007, when most of the relevant statistics were in, GDP rose at a whopping annualized rate of 11 percent in the fourth quarter of 2006, after declining by 1.8 percent in the previous quarter because of the war. Indeed, there was great pessimism about the economy in August and September due to the 34 days of combat. The high cost of the war, the need to rearm the military, and the hundreds of millions of dollars needed to repair war damage raised fears of an economic slowdown. But the economy bounced back instead.

"On a macroeconomic level, the effect of the war was only temporary," Bank Leumi economist Hanoch Frankovits told the Jerusalem Report magazine. Frankovits said that economic damage was minimal because the war was relatively short. Despite stories of ripe fruit rotting on the trees of northern kibbutzim and moshavim, he observed, even damage to agriculture was not as great as anticipated. True enough, farmers in the north suffered losses, but the overall statistics were hardly affected. According to Frankovits, agricultural exports in August and September averaged 70–80 million shekels a month, about what they would have been in a “normal” year.

Equally important, the economy was able to snap back because it had
been in good shape during the first half of the year, when annualized
growth was a very high 6.6 percent. Had the conflict taken place in 2003,
during the recession that coincided with the intifada, the situation would
have been much worse and the recovery much slower, most Israeli econ-
omists agreed.

Another reason the economy was able to absorb the shock of the war
was its diversification. Israel no longer depended almost entirely on high-
tech exports, mostly in information technology, electronics, and software.
While high-tech still played a key role, other sectors had emerged in re-
cent years and picked up a greater share of the load, such as chemicals
for agriculture. Alternative sources of energy had become more wide-
spread, and the domestic market had grown. In 2003 and 2004, as the do-
mestic economy contracted under the influence of the second intifada and
the continuing effects of recession, expansion of exports was the main
force driving the economy forward. But since then, Central Bureau of Sta-
tistics (CBS) figures showed that the domestic economy’s share of GDP
expansion, 2.9 percent each year, accounted for more than half of the
over-5-percent growth rate.

One final element helping explain the economic resiliency was sug-
gested by Roby Nathanson, director general of the Macro Institute of Po-
itical Economics, a Tel Aviv think tank. He said, “We are not the Swiss,
we are accustomed to war. So when there is a war, it’s a shock all right,
but we do not collapse. We have been having wars here for almost 100
years, not like any regular country.”

The only sector that really suffered from the war was tourism, which
displayed its usual high degree of sensitivity to security problems and po-
itical events. For the year, 1.8 million tourists visited Israel, a drop of only
5 percent from 2005 but way below the 2.4 million who had been expected
in a year people thought would be the best since the start of the second
intifada in 2000. According to industry statistics, revenues from tourism
and related services were only $3.4 billion in 2006, far short of the $4.4
billion that had been anticipated.

To be sure, the war had other costs as well. Activists like Shlomo
Swirski of the Adva Center, a Tel Aviv-based social-policy think tank,
pointed out that in order to pay the war’s costs, estimated at several
billion dollars, monies had been diverted that would otherwise have
gone to social programs, infrastructure projects, and cutting university
tuitions—which, low by Western standards, was still more than many
young Israelis and their families could afford. Two major programs
planned to begin in 2007—the so-called War on Poverty, which was to
have gotten allocations of 14 billion shekels (about $3.3 billion) over five years, and Negev 2015, which envisioned spending 17 billion shekels on the development of the long-neglected south of the country over a ten-year span—had to be sidelined.

**Economic Balance Sheet**

Israel’s fiscal deficit for the year was 6.1 billion shekels ($1.45 billion), amounting to 0.9 percent of GDP. What kept it that low was a $3-billion rise in tax revenues, which helped offset the negative effects of the war. Israel’s external debt declined by $16 billion, reaching $14 billion, the lowest figure in the country’s history, according to figures published by the Bank of Israel. The central bank said that the value of Israeli assets abroad in December 2006 was about $156 billion, while foreign liabilities totaled slightly less than $171 billion. The value of foreign assets rose sharply to $156 billion from only $122 billion at the end of 2005. The bank also noted that Israel had a balance-of-payments surplus amounting to $6.8 billion in 2006, up from $4.6 billion in 2005. Foreign investment was calculated at a record $22.7 billion, including $14.1 billion in direct investment and $8.6 billion in Israeli securities. At the same time, Israelis deposited $9.3 billion in foreign banks, mostly by the business sector for the financing of its activities and acquisitions.

Israel’s public, or governmental, debt fell by 8.9 percent in 2006 to 545 billion shekels (about $128 billion), 88 percent of GDP, its lowest level in four years, according to the Ministry of Finance. For the period 2003–06, the public debt fell by 14 percentage points, or $15.5 billion. Israel’s public debt was now far below its 1986 peak of 159.8 percent of GDP, but the 88-percent figure was still substantially above the average of 60 percent in the developed countries of the OECD.

According to Bank of Israel figures, the shekel appreciated by 8.2 percent against the dollar over the course of 2006, and by 5.2 percent against the basket of currencies. The country’s foreign-currency reserves stood at $29.028 billion at the end of 2006, compared to $27.858 billion a year before.

Merger-and-acquisition activity reached an all-time high in 2006, with more than $10.6 billion in 76 separate transactions. A list published by the *Globes* business daily of high-tech companies—which did not include the $4-billion purchase of 80 percent of the Iscar cutting-tools firm by U.S. investor Warren Buffett’s Berkshire Hathaway—was topped by HP’s $4.5-billion purchase of Mercury Interactive; the $1.55-billion sale of
flash-memory maker M-Systems to Sandisk; Verifone's acquisition of Lipman Engineering for $793 million; PMC-Sierra's $300 million buy of chipmaker Passave; and the $245-million cash-and-shares deal for PowerDsine made by Microsemi. In addition, according to Ha'aretz, Israeli companies paid about $3 billion for foreign companies in 51 transactions, the largest of which was the December purchase of Sweden's ProtecData by CheckPoint software for $625 million.

At year’s end, the unemployment rate stood at 7.7 percent, the lowest figure in a decade, the CBS reported. Average unemployment for all of 2006 was 8.4 percent, as compared to 9 percent in 2005. Analysts pointed out that the economy’s performance on the job front was even more impressive taking into account a growth in the population of about 1.8 percent and new rules that tightened requirements for unemployment compensation, pushing more Israelis into the workforce.

According to a report by Dr. Rafi Melnik of the Herzliya Interdisciplinary Center, 74,000 new business-sector jobs were created during 2006, an increase of 4.2 percent, to reach a record of 1.85 million. Most of those jobs—about 52,000—were added before the outbreak of the war on July 12, and the others after its conclusion. Still, economist Roby Nathanson claimed that the drop in unemployment was no cause for celebration: “We should be doing much better,” he said, pointing out that in the OECD developed countries unemployment stood at an average of 6 percent. And he added that Israel was not going to close the gap between rich and poor—the second widest in the West (the U.S. had the widest)—by creating more low-paying jobs.

Poverty indeed remained a problem, although the year 2006 did see some small improvement. The Bank of Israel’s annual poverty index showed a drop of three-tenths of a percentage point to 24.4 percent, after rising in the three previous years and reaching 24.7 percent in 2005. The Arab and Haredi populations, both characterized by large families and a low level of participation in the workforce, accounted for 60 percent of Israel’s poor. Poverty was most widespread, however, among Israel’s Bedouin population, where the rate was 66.4 percent.

The official Bank of Israel report said that cutbacks in social welfare payments—such as child allowances for large families and pensions for the disabled and the elderly—were responsible for much of the increase in poverty over the last several years. These policies were instituted in 2002 under then-finance minister Benjamin Netanyahu, who maintained—and still maintained at the end of 2006, as opposition leader—that radical governmental budget-cutting was necessary to save the economy from collapse.
**Territorial Issues**

A study by the independent Israel Research Institute for Economic and Social Affairs issued in February disclosed that $14 billion had been spent on West Bank settlements, not including military expenses, over the previous four decades.

At a Jerusalem press conference in late November called by Peace Now and billed as “The Great Land Robbery,” it was reported that 40 percent of the roughly 130 West Bank settlements were fully or partly built on private Palestinian lands, and were therefore illegal. “We are talking about an institutional land grab,” said Peace Now settlement expert Dror Etkes. In demanding that Attorney General Mazuz launch a criminal investigation, Yariv Oppenheimer, Peace Now’s secretary general, called the revelation “a very severe indictment, which says that contrary to the Supreme Court’s ruling and legal decisions, Israel stole private Palestinian lands and built settlements on them.”

However the Council of Settlements in Judea and Samaria (known in Hebrew as the Yesha Council) dismissed the complaint as untrue. “There is nothing new in Peace Now’s claims,” it said in a statement. “As usual in the struggle against Jewish settlement all means are valid. The State of Israel has not built communities on private lands since 1979,” when the Supreme Court ruled that it could not.

On February 1, about 10,000 police and soldiers evacuated the tiny Amona outpost in the West Bank and demolished the nine homes there. In doing so they faced an estimated 4,000 protesters, some 3,000 in the surrounding area and 1,000 inside and around the houses, included youths from nearby settlements and schools who had fortified themselves inside the homes and on the roofs in an effort to block the order from being carried out. Demonstrators claimed to have been beaten repeatedly on the skull and in the testicles with metal riot clubs, and trampled by riot-trained horses. About 300 protestors and police were injured, among them three right-wing Knesset members. There were also complaints from girls of sexual abuse, both verbal and physical, by police.

The Knesset voted 37-32 on February 9 to launch an inquiry, and the decision was considered a major victory for the rightist opposition. Likud leader Benjamin Netanyahu told Yediot Aharonot that the probe should focus on political responsibility for the events. The committee conducting the hearings found that the police had employed excessive brutality. It expressed criticism of Internal Security Minister Gideon Ezra for preventing police commanders from testifying, and said it found contradictions between the testimonies of Ezra and Chief of Staff
Dan Halutz. No action was taken as a result of the Knesset investigation.

In a report released March 8, State Comptroller Micha Lindenstrauss blasted the Sela Disengagement Authority, the Prime Minister’s Office, and the Finance Ministry for their poor performance in handling the evacuation and resettlement of 1,750 families from the Gaza Strip and the northern West Bank in the disengagement of August 2005. The report found that a cumbersome government bureaucracy prevented efficient preparation for the pullout; that the authorities did not treat the evacuees appropriately; and that government ministries ignored the needs of the local authorities that took them in.

Lindenstrauss noted the government’s severe underestimate of how much temporary housing would be necessary. Until a short time before the evacuation, only 1,800 rooms were booked for the evacuees, and an additional 1,000 rooms had to be found when the operation was already under way. The displaced people ended up dispersed in 31 hotels, yeshivas, and seminaries across the country, making it difficult for workers from the Disengagement Administration to reach them. In addition, the Prime Minister’s Office had assumed that the evacuees would not stay in temporary housing for longer than 14 days. As it turned out, some 40 percent of the evacuated families were still living in hotels three months after the pullout.

In April, three Jewish families moved into an abandoned home in Hebron, near the settler enclave of Avraham Avinu. They presented documents allegedly showing that they had rented the property from its Palestinian owner. Israeli authorities determined that these documents were forged. On May 7, police used a buzz saw to break down a metal door, and, in riot gear, stormed the building, forcibly evicting the families and dozens of their supporters. The Supreme Court had originally ordered the squatters removed by May 5, but then postponed the eviction because of Shabbat. About 500 Jewish settlers live in heavily guarded compounds in Hebron, which was home to some 170,000 Palestinians.

In early December, Education Minister Yuli Tamir ordered that maps in Israeli textbooks should include the ‘Green Line’ designating the boundary between pre-1967 Israel and the territories captured in the Six-Day War. This drew an enraged reaction from some advocates of holding on to the territories. Tamir said that rabbis warned she would suffer the fate of Ariel Sharon. Yediot Aharonot quoted Rabbi David Drukman, chief rabbi of Kiryat Motzkin, as calling for a boycott of the
books that included the Green Line "Whosoever rips out parts of Israel, his fate is as one who rips the Torah of Israel," he said. But Prime Minister Olmert supported Tamir's decision. "There is no reason not to mark the Green Line and where the borders of the country were in 1967," he said. "However, there is a duty to present the fact that the government's stance and the consensus in the country rule out returning to the 1967 borders."

Religion, State, and Society

The Supreme Court on May 11 rejected four petitions against the so-called Tal Law, under which yeshiva students could delay army service even if they were no longer continuing their studies. The law, recommended by a special panel seeking ways to bring ultra-Orthodox men into the job market, was approved by the Knesset in July 2002. It allowed draft-eligible students who left yeshiva a year's grace period, after which the individual could return to his yeshiva studies or else be inducted into the army or be taken for a year's national civilian service. The Movement for Quality Government in Israel had submitted a petition signed by 24,000 citizens claiming that the special privileges enjoyed by the ultra-Orthodox men exempted from the army because of their yeshiva studies discriminated against the "body, assets, ability to earn, and honor of those who do serve in the army and carry the security burden on their shoulders."

While the court's decision upheld the statute for the time being, it warned that it "could become unconstitutional," depending on how it was implemented. Ha'aretz later quoted an army spokesman to the effect that the number of yeshiva students getting deferments under the Tal Law had reached 50,000 by the end of 2006, rising from 30,000 in 2000 and 46,000 in 2005.

A conference scheduled in Jerusalem for November 7-8 to tackle the vexed issue of agunot—women whose husbands refused to grant them Jewish divorces—was canceled at the last moment. The conference, organized by the International Council of Jewish Women and Sephardi chief rabbi Shlomo Amar, would have brought together, behind closed doors, rabbis and religious judges from around the world who dealt with the issue. A few days before the expected opening of the proceedings—with some of the would-be participants already in Israel—Rabbi Amar's office sent out faxes saying that the event had been canceled. While there was no official word on why the conference was sidetracked, those inter-
ested in ameliorating the plight of agunot saw it as another example of the intransigence of the Israeli Orthodox establishment.

Jerusalem’s gay pride parade, scheduled for November 10, did not take place, after a compromise was reached allowing a rally for gays and their supporters at the Hebrew University stadium in the capital. In the days leading up to the parade date there were incidents of stone-throwing, burning cars, and destruction of traffic lights in the Haredi Meah She’arim neighborhood protesting the impending event, which many Orthodox Jews viewed as a desecration of the holy city. A number of non-Orthodox public figures also opposed the parade as an unnecessary provocation. According to Yediot Aharonot, the deal to use the stadium followed deliberations by top Haredi figures, including Rabbi Shalom Elyashiv, leader of the “Lithuanian,” non-Hasidic community, and Shas spiritual leader Rabbi Ovadia Yosef.

About 3,000 police were deployed to protect the rally in the stadium, which drew about an equal number of participants and proceeded without major incident. Speakers declared that the principles of individual rights and freedom of expression were at stake, and criticized government officials for not standing up to the forces of religious coercion.

In late November, an El Al flight from Miami to Israel flew on Shabbat, creating a sensation among many Orthodox Israelis. The airline, which had been privatized in 2004, had not flown on Shabbat for a quarter century, at an estimated cost to the company of $40 million a year in lost flight time. Once the news of the Shabbat flight got out there was a rash of cancellations of reservations by Orthodox Jews, well-known rabbis were quoted as calling for a boycott, and negotiations began between Orthodox leaders and Israir, El Al’s major competitor, about taking over as the airline of choice for the community. El Al said that the questionable flight was an exception made necessary by the fact that its passengers had been stranded in Miami due to an airport strike in Israel, and that its Sabbath rest policy remained in effect.

In mid-December, Labor MK Ophir Pines-Paz introduced a bill in the Knesset making it illegal to seek to change the religious beliefs of anyone below the age of 14. While the language of the measure encompassed all religions, and also included coaxing youngsters to give up religion in favor of secularism, it was clearly aimed at Orthodox, and especially Chabad, outreach activities. Pines-Paz admitted as much. He also noted that he fully realized that the proposal had no chance of passage, but felt it important to make a statement against a phenomenon that he said was creating “unbearable strain” on families.
Legal Matters

On May 14 the Supreme Court upheld a controversial 2002 law placing restrictions on Palestinians married to Israeli Arabs from living inside the Green Line. According to the law, only Palestinian women over age 25 and Palestinian men over age 35 were permitted to live in Israel with their Israeli spouses. The State Attorney's Office said that the state had granted 6,000 of 22,000 requests for family reunification to such Israeli-Palestinian families since the Oslo Agreements of 1993; the rest had been rejected for security reasons.

A panel of 11 judges voted 6-5 against a petition to strike down the law. Since each of the justices wrote a separate opinion, the ruling took up 265 pages. The petitioner, Murad al-Sana, an Israeli attorney married to a Palestinian woman from Bethlehem, called the decision "a black day" for his family and for the State of Israel. "The government is preventing people from conducting a normal family life just because of their nationality," he told Israel Radio. Attorney Orna Kohn of Adalah, a civil rights group, was strongly critical of the decision, saying, "The bottom line is that the Supreme Court of Israel refused to intervene against a law that is racist."

In another landmark case, the Supreme Court ordered the government to recognize same-sex marriages performed abroad. The November 21 decision, by a vote of 6-1, was celebrated by Israel's gay community and by human rights groups, but infuriated the ultra-Orthodox, MK Moshe Gafi of United Torah Judaism commenting, "We don't have a Jewish state here. We have Sodom and Gomorrah here." The court's decision, however, was largely symbolic, as gay couples in Israel already had many of the rights of heterosexual partnerships. Under the new ruling they would also get the same tax breaks as married couples and be able to adopt children.

The route of the security fence in the Bir Naballah area north of Jerusalem was legal, the Supreme Court ruled on November 26. In doing so, a special nine-justice panel rejected five petitions that opposed the fence route because it left 1,500 Palestinians, many of them with the blue ID cards indicating Israeli residency, outside Israel. Chief Justice Aharon Barak wrote that the court accepted "the state's position that there is a need to build a separation wall to advance the security objectives of protecting Jerusalem, nearby communities and roads leading to it, from terror activities."

Some targeted killings of Palestinian militants were legal under...
national law, the Supreme Court ruled on December 14, refusing to issue a blanket ban against the killings. Two human rights groups, the Public Committee Against Torture in Israel and the Palestinian Society for the Protection of Human Rights and the Environment, had petitioned the court to ban the policy in 2002, but the court repeatedly delayed issuing a decision until now. The ruling gave legal legitimacy to a practice Israeli forces had routinely used against militants since the outbreak of the second intifada in late 2000. The Israeli human rights organization B’tselem estimated that 339 Palestinians had been killed in these targeted operations. The three-judge panel unanimously ruled that "it cannot be determined in advance that every targeted killing is prohibited according to customary international law," while also noting that the tactic was not necessarily legal in every case.

Attorney General Menahem Mazuz said on April 27 that Ahmad Saadat, head of the radical Popular Front for the Liberation of Palestine, could not be tried for masterminding the October 2001 assassination of former tourism minister and right-wing leader Rechavam (Gandhi) Ze'evi. Even though Israel had said for years that Saadat had masterminded the killing, Mazuz said the evidence was insufficient. Four other PFLP men would go on trial for the crime. In March, Israeli forces had taken Saadat and the others from a prison in Jericho where they had been held under international supervision (see above, p. 224). Mazuz said Saadat would be tried in military court on other terror-related charges.

The Jerusalem District Court ruled on September 11 that Asher Weisgan, of the West Bank settlement of Shvut Rachel, was guilty of the August 2005 murder of four Palestinian laborers and the attempted murder of another (see AJYB 2006, p. 212). A driver who transported Palestinian laborers, Weisgan grabbed a gun from a security guard and then opened fire at the workers in his car at close range. Weisgan subsequently claimed that he acted to thwart the disengagement plan.

In a plea-bargain deal, the Nazareth District Court on September 14 found Violet and Haim Habibi guilty of conspiracy, arson, rioting, and disorderly conduct for disturbing the city's Church of the Annunciation in early March. Police had rescued them from the church after they detonated fireworks during a prayer service. Ensuing riots lightly injured 13 police officers and 13 civilians. Four cars were set on fire, including two police vehicles. Ha'aretz, quoting a Channel 10 TV news report, said Haim Habibi had a history of mental illness and had previously attempted attacks on a number of churches.

In November, at the Nazareth District Court, the government reached
a compensation agreement with some of the families of the 13 Israeli Arabs killed by security forces during rioting in October 2000 (see AJYB 2001, pp. 504–05). The state did not accept responsibility for the deaths, and the amount of the compensation was not disclosed. Some of the families refused to sign the agreement, and there were reports of disputes within families over whether to accept the money.

While determining that campaign donations received by Shimon Peres during the campaign for the 17th Knesset were “improper,” State Comptroller Micha Lindenstrauss on November 6 declined to recommend initiation of a criminal investigation against the vice prime minister. Lindenstrauss said “it would be appropriate for Peres to either return the funds or transfer them to the country’s ownership.” In the same report, Lindenstrauss ordered Likud leader Benjamin Netanyahu to return 84,000 shekels (slightly less than $20,000) contributed to his campaign.

At year’s end, government authorities were looking into several cases of possible corruption involving Prime Minister Ehud Olmert: suspicions that while serving as finance minister in 2005 he had interfered to create conditions that would promote the candidacy of two of his friends in the privatization sale of Bank Leumi; questions about the low $75,000 price for which Olmert purchased a house on Cremieux Street in Jerusalem from the Alumot real estate company when he was trade and industry minister, possibly in exchange for accelerating an Alumot building project; suggestions that, as trade minister, he gave unwarranted benefits to clients of Uri Messer, his former law partner; and allegations that he had made illegal political appointments to the Small Business Authority. Earlier in the year, it was determined that no offense had been involved in Olmert’s sale of his house in Jerusalem’s prime Talbiyeh neighborhood for $2.69 million to an overseas supporter, who then rented it back to Olmert at a below-market price.

A formal indictment was filed against former cabinet minister Tzachi Hanegbi on September 25 charging fraud, bribery, and perjury in connection with political appointments he made to Likud associates when he was environment minister in 2001–03. Hanegbi, chairman of the Knesset’s Foreign Affairs and Defense Committee, was a close Olmert associate who almost certainly would have been given a ministerial post were it not for these criminal charges hanging over him. Denying the charges, Hanegbi rejected suggestions that he give up his committee chairmanship until his case was resolved.

Justice Minister Haim Ramon resigned from his post on August 21 to face criminal charges for kissing a 21-year-old female soldier against her
will at the Prime Minister’s Office in Tel Aviv on July 12. Ramon admitted kissing the soldier during a farewell party for her, but said she had flirted with him and initiated the kiss.

Omri Sharon, the oldest son of incapacitated Prime Minister Ariel Sharon, was sentenced in February to nine months in prison for illegal fund-raising during his father’s successful 1999 primary campaign for the Likud leadership. The previous November he had entered into a plea bargain in which he admitted falsifying corporate documents, committing perjury, and violating campaign-funding laws. Implementation of the sentence was delayed because of his father’s condition.

Yigal Amir, the convicted assassin of former prime minister Yitzhak Rabin, spent ten hours in a conjugal visit with Larissa Trimbobler on October 23. This took place in a special cell in Ramle’s Ayalon prison, where he was serving a life sentence. This was the first conjugal visit for the couple, who married by proxy in 2004. The Prison Service only allowed the visit after Shin Bet security service head Yuval Diskin told a Tel Aviv court that Amir no longer presented a risk to Israeli society. Yuval Rabin, son of the slain prime minister, expressed outrage, telling Yediot Aharonot, “It started with a conjugal visit, from there it will move on to the brit for the child and his bar mitzvah and his wedding, and more children . . . and this is how this vile man’s road to freedom will be paved.”

Aliyah

Aliyah, immigration to Israel, dipped 9 percent to 19,264 in 2006, the lowest number since 1988, before the major wave of aliyah precipitated by the collapse of the Soviet Union. Nearly three million people had immigrated to Israel since the country’s founding in 1948, roughly one third of them during the 1990s. The wave of former Soviet immigration abated in 2002, and since then there had been a steady drop in aliyah. In late December Nefesh B’Nefesh, a U.S.-based organization that helped North Americans move to Israel, reported its 10,000th immigrant since it launched operations in 2001.

Transportation

Tel Aviv, Israel’s major metropolitan area, had long lacked a light-rail system. In December, MTS won the contract to build the Red Line, which was to be the first stage of the planned system. Work was not expected to start before 2008, and the first Red Line trains would leave in 2013.
The MTS group was headed by diamond merchant Lev Leviev’s Africa Israel firm and also included Siemens of Germany, Israel’s Egged bus cooperative, infrastructure firms CCECC of China and Da Costa Soares of Portugal, and HTM, a top Dutch transportation firm.

The MTS bid for the largest private construction contract in Israel’s history was 7.1 billion shekels ($1.7 billion), just 400 million shekels less than that of Metrorail, a group headed by Shari Arison, the owner of Bank Hapoalim and heiress of her late father Ted Arison’s Carnival Cruise Lines fortune.

Personalia

Honors and Awards

The Israel Prizes for 2006 were awarded on Israel Independence Day eve in Jerusalem. The laureates: Jewish Thought—Prof. Ya’akov Blidstein; Education—Profs. Haim Adler and Mirian Ben-Peretz; Law—Profs. Ruth Lapidoth and Amnon Rubinstein; Agriculture—Prof. Nahum Kedar; Chemistry—Prof. Tzvi Rappaport; Sports—Ya’akov Chodorov and Ralph Klein; Music—Profs. Pninah Saltzman and Mendi Rodin; Lifetime Achievement—Dvora Omer; Contribution to the State—Al Schwimmer, and the Andalucia Orchestra.

Other awards: Hesse Peace Prize—pianist-conductor Daniel Barenboim; Tel Aviv University’s Hugo Ramniceanu Prize for Economics—entrepreneur and high-tech guru Yossi Vardi, developer of the ICQ Internet instant messaging program; TAU’s Dan David Prizes—Profs. John Mendelshon of the University of Texas and Joseph Schlessinger of Yale for cancer research, Magdi Allam of Rome’s Corriere della Serra, Chilean investigative reporter Monica Gonzalez, Polish journalist-activist Adam Michnik, and Goenawan Mohamad, a spokesman for moderate Islam, for print-media journalism, and cellist Yo-Yo Ma; EMET Prize for Physics—Prof. Yosef Imry, Weizmann Institute; Yakir Keren Hayesod Award—Alexander Maskevitch, Russian billionaire with extensive holdings and contacts in Central Asia, and chairman of the Euro-Asian Jewish Congress; Israel Venture Association’s Israel Hi-Tech Awards—Vice Prime Minister Shimon Peres, New York State Comptroller Alan Hevesi, Dr. Shimon Eckhouse, chairman of the board of Syneron Medical, and Yadin Kaufmann, founding partner of the Veritas venture capital fund and chairman of Tmura; Rothschild Prizes—Profs. Gideon Dagan, Tel
Aviv University, for his seminal work in groundwater hydrology, Asher Koriat, Haifa University, a cognitive psychologist, Ada Yonath, Weizmann Institute, for work in x-ray crystallography, and Benjamin Weiss, a Hebrew University of Jerusalem mathematician; Guber Justice Prize—retiring Supreme Court president Aharon Barak.

Deaths

Andrea (Andy) Bronfman, 60, wife of businessman-philanthropist Charles Bronfman and a full partner with her husband in philanthropic and educational activities in Israel and the U.S., and who lived about half the year at their home in Jerusalem, after being hit by a taxi in New York’s Central Park, on January 23; Rabbi Yitzhak Kadourie, thought to be 106, revered Jerusalem kabbalist and a major force among ultra-Orthodox Sephardi Jews, on January 28; Shoshana Damari, 83, Yemen-born first lady of Israeli popular song in the early days of the state, on February 15; Prof. Yuval Ne’eman, 81, world-class nuclear physicist, founder and longtime chairman of the Israel Space Agency and member of the Atomic Energy Commission, winner of the Israel Prize and Einstein Medal, and former minister and leader of the Tehiya right-wing political party, on April 26; Yitzhak Ben-Aharon, 99, a founding father of the kibbutz movement, secretary general of the Histadrut trade-union federation, two-term Knesset member, and transportation minister, on May 19; Prof. Haim Barkai, 80, eminent Hebrew University economist, on May 26; novelist S. Yizhar, 89, born Yizhar Smilansky, winner of the 1958 Israel Prize for Literature, on August 21; Uri Dan, 71, journalist and close confidant of Ariel Sharon, on December 25; Gershon Shaked, 77, influential literary critic and winner of the Bialik Prize and the Israel Prize, on December 29.

HANAN SHER