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SUBJECT: Israel: Unity Government's Prospects

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[redacted]  
Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

21 March 1986

Israel: Unity Government's Prospects [redacted]

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Summary

Herut's recent chaotic convention [redacted]

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[redacted] could undermine chances that Prime Minister Peres will implement the rotation agreement with Shamir next fall. Peres may be hoping that if Herut's internecine conflict persists he will have greater opportunities to force a coalition crisis over such issues as the Tabah talks with Egypt and renewed domestic economic growth. If the rotation nevertheless is carried out, Israeli foreign and security policies would be unlikely to change substantially because Labor will continue to control five of the ten seats on the government's executive inner cabinet. [redacted]

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According to the US Embassy in Tel Aviv, Vice Premier Shamir so far has been unable to work out a compromise with his rivals--Commerce Minister Sharon and Deputy Premier Levy--to allow reopening of the convention that was inconclusively adjourned in mid-March. Shamir recently turned down a proposal by Sharon that would leave Shamir in his current position as party chairman, but make Sharon central committee chairman with power to appoint additional convention delegates and designate Levy party "executive" chairman. Shamir has held at least one face-to-face meeting with Levy since the convention, but the two reportedly failed to reach any agreements. [redacted]

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This memorandum was prepared by [redacted] the Israel Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. Information as of 21 March 1986 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division [redacted].

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Likud's Manuevering

Shamir presumably hopes his opponents will paper over their differences with him to assure Likud regains the prime ministry in October. But Levy and Sharon, who have maintained a close working alliance, claim to control over fifty percent of the convention delegates. They clearly are determined to press their advantage [redacted] 25X6

[redacted] 25X6

They probably are prepared to strike a bargain with Shamir, but only if he concedes them significantly stonger party positions. [redacted] 25X6

[redacted]

Labor Bides Its Time

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Peres and his Labor Party colleagues have maintained a deliberately low profile since the Herut convention to avoid giving Shamir a cause to rally party support. Labor leaders are continuing preparations for the 8 April party convention, at which they are planning to stage a united show of support for Peres. [redacted] 25X1

Despite its low key public stance, the mood within Labor has changed dramatically since the Herut convention, with many party activists convinced that Peres has a major new opportunity to force a government crisis and even stage an early national election on favorable terms. Labor insiders reportedly sent a film crew to the Herut conclave to gather footage for use in an election campaign and have commissioned a public opinion poll to help judge the convention's impact on public attitudes. [redacted] 25X1

Peres's Outlook

Peres, who in the past has kept extremely close counsel on his coalition options, has suggested in recent public interviews that the rotation might be endangered if Shamir proves unable to ensure Herut support for government domestic and foreign policies. Peres may be calculating that if the Herut internal warfare continues he will have new opportunities to force a coalition crisis over the Tabah negotiations with Egypt or proposals to promote renewed domestic economic growth. Some Labor Party Knesset members also reportedly are proposing that Peres implement further budget reductions by reducing money allocated for West Bank and other settlements--a move certain to draw Shamir's opposition. [redacted] 25X1

Peres probably anticipates, that if he lives up to his agreement on rotation, his popularity will steadily erode as he

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[ ]

is shunted to the less conspicuous jobs now held by Shamir--Vice Premier and Foreign Minister. Peres probably also is concerned that, once in power, Shamir and his colleagues would score major gains in public support if the economy begins to show signs of growth and thus would be better able to contest Labor in the next scheduled election in November 1988. [ ]

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After exchanging jobs with Shamir, Peres's standing in Labor also would probably decline. He would be overshadowed by Rabin, who would benefit from the influence and high visibility of the defense portfolio, which he will retain throughout the government's term. In such circumstances, Rabin would be in a strong position to challenge Peres for the Labor Party leadership before the next parliamentary election. [ ]

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#### Foreign and Security Policies if Rotation Goes Through

If Peres nevertheless ultimately goes through with the rotation agreement, Israel's basic foreign and security policies would be unlikely to change substantially. Rabin, by retaining the post of defense minister, would continue to exercise predominant influence over Israeli policy in Lebanon and with respect to Israel's military posture vis-a-vis Syria. Rabin, moreover, would continue to work with Peres on these issues and with other Labor ministers who are members of the government's executive, ten-member inner cabinet. Labor's control of five of the ten seats in this "kitchen cabinet" would be its strongest assurance that Shamir, Sharon, and other Likud leaders did not engage Israel in new adventures beyond its borders. [ ]

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These political realities, combined with Israel's continuing austerity-related economic problems, also probably would discourage Shamir from aggressively expanding Israel settlements in the West Bank. Shamir, Sharon, and other Herut leaders would be certain to press for diverting budgetary funds from other programs to the expansion of existing settlements and establishment of new ones, and some movement in these directions would be likely. But tight funds and Labor's ability to veto a massive new settlements strategy would help keep Herut's activists in check, despite their grumbling and efforts to mount public support. [ ]

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