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Prospects for Israel's Labor Party and Likud Bloc

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An Intelligence Assessment

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April 1987*

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Prospects for Israel's Labor Party and Likud Bloc

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An Intelligence Assessment

This paper was prepared by [redacted]
Office of Near Eastern and South Asian Analysis,
with contributions from [redacted]
[redacted] Office of Leadership Analysis. [redacted]

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Comments and queries are welcome and may be
directed to the Chief, Arab-Israeli Division, NESA,

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Prospects for Israel's Labor Party and Likud Bloc

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Key Judgments

*Information available
as of 3 April 1987
was used in this report.*

Israel's two major political groupings—the Labor Party and the Likud bloc—have demonstrated nearly equal electoral strength in the past two national elections, and a small gain or loss will determine which controls future Israeli governments. For the next several years Labor probably will be in the ascendant and will make modest gains with the electorate. Likud faces serious problems that are likely to chip away at its support.

Labor's brighter future results from:

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- Its intensive campaign to attract increased support from young people and Sephardi voters, who constitute a growing majority of the electorate. Labor's prospects with the Sephardim will be better in the longer term as the Sephardi community's social and economic position improves and its memories of discrimination in the 1950s and 1960s by the Labor-dominated establishment fade.
- The success of Foreign Minister Shimon Peres and Defense Minister Yitzhak Rabin in overcoming their longstanding rivalry.
- Success in attracting left-of-center political allies, such as Ezer Weizman's Yahad party and the MAPAM party, which is considering realignment with Labor. This could gain a few more Knesset seats for Labor, most likely from sympathetic Israeli Arab voters.
- Labor leader Peres's progress—already evident during his highly popular stint as prime minister from 1984 to 1986—in reorienting the party's domestic and foreign policies to appeal to broader elements of the public.

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Likud faces serious problems that probably will cost it some seats in future Knesset elections. Its biggest challenge is settling the increasingly acrimonious post-Begin leadership battle in Herut—Likud's predominant faction—among Prime Minister Yitzhak Shamir, Deputy Premier David Levi, Industry and Commerce Minister Ariel Sharon, and Minister Without Portfolio Moshe Arens.

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Likud's leadership struggle will be long and intense and will adversely affect it for years to come, much as the Labor Party suffered for a generation following David Ben Gurion's retirement in the 1960s:

- The three top contenders for Likud leadership in the 1990s have significant electoral "negatives." [redacted] To hold together the broad electoral coalition supporting Likud constructed by former Prime Minister Begin would be difficult for any of them. 25X6
- If either Levi or Sharon eventually wins the top slot on the Likud ticket, the other is liable to bolt the party, believing his chances for advancement to be permanently blocked. 25X6
- Recent polls also suggest that Likud is losing support to parties with even more hardline, nationalistic stands, particularly the Tehiya and Kach parties and fundamentalist religious groups like the Sephardi-dominated SHAS party. [redacted] 25X1

These trends make a Labor-led government more likely in coming years. Any Israeli government, however, would follow similar policies in many areas. Both Labor and Likud agree on the nature of the military threat confronting Israel and on the need to maintain close relations with the United States. Both realize the need to cut government spending but face similar political problems in maintaining an effective austerity program. [redacted] 25X1

The two parties' most salient differences involve their approach toward the peace process. Labor is willing to make significant territorial compromises in the occupied West Bank and Gaza Strip; Likud is not. [redacted] 25X1

Even if a Labor-led government comes to power, early progress toward peace in the Middle East would remain difficult. The balance between left-of-center and right-of-center parties would continue to be close, and settler activists would probably try to block territorial concessions in the West Bank by force. [redacted] 25X1

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**Prospects for Israel's
Labor Party and Likud Bloc** [redacted]

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In Israel's last two national elections—in 1981 and 1984—Labor and Likud finished in virtual dead heats. The 1984 election led to the unusual national unity arrangement under which party leaders Shimon Peres (Labor) and Yitzhak Shamir (Likud) agreed to swap the positions of prime minister and foreign minister at midterm. Given the close balance in electoral strength between these two blocs, a small change in their support in the next election will have a significant impact on the composition of future Israeli governments. [redacted]

Recent election results and exhaustive public opinion polling indicate that most Israeli voters stick with the same party in every election. Levels of support for the two major parties have remained fairly constant for the last several years, according to Israeli polling results. Even in a case such as the anti-Labor protest vote in 1977—when many Labor voters defected to the now-defunct Democratic Movement for Change—lifelong Labor voters returned to the fold in the next election. Because of this fundamental, long-term stability in support, the small floating vote in the center of the political spectrum becomes increasingly important. [redacted]

In the next two to eight years Labor has a better chance to gain at least a few seats in the Knesset, while Likud faces sharp challenges likely to cut into its electoral base. Labor belatedly has begun an intensive campaign of party reform and efforts to broaden its appeal among Sephardim and Israeli-born young people. Likud on the other hand faces a potentially destructive leadership battle among Prime Minister Shamir, Deputy Premier David Levi, Industry and Commerce Minister Ariel Sharon, and Minister Without Portfolio Moshe Arens. [redacted]

Table 1
Labor-Likud Electoral Balance, 1969-84

	Knesset Seats	
	Labor	Likud
1969	56	28
1973	51	39
1977	32	43
1981	47	48
1984	40	41

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The Labor Party: Toward the Next Election

As the Labor Party heads toward the next Knesset election, which must be held no later than November 1988, it is buoyed by hope for improvement in its electoral prospects:

- Labor Party leader Shimon Peres gained much popularity and respect among the electorate during his stint as prime minister from 1984 to 1986, according to US Embassy and press reporting. He gained much of the credit for getting Israeli troops out of Lebanon, bringing Israel's debilitating hyperinflation under control, and improving Israel's international image after years of highly controversial policies initiated by Prime Minister Begin.
- Labor's top two figures, Peres and Defense Minister Yitzhak Rabin, continue to work together harmoniously as they have since 1984, overcoming years of bitter and destructive rivalry.

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- Labor has also succeeded in attracting more Sephardim and youth into involvement in party affairs, a move that may gain more support from those voting blocs in the next election and, Labor leaders hope, a more even split in the Sephardi electorate between Likud and Labor over the long term.¹

- Labor also stands to benefit indirectly from the bitter leadership struggle brewing in Likud.

Party Reforms

With Peres in firm control of the Labor Party machinery since 1984 and internal squabbles largely dormant, Labor leaders turned their attention to party reforms intended to garner broader voter appeal. Led in large part by a dynamic new secretary general, Uzi Bar'am, Labor took measures to give a greater role in party affairs to young, native-born Israelis and Sephardim, who together constitute a growing majority of the Israeli electorate.

Since their party's historic defeat in the 1977 election—when Likud first came to power—Labor Party leaders have publicly recognized their problems in attracting Sephardi voters. Since 1973 the results of elections show a Sephardi shift from the Labor Party to Likud, which, in our view, reflected the feelings of resentment, dissatisfaction, and alienation of the Sephardi community toward the Ashkenazi-dominated Labor establishment.² Studies by Israeli scholars demonstrate that Sephardim blamed Labor for the social and economic disadvantages they suffered after immigrating to Israel in the early 1950s. According to the studies, most Sephardim believe there was a deliberate policy by the Labor establishment to take advantage of them to preserve the Ashkenazi-dominated national leadership.

¹ The term "Sephardi" applies in its strictest sense to Jews of Spanish and Portuguese origin. As used popularly and in this paper, Sephardi also includes "Oriental" Jews from North Africa and the Middle East.

² In its narrowest sense the term "Ashkenazi" applies to Jews of Central and East European origin. As used in this paper, it also includes non-Sephardi Jews who have immigrated from North and South America, South Africa, and Western Europe.

Labor's efforts to attract broader support appear to be reaping early dividends. Veteran party observers have commented that there were more younger and Sephardi delegates at Labor's national convention in April 1986 than at any past Labor conclave.

Labor leaders undoubtedly realize that opening the party to greater Sephardi and youth participation does not necessarily translate into greater short-term support. The party probably hopes, however, that internal democratization will improve its appeal over the long haul. As public perceptions of Labor change, the party may eventually be able to compete more evenly with Likud for the allegiance of younger and Sephardi voters from Israel's development towns—new communities with predominantly Sephardi populations—and inner-city working-class neighborhoods.

New Nominating Procedures

Labor approved significant changes in its method of selecting Knesset candidates at its convention in April 1986, according to US diplomats in Tel Aviv. According to the diplomats, Labor reformers hope that the new system—by giving greater weight to regional party districts in the selection process—will promote dynamic new candidates for Labor's Knesset list from Sephardi-dominated development towns and urban neighborhoods.

Labor's new system replaces its traditional committee of senior party officials, who selected candidates for the Knesset in "smoke-filled rooms." Diplomats in Tel Aviv report that youth and Sephardim have frequently complained they were denied opportunities and underrepresented by Labor's old system.

In democratizing its nominating process, Labor is copying a strategy adopted by Likud, which several years ago opened its organization to new faces popular with Sephardim, such as Deputy Prime Minister David Levi and Labor and Social Welfare Minister

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Katsav. At a minimum, we believe that Labor's more competitive process will compel Labor Knesset members and potential candidates to pay closer attention to their constituents to keep or to gain a place in the Knesset. []

Labor endorsed a new Central Committee at its 1986 convention, with several hundred elected by the convention and 600 appointed by Secretary General Bar'am. According to US Embassy reporting, Bar'am carefully balanced competing pressures from party factions, increasing the percentage of women and under-35 members on the new committee. Bar'am's appointments also had the effect of cutting from 24 to 20 percent the representation of the agricultural cooperative movements—an old-line Ashkenazi sector that long had a disproportionate share of the Central Committee membership. []

At Labor's last convention, promising young Sephardim were also named to the convention presidium and as the convention chairman. In a continuing attempt to score points with Sephardim on substantive issues, Labor leaders criticized Likud for wasting resources on settlements in the occupied territories at the expense of investment in development towns in Israel proper. []

The Peres-Rabin Feud: Over for Good?

Labor prospects in the next election will be enhanced if the party can avoid a battle in picking the leader of its next Knesset list, and thus its choice for prime minister. The long and bitter contest between Peres and Rabin for leadership of the party from the mid-1970s to the early 1980s undoubtedly contributed to Labor's sagging support in the 1977 and 1981 elections. []

Peres and Rabin challenged each other for leadership of Labor in 1974, 1977, and 1981, bitterly attacking each other. Rabin charged Peres with being indecisive and opportunistic—a claim that gained public acceptance and was exploited often in Likud election

Labor's New Nominating Procedures

The first person on the Knesset list, who will be the party's candidate for the premiership, will be elected by the party's Central Committee. The candidate for the premiership will then choose the second and third candidates on the list.

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The fourth, fifth, and sixth positions on the list will be reserved for the Histadrut (Labor-dominated national workers' federation) secretary general, the Knesset speaker, and the party secretary general.

Of the next 46 persons on the list, who are regarded as having a good chance of election, half will be selected through regional party balloting, and half will be chosen by the Central Committee. The Central Committee will determine the all-important issue of the order of the 46 candidates.

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advertising. Peres's camp charged that Rabin could not handle the intense pressure that a prime minister often must face []

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Peres and Rabin reconciled before the 1984 election, and the party united behind Peres. Rabin, in exchange, was promised the defense ministry, a position he had coveted, given his long and distinguished military career. According to the US Embassy, Peres and Rabin worked well together during Peres's tenure as prime minister. Peres closely consulted with Rabin and to a large extent deferred to him on questions of defense policy and Lebanon. It was Rabin, not Peres, who took the lead in formulating Israeli policy on Lebanon, counterterrorism, and weapon systems production and procurement, including the Lavi fighter aircraft program. []

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Peres (left) and Rabin (center) in 1977 during their long and bitter rivalry. Since 1984 they have worked well together. ☐



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Peres has sufficient support within the party to continue as leader, according to the Israeli press and US Embassy reporting, and there are no signs that Rabin intends to challenge him for Labor's nomination as prime minister in 1988. ☐

voters and probably would attract additional support for Labor from that community. ☐

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There is only a small chance that Rabin would seek his party's top slot, especially since he is reported to enjoy tremendously his job as defense minister, which he would undoubtedly keep in a Labor-dominated government. Nevertheless, Rabin retains considerable support in the party and may see 1988 as his last realistic opportunity to run for premier. Rabin may calculate further that the "untouchable" status Peres had developed during his two years as a popular premier will have eroded after two years as second fiddle to Shamir. ☐

In their merger agreement, Labor promised three winnable places for Yahad on Labor's next Knesset list, including one in the top five for Weizman. US diplomats in Tel Aviv assessed at the time of the merger that Weizman's voter appeal had slipped but that his enlightened management of Israeli Arab affairs from 1984 to 1986 would help Labor with Arab voters. ☐

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Potential New Partners

Since the election in 1984, Labor has integrated into its ranks Ezer Weizman's Yahad party and is contemplating reunification with the small left-of-center MAPAM party before 1988, according to Embassy and press reporting. Yahad won three seats in the Knesset in 1984, and, since splitting with Labor in 1984, MAPAM has won one or two seats in public opinion polls. These parties' union with Labor probably would add a few seats in the next election. Yahad and MAPAM are particularly active among Arab

There is also some chance that MAPAM—which allied with Labor from 1968 to 1984—will return to the fold either in an electoral alignment or as a faction within Labor. MAPAM ended its 16-year alignment with Labor when Labor decided to form a coalition with Likud after the 1984 election. MAPAM members decided that they could not in good conscience sit with the hardline, nationalistic Likud. Labor Party insiders told US diplomats in Tel Aviv a year ago that MAPAM leaders were pressing for a renewed alignment with Labor and would even be willing to reduce its allotment of Knesset seats from the six it received in 1984 to three in subsequent elections. At that point, according to sources of the US Embassy, Peres insisted that MAPAM would have to accept a full merger with Labor. ☐

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Although we believe that MAPAM members would balk at full integration, the chances are fair that Labor and MAPAM will reach some kind of electoral alliance before the next election. As the election approaches, MAPAM is likely to become increasingly uneasy over its mediocre showing in public opinion polls.

Labor and the Sephardim: Limits to Growth

Labor leaders hope that the party's drive to attract more Sephardi support will yield some dividends by the next election, but they realize that the real benefits will not be apparent for several years. Even then, we believe there are limits to how far Sephardi voting habits will shift.

Opening the party to greater Sephardi participation will not by itself ensure greater Sephardi support, and Labor's dovish foreign policy platform and staunchly secular stance on domestic issues place definite limits on the votes Labor is likely to gain in the more hawkish and religiously traditional Sephardi community.

Few Sephardim will be attracted by Labor's concessionary stance on the Arab-Israeli conflict. Labor's most recent party platform strongly affirms the party's desire to end Israel's domination of Palestinians in the occupied West Bank and Gaza Strip. Sephardi support for retention of the occupied territories outweighs that of Ashkenazim, according to recent public opinion polls, and there is a toughening of opinion on Arab-Israeli issues among the younger Sephardi generation.

We believe that Labor's pronounced secularism also will remain a major obstacle in its efforts to overcome Sephardi alienation. Many Sephardim are religiously observant or, if not observant, still respect the spirit and symbols of traditional Judaism. Part of Menachem Begin's appeal to the Sephardim, according to observers of Israeli politics, was based on his abiding respect for and exploitation of the symbols of traditional Judaism.

Labor's support for the rights of the secular majority against religious coercion will be interpreted by many Sephardim as hostility or insensitivity to religion. Although Peres has tried in recent years to display

Table 2 Percent
Sephardi Vote for Parties ^a

	Labor	Other Left- of-Center	Likud	Other Right- of-Center	Religious
1977	19.6	5.0	51.1		17.9
1981	21.2	1.3	51.6	1.3	15.7
1984	21.5	1.8	52.3	5.0	15.3

^a Totals add up to less than 100 percent because of votes for parties that did not pass the minimum threshold for Knesset representative, abstentions, and invalidated ballots.

more sensitivity to the feelings of the religious—studying the Torah, not riding in automobiles on the Sabbath—many prominent Laborites are hostile to religion, and the general tone in the party will continue to repel more conservative Sephardim.

Long-Term Trends in the Sephardi Community

We believe that Labor's best hope for a better position beyond the 1990s is that the Sephardim—because of their improving social and economic position in Israeli society—will not continue to support Likud as overwhelmingly as in past years. Sephardi support for Likud during Begin's tenure from 1977 to 1983 was over 50 percent.

Even a slight realignment in Sephardi voting behavior would put Labor in a more competitive position in future elections. Some leading Israeli political scientists have argued that massive Sephardi support for Likud should not be taken for granted. According to these researchers, income and education are far more important determinants of voting behavior in Israel than ethnicity. They claim that the overwhelming Sephardi support for Likud in the 1970s and 1980s can be explained as a direct outgrowth of the community's disadvantaged economic and educational status.

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As the social and economic status of the Sephardim rises, their voting behavior will probably become more balanced. We believe most will vote for Likud, but Labor will make gains among them. []

Reasons given by observers of Israeli politics to explain Sephardi support for Likud in the past are unlikely to be present in the next few years:

- Likud's success in the Sephardi community was largely Menachem Begin's success. According to Israeli scholars, Sephardim—who were used to strong leaders in their countries of origin—were attracted by the charismatic, paternal image he projected. None of the current contenders for Likud leadership, except Levi, can match Begin's appeal among the Sephardim.
- Sephardi support for Likud in 1977-84 was, in part, an anti-Labor Party protest in reaction to years of perceived discrimination by Labor-dominated governments. As the memories of slights to Sephardi immigrants under Labor governments fade and Labor intensifies its efforts to attract Sephardi voters, we expect the viscerally anti-Labor feeling in the Sephardi community to ease. []

A special question relating to Sephardi support for Likud in the future will be how David Levi fares in Likud's leadership battles. In our opinion, Likud is in a no-win situation. If Levi wins control of Likud, he will probably bring in few new Sephardi voters. Those who would back the party under Levi already do so. If Levi loses the contest, and especially if he subsequently bolts the party, at least a small segment of Sephardi voters would leave Likud with him. Sephardi supporters of Likud might well conclude that they would never be given a fair chance to assume party leadership, despite being a majority of party members and voters. []

The Fire Next Time: Labor Leadership in the Next Century

Peres and Rabin—both in their early sixties—are likely to lead Labor through much of the 1990s, but a generational change in leadership will begin during the next decade. In the early years of the next century the current group of top Labor leaders—Peres, Rabin,

and Deputy Premier Yitzhak Navon—is likely to have departed from the political scene. By the year 2000, all three would be in their late seventies. According to Israeli political commentators, it was the difficulty of a generational change in leadership in Labor in the late 1960s and early 1970s that led to many of Labor's problems during that period. We cannot predict how smooth the next change will be, but Labor probably will undergo another troubled transition if it fails to develop leaders of recognized stature. Unbridled competition between the second echelon and younger generation leaders, who had been waiting patiently for years for their chance at the top, would further cloud Labor's prospects. []

Labor at present appears to have several strong and attractive candidates for future leadership, although some Israeli pundits have suggested they are not as charismatic a group as Likud's younger generation. Former Cabinet minister and Israel Defense Forces Chief of Staff Motta Gur has openly declared his interest in the party's top spot. Party Secretary General Uzi Bar'am has cleverly built his personal support within the party by engineering internal reforms that have given him more influence. Labor also has a number of popular young Sephardi candidates who could further increase the party's inroads into the Sephardi community in the future if they are near the top of Labor's list. The strongest Sephardim in Labor today—both potential comers in the 1990s—are Energy Minister Moshe Shahal and Knesset Member Rafi Edri. []

Likud Faces the Future

Likud faces serious long-term problems that will probably result in the loss of at least a few of the 41 to 48 Knesset seats it has held since 1977. We believe that the major challenges Likud faces are the continuing impact of the leadership struggle that is almost certain to plague it into the 1990s, the possibility that support from the Sephardim will erode as their social and economic status rises, and direct challenges from the even more hardline, nationalistic parties of the far

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Levi (left) believes he has earned the right to succeed Shamir (right) eventually as Likud leader. He will face stiff competition from Sharon and Arens. [redacted]

right, especially Tehiya, Meir Kahane's [redacted] Kach party, and fundamentalist religious groups like the Sephardi-led SHAS party. [redacted]

The Leadership Struggle

We expect that the battle for leadership of Likud between Prime Minister Yitzhak Shamir, Industry and Commerce Minister Ariel Sharon, Deputy Premier David Levi, and Minister Without Portfolio Moshe Arens will have a major impact on the party for years to come. The struggle is likely to be long, noisy, and acrimonious and, whatever the outcome, almost certainly will cost Likud seats in future Knessets. The Labor Party suffered similarly beginning in

the late 1960s, following David Ben Gurion's retirement, through the early 1980s, when it presented an image of a party divided against itself. [redacted]

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Likud will probably lose support no matter which of the three leading contenders it picks to replace Shamir and head its list in the 1990s. All three aspirants have significant "negatives." [redacted]

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Sharon, although popular with the hardline Likud rank and file, would probably be the most unacceptable of the three contenders in the eyes of the all-important and more moderate "floating vote" that fluctuates between Labor and Likud. With his hawkish views and confrontational style, Sharon even scares some Likud members, according to US diplomats in Tel Aviv, and he, like the other contenders, would be hard pressed to hold together the broad coalition of elements supporting Likud constructed by former Prime Minister Menachem Begin. [redacted]

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David Levi, another leading prospect to head Likud's list in the 1990s, also is popular with Likud's rank and file. The majority of the party's supporters are of Sephardi origin, and Levi is Israel's most prominent Sephardi politician. Levi's ethnic advantage, however, is his greatest disadvantage, in our opinion. Some Ashkenazim—even if they are Likud supporters—would not vote for any Sephardi because of his ethnic background. [redacted]

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Minister Without Portfolio Arens does not repel important constituencies in the same way as Sharon and Levi, but, [redacted] he has difficulty attracting mass support. Although Arens seems to be Shamir's favorite to succeed him, he does not have a strong following and would have trouble holding together all the disparate elements of the Likud coalition. [redacted]

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The possibility of splits in Likud poses a serious threat to the bloc's position. Both Sharon and Levi strongly covet the prime-ministry. Both may defer to Shamir for the next election, especially if he is seen as having

been a successful prime minister. By the 1992 election, however, both Sharon and Levi will insist on running for the premiership, in our view. []

Whoever loses that bid might split from Likud and form a separate party. Both Sharon and Levi realize that Israel's many small personal parties have had an uneven record of electoral support. But either probably would see his chances in Likud as blocked by the success of the other, and each knows that he can depend on significant support if he bolts the party. If the overall electoral balance between the left-of-center and right-of-center blocs remains stable, a new personal party with even a few Knesset seats could be in a strong bargaining position. Sharon has already used this method once, splitting from Likud to run on his own electoral list, Shlomzion, in 1977. []

The Herut-Liberal Unification Debate

We believe that Likud will also be affected by the outcome of the longstanding debate within the bloc on whether to merge the two parties that comprise it—Herut and the Liberals.³ Herut has long been the dominant party in the Likud bloc. As the foreign policy views of the two parties have converged, the differences between them have blurred, and it is unlikely that the Liberals' participation as a discrete organization in Likud adds more than a few seats for the bloc. Given the close and longstanding electoral balance between the country's left-of-center and right-of-center blocs, however, even these few seats could be vital in determining whether the bid to form a future government goes to Labor or Likud. []

During 1985-86, Herut stalled on the longstanding issue of unification with the Liberal Party because of concerns of some Herut factions over the impact of complete unification on their electoral strength. If Herut—wracked by leadership struggles—continues to delay unification, there is a small chance that Liberals would bolt the Likud bloc and run as a separate party. []

³ Unlike Labor, Likud is not formally a party but a joint electoral list. Herut and the Liberals each retain separate party institutions. The joint Likud list is constructed according to the strictures of a complex agreement between the two parties that allots certain numbered slots on the joint list for each. Each party fills its slots autonomously. []

Likud's Lineup for the Next Election

We believe there is a fair possibility that the Likud rivals will agree on Shamir remaining the party's leader for one more election—as a compromise candidate to permit the other three to continue to jockey for future advantage. Herut's top slot is filled by a secret ballot of its Central Committee, and Shamir seems to have a plurality in the current committee.

Shamir's prospects for another round as Herut leader would be boosted if he is seen as having been an effective prime minister during the last two years of the National Unity government. We assess that Shamir—like Peres when he was prime minister—has concluded that the Israeli public wants political quiet and stability and early in his term staked out a position of relative moderation. Levi and Sharon thus may assess that their internal party strength still is not sufficient to make a move in 1988, especially against an incumbent prime minister. Levi has previously demonstrated an ability to wait for the most propitious moment to launch a challenge. Levi noted soon after Shamir regained the prime minister's office in 1986 that he would consider agreeing to another term for Shamir "if he does a good job as prime minister."

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We believe the most likely prospect is that Herut and the Liberals will continue the status quo—a joint electoral list—or eventually unite on terms less favorable for the Liberals.⁴ In the event of unification, the Liberal Party is likely to become one more fractious element in the already chaotic Herut scene. []

⁴ The most recent merger agreement, worked out in January 1986, guaranteed the Liberals control for the next five years of one-third of the positions in all unified party institutions—including the Central Committee, which selects Likud's leader and candidate for prime minister. At the end of five years, party institutions would be chosen from among the entire unified Likud party, and the remnants of the Liberal Party would have no guaranteed representation. []

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A majority of Liberal Party members probably would back the Shamir-Arens wing for party leadership if Likud is unified. The US Embassy in Tel Aviv reports that both Levi and Sharon oppose the merger because it would give the Liberals a greater say in choosing the Likud leader and because they fear it would tip the balance of party power in favor of Shamir and Arens. The Embassy quotes an aide to David Levi as saying that the Deputy Premier will not repeat the mistake he made in 1985 in agreeing to the integration into Herut of La'am, another small party belonging to the Likud bloc. Herut guaranteed that La'am would be given a 9-percent share of all party institutions, and at the first session of Herut's convention in March 1986 it sided with Shamir, blocking Levi's candidate for chairman of the convention. []

Even though Shamir and Arens want to bring the Liberals into the party, it is not likely that they can overcome the opposition from Levi and Sharon unless Shamir accomplishes it as part of a complex compromise according each a meaningful share of party power. The Herut-Liberal merger does not appear to be an issue on which any of the Herut rivals is willing to expend large amounts of political capital. []

No matter what the outcome of the Herut-Liberal unity machinations, a few disgruntled Liberal renegades will probably jump to the Labor Party. During the Cabinet crisis in 1986 over Liberal leader Modai's ouster from the finance ministry, Tourism Minister Sharir of the Liberals was reported by Israeli media to have explored privately with then Prime Minister Peres the option of a Liberal alignment with Labor. Sharir denied the rumors, but other Liberal Knesset members—such as Science Minister Patt—who are in disfavor in the party might be inclined to align with Labor. []

Moreover, some Liberal Party members who split from Likud last year to form the Liberal Center Party may end up in the Labor camp. The small party has virtually disintegrated under the weight of several competing factions, according to Embassy and press reporting. Rumors persist in the Israeli media that some refugees from the sinking Liberal Center, including Tel Aviv's popular mayor Shlomo Lahat, will eventually join Labor. []

Challenge From the Right

Another serious challenge to Likud's position, which we believe will get stronger with time, is the growth of hardline nationalist parties outflanking Likud on the right. Tehiya and Kach will both draw votes from Likud, and fundamentalist religious parties, especially the Sephardi-oriented SHAS party, will do the same. Recent polling results suggest that support for the far right parties is growing. If this growth continues, we believe that by the 1990s, Tehiya, Kach, and SHAS will control as many as a dozen Knesset seats that would otherwise have gone to Likud. Although Tehiya and fundamentalist religious parties would be natural coalition partners for Likud, this splintering of the right-of-center bloc could be sufficient to keep Likud from getting the mandate to form a government. []

According to the US Embassy in Tel Aviv, Likud has tried to contain the far right by appealing to its constituency. This will be more difficult for Shamir to do in the next two years, however, as he tries to avoid pushing Labor so far that it quits the National Unity government. Once again, Likud finds itself with the risks of loss probably greater than the chances of gain. []

Ideological Purity

Tehiya and Kach have been able to chip away at Likud's support on the extreme nationalistic end of the political spectrum, in our view, because they espouse clear and simplistic views. While Likud has had to temper its stands to prevent Labor's withdrawal from the government, Tehiya has spearheaded drives for increased Jewish settlement in the occupied territories and has even called for the expulsion of a half million Arab residents of the Israeli-occupied West Bank and Gaza Strip. []

Fundamentalist religious parties—such as the Sephardi-dominated SHAS party—also are logical alternatives for some religiously observant Likud supporters, in our view. Likud had enticed some voters from the religious parties during the 1970s as foreign policy and security issues became more important. With the peace process stalled and secular-religious

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Israel's National Religious Party: A Coalition Key

Most leaders of the National Religious Party (NRP)—which has five Knesset seats and may well regain one or two at Likud's expense—would be more likely to join a Likud-led government because of common views on West Bank settlements. Nevertheless, Labor Party leaders have worked hard since the 1984 election to reestablish its historic alliance with the NRP, which allowed Labor to lead every government from 1949 until 1977. Labor's efforts might lead at least moderate factions in the NRP—controlling a few Knesset seats—to join a Labor government.

issues becoming more controversial in Israel, some traditionally religious voters are likely to throw their support to those parties that make religious demands their first priority.

Outlook and Implications for the United States

The trends in Labor and Likud make a Labor-led government likely in coming years. Whatever the election outcome, we believe that a Labor, Likud, or National Unity government would follow similar policies in many areas. Both parties agree generally on the nature of the military threat that confronts Israel and on the need to maintain good relations with the United States. Both endorse the current government policy on Lebanon—minimal Israeli military presence in South Lebanon buttressed by the Christian-dominated Army of South Lebanon. Labor and Likud leaders both realize the need to cut the government budget but face similar political problems in trying to maintain an effective austerity program.

The most significant difference between the two parties concern their attitudes toward the peace process. Likud politicians insist that the Camp David accords are the only acceptable framework for Arab-Israeli negotiations. By their interpretation, the Camp David agreements provide for only circumscribed

Palestinian self-rule in the West Bank and Gaza Strip, leaving Israel in control of land and water resources, Jewish settlement activity, and security. The Labor Party, on the other hand, is willing to make significant territorial concessions in the West Bank and Gaza Strip in exchange for a negotiated peace with Jordan.

Even under a Labor government, however, early progress toward peace in the Middle East probably would remain difficult. The most likely scenario would be for Labor eventually to form a narrow government by forming a coalition with small, dovish secular parties and moderate religious groups. Such a coalition—like those that bedeviled successive Labor governments for a decade after the 1967 Arab-Israeli war—would be certain to become embroiled in wrangling over peace negotiation strategy. We would expect the Israeli public to remain nearly evenly split between left-of-center and right-of-center blocs.

Whatever coalition Labor could build, its freedom to maneuver would be hampered by the politically potent Jewish settler community in the occupied territories, particularly in the West Bank. If a Labor-led government seemed to be moving toward negotiations, as Peres has clearly indicated in recent years he wishes to do, we would expect a large minority of these settlers to step up their opposition to territorial compromise—the centerpiece of Labor's negotiation strategy. Some settlers—particularly diehards among the Gush Emunim, Rabbi Meir Kahane's Kach group, and other extreme rightwing movements—might well foment violence in the territories.

Only a willingness by Jordan's King Hussein to adopt a Sadat-like strategy of direct bilateral negotiations with Israel—which not even Peres and his colleagues anticipate—would have a dramatic impact on Israeli public opinion and produce momentum for negotiations.

Another National Unity Government?

Alternatively, a Labor-Likud dead heat following the next national election probably would produce another National Unity government. We believe such a

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coalition would function much like the present one—with the main emphasis on the agreed goal of stabilizing the economy. On other key issues—most notably the peace process—the two sides would continue to disagree and would be unlikely to take bold diplomatic initiatives.

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If Likud Wins

If Likud confounds the current polls and wins the next election, its room for maneuver would be constricted. Any Likud election victory almost certainly would be a narrow one, and Labor would pull out all the stops to bring down such a Likud government at the first opportunity.

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Despite these constraints, a narrow Likud coalition would probably be more aggressive in its security policy than the current government and in this area would face less united Labor opposition. Many in Labor would applaud firm responses to Palestinian or Lebanese terrorist attacks.

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We believe that Ariel Sharon would play a more prominent role in a Likud-dominated government than he does in the current National Unity government. Sharon has shored up his strength in Herut and begun improving his personal ties to the Shamir camp. Sharon probably would regain the defense portfolio under a Shamir-led coalition—an event that almost certainly would lead to an early showdown with Labor, imperiling the Likud government.

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Appendix A

Labor Party Leaders



Shimon Peres

Vice Prime Minister; Minister of Foreign Affairs

Undisputed Labor Party leader . . . lifelong party activist and protege of Labor founding father, David Ben Gurion . . . joined Knesset in 1959 and served in governments of four successive Labor prime ministers . . . led Knesset opposition to Menachem Begin's Likud rule (1977-83) . . . led National Unity government (1984-86) . . . as prime minister established firm control of revitalized Labor Party and improved previously poor popular image . . . despite probable erosion of his position during next two years, almost certainly hopes to regain premiership in 1988 . . . 63.

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Yitzhak Rabin

Minister of Defense

Former Labor leader has reemerged as party's number-two man . . . accommodation with longtime rival Shimon Peres in 1984 healed major party rift and secured him wide-ranging ministerial authority and veto powers on key issues . . . more rigid than party doves on Arab-Israeli peace initiatives . . . rose from distinguished military career to the office of prime minister in 1974, utilizing contacts among political elite rather than organized party base . . . left office in 1977 following revelations of financial improprieties, opening way for Likud electoral victory over Labor . . . 64.

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Yitzhak Navon

Deputy Prime Minister; Minister of Education

Popular Labor Party veteran and nation's first Sephardi and first native-born president (1978-83) . . . onetime number two in party hierarchy, failed to mount serious challenge to Peres for leadership in 1984 . . . position has since declined due to distaste for political maneuvering . . . among party doves on Arab-Israeli peace . . . personal secretary and close confidant of Prime Minister David Ben Gurion during the 1950s . . . Knesset member 1965-78 and 1984-present . . . 65.

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Labor "Comers"



Uzi Bar'am
Labor Party Secretary General

Second-generation Labor activist . . . emerging powerbroker within party with potential to mount eventual bid for party leadership . . . persuasive advocate of reform of party rules and organization with goal of making Labor more attractive to young, Sephardi, and Arab voters . . . reform campaign has gained him increased personal political strength . . . lacks critical Cabinet experience . . . was party's Jerusalem district chairman before joining Knesset in 1977 . . . elected secretary general in 1984 . . . 50.

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Mordechai (Motta) Gur
Member, Knesset

Dynamic and ambitious possible challenger to Peres, but unlikely serious threat . . . outspoken dove with leadership ability demonstrated during tenure as Chief of Staff (1974-79) . . . views himself as a stronger leader than Peres . . . appointed health minister after having directed Labor's 1984 election campaign but resigned when Shamir assumed premiership . . . party member since 1979 and in Knesset since 1981 . . . 56.

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Moshe Shahal
Minister of Energy and Infrastructure

Longtime loyal ally of Peres, who, when prime minister, entrusted him with handling sensitive political issues facing the coalition . . . led Labor's 1984 election information campaign . . . rival of Rafi Edri and a dove within the party's center . . . successful attorney who began public life on the Haifa city council (1964-71) . . . elected to Knesset in 1971 and has served as Labor faction chairman (1977-84) and deputy Knesset speaker . . . 51.

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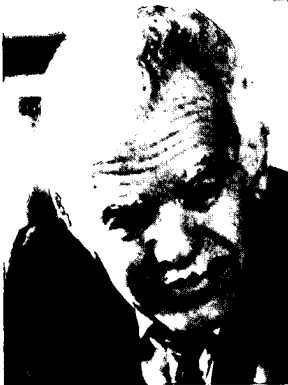
Rafi Edri
Labor Party Knesset Faction Leader

Astute politician and successful businessman . . . among likely heirs to current generation of Labor leaders . . . Moroccan-born, considered an asset in winning Sephardi vote . . . maintains close contacts with Moroccan political leaders and the Jewish community there . . . has been involved in efforts to expand Israel's ties to Morocco and other African states . . . instrumental in arranging Peres's meeting in 1986 with Moroccan King Hassan . . . 50.

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Appendix B

Likud Leaders



Yitzhak Shamir
Prime Minister

Heir to founding father Menachem Begin's leadership of Herut . . . faces increased challenges from powerful political aspirants within the party . . . apparently plans to make a bid for a third term as premier in 1988 . . . at minimum can be expected to protect interests of Herut's Ashkenazi establishment . . . has adopted nonconfrontational approach as prime minister, but intraparty pressures may force him into more extreme postures . . . leader of outlawed Stern Gang during 1940s and later Mossad operative . . . joined Knesset in 1973 . . . was Begin's foreign minister (1980-83), then prime minister from Begin's resignation until establishment of National Unity government in September 1984 . . . 71. [redacted]

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David Levi
Deputy Prime Minister; Minister of Construction and Housing

Among Herut's senior leadership . . . Moroccan-born populist leader who rose from development town politics [redacted] persevering, and ambitious leader of Herut's second-largest bloc, with firm base among working-class Sephardim . . . vying with Sharon and Arens for right to succeed Shamir for party leadership . . . vociferous challenge to Shamir camp in 1986 resulted in suspension of the party convention . . . currently pressing for increased settlement in occupied territories to burnish his ideological credentials and as a strategem for securing his official designation as number two . . . elected mayor of Beit Shean in 1965 and won Knesset seat on Herut list in 1969 . . . headed Ministry of Immigrant Absorption in Begin's first Cabinet . . . 49. [redacted]

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Ariel Sharon
Minister of Industry and Commerce

Charismatic, [redacted] and ambitious contender for ultimate leadership of the party . . . commands smallest of Herut's three main fractions . . . tactically allied with Levi against Shamir and Arens at the 1986 Herut convention and recently challenged Shamir by convening a Herut miniconvention in January . . . rivals fear his political weight, persuasiveness, and disruptive potential . . . likely to receive a key party office in any leadership deal . . . entered politics in 1973 after a distinguished military career when he won election to Knesset on the Herut list . . . served as minister of agriculture (1977-81) and defense (1981-83) . . . 58. [redacted]

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Moshe Arens
Minister Without Portfolio

Loyal Shamir ally and likely intended political heir . . . lacking independent strength within Herut, is vulnerable to more charismatic and powerful rivals such as Levi and Sharon . . . US-educated engineer and former Israel Aircraft Industries vice president, successfully ran for Knesset in 1973 as Herut party's Tel Aviv boss . . . an articulate and outspoken hawk, he earned Menachem Begin's recognition for his ability and trustworthiness . . . after Likud 1977 election victory chaired Knesset Foreign Affairs and Defense Committee (1977-82) . . . appointed Ambassador to the United States (1982-83) and defense minister (1983-84) . . . 61.

[redacted]

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Likud "Comers"



Moshe Katzav
Minister of Labor and Social Welfare

Prominent member of Herut younger Sephardi generation . . . loyal to Shamir, who supported his election as chairman of stormy 1986 Herut convention . . . Begin protege with strong political base in northern Negev town of Kiryat Malachi, where he has been mayor since 1969 . . . in Knesset since 1977 and deputy minister of construction and housing (1981-84) . . . appointment opposed by fellow Sephardi Herut heavyweight, David Levi, who viewed him as a rival for influence in development towns . . . 41. [redacted]

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Dan Meridor
Member, Knesset

Shamir loyalist among younger generation of Herut leaders and important Shamir supporter at 1986 Herut convention . . . with Benny Begin has encouraged Shamir to ally with Levi to isolate Sharon . . . widely respected by colleagues . . . lawyer by training, active in Herut's Jerusalem branch, and member of the party's Central Committee since 1968 . . . publicly unknown until appointed as Begin's and then Shamir's Cabinet secretary (1982-84) . . . son of former Herut member of Knesset, confidant of Begin, and Knesset member since 1984 . . . about 42. [redacted]

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Ronnie Milo
Deputy Minister in the Prime Minister's Office

Longtime Shamir associate and staunch defender at 1986 Herut convention . . . position and influence among Shamir's entourage reduced since rotation because of his hard-edged ideological approach to policy . . . has bright political future with likely following among party's younger generation because of his relative youth and work with Herut youth organizations . . . rewarded with post as deputy foreign minister (1984-86) for his management of Likud information campaign in 1984 general election . . . Knesset member since 1977 and former Likud faction chairman . . . 37.

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Ze'ev Benyamin (Benny) Begin
Son of Menachem Begin

Geologist, son of party founder and former Prime Minister . . . was Begin's close confidant late in his term . . . relative newcomer to high-stakes party politics . . . a Shamir supporter and determined opponent of Ariel Sharon . . . close friend and ally of Dan Meridor . . . seen as potential heir to old guard, mainstream Herut leadership . . . benefits from loyalty of rank and file to his father but will require hardened political skills and firm party base to overcome opposition from more senior rivals . . . 44.

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Ehud Olmert
Member, Knesset

Shamir confidant and adviser who is viewed as a rising star in Herut . . . key participant in Likud's information campaign in the 1984 general election . . . articulate and moderate voice within the La'am faction of the Herut Party, widely respected by Knesset colleagues . . . lawyer and controversial former journalist elected to Knesset in 1973 . . . about 42.

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Appendix C

Israel's Political Parties (with current Knesset seats)

Agudat Yisrael (2)—Ultraorthodox religious party that concentrates on promoting religious legislation and funding for its religious educational system.

Kach (1)—Extreme rightwing party run by American-born Rabbi Meir Kahane. Advocates expulsion of Arab citizens of Israel and West Bank Palestinians.

Labor (40)—Socialist party that led every Israeli government until 1977. After 1984 election, formed alignment with Yahad, a moderate party founded by former Likud member and Defense Minister Ezer Weizman that won three seats. Yahad merged with Labor in 1987.

Likud (41)—Bloc formed in 1973 by Herut, Liberal Party, and La'am. Dominant faction Herut stresses retention of and settlement in Israeli-occupied West Bank, Gaza, and Golan.

MAPAM (6)—Socialist and dovish party formerly in electoral alignment with Labor. Split from Labor in 1984 in opposition to creation of National Unity government.

Morasha (1)—New prosettlement party. Most members merged with National Religious Party in 1986.

National Religious Party (5)—Religious party that has backed retention and settlement of West Bank and Golan since 1967. Electoral strength has dropped steadily since peak of 12 in 1977.

Ometz (1)—Led by former Finance Minister Yigal Hurvitz. Advocates free market economic system.

Progressive List for Peace (2)—Non-Zionist leftist party that draws most of its support from Arab voters.

Rakah (4)—Israeli Communist Party that draws majority of its vote from Israeli Arabs.

Ratz (Citizens' Rights Movement) (4)—Broke away from Labor Party and emphasizes civil liberties.

SHAS (4)—New predominantly Sephardi, ultraorthodox party. Emphasizes religious affairs.

Shinui (3)—Remnant of Democratic Movement for Change that supports territorial compromise, electoral and civil rights reforms.

Tami (1)—Sephardi religious party that emphasizes ethnic pride.

Tehiya (5)—Broke away from Likud in opposition to Camp David accords. Strongly opposes territorial concessions, supports increased settlement in occupied areas.



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